



Carleton
UNIVERSITY

2010-2011

**FINANCIAL REPORT
TO THE
BOARD OF GOVERNORS**

TABLE OF CONTENTS

SUMMARY REPORT		I
1.	CONSOLIDATED STATEMENT OF OPERATIONS	i
2.	ACCUMULATED DEFICIT	i
3.	ANCILLARY OPERATIONS	i
4.	STATEMENT OF FINANCIAL POSITION	ii
1. INTRODUCTION		1
1.1	2010–2011 OPERATING RESULTS	1
1.2	ACCUMULATED DEFICIT	1
2. CONSOLIDATED STATEMENT OF OPERATIONS		1
2.1	OPERATING INCOME	2
2.1.1	Government Operating Grants	2
2.1.2	Tuition Fees - Credit Programs	3
2.1.3	Miscellaneous Income	3
2.1.4	Interest Income	4
2.1.5	Departmental Income	4
2.2	OPERATING EXPENDITURES, TRANSFERS, AND APPROPRIATIONS	5
2.2.1	Operating Expenditures and Transfers	5
2.2.2	Appropriations	8
2.2.3	Operating Result	9
2.2.4	Accumulated Deficit	9
2.3	ANCILLARY OPERATIONS - OPERATING RESULTS AND FUND BALANCES	10
2.3.1	Recreation and Athletics	10
2.3.2	Bookstore	11
2.3.3	Health and Counselling Services	11
2.3.4	Housing and Conference Services	12
2.3.5	Parking Services	13
2.3.6	University Centre	13
2.3.7	Graphic Services	14
2.3.8	Ancillary Property Rentals	14
2.3.9	Ancillary Capital Fund	15
2.4	OTHER INCOME AND EXPENDITURES	16
2.4.1	Plant Income and Expenses	16
2.4.2	Research Funding and Expenditures	17
2.5	RECONCILIATION OF OPERATING RESULTS	18

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

3.1	SOURCE AND APPLICATION OF UNIVERSITY FUNDS	20
3.2	SOURCE OF RESOURCES	21
3.2.1	Accounts Payable	21
3.2.2	Deferred Revenue	21
3.2.3	Current Portion of Long Term Debt	22
3.2.4	Accrued Vacation Pay	22
3.2.5	Employee Future Benefits Liability	22
3.2.6	Long Term Debt	23
3.2.7	Net Assets, providing a source of funds	23
3.3	APPLICATION OF RESOURCES	25
3.3.1	Cash and Short Term Investments	25
3.3.2	Accounts Receivable	25
3.3.3	Prepaid Expenses	26
3.3.4	Current Portion of Net Investment in Lease	27
3.3.5	Net Investment in Lease	27
3.3.6	Investments	27
3.3.7	Capital Assets, investment in capital assets, deferred capital contributions	28
3.3.8	Net Assets, requiring an application of funds	29

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

SCHEDULE 1
SCHEDULE 2

NOTES ON FINANCIAL STATEMENTS SUMMARY REPORT 2010-2011

Consolidated Statement of Operations - Operating Fund

Operating revenues exceeded expenses by \$2.3 million in 2010-2011. This compares to a budgeted surplus of \$1.0 million, and is \$0.4 million above the previous year. A breakdown and comparison follows:

	<i>2010-2011 Actual \$M</i>	<i>2010-2011 Budget \$ M</i>	<i>2009-2010 Actual \$ M</i>
Deficit reduction for the year	2.3	1.0	1.9

The 2010-2011 approved Budget projected a reduction in the accumulated deficit of \$1.0 million, which the actual result exceeded by \$1.3 million. A summary of the individual budgetary improvements and shortfall is set out below. It excludes items where specific income was offset by related expenditure (section 2.1 of the Notes).

Deficit Reduction: \$1.3 million above budget

Income: \$4.3 million above budget

As outlined in section 2.2.3, the income items over budget were: Grant income \$1.3 million, Tuition income \$2.2 million, Miscellaneous income \$0.6 million, and Interest income \$0.2 million.

Expenses and Appropriations: \$2.9 million above budget

Allocations in excess of contingency funds -	\$0.6 million cost
Unspent and unappropriated allocations -	\$(1.3) million savings
New appropriations -	\$3.6 million cost

Accumulated Deficit: \$1.3 lower than original estimate

The accumulated operating deficit (excluding provisions for vacation pay and post retirement benefits) at April 30, 2011 was therefore \$3.7 million, \$1.3 million less than projected.

Ancillary Operations: \$3.9 million surplus from regular operations

The ancillary operations finished the year with a surplus of \$3.9 million from regular operations. After contributions of \$8.1 million to capital projects, the draw on previous reserves was \$4.2 million which is shown as a deficit in 2010-11. 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, once again, the impact improved market conditions have had on our investments, which have increased in fair value \$53.8 million from the prior year. The endowment fund, which holds the majority of our investments, increased in value by \$53.3 million. This net increase was comprised of \$4.4 million in gifts, \$8.7 million in realized capital gains and investment revenue, \$50.2 in unrealized gains and a distribution of funds for spending of \$10.0 million. A more complete analysis of the endowment fund is included in section 3.2.7.

The other notable change from the previous year's balance sheet is the \$52.8 million increase in capital assets which are analyzed in note 5 of the audited financial statements. The majority of the increase is due to the two academic buildings and one residence building currently under construction and nearing completion.



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September 2011

NOTES ON FINANCIAL STATEMENTS

2010-2011

1. INTRODUCTION

1.1 2010-2011 Operating Results

The operating result for the year shows a reduction in the accumulated deficit of \$2,335,000. This compares to an original projection of \$1,000,000 and an increase of \$416,000 over the previous year.

The variation in the operating results is the result of increased grant, tuition, miscellaneous and short term interest income of \$4,259,000.

On the expenditure side, favourable budget variances in university budgets, partially offset by overspent contingencies, increased the contribution towards the accumulated deficit by \$676,000 while new appropriations decreased the contribution by \$3,600,000.

The net result of \$4,259,000 in positive income adjustments, and \$2,924,000 in negative expenditure adjustments was therefore a \$2,335,000 reduction in the accumulated deficit, as opposed to the original projection of \$1,000,000.

1.2 Accumulated Deficit

The accumulated operating deficit (excluding provisions for vacation pay and post-retirement benefits) at April 30, 2011 was \$3,656,000. This compares to \$5,991,000 as at April 30, 2010 and the 2010-2011 opening budget projection of \$4,991,000.

2. CONSOLIDATED STATEMENT OF OPERATIONS

The Consolidated Financial Statements, which are presented at the beginning of this Report, record income and expenses in accordance with Generally Accepted Accounting Principles as defined by the Canadian Institute of Chartered Accountants. Beginning with the 1997-1998 fiscal year, these statements combined all the activities of the University (previously segregated into "funds") into one statement. As the general operating activities of the University require specific strategic financial analysis, operating income and expenses are highlighted and restated in Schedule 1 immediately following these notes. This restatement facilitates a comparison to the 2010-2011 operating budget as approved by the Board of Governors in Spring 2010.

In the sections 2.1, 2.2 and Schedule 1 which follow, the operating income and expenses are analyzed 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 \$324,459,000 in 2010-2011. This compares to an original budget of \$315,477,000 and a total for the previous year of \$302,913,000. Total operating income was therefore \$8,982,000 (2.8%) above budget, and \$21,546,000 (7.1%) above the previous year.

	<i>2010-2011 Actual \$000</i>	<i>2010-2011 Budget \$000</i>	<i>Variance \$000</i>
Revenues	324,459	315,477	8,981
Items offset by Expenditures (2.2.1)	4,722	-	4,722
Net Revenues	<u>319,737</u>	<u>315,477</u>	<u>4,259</u>

Each category of income is reviewed in the following sections and a summary is provided in Schedule 1.

2.1.1 Government Operating Grants

The \$153,542,000 included in Schedule 1 is \$5,164,000 (3.5%) above the original estimate, and \$4,882,000 (3.3%) more than the previous year. A comparison to the estimate in the original budget is set out below:

	<i>2010-2011 Actual \$000</i>	<i>2010-2011 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items Affecting the Operating Result</u>			
Basic Operating Grant	130,829	130,418	411
Research Overheads	4,926	4,856	70
Access to Higher Quality Education Fund	6,258	6,618	(360)
Performance Funding	598	604	(6)
Accessibility Fund	6,168	4,997	1,171
Other government grants	45	-	45
Subtotal	<u>148,824</u>	<u>147,493</u>	<u>1,331</u>
<u>Items offset by expenses</u>			
Access for the Disabled	861	635	226
Student Aid Funds	3,273	250	3,023
Other Government Grants	584	-	584
Subtotal	<u>4,718</u>	<u>885</u>	<u>3,833</u>
Total Government Grants	<u>153,542</u>	<u>148,378</u>	<u>5,164</u>

Omitting special purpose grants, the operating revenue from the Ministry of Training, Colleges and Universities was \$1,331,000 above the original projection. The increase from the original projection relates mainly to additional Accessibility grant funding linked to undergraduate enrolment.

2.1.2 Tuition Fees – Credit Programs

Tuition income totalled \$153,880,000 in 2010-2011. This represents an increase of \$14,551,000 (10.4%) over the previous year, and is \$2,790,000 (1.8%) above the original estimate. Details of the 10.4% 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>		
2009-2010	18,628	2,951	21,579	139,329
2010-2011	19,474	3,022	22,496	153,880
Increase (Decrease)	846	71	917	14,551
%	4.5%	2.4%	4.2%	10.4%

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

All but \$597,000 of the additional tuition revenue went to improving the operating result of the University. Of this, \$529,000 was allocated to student support as part of the Ministry's tuition set-aside requirements, while the balance relates to a formula adjustment for the Centre for Initiatives in Education.

2.1.3 Miscellaneous Income

Miscellaneous income totalled \$10,441,000 in 2010-2011, which is \$570,000 over the original budget, and \$934,000 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>2010-2011 Actual \$000</i>	<i>2010-2011 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items affecting the operating result</u>			
Application and admission fees	1,820	1,550	270
Deferred payment and processing fees	1,935	1,971	(36)
Omnibus fee	803	771	32
Internal overhead charges	3,019	2,736	283
Library and other fines	186	200	(14)
Facility rentals	743	730	13
Career and Co-op Placement Services	1,430	1,182	248
University of Ottawa exchange revenue	-	77	(77)
Other miscellaneous	500	654	(154)
Subtotal	10,436	9,871	565
<u>Items offset by additional expenditures</u>			
Other income	5	-	5
Subtotal	5	-	5
Total Miscellaneous Income	10,441	9,871	570

2.1.4 Interest Income

Interest income totalled \$2,846,000 in 2010-2011, which was \$166,000 above budget, and \$586,000 above the previous year. The positive variance is due to short term investment returns being higher than projected.

2.1.5 Departmental Income

The following items are included in departmental income:

	<i>2010-2011 Actual \$000</i>	<i>2010-2011 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items offset by additional expenditures</u>			
Instructional Media Services and CUTV	817	745	72
Computing	271	274	(3)
Pension plan administration	234	215	19
Centre for Initiatives in Education	476	477	(1)
Ombudsperson	69	91	(22)
Salary recoveries	463	247	216
Science and Technology Centre	280	160	120
Student Experience Office	286	286	-
Paul Menton Centre	107	105	2
Alumni and external contributions	309	449	(140)
General sales	250	261	(11)
Other	169	133	36
Subtotal	3,731	3,443	288
<u>Items affecting the operating result</u>			
Benefit recoveries	19	15	4
Total Department Income	3,750	3,458	292

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

2.2 Operating Expenditures, Transfers, and Appropriations

Operating fund expenditures and transfers totalled \$296,942,000 in 2010-2011. This represents a \$17,535,000 (5.6%) decrease from the original expense budget of \$314,477,000 and a \$14,360,000 (5.1%) increase from the previous year's total of \$282,582,000. Total appropriations from the operating fund balance at the end of 2010-2011 amounted to \$63,134,000. This represents a net increase of \$25,182,000 in the appropriated fund balance returned from the previous year. The categories of changes are examined on the following pages.

2.2.1 Operating Expenditures and Transfers

Expenses and Transfers above the original budget are calculated as follows:

	<u>\$000</u>
Actual operating expenditures and transfers	296,942
Opening budget	<u>314,477</u>
Expenditures below budget	<u>(17,535)</u>

The items included in the \$17,535,000 decrease in expenditures and transfers were:

	<u>\$000</u>	<u>\$000</u>
a) <u>Salary Increases</u>		
2010-2011 Cost	4,945	
Less: Contingency in opening budget	5,582	
Savings		(637)
b) <u>Mid-Year Allocations</u>		
Total allocations	1,357	
Less: Opening contingency	1,623	
Savings		(266)
c) <u>Enrolment Incentive</u>		
2010-2011 cost	7,886	
Less: Opening contingency	6,275	
Cost		1,611
d) <u>Sabbatical Leave Savings</u>		
Total 2010-11 savings	(1,196)	
Less: Planned savings	(1,100)	
Additional savings		(96)
e) <u>Other Contingencies</u>		
2010-2011 cost	19,705	
Less: Opening contingency	19,705	
Net		-
Total overspent contingencies		<u>612</u>

<u>(Unspent) overspent balances not appropriated:</u>	<u>\$000</u>	<u>\$000</u>
f) Provision for bad debt		
g) Utilities	467	
h) Professional fees	(1,488)	
i) Benefits	(128)	
j) Collective bargaining	(167)	
k) Transfers	161	
Other	(149)	
Subtotal	16	
		(1,288)
<u>Expenditures funded by additional income:</u>		
Government grant (section 2.1.1)		
Tuition income (section 2.1.2)	3,833	
Miscellaneous income (section 2.1.3)	597	
Departmental income (section 2.1.5)	5	
	288	
Expenditures funded by returned appropriations		4,723
Total appropriations in 2010-2011	37,952	
Net appropriations (section 2.2.2)	63,134	
Add: New appropriations (section 2.2.2)	(25,182)	
	3,600	
		(21,582)
Total expenditures and transfers below budget		(17,535)

Notes:

- a) Salary Increases: The cost of compensation increases in 2010-2011 totalled \$4,945,000 against a contingency of \$5,582,000 in the opening budget. This represents a savings of \$637,000.
- b) Mid-Year Allocations: Allocations from the mid-year contingency fund totalled \$1,357,000 in 2010-2011 as compared to a budget of \$1,623,000. An analysis of the allocations follows:

Allocations from the Mid-Year Contingency Fund:

	<u>\$000</u>
Library addition design	850
Academic initiatives	157
Arbitration awards	140
Diploma in Public Policy	110
Copyright fees	50
Senior administrator searches	50
Total allocations	1,357
Opening contingency	(1,623)
Savings	(266)

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 2009-10 whereby Faculties would receive 40% of the net revenue from enrolment growth in their areas. The plan continues to be very successful, as indicated by our grant and tuition revenue growth, and allocations to the Faculties exceeded budget by \$1,611,000.

- d) Sabbatical Leave Savings: The actual savings related to sabbatical leaves totalled \$1,196,000 as compared to the budget of \$1,100,000. The excess of \$96,000 in planned savings improves the operating results.
- e) Other Contingencies: The original budget for 2010-2011 included a \$5,000,000 provision for new academic construction and \$14,705,000 to deal with increases in the special deficit payments required for the University's pension plan. During the year, \$6,978,000 in special pension payments was required. The unused 2010-2011 funds were carried forward as part of the capital and pension liabilities reserves.
- f) Provision for Bad Debt: The provision for bad debt relates mainly to student tuition fees. The total allowance for bad debt in 2010-2011 was \$1,557,000, which was \$467,000 over budget, and represents approximately 1% of tuition fees assessed. The increase in tuition fees receivable and subsequent bad debt provision coincides with the global economic downturn. More students are becoming unable to meet tuition payments in a timely manner, if at all. The University continues to use the mechanisms available to collect tuition fees, however it is probable that a meaningful decrease in outstanding fees will only be seen once the global economy recovers.
- g) Utilities: The savings achieved this year are due largely to pricing in the oil and gas markets. The 2010-11 budget was set conservatively given the volatility in these markets and to offset increases in the hydro costs.
- h) Professional Fees: The reduction this year relates mostly to legal fee savings. The University was very effective in handling many issues in-house resulting in fewer issues requiring outside counsel.
- i) Collective Bargaining: The university successfully negotiated four collective agreements during the fiscal year which resulted in higher than normal costs.
- j) Benefits: Staff benefit costs were \$167,000 below budget in 2010-11. These savings relate mostly to a WSIB experience rating refund.
- k) Interfund Transfers: The transfer budget exceeded the actual costs by \$149,000. This relates mainly to contract overhead recoveries coming from the Research Fund which exceeded the original budget by \$159,000. 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. The distribution of overheads for 2010-2011 and 2009-2010 are as follows:

	<i>2010-2011</i> \$000	<i>2009-2010</i> \$000
General operating budget and contingency	585	573
Vice-President (Research and International)	251	183
<u>Faculties</u>		
Engineering and Design	256	249
Arts and Social Sciences	149	89
Science	131	139
Public Affairs	94	82
Business	3	34
Total	<u>1,469</u>	<u>1,349</u>

2.2.2 Appropriations:

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

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

	<u>\$000</u>
Appropriated to fund balance 2010-2011	63,134
Returned from 2009-2010 fund balance	<u>37,952</u>
Increase in appropriated fund balance	<u>25,182</u>

Details of the returned and new appropriations are as follows:

	<i>Returned</i> \$000	<i>Appropriated</i> \$000	<i>Difference</i> \$000
<u>RPC</u>			
Faculties	15,544	19,169	3,625
Academic Administration and Student Services	3,739	4,964	1,225
Library	735	979	244
President	885	1,057	172
Research and International	175	904	729
Finance and Administration	12,906	16,127	3,221
Advancement	61	241	180
Professional development allowances	96	102	6
Computing infrastructure	1,022	1,020	(2)
Mandated student aid	70	169	99
Renovations	1,460	2,000	540
Self-insurance fund	4	24	20
Pending commitments	255	51	(204)
Pension liabilities reserve	-	7,727	7,727
Capital reserves	-	5,000	5,000
New allocations	1,000	3,600	2,600
Total	<u>37,952</u>	<u>63,134</u>	<u>25,182</u>

In addition, \$70,603,000 in prior year appropriations were not returned during 2010-2011. The \$70,603,000 relates to:

	<u>\$000</u>
Pension liability reserve	28,977
Capital reserves	38,792
Renovations	2,000
Self-insurance fund	234
Other	<u>600</u>
Total appropriations not returned	<u>70,603</u>

New allocations consist of appropriations of unspent funds in addition to those included in the original budget. For 2010-2011 the new allocation consists of \$3,600,000 for equipment and new initiatives.

2.2.3 Operating Result

As noted in section 1 above, the actual results show a reduction in the accumulated deficit of \$2,335,000, which represents an improvement of \$1,335,000 from the original \$1,000,000 estimate.

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 \$1,335,000 improvement in the operating results.

	Deficit Reduction		
	<i>Increase</i> \$000	<i>Decrease</i> \$000	<i>Net</i> \$000
<u>Income Variations</u>			
Government grants (section 2.1.1)	1,331		
Tuition fees (section 2.1.2)	2,193		
Miscellaneous income (section 2.1.3)	565		
Interest income (section 2.1.4)	166		
Departmental income (section 2.1.5)	4		
Total income variations	4,259	-	4,259
<u>Expenditure Variations</u>			
Overspent contingencies (section 2.2.1)		(612)	
Unspent allocations (section 2.2.1)	1,288		
	1,288	(612)	676
New appropriations (section 2.2.2)		(3,600)	(3,600)
Net effect of expense variations	1,288	(4,212)	(2,924)
Net increase of \$1,335,000 in deficit reduction	5,547	(4,212)	1,335

2.2.4 Accumulated Deficit

The accumulated operating deficit as at April 30, 2011 amounted to \$3,656,000. This compares to an original estimate of \$4,991,000 and previous year's total of \$5,991,000.

2.3 Ancillary Operations - Operating Results and Fund Balances

Schedule 2, at the end of this Report, details the 2010-2011 operations of the ancillaries as compared to the original budget. Overall the ancillary results can be summarized as follows:

	<i>2010-2011 Actual \$000</i>	<i>2010-2011 Budget \$000</i>	<i>2009-2010 Actual \$000</i>
Income and internal recoveries	50,638	48,842	49,256
Expenses and transfers	46,705	44,970	43,764
Surplus (deficit)	3,933	3,872	5,492
Contribution to new buildings	8,100	9,400	1,300
Net surplus (deficit)	(4,167)	(5,528)	4,192

The fund balances of the ancillaries can be segregated along the line of those operations with accumulated deficits and those in an accumulated surplus position. The change in these balances is as follows:

	<i>Balance at April 2011 \$000</i>	<i>Balance at April 2010 \$000</i>	<i>Variance \$000</i>
Ancillaries with an accumulated surplus	7,834	12,190	(4,356)
Ancillaries with an accumulated deficit	(184)	(373)	189
	7,650	11,817	(4,167)

The \$4,167,000 net deficit recognized in the ancillaries is made up of a \$3,744,000 net decrease in reserves established from previous surpluses and \$189,000 net decreases of previously accumulated deficits. These surpluses were offset by \$8,100,000 of reserves being returned in order to make contributions to new buildings. 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 2010-2011 results and status of the Recreation and Athletics operations can be summarized as follows:

	<i>2010-2011 Actual \$000</i>	<i>2010-2011 Budget \$000</i>	<i>2009-2010 Actual \$000</i>
<u>Income</u>			
Athletic fees	3,529	3,456	3,378
Other income	6,095	5,476	6,155
	9,624	8,932	9,533
<u>Expenses and Transfers</u>			
Direct expenses	8,203	8,302	8,437
Renovations and alterations	554	554	591
	8,757	8,856	9,028
Surplus (deficit)	867	76	505

Opening fund balance (deficit)	232	232	(273)
Closing fund balance (deficit)	1,099	308	232

The Recreation and Athletics operations finished the year with a surplus of \$867,000, resulting in an accumulated surplus balance of \$1,099,000. The increased surplus for 2010-11 is a result of income related to Athletic fees having increased over the prior year and an overall reduction in costs. Less than 40% of the Department's income is derived from the Athletic Fee; other income is derived from external membership fees, facility rentals and specific instructional program fees. These other income streams have remained comparable to the prior year.

2.3.2 Bookstore

The 2010-2011 results and status of the Bookstore operations can be summarized as follows:

	<i>2010-2011 Actual \$000</i>	<i>2010-2011 Budget \$000</i>	<i>2009-2010 Actual \$000</i>
<u>Income</u>			
Commissions and reimbursements	1,271	1,238	1,236
<u>Expenses and Transfers</u>			
Direct expenses	1,111	1,081	1,075
Indirect expense contribution	153	153	153
	1,264	1,234	1,228
Surplus (deficit)	7	4	8
Opening fund balance (deficit)	214	214	206
Closing fund balance (deficit)	221	218	214

The Bookstore operations finished the year with a surplus of \$7,000, and it now has an accumulated surplus of \$221,000. In 2010-2011, the Bookstore expensed renovation loan repayments related to the move to the University Centre in the amount of \$233,000.

2.3.3 Health and Counselling Services

The 2010-2011 results and status of the Health and Counselling Services operations can be summarized as follows:

	<i>2010-2011 Actual \$000</i>	<i>2010-2011 Budget \$000</i>	<i>2009-2010 Actual \$000</i>
<u>Income</u>			
Health Services fee	1,157	1,135	1,109
Staff use of services	-	-	28
Insurance recoveries / other	1,787	1,583	1,634
	2,944	2,718	2,771
<u>Expenses and Transfers</u>			
Direct expenses	2,810	2,632	2,760
Indirect expense contribution	27	24	26
	2,837	2,656	2,786
Surplus (deficit)	107	62	(15)

Opening fund balance (deficit)	(211)	(211)	(196)
Closing fund balance (deficit)	(104)	(149)	(211)

The Health and Counselling Services operations finished the year with a surplus of \$107,000. The service now has an accumulated deficit of \$104,000. The surplus is a result of increased insurance recovery income and an overall reduction in expenses due to changes implemented over the past few years in an effort to improve overall operations.

2.3.4 Housing and Conference Services

The 2010-2011 results for the Housing and Conference Services operations can be summarized as follows:

	<i>2010-2011 Actual \$000</i>	<i>2010-2011 Budget \$000</i>	<i>2009-2010 Actual \$000</i>
<u>Income</u>			
Residence fees	14,013	14,030	13,392
Conference operations	2,108	2,225	2,521
Commission income	4,716	4,200	4,364
Other income	1,416	1,371	1,597
	22,253	21,826	21,874
<u>Expenses and Transfers</u>			
Direct expenses	16,267	15,086	12,929
Capital debt (interest and principal)	4,682	4,804	5,842
Indirect expense contribution	105	95	105
Contribution to Ancillary Capital Fund	1,154	729	779
	22,208	20,714	19,655
Surplus (deficit)	45	1,112	2,219
Opening fund balance (deficit)	5,213	5,213	4,294
Contribution to new buildings	4,100	5,400	1,300
Closing fund balance (deficit)	1,158	925	5,213

The Housing and Conference Services operations finished the year with a surplus of \$45,000 however \$4,100,000 of the previously accumulated surplus was used to fund new building initiatives. Of this amount, \$2,700,000 was used to fund a new residence and \$1,400,000 was used to fund food service outlets in the new River and Canal buildings.

2.3.5 Parking Services

The 2010-2011 results and status of the Parking Services operations can be summarized as follows:

	<i>2010-2011 Actual \$000</i>	<i>2010-2011 Budget \$000</i>	<i>2009-2010 Actual \$000</i>
<u>Income</u>			
Parking charges	3,688	3,555	3,516
Other income	338	390	414
	<u>4,026</u>	<u>3,945</u>	<u>3,930</u>
<u>Expenses and Transfers</u>			
Direct operating	2,336	2,306	2,353
Indirect expense contribution	58	55	55
	<u>2,394</u>	<u>2,361</u>	<u>2,408</u>
Surplus (deficit)	<u>1,632</u>	<u>1,584</u>	<u>1,522</u>
Opening fund balance (deficit)	5,265	5,265	3,743
Contribution to new buildings	4,000	4,000	-
Closing fund balance (deficit)	2,897	2,849	5,265

The Parking Services operation finished with a surplus of \$1,632,000 in 2010-2011 however \$4,000,000 of pre-existing surplus were used to fund costs of parking facilities in the River Building. The remaining accumulated surplus has been set aside as Parking Services is targeting a \$10 million accumulated surplus to fund further parking structures should they be required.

2.3.6 University Centre

The 2010-2011 results and status of the University Centre operations can be summarized as follows:

	<i>2010-2011 Actual \$000</i>	<i>2010-2011 Budget \$000</i>	<i>2009-2010 Actual \$000</i>
<u>Income</u>			
Rents and other recoveries	1,313	1,338	1,265
<u>Expenses and Transfers</u>			
Direct operating	1,352	1,312	1,187
Surplus (deficit)	<u>(39)</u>	<u>26</u>	<u>78</u>
Opening fund balance (deficit)	104	104	26
Closing fund balance (deficit)	65	130	104

The University Centre operation is run on a cost recovery basis over time.

2.3.7 Graphic Services

The 2010-2011 results and status of the Graphic Services operations can be summarized as follows:

	<i>2010-2011 Actual \$000</i>	<i>2010-2011 Budget \$000</i>	<i>2009-2010 Actual \$000</i>
<u>Income</u>			
Sales: External	1,909	1,811	1,939
Internal	2,186	2,584	2,296
Other	92	100	119
	<u>4,187</u>	<u>4,495</u>	<u>4,354</u>
Less: Cost of goods sold	(886)	(970)	(1,025)
Gross profit	<u>3,301</u>	<u>3,525</u>	<u>3,329</u>
<u>Expenses and Transfers</u>			
Direct operating	2,995	3,261	3,338
Indirect expense contribution	64	71	67
Contribution to Ancillary Capital Fund	197	180	203
	<u>3,256</u>	<u>3,512</u>	<u>3,608</u>
Surplus (deficit)	<u>45</u>	<u>13</u>	<u>(279)</u>
Opening fund balance (deficit)	(125)	(125)	154
Closing fund balance (deficit)	(80)	(112)	(125)

The Graphics Services operations finished the year with a surplus of \$45,000. The service now has an accumulated deficit of \$80,000.

2.3.8 Ancillary Property Rentals

The 2010-2011 results and status for the Ancillary Property Rental operations can be summarized as follows:

	<i>2010-2011 Actual \$000</i>	<i>2010-2011 Budget \$000</i>	<i>2009-2010 Actual \$000</i>
<u>Income</u>			
Rents	3,102	3,159	3,079
Interest and sundry income	32	32	33
Occupancy cost	998	818	806
	<u>4,132</u>	<u>4,009</u>	<u>3,918</u>
<u>Expenses and Transfers</u>			
Direct Operating expenses	843	1,024	756
Occupancy Costs	998	818	806
Capital debt (interest and principal)	2,104	1,791	1,610
	<u>3,945</u>	<u>3,633</u>	<u>3,172</u>
Surplus (deficit)	<u>187</u>	<u>376</u>	<u>746</u>
Opening fund balance (deficit)	(37)	(37)	(783)
Closing fund balance (deficit)	150	339	(37)

The Ancillary Property Rentals include the Carleton Technology and Training Centre (CTTC), the National Wildlife Research Centre (NWRC) and the Pearson Peacekeeping Centre (PPC). The

operating results for 2010-2011 show a surplus of \$187,000 which eliminates the previous years deficit and creates an accumulated surplus of \$150,000.

The 2010-2011 \$150,000 closing fund surplus relates to timing differences between rental payments and corresponding costs for NWRC. The prior year closing fund deficit for CTTC has been eliminated.

2.3.9 Ancillary Capital Fund

The 2010-2011 results and status for the Ancillary Capital Fund operations can be summarized as follows:

	<u>2010-2011</u> <i>Actual</i> \$000	<u>2010-2011</u> <i>Budget</i> \$000	<u>2009-2010</u> <i>Actual</i> \$000
<u>Income</u>			
Contributions	1,774	1,311	1,400
<u>Expenses and Transfers</u>			
Direct operating	692	692	692
Surplus (deficit)	<u>1,082</u>	<u>619</u>	<u>708</u>
Opening fund balance (deficit)	1,162	1,162	454
Closing fund balance (deficit)	2,244	1,781	1,162

The Ancillary Capital Fund operation has been established to support future capital projects that may be required in the Ancillary operations. The Athletics Master Plan (2001) recommended that three new facilities be constructed to meet the current demand for quality recreational, intramural and competitive programming opportunities. The 4,500 square metre Field House was opened in February 2003, the Alumni Hall and Sports Centre was opened in Fall 2004 and the Ice Arena was opened in Fall 2005. A total of \$5,500,000 in costs for the Alumni Hall and Sports Centre and \$1,500,000 in costs for the Ice Arena will be supported by contributions received from the Ancillary operations to the Ancillary Capital Fund. The direct operating expenses of \$692,000 represent annual Ancillary Capital Fund payments towards these projects.

2.4 Other Income and Expenditures

As explained in section 2 above, the 2010-2011 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 2010-2011:

	<i>2010-2011</i>	<i>2009-2010</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	2,003	3,328	(1,325)
Transfers from operating	364	-	364
Net income	2,367	3,328	(961)
<u>Expenses</u>			
Additions	2,536	3,635	(1,099)
Surplus (deficit)	(169)	(307)	138
Opening fund balance	542	849	(307)
Closing fund balance	373	542	(169)

The accumulated surplus of \$373,000 represents committed unrestricted funding provided to 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 2010–2011 there was a net increase of \$731,000 in the Research Fund, from \$41,255,000 to \$41,986,000. Research receipts total \$59,899,000. Disbursements and net transfers out total \$59,168,000. Following Generally Accepted Accounting Principles, all restricted receipts in excess of restricted expenditures are deferred for use in future years. Deferred research revenue for 2010-11 is \$ 27,222,000. (Key to acronyms is on the next page).

<u>Funding Source</u>	<i>Balance April 30, 2010 \$000</i>	<i>2010-2011 Funding \$000</i>	<i>2010-2011 Expenditure \$000</i>	<i>Balance April 30, 2011 \$000</i>
<u>Canadian Government Departments and Agencies</u>				
CIDA	9	117	43	83
Citizenship	-	163	158	5
National Defence	33	922	940	15
DFAIT	17	257	156	118
Energy, Mines and Resources	300	821	828	293
Environment Canada	230	264	181	313
HRDC	(1)	366	345	20
Indian & Northern Affairs	26	400	369	57
Industry Canada	11	59	35	35
IDRC	541	627	983	185
Health and Welfare	34	138	115	57
NRC	51	159	162	48
Canada Customs & Revenue	-	-	-	-
Canadian Heritage	-	8	6	2
Other Federal	198	401	455	144
<u>Tri-Agency Sponsored Research</u>				
CIHR	532	1,333	1,214	651
NSERC	11,210	13,284	13,229	11,265
SSHRC	4,509	4,912	5,523	3,898
Canada Research Chairs	402	3,321	3,323	400
Indirect Cost Program	-	4,255	4,255	-
<u>Other Sponsored Research</u>				
COE	12	2,230	1,757	485
Provincial and Municipal Governments	557	1,101	823	835
CFI	1,480	6,346	7,359	467
Ontario Research Fund	658	1,326	998	986
Ontario ERAP	30	300	284	46
OIT	299	65	44	320
ORDCF	(2)	-	-	(2)
Businesses and Foundations	4,739	4,749	4,207	5,281
NOHFC	1	-	-	1
Foreign Governments	279	184	392	71
Research Partnership Agreements	626	3,164	2,647	1,143
<u>Total Sponsored Research</u>	<u>26,781</u>	<u>51,272</u>	<u>50,831</u>	<u>27,222</u>

<u>Funding Source – continued</u>	<u>Balance</u> <u>April 30,</u> <u>2010</u>	<u>2010-2011</u> <u>Funding</u>	<u>2010-2011</u> <u>Expenditure</u>	<u>Balance</u> <u>April 30,</u> <u>2011</u>
SNO and TRIUMF Internally Restricted Research	-	7,400	7,400	-
<u>Total Restricted Research</u>	<u>14,474</u>	<u>1,227</u>	<u>937</u>	<u>14,764</u>
	<u>41,255</u>	<u>59,899</u>	<u>59,168</u>	<u>41,986</u>

Notes: Key to acronyms

CIDA	Canadian International Development Agency
EMR	Energy, Mines & Resources
CFI	Canadian Foundation for Innovation
CIHR	Canadian Institutes for Health Research
COE	Federal/Provincial Centres of Excellence
DFAIT	Foreign Affairs and International Trade
ERAP	Early Research Award Program (Ontario)
HRDC	Human Resources and Development Canada
IDRC	International Development Research Centre
NOHFC	Northern Heritage Research Fund Corporation
NRC	National Research Council
NSERC	Natural Science and Engineering Research Council
OIT	Ontario Innovation Trust
ORDCF	Ontario Research Development Challenge Fund
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>	23,120
Adjustments:	
a) Capital purchases in excess of amortization	(8,708)
b) Increase in operating appropriations (2.2.2)	(25,182)
c) Research surplus (internally restricted) increase(2.4.2)	(290)
d) Enterprise surplus (internally restricted) decrease	51
e) Scholarship surplus (internally restricted) change	(2)
f) Vacation pay decrease	(173)
g) Gain on unrestricted endowment	(7)
h) Employee future benefit expense in excess of cash payment	9,190
	<u>(2,001)</u>
Represented by:	
Operating surplus (section 1.1)	2,335
Ancillary deficit (section 2.3)	(4,167)
Plant surplus decrease (section 2.4.1)	(169)
	<u>(2,001)</u>

Notes:

- a) Capital purchases in excess of amortization: Under the Canadian Institute of Chartered Accountants (CICA) accounting guidelines, fixed asset additions are capitalized and amortized, as are the funds received to pay for the assets. The result of this change is that expenditures incurred during the year for capital assets are removed from the statements of operations and a calculated amount for amortization expenditure is recognized. Any restricted funds received during the year for capital purchases in excess of the amortization expense, are deferred and brought into income as the expense is recognized. The net result of these manipulations will depend on whether the calculated amortization expense is greater than the sum of the current year expenses and the amortization of deferred contributions (i.e. revenue recognized). During 2010-2011 the following entries were made:

	<u>\$000</u>
Amortization of capital assets	24,162
Less: Amortization of deferred contributions	(11,308)
2010-2011 capital assets additions	(76,977)
Increase in financing of capital assets	55,415
	<u>(32,870)</u>
Difference	<u>(8,708)</u>

The \$8,708,000 difference increases the deficit shown on the Consolidated Statement of Operations but does not affect the accumulated deficits of various activities as it is shown on the Consolidated Statement of Changes in Net Assets. The \$8,708,000 is shown as an increase to the investment in capital assets on this statement.

- b) Increase in appropriations: Under CICA accounting guidelines, appropriations are not accounted for on the face of the Statement of Operations, but are shown as a change in internally restricted net assets on the Consolidated Statement of Changes in Net Assets.
- c) Research surplus: As shown in section 2.4.2 above, internally restricted research balances increased by \$290,000 during 2010-2011. As these funds are earmarked for the continuation of the research activity being funded, this \$290,000 (\$14,764,000 - \$14,474,000) is shown as a reduction to the internally restricted amounts on the Consolidated Statement of Changes in Net Assets.
- d) Enterprise surplus: As shown on the Consolidated Statement of Changes in Net Assets, enterprise balances have decreased by \$51,000 (\$3,111,000 - \$3,060,000) during 2010-2011. As these funds are earmarked for the continual development of entrepreneurial activities such as professional development and language assessment, this increase is shown as an increase to the internally restricted amounts on the Consolidated Statement of Changes in Net Assets.
- e) Scholarship surplus: As shown on the Consolidated Statement of Changes in Net Assets, internally restricted scholarship balances have increased by \$2,000 during 2010-2011. Although these scholarships do not have donor placed restrictions on them, the funds have been earmarked for student support in future years.
- f) Vacation pay decrease: As explained in section 3.2.4, a liability for accrued vacation pay must be recognized in the University's financial statements. The change in the liability during 2010-2011 resulted in a decrease of \$173,000, thus increasing the surplus on the financial statements by this amount. As this fund balance is shown separately on the Consolidated Statement of Changes in Net Assets, this effect on the surplus on the financial statements must be removed.

- g) Gain on unrestricted endowment: The undistributed portion of the gain on the unrestricted endowment is recognized as income in the unrestricted fund, thus increasing the surplus. As this amount is not actually made available for spending, 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 2010-2011 the following entries were made:

	<u>\$000</u>
Employee future benefits	10,195
Employee future pension benefits	2,657
Less: 2010-2011 contributions removed from expenditure	<u>(3,662)</u>
Difference	<u>9,190</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, 2011 were as follows:

	<u>2011</u>	<u>2010</u>	<u>Increase</u>
	<u>Actual</u>	<u>Actual</u>	<u>(Decrease)</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
<u>Sources</u>			
Short term liabilities:			
Accounts payable	49,657	31,909	17,748
Deferred revenue	46,526	48,277	(1,751)
Current portion of long term debt	2,057	1,931	126
Long term liabilities:			
Accrued vacation pay	6,762	6,935	(173)
Employee future benefits	111,984	102,794	9,190
Long term debt	58,584	60,641	(2,057)
Net assets:			
Ancillary and plant funds	1,921	1,751	170
Endowment fund	267,934	214,641	53,293
Internally restricted funds	159,254	138,337	20,917
	<u>429,109</u>	<u>354,729</u>	<u>74,380</u>
Total – Sources	<u>704,679</u>	<u>607,216</u>	<u>97,463</u>

	<i>2011</i> <i>Actual</i> \$000	<i>2010</i> <i>Actual</i> \$000	<i>Increase</i> <i>(Decrease)</i> \$000
Applications			
Short term assets:			
Cash and short-term investments	162,367	131,093	31,274
Accounts receivable	26,787	37,215	(10,428)
Prepaid expenses	3,040	3,184	(144)
Current portion of new investment in lease	487	454	33
Long term assets:			
Net investment in lease	12,823	13,311	(488)
Investments	274,019	220,308	53,711
Capital assets:			
Less: Investment in capital assets	(152,404)	(143,540)	(8,864)
Deferred capital contributions	(196,396)	(169,268)	(27,128)
Net assets:			
General operating fund (deficit)	3,656	5,991	(2,335)
Provision for employee future benefits	111,984	102,794	9,190
Provision for vacation pay	6,762	6,935	(173)
	122,402	115,720	6,682
Total - Applications	704,679	607,216	97,463

3.2 Source of University Resources

3.2.1 Accounts Payable: \$49,657,000

The accounts payable as at April 30, 2011 comprised:

	<i>2011</i> \$000	<i>2010</i> \$000	<i>Increase</i> <i>(Decrease)</i> \$000
Due to suppliers	12,512	6,225	6,287
Construction accruals and holdbacks	12,007	8,753	3,254
Payroll taxes and pension	17,961	11,422	6,539
Amounts held on deposit	1,821	815	1,006
Other taxes payable	560	544	16
Other payables and accrued liabilities	4,796	4,150	646
Total	49,657	31,909	17,748

3.2.2 Deferred Revenue: \$46,526,000

Deferred revenue as at April 30, 2011 comprised:

	<i>2011</i> \$000	<i>2010</i> \$000	<i>Increase</i> <i>(Decrease)</i> \$000
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a) Government grants	1,589	6,463	(4,874)
b) Research	27,222	26,781	441
c) Scholarships	4,037	4,839	(802)
d) Parker loans	1,040	1,035	5
e) Donations	7,274	4,953	2,321
f) Other items	5,364	4,206	1,158
Total	46,526	48,277	(1,751)

Notes:

- a) Of the \$1,589,000 in deferred grant revenue, \$362,000 relates to Facility Renewal funds and \$623,000 relates to graduate support grants. The large balance in the prior year related to capital grants which were expended in the current year.
- 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 2.5.2.
- c) Represents restricted scholarship accounts.
- d) Represents funds available to loan to students in need of financial aid.
- e) Donations are the unexpended portion of donor restricted gifts.
- f) Other deferred revenue relates mainly to advance payments received for projects earmarked for future years and summer programs in the Recreation and Athletics operation and Housing and Conference Services operation.

3.2.3 Current Portion of Long Term Debt: \$2,057,000

The current portion of long-term debt is defined as the amount coming due within the next fiscal year. This totalled \$2,057,000 as at April 30, 2011, an increase of \$126,000 over last year.

3.2.4 Accrued Vacation Pay: \$6,762,000

The \$6,762,000 compares to \$6,935,000 one year earlier for an decrease of \$173,000. Generally Accepted Accounting Principles require that accumulated, but unpaid vacation must be recognized as an expense and an amount payable at each year end. The University's resource management policies are such that any payments of accrued vacation, upon a staff member's departure, must be funded by existing departmental resources in the year the event occurs. The strategic impact of the payable and the deficit created by the expense recognition is therefore not highly significant.

3.2.5 Employee Future Benefits Liability: \$111,984,000

During 2001, the University adopted the recommendations of the CICA Handbook Section 3461, Employee Future Benefits. Under these recommendations, the University accrues its obligations under employee benefits plans as the employees render the services necessary to earn post-retirement and post-employment benefits. Prior to the adoption of these recommendations, the non-pension costs were recognized on a "pay as you go" basis. While this represents a large, unfunded obligation, the 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 10 of the audited financial statements at the beginning of this report for further information.

With respect to pension benefits, the University applies the deferral and amortization approach allowed under s.3461 to determine the accrued benefit obligation, based on an actuarial valuation report prepared specifically for accounting purposes. This approach amortizes any unrecognized gain or loss on the plan over the average remaining service period of active members in the plan. The gains or losses recognized under accounting treatment will differ from those calculated for funding purposes, as different assumptions must be used, most notably, the amortization period. For accounting purposes, in 2010-11, an expense of \$2,657,000 was recognized in relation to the amortization of the plan deficit. Additional details are provided in note 10 of the audited financial statements.

**3.2.6 Long Term Debt:
\$58,584,000**

The loans and mortgages payable are described in some detail in note 8 of the audited financial statements at the beginning of this report.

**3.2.7 Net Assets, providing a source of resources:
\$429,109,000**

The net assets that constitute a source of resources are:

	2011 \$000	2010 \$000	Increase (Decrease) \$000
Ancillary and plant funds	1,921	1,751	170
Internally restricted funds	159,254	138,337	20,917
Endowment fund	267,934	214,641	53,293
Total	429,109	354,729	74,380

Notes:

a) The internally restricted net assets as at April 30, 2011, consist of the following:

	<u>\$000</u>
Appropriated operating funds (section 2.2.2)	133,737
Appropriated ancillary funds (section 2.3)	7,684
Internally restricted research balances (section 2.5.2)	14,764
Enterprise funds	3,060
Scholarship funds	9
	<u>159,254</u>

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

	<u>\$000</u>
Market Value at April 30, 2011	267,934
Market Value at April 30, 2010	214,641
Increase in Value	<u>53,293</u>

The \$53,293,000 increase is calculated as follows:

	<u>\$000</u>
Unrealized gain (loss) on sale of investment	50,163

Gifts, bequests and other additions (per below)	4,444
Gain on sale of investments	8,637
Investment income	6,672
	<u>69,916</u>
Less: Distributed for endowed spending	(10,047)
Direct and indirect operating costs	(2,078)
Investment management fees	(4,498)
Increase in nominal value	<u>53,293</u>

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

	<u>\$000</u>
Nicol Entrepreneurship Endowment Fund	1,000
Hamlin Family CIE Mentorship Endowment Fund	400
Canadian Policy Research Networks Endowment Fund	380
Ontario Trust for Student Support	214
Peter Buckley Scholarship in Journalism	144
Ontario Trust for Student Support	130
The Clayton H Ridell Political Management Endowment Fund	110
Mona & Bert Patterson Endowment Fund	102
Joyce Beverly Krugel Scholarship	100
Margaret & John Hope Scholarship Engineering	100
Phyllis Mary Putt Bursary	100
Hamlin Bursary for the Centre of Initiatives in Education	100
Thomas James McCann Bursary for Engineering	100
Other additions (<\$100,000)	1,464
Total additions	<u>4,444</u>

The realized investment returns for the year totalled \$15,309,000. The amount distributed for endowed spending in 2010-2011 was \$10,047,000. This represents a distribution of \$3.76 per unit held in the investment pool. In addition, \$4,498,000 was paid to investment managers during the year and \$2,078,000 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: \$162,367,000

The cash and short term investment balance is as follows:

	2011 \$000	2010 \$000	Increase (Decrease) \$000
Cash balance	(985)	(1,818)	833
Short term investments	163,352	132,911	30,441
Total	162,367	131,093	31,274

3.3.2 Accounts Receivable: \$26,787,000

	2011 \$000	2010 \$000	Increase (Decrease) \$000
a) Student accounts	8,779	7,378	1,401
b) Student associations	132	118	14
c) General accounts receivable	1,530	10,343	(8,813)
d) Staff computer loans	53	27	26
e) HST/GST receivable	2,944	1,018	1,926
f) Municipal taxes	524	506	18
g) Bookstore	88	42	46
h) Union groups	297	115	182
i) Research funds	12,394	16,553	(4,159)
j) Student loans	14	16	(2)
k) Food service provider	372	345	27
Other receivables	1,389	2,249	(860)
Sub-total	28,516	38,710	(10,194)
l) Less: Allowance for doubtful accounts	(1,729)	(1,495)	(234)
Total	26,787	37,215	(10,428)

Notes:

- a) Student accounts: These accounts record activity relating to tuition fees, residence fees and other miscellaneous charges. The current method of assessing and collecting fees no longer automatically de-registers students if fees are owed. This has provided greater flexibility for payments by the students, but it has also led to a higher accounts receivable balance in April. Students cannot, however, register for additional courses if a balance is outstanding. As at August 23, 2011, the student accounts receivable balance had been reduced to \$4,157,000 from the \$8,779,000 as at April 30, 2011. The \$8,779,000 represents 4.81% (2010 – 4.83%) of the 2010-2011 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 (e.g. Science Technology Centre, Graphic Services) to external clients. The receivables are generally current, and no specific problems exist. The large decrease over the prior year relates mostly to outstanding funding from the provincial and federal governments for capital projects.
- 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 University implemented HST on July 1, 2010. The increase is due to a high volume of rebates on construction at April. At year end, both the March and April returns were outstanding receivables.
- f) Municipal taxes: The University receives reimbursement from the Provincial Government for Municipal Taxes. The balance represents unpaid claims at year end.
- g) Bookstore: The 2010-2011 amount receivable is due from Follett Books and represents commission income related to 2010-2011 operations.
- h) Union groups: The various union groups use the University services on a recovery basis. The accounts are generally kept up to date.
- i) Research funds: The receivables related to research funds consist of two different types of balances, contract research and grants receivable. The nature of contractual research is such that expenditures must be incurred before progress billings can be made and income received. Most granting agencies make multi-year research awards with payment being spread over the period (usually three years). In many cases however the nature of the project is such that a greater proportion of the expenses must be incurred in the earlier periods of the grant. For the sake of continuity and given that research activity as a whole is in a net cash surplus position, the University allows reasonable advanced spending on multi-year research grants. The decrease in the research receivable is due to the completion of several CFI infrastructure projects and the receipt of previously established receivables.
- j) Student loans: Student loans outstanding are issued under the Parker Loan fund which funds the interest and guarantees the principal of the loans.
- k) Food services provider: The 2010-2011 amount receivable from Aramark represents commission and profit share income related to the 2010-2011 operations.
- l) Allowance for doubtful accounts: The allowance includes \$1,729,000 for student fees, while the balance is for items written off in residence.

3.3.3 Prepaid Expenses: \$3,040,000

Prepaid Expenses as at April 30, 2011 comprised:

	2011 \$000	2010 \$000	<i>Increase (Decrease)</i> \$000
Insurance	570	551	19
Licences	1,300	1,647	(347)
Physical Plant supplies	579	527	52
Other	591	459	132

Total	3,040	3,184	(144)
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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. Physical Plant supplies).

3.3.4 Current Portion of Net Investment in Lease: \$487,000

The current portion of net investment in lease is defined as the amount collectible within the next fiscal year. This totalled \$487,000 at April 30, 2011 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: \$12,823,000

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

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

The calculation of this amount is presented in detail in note 4 of the audited financial statements.

3.3.6 Investments: \$274,019,000

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

	2011 \$000	2010 \$000	<i>Increase (Decrease)</i> \$000
Investments held for:			
Endowment	271,448	218,538	52,910
Parker Loan fund	1,344	1,153	191
NWRC capital reserve	665	558	107
Sprott Student fund	562	59	503
Total	274,019	220,308	53,711

As indicated in note 2(c) of the audited financial statements, all investments are shown at fair market value. Additional information on the investments can be found in note 5 of the audited financial statements.

3.3.7 Capital Assets: \$451,554,000
Investment in Capital Assets: \$152,404,000
Deferred Capital Contributions: \$196,396,000

The net value of capital assets as at April 30, 2011 comprised:

	2011 \$000	2010 \$000	Increase (Decrease) \$000
Capital Assets:			
Land and buildings	440,195	385,152	55,043
Building improvements	65,993	55,645	10,348
Equipment and furnishings	113,804	106,429	7,375
Computers and software	28,019	26,368	1,651
Automobile	537	489	48
Library and art collections	61,602	59,089	2,513
	710,150	633,172	76,978
Less: Accumulated depreciation	(258,596)	(234,433)	(24,163)
Net capital assets	451,554	398,739	52,815
Funding:			
Investment in capital assets	152,404	143,540	8,864
Deferred capital contributions	196,396	169,268	27,128
Total funding	348,800	312,808	35,992
Unfunded assets	102,754	85,931	16,823
Financed by:			
Mortgages payable	1,689	1,922	(233)
Loans payable	45,650	46,891	(1,241)
Other short-term borrowing	55,415	37,118	18,297
Total	102,754	85,931	16,823

The specific capital assets funded through financing are as follows:

	2011 \$000	2010 \$000	Increase (Decrease) \$000
<u>Mortgage financing:</u>			
Glengarry residence	1,171	1,270	(99)
Grenville and Russell residences	374	431	(57)
Lanark and Renfrew residences	144	221	(77)
	1,689	1,922	(233)
<u>External loan financing:</u>			
Prescott residence	16,046	16,539	(493)
Leeds residence	15,348	15,901	(553)
Frontenac residence	14,256	14,451	(195)
	45,650	46,891	(1,241)

	2011 \$000	2010 \$000	<i>Increase (Decrease) \$000</i>
<u>Internal loan financing:</u>			
New residence	15,083	-	15,083
Housing and Food Services renovations	14,838	9,743	5,095
Ice Arena	8,994	9,669	(675)
Alumni Hall and Sports Centre	5,366	5,909	(543)
CTTC building	2,872	3,399	(527)
Field House	2,668	2,828	(160)
University Centre	2,018	2,485	(467)
Waterfront academic buildings	1,080	-	1,080
Graphic Services renovation	1,066	1,128	(62)
Tory retrofit	21	421	(400)
Other assets	1,409	1,536	(127)
	<u>55,415</u>	<u>37,118</u>	<u>18,297</u>
Financed assets	<u>102,754</u>	<u>85,931</u>	<u>16,823</u>

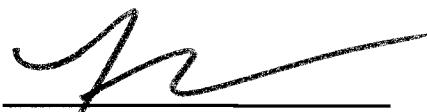
**3.3.8 Net Assets, requiring an application of resources:
\$122,402,000**

The net assets classified as an application of resources include:

	2011 \$000	2010 \$000	<i>Increase (Decrease) \$000</i>
Operating deficit	(3,656)	(5,991)	2,335
Provision for employee future benefits	(111,984)	(102,794)	(9,190)
Provision for vacation pay	(6,762)	(6,935)	173
Total	<u>(122,402)</u>	<u>(115,720)</u>	<u>(6,682)</u>



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



J.T. Sullivan
Assistant Vice-President (Finance)

September 2011

**GENERAL OPERATING FUND 2010-2011
INCOME, EXPENSES AND ACCUMULATED DEFICIT
COMPARISON TO BUDGET (MAY 2010) AND 2009-10 ACTUAL**

<u>INCOME</u>	2010-11	2010-11	Actual to Budget		2009-10	Actual to Prior Year	
	Actual \$000's	Budget \$000's	\$000's	%	Actual \$000's	\$000's	%
Government Grant	153,542	148,378	5,164	3.5	148,660	4,882	3.3
Tuition Fees	153,880	151,090	2,790	1.8	139,329	14,551	10.4
Miscellaneous Income	10,441	9,871	570	5.8	9,507	934	9.8
Interest Income	2,846	2,680	166	6.2	2,260	586	25.9
Departmental Income	3,750	3,458	292	8.4	3,157	593	18.8
Total Operating Income	324,459	315,477	8,982	2.8	302,913	21,546	7.1
<u>EXPENSES</u>							
Faculty of Arts & Social Sciences	40,523	41,233	(710)	(1.7)	39,573	950	2.4
Faculty of Public Affairs	27,716	27,806	(90)	(0.3)	27,084	632	2.3
Sprott School of Business	9,158	9,068	90	1.0	8,576	582	6.8
Faculty of Science	21,897	22,439	(542)	(2.4)	20,144	1,753	8.7
Faculty of Engineering and Design	22,927	25,023	(2,096)	(8.4)	22,110	817	3.7
Academic Admin. & Student Services	24,449	21,186	3,263	15.4	23,915	534	2.2
Library	14,010	14,255	(245)	(1.7)	13,934	76	0.5
Research	2,468	3,196	(728)	(22.8)	2,753	(285)	(10.4)
Finance & Administration	30,860	30,596	264	0.9	31,327	(467)	(1.5)
President	3,150	2,966	184	6.2	3,059	91	3.0
Advancement	4,492	4,855	(363)	(7.5)	4,407	85	1.9
University Budgets	94,237	110,650	(16,413)	(14.8)	82,746	11,491	13.9
Interfund Transfers (net)	1,055	1,204	(149)	(12.4)	2,954	(1,899)	(64.3)
Sub-Total Operating Expenses	296,942	314,477	(17,535)	(5.6)	282,582	14,360	5.1
Net Appropriations	25,182	0	25,182		18,412	6,770	
Total Expenses	322,124	314,477	7,647	2.4	300,994	21,130	7.0
Deficit Reduction for the Year	2,335	1,000	1,335		1,919	416	
Opening Accumulated Deficit	(5,991)	(5,991)	0		(7,910)	1,919	
Closing Accumulated Deficit	(3,656)	(4,991)	1,335		(5,991)	2,335	

Note: 2010-2011 budget figures reflect the opening May 1, 2010 budget. Reallocations have been made to assist in comparison.

