

Consolidated Financial Statements of

**CARLETON UNIVERSITY**

Year ended April 30, 2015

# CARLETON UNIVERSITY

## Consolidated Financial Statements

Year ended April 30, 2015

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Governors of Carleton University

We have audited the accompanying consolidated financial statements of Carleton University, which comprise the consolidated statement of financial position as at April 30, 2015, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Carleton University as at April 30, 2015, and its consolidated results of operations, consolidated changes in net assets and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Other Matter*

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of Carleton University taken as a whole. The supplementary information included in Schedules 1 to 2 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

September 29, 2015

Ottawa, Canada

# CARLETON UNIVERSITY

## Consolidated Statement of Financial Position

April 30, 2015, with comparative information for 2014  
(in thousands of dollars)

	2015	2014 (recasted, note 22)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 361,739	\$ 289,125
Accounts receivable (note 3)	26,570	23,303
Prepaid expenses	5,688	6,631
Current portion of net investment in lease (note 5)	631	591
	<u>394,628</u>	<u>319,650</u>
Investments (note 4)	208,524	195,594
Net investment in lease (note 5)	10,532	11,163
Tangible capital and intangible assets (notes 6 and 8)	597,657	594,693
	<u>\$ 1,211,341</u>	<u>\$ 1,121,100</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 34,922	\$ 30,388
Deferred revenue (note 9)	55,276	53,419
Accrued leave	10,335	9,028
Current portion of long-term debt (note 10)	3,273	3,088
	<u>103,806</u>	<u>95,923</u>
Long-term debt (note 10)	78,177	81,451
Deferred capital contributions (note 11)	183,024	191,746
Employee future benefits liability (note 12)	126,072	95,355
Net assets:		
Unrestricted	(124,455)	(94,076)
Internally restricted (note 13)	335,478	283,452
Investment in tangible capital and intangible assets (note 14)	291,642	273,407
Endowments (note 15)	217,597	193,842
	<u>720,262</u>	<u>656,625</u>
Contingent liabilities and commitments (notes 16 and 17)		
	<u>\$ 1,211,341</u>	<u>\$ 1,121,100</u>

See accompanying notes to consolidated financial statements.

# CARLETON UNIVERSITY

## Consolidated Statement of Operations

Year ended April 30, 2015, with comparative information for 2014  
(in thousands of dollars)

	2015	2014
Revenue:		
Government grants for general operations	\$ 166,359	\$ 164,369
Fees	260,923	240,213
Research grants and contracts	47,195	52,553
Sales and services	23,641	23,549
Donations	9,687	10,304
Investment income	14,246	15,526
Amortization of deferred capital contributions (note 11)	12,938	12,719
Other revenue (note 18)	20,416	20,259
	<u>555,405</u>	<u>539,492</u>
Expenses:		
Salaries	254,531	246,570
Benefits	29,108	30,685
Employee future benefits	21,505	24,668
Supplies	8,333	8,103
Minor equipment and furnishings	8,120	8,525
Externally contracted services and fees	19,430	18,797
Scholarships and bursaries	38,748	37,461
Utilities	13,113	13,245
Travel	10,619	9,432
Renovations	12,207	9,820
Interest	3,956	4,995
Amortization of tangible capital and intangible assets	31,396	28,958
Other expenses (note 19)	32,066	28,967
	<u>483,132</u>	<u>470,226</u>
Excess of revenue over expenses	<u>\$ 72,273</u>	<u>\$ 69,266</u>

See accompanying notes to consolidated financial statements.

# CARLETON UNIVERSITY

## Consolidated Statement of Changes in Net Assets

Year ended April 30, 2015, with comparative information for 2014  
(in thousands of dollars)

	Unrestricted	Internally restricted (note 13)	Investment in tangible capital and intangible assets (note 14)	Endow- ments (note 15)	Interest rate swaps (note 10(c))	2015	2014 (recasted, note 22)
Net assets, beginning of year	\$ (94,076)	\$ 283,452	\$ 273,407	\$ 193,842	\$ (10,718)	\$ 645,907	\$ 507,181
Adjustment to prior period (note 22)	–	–	–	–	10,718	10,718	17,324
Revised net assets, beginning of year	(94,076)	283,452	273,407	193,842	–	656,625	524,505
Excess of revenue over expenses	72,273	–	–	–	–	72,273	69,266
Employee future benefit re-measurements and other items (note 12)	(32,541)	–	–	–	–	(32,541)	59,749
Internally imposed restrictions	(51,936)	52,026	–	(90)	–	–	–
Net change in investment in tangible capital and intangible assets (note 14)	(18,175)	–	18,175	–	–	–	–
Contributions to art collection (note 8)	–	–	60	–	–	60	315
Endowment contributions and investment income (note 15)	–	–	–	10,189	–	10,189	1,015
Unrealized gains on endowment investments (note 15)	–	–	–	13,656	–	13,656	1,775
Net assets, end of year	\$ (124,455)	\$ 335,478	\$ 291,642	\$ 217,597	\$ –	\$ 720,262	\$ 656,625

# CARLETON UNIVERSITY

Consolidated Statement of Changes in Net Assets (continued)

Year ended April 30, 2015, with comparative information for 2014  
(in thousands of dollars)

	Unrestricted	Internally restricted (note 13)	Investment in tangible capital and intangible assets (note 14)	Endow- ments (note 15)	2015	2014 (recasted, note 22)
Details of year-end balance:						
Operating (note 13(a))	\$ 498	\$ -	\$ -	\$ -	\$ 498	\$ 498
Plant	(516)	-	-	-	(516)	(955)
Ancillary	1,635	-	-	-	1,635	1,736
Provision for employee future benefits	(126,072)	-	-	-	(126,072)	(95,355)
Appropriations	-	307,511	-	-	307,511	257,145
Research	-	21,781	-	-	21,781	21,044
Entrepreneurial initiatives	-	4,077	-	-	4,077	3,658
Scholarships	-	18	-	-	18	11
Professional development	-	2,091	-	-	2,091	1,594
Tangible capital and intangible assets	-	-	291,642	-	291,642	273,407
Endowment	-	-	-	217,597	217,597	193,842
	\$ (124,455)	\$ 335,478	\$ 291,642	\$ 217,597	\$ 720,262	\$ 656,625

See accompanying notes to consolidated financial statements.



# CARLETON UNIVERSITY

## Consolidated Statement of Cash Flows

Year ended April 30, 2015, with comparative information for 2014  
(in thousands of dollars)

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 72,273	\$ 69,266
Add (deduct) non-cash items:		
Amortization of tangible capital and intangible assets	31,396	28,958
Amortization of deferred capital contributions	(12,938)	(12,719)
Net change in other non-cash operating working capital (note 20)	5,374	(4,624)
Changes relating to employee future benefits:		
Employee future benefits re-measurements and other items	(32,541)	59,749
Employee future benefits liability	30,717	(58,912)
Net cash provided by operating activities	94,281	81,718
Financing activities:		
Decrease in mortgages payable (note 10(a))	(197)	(185)
Decrease in loans payable (note 10(a))	(2,892)	(2,729)
Capital contributions received (note 11)	4,216	8,445
Contributions to art collection	60	315
Endowment contributions and investment income	10,189	1,015
Net cash used in financing activities	11,376	6,861
Investing activities:		
Net withdrawals (purchases) of investments	726	(1,402)
Decrease in net investment in lease	591	553
Tangible capital and intangible assets additions	(34,360)	(52,375)
Net cash used in investing activities	(33,043)	(53,224)
Increase in cash and cash equivalents	72,614	35,355
Cash and cash equivalents, beginning of year	289,125	253,770
Cash and cash equivalents, end of year	\$ 361,739	\$ 289,125
Consisting of:		
Cash on deposit	\$ 1,152	\$ 3,400
Outstanding cheques	(2,723)	(2,931)
Money market fund	363,310	288,656
	\$ 361,739	\$ 289,125
Interest paid	\$ 3,956	\$ 4,995

See accompanying notes to consolidated financial statements.

# CARLETON UNIVERSITY

## Notes to Consolidated Financial Statements

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

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### 1. Description:

Carleton University was incorporated as a university in 1943 under the laws of the Province of Ontario. The University is dedicated to providing post-secondary and graduate education and to conducting research.

The University is a registered charity and therefore is, under section 149(1)(f) of the Income Tax Act (Canada), exempt from payment of income tax.

The consolidated financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations and organizations controlled by the University. Accordingly, these consolidated financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue; restricted purpose endowment funds and ancillary operations. These consolidated statements also include the assets, liabilities, deficit and operations of the University's subsidiary and joint ventures as follows:

Sudbury Neutrino Observatory Institute is a joint venture of the University and three other Canadian universities, which performs research in sub-atomic physics. The University's proportionate share of the Institute's operations has been included in these consolidated financial statements.

TRIUMF is a joint venture of the University and 10 other Canadian universities, which performs research in particle and nuclear physics. The University's proportionate share of TRIUMF's operations has been included in these consolidated financial statements.

Carleton University Foundation (U.S.) was incorporated without share capital on February 12, 1996 under the District of Columbia Non-Profit Corporation Act. The Foundation is not included in these consolidated financial statements. The objects of the Foundation, as established by the Internal Revenue Code of 1986, are to accept, receive, manage and distribute money and other property to support education and research at the University. The Foundation had minimal activity in the year.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

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## 2. Summary of significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations, and include the following significant accounting policies.

### (a) Basis of presentation:

The University uses the deferral method of accounting for contributions for not-for-profit organizations.

These consolidated financial statements do not reflect the assets, liabilities and results of operations of the various student organizations at the University, or the Carleton University Foundation (U.S.).

### (b) Cash and cash equivalents:

Cash and cash equivalents include deposits with financial institutions that can be withdrawn without prior notice or penalty and short-term deposits with an original maturity of ninety days or less.

### (c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The University has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the University determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

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## 2. Summary of significant accounting policies (continued):

### (c) Financial instruments (continued):

The University is party to certain derivative financial instruments, principally interest rate swaps.

The University accounts for interest rate swaps as hedges. The University uses the accrual basis of accounting for hedges. At the inception of the hedging relationship, the University designated that hedge accounting would be applied and formally documented the hedging relationship between the swap and the loan. At inception and throughout the loan period, the critical terms of the swap and the loan are the same.

Gains or losses realized on settlement are deferred until the settlement of the swap. Payments and receipts under the interest rate swaps are recognized as adjustments to interest expense on long-term debt. The fair value of the swap is not recorded on the consolidated statement of financial position, but is disclosed in note 10(c).

### (d) Tangible capital and intangible assets:

Purchased tangible capital and intangible assets are recorded at cost. Donated tangible capital and intangible assets are recorded at an appraised value established by independent appraisal in the period received by the University. Land acquired prior to May 1, 2011 are recorded at deemed cost, being its fair value at May 1, 2011, the transition date to Canadian accounting standards for not-for-profit organizations. All subsequent purchases are recorded at cost.

Amortization is provided on a straight-line basis over the estimated useful lives as follows:

Asset	Useful life
Tangible capital assets:	
Buildings	40 years
Building improvements	20 years
Equipment and furniture	10 years
Computer equipment	4 years
Automobiles	5 years
Library holdings	10 years
Intangible assets:	
Software	4 years

Construction costs are capitalized as work progresses and amortization commences in the period that the asset is available for use.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

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## 2. Summary of significant accounting policies (continued):

(d) Tangible capital and intangible assets (continued):

When a tangible capital or intangible asset no longer contributes to the University's ability to provide services, its carrying amount is written down to its residual value.

(e) Deferred capital contributions:

Contributions received for tangible capital and intangible assets are deferred in the accounts and amortized over the same term and on the same basis as the related capital asset.

(f) Art collection:

Purchases of items to be included in the collection are expensed. Donations of items to be included in the collection are recorded as direct increases in net assets at an appraised value established by independent appraisal in the period received by the University.

(g) Recognition of revenue and other contributions:

(i) Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(ii) Contributions and investment income externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenses are recognized.

(iii) Endowment contributions and restricted investment revenue earned for re-endowment are recognized as direct increases in net assets in the period in which they are received or earned.

(iv) Student fees are recognized as revenue in the period that the courses and seminars are held. Sales revenue is recognized at point of sale.

(v) Contract revenue is recognized as the service is provided.

(h) Internally imposed restrictions on net assets:

The University internally restricts the use of portions of its externally unrestricted net assets for specific future uses. When incurred, expenses are charged to operations, and the balance of internally restricted assets is reduced accordingly.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

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## 2. Summary of significant accounting policies (continued):

(i) Contributed services:

Volunteers, as well as members of the staff and faculty of the University, contribute an indeterminable number of hours per year to assist the University in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these consolidated financial statements.

(j) Employee benefit plans:

The University has a defined contribution pension plan, which has a defined benefit component that provides a minimum level of pension benefits. The University also provides other employee future benefits, such as medical, dental and life insurance to eligible active and retired employees.

The University accrues its obligations and related costs for funded employee future benefit plans as the employees render the service necessary to earn the pension and other retirement benefits, based on the latest going concern funding valuation. The actuarial determination of the accrued benefit obligations for pensions and other employee future benefits uses the projected method on service (which incorporates management's assumptions used for funding purposes, other cost escalation, retirement ages of employees and other actuarial factors). The actuarial valuation is performed at least every three years. In the years between valuations, pension plan results are prepared based on extrapolations of the latest available funding valuation results. The University has elected to accrue its obligations and related costs for unfunded plans on a basis consistent with funded plans. Assets of the employee future benefit plans are valued using fair values at the date of the consolidated financial statements.

The benefit plan expense for the year consists of the current service and finance costs. Re-measurements and other items are recorded directly on the consolidated statement of changes in net assets.

(k) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the consolidated financial statements in the period in which they become known.

Significant management estimates include assumptions used in determining the employee future benefits liability.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

### 3. Accounts receivable:

	2015	2014
Research	\$ 7,219	\$ 6,116
Student	10,570	10,766
Government	1,239	1,272
Other	9,171	6,878
	<u>28,199</u>	<u>25,032</u>
Less allowance for doubtful accounts	(1,629)	(1,729)
	<u>\$ 26,570</u>	<u>\$ 23,303</u>

### 4. Investments:

#### (a) Carrying value, cost and fair values:

The cost and fair value of the investments are as follows:

	2015		2014	
	Fair value	Cost	Fair value	Cost
Marketable securities	\$ 208,524	\$ 203,697	\$ 195,594	\$ 204,372

The carrying value of marketable securities is fair value.

#### (b) Purpose:

Investments held by the University include funds, which are permanently endowed or restricted in use as follows:

	2015	2014
	Carrying value	Carrying value
Endowments	\$ 205,839	\$ 193,172
Parker loans for students	1,167	1,110
National Wildlife Research Centre Capital renewal	690	631
Sprott Student Investment Fund	828	681
	<u>\$ 208,524</u>	<u>\$ 195,594</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

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## 5. Net investment in lease:

Carleton University has entered into an agreement with Environment Canada under which Carleton University built the National Wildlife Research Centre (NWRC) on its property and leased the building to Environment Canada. The lease term is for 99 years starting May 1, 2002.

Carleton University's net investment in the direct financing lease consists of:

	2015	2014
Minimum lease payments receivable	\$ 15,600	\$ 16,900
Unearned financing revenue	(4,437)	(5,146)
	<u>11,163</u>	<u>11,754</u>
Less current portion of net investment in lease	(631)	(591)
Net investment in lease	<u>\$ 10,532</u>	<u>\$ 11,163</u>

At April 30, 2015, future minimum lease payments receivable under the direct financing lease are as follows:

2015-16	\$ 1,300
2016-17	1,300
2017-18	1,300
2018-19	1,300
2019-20	1,300
Thereafter	9,100
	<u>\$ 15,600</u>



# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

## 6. Tangible capital and intangible assets:

Tangible capital and intangible assets consist of the following:

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Land	\$ 89,000	\$ –	\$ 89,000	\$ 89,000
Buildings	501,769	179,700	322,069	320,544
Building improvements	130,094	25,169	104,925	100,922
Equipment and furniture	113,117	69,144	43,973	46,413
Computer equipment	4,259	1,538	2,721	2,307
Automobiles	216	147	69	118
Art collection (note 8)	24,379	–	24,379	24,318
Library holdings	24,155	14,249	9,906	10,629
Intangible assets:				
Software	1,248	633	615	442
	<u>\$ 888,237</u>	<u>\$ 290,580</u>	<u>\$ 597,657</u>	<u>\$ 594,693</u>

Cost and accumulated amortization at April 30, 2014 amounted to \$937,873,000 and \$343,180,000, respectively. In the year, \$83,996,000 of cost and accumulated amortization was removed from the respective balances for assets that had been fully amortized and no longer in use.

Included in buildings is \$7,152,000 (2014 - \$27,853,000) of construction in progress. As construction in progress is not yet in use, these assets are not amortized.

## 7. Accounts payable and accrued liabilities:

As at year end, the University had \$3,786,000 (2014 - \$3,595,000) payable for government remittances, including harmonized sales tax/goods and services tax and payroll remittances.

## 8. Art collection:

The University has an art collection comprising approximately 29,557 pieces of art. In 2015, there were additions of donated pieces of art at an appraised value of \$60,000 (2014 - \$315,000).

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

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## 9. Deferred revenue:

Deferred revenue includes deposits, prepayments on contracts and deferred contributions received by the University. Deferred contributions are unspent externally restricted grants and donations received in the current and prior years for expenditures in a future year.

Details of the year-end balances are as follows:

	2015	2014
Research	\$ 23,594	\$ 23,504
Grants	4,550	1,675
Student aid	4,093	4,669
Student fees	501	5,421
Donations	4,002	3,745
Other	18,536	14,405
	<u>\$ 55,276</u>	<u>\$ 53,419</u>

Research includes the unexpended portion of restricted research grants and prepayments on research contracts.

Grants are unexpended restricted grants to be spent on specific items in future years.

Student aid is the unexpended donations and interest to be spent on student aid and other special purposes.

Student fees are tuition and related amounts received for courses beginning after April 30.

Donations are the unexpended portion of donor restricted gifts to be spent on specific items in future years.

Other deferred revenue includes deposits and prepayments on contracts.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

## 10. Long-term debt:

As at April 30, 2015, the University has principal outstanding of \$81,450,000 (2014 - \$84,539,000) under long-term mortgages and loans.

(a) Details of long-term debt:

	Maturity	Interest rate	Annual payment	2015 Principal outstanding	2014 Principal outstanding
Mortgages payable:					
Grenville and					
Russell Residences	2017	5.375%	\$ 79	\$ 113	\$ 183
Glengarry Residence	2020	6.375%	176	709	836
				822	1,019
Loans payable:					
Leeds Residence	2027	6.724%	1,607	12,724	13,448
Prescott Residence	2029	6.299%	1,520	13,740	14,372
Frontenac Residence	2039	4.660%	864	13,345	13,594
Lennox & Addington Residence	2042	2.930%	1,575	29,666	30,363
NWRC loan	2028	6.460%	1,332	11,153	11,743
				80,628	83,520
				81,450	84,539
Less current portion of long-term debt				3,273	3,088
				\$ 78,177	\$ 81,451

Annual payment amounts include principal and interest.

(b) Long-term debt repayments:

Principal repayments under the mortgage and loan agreements are as follows:

2015-16	\$ 3,273
2016-17	3,424
2017-18	3,584
2018-19	3,798
2019-20	3,964
Thereafter	63,407
	<u>\$ 81,450</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

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## 10. Long-term debt (continued):

### (c) Interest rate swaps:

The University has entered into interest rate swap agreements to manage the volatility of interest rates. The University converted a net notional \$101,758,000 of floating rate debt for fixed rate debt ranging from 2.930% to 6.724%. The related derivative agreements are in place until the maturity of the debts in 2023, 2018, 2022 and 2028.

These interest rate swaps qualify, and have been designated by the University, as cash flow hedging items against the floating rate long-term debt. The University has assessed the hedging relationship as effective. The fair value of the interest rate swaps at April 30, 2015 is estimated to be \$15,688,000 (2014 - \$10,718,000) which represents the amount the University would have to pay if the swap agreements were terminated on that date. The University is current with respect to the required payments under the loan and swap agreements.

## 11. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of tangible capital and intangible assets. The amortization of the deferred capital contributions is recorded as revenue in the consolidated statement of operations. The changes in the deferred capital contributions balance are as follows:

	2015	2014
Balance, beginning of year	\$ 191,746	\$ 196,020
Less amortization of deferred capital contributions	(12,938)	(12,719)
Add capital contributions received:		
Grants for equipment and buildings	3,907	8,029
Donated assets	309	416
	4,216	8,445
Balance, end of year	<u>\$ 183,024</u>	<u>\$ 191,746</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

## 12. Employee future benefits:

(a) Employee future benefits liability:

	<u>2015</u>	<u>2014</u>
Post-employment and post-retirement benefit plans	\$ 109,186	\$ 109,241
Pension plan liability (asset)	16,886	(13,886)
	<u>\$ 126,072</u>	<u>\$ 95,355</u>

(b) Employee future benefits expense:

	<u>Current service cost</u>	<u>Carrying cost</u>	<u>2015</u>	<u>2014</u>
Post-employment and post-retirement benefit plans	\$ 4,247	\$ 6,882	\$ 11,129	\$ 10,679
Pension plan	11,251	(875)	10,376	13,989
	<u>\$ 15,498</u>	<u>\$ 6,007</u>	<u>\$ 21,505</u>	<u>\$ 24,668</u>

During the year, the University made cash contributions included in the total above of \$3,808,000 (2014 - \$3,454,000) and \$19,521,000 (2014 - \$20,377,000), respectively.

(c) Re-measurements and other items:

	<u>2015</u>	<u>2014</u>
Post-employment and post-retirement benefit plans	\$ (7,376)	\$ (2,751)
Pension plan	39,917	(56,998)
	<u>\$ 32,541</u>	<u>\$ (59,749)</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

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## 12. Employee future benefits (continued):

### (d) Post-employment and post-retirement benefit plans:

The University has defined post-retirement benefit plans (other than pensions) and defined post-employment benefit plans covering substantially all of its employees. These plans provide health, dental and severance benefits to eligible employees. The most recent actuarial valuation of employee future benefits was completed as at April 30, 2015.

Similar to many non-pension benefit plans in Canada, the University's plans are not pre-funded, resulting in plan deficits equal to the accrued benefit obligation.

### (e) Pension plan and pension plan liability:

The University contributes to the Carleton University Retirement Plan which is a defined contribution pension plan with a defined benefit minimum guarantee, covering substantially all full-time employees of the University.

Upon retirement, plan members will receive payment out of their money purchase plan, which is supplemented from a minimum guarantee fund if the money purchase plan does not provide the minimum pension benefit.

An actuarial valuation of the Plan as of July 1, 2013 determined that the Plan had a \$87,343,000 unfunded going-concern liability and an unfunded \$159,168,000 solvency liability as at July 1, 2013. The going-concern liability is to be repaid over a period not to exceed 15 years as required under the Pension Benefits Act of Ontario. Generally the solvency liability is to be repaid over a period not to exceed 5 years. However, there have been a number of changes to the Ontario Pension Benefits Act and Regulations that have an impact on the funding of the Plan. Specifically, for approved plans, solvency payments may be suspended for the four years following July 1, 2013. Instead, an annual interest charge on the solvency deficiency must be contributed to the Plan. Carleton University applied for and was determined to be an approved plan. As such, the annual special payment required towards the combined going concern and solvency deficiencies is \$9,658,000. The next actuarial valuation for funding purposes is required July 1, 2016. That valuation will determine the minimum funding requirement commencing July 1, 2017.

An actuarial valuation roll-forward for funding purposes was performed as at April 30, 2015, the measurement date for financial reporting purposes.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

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## 12. Employee future benefits (continued):

(e) Pension plan and pension plan liability (continued):

(i) Accrued benefit liability:

The reconciliation of the funded status of the Plan to the amounts recorded in the consolidated financial statements is as follows:

	2015	2014
Accrued benefit obligation	\$ 1,101,199	\$ 975,927
Less: fair value of Plan assets	1,084,313	989,813
Accrued benefit liability (asset)	\$ 16,886	\$ (13,886)

## 13. Net assets:

(a) Capital management:

The University's overall objective for its capital is to fund tangible capital and intangible assets, future projects and ongoing operations. The University manages its capital by appropriating amounts to internally restricted net assets for anticipated future projects, contingencies and other capital requirements. These allocations are disclosed in note 13(b).

The University also considers its endowments, as disclosed in notes 4(b) and 15, as part of its capital. The University's objective with regards to endowments is to grow the endowment principal such that it preserves the original capital investment and provides the prescribed distribution rate described in note 13(b).

Under the direction of its Board of Governors, the University is required to present a balanced budget each year.

The University is not subject to any other externally imposed capital requirements and its approach to capital management remains unchanged from the prior year.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

## 13. Net assets (continued):

### (b) Internally restricted net assets:

Internally restricted net assets are funds restricted by the University for future commitments and projects to improve and invest in the University's campus facilities, information systems, equipment, programs and student aid.

Internally restricted net assets have been designated for the following purposes:

	2015	2014
General appropriations	\$ 70,811	\$ 46,508
Specific reserves:		
Capital reserve	120,087	98,432
Pension liability reserve	90,841	77,922
Research initiatives	21,781	21,044
Ancillary reserve fund	18,670	25,703
Entrepreneurial initiatives	4,077	3,658
Student aid funds	139	558
Other projects and initiatives	9,072	9,627
	<u>\$ 335,478</u>	<u>\$ 283,452</u>

## 14. Investment in tangible capital and intangible assets:

The investment in tangible capital and intangible assets consists of the following:

	2015	2014
Tangible capital and intangible assets	\$ 597,657	\$ 594,693
Less amounts financed by:		
Deferred capital contributions	(183,024)	(191,746)
Mortgages payable	(822)	(1,019)
Loans payable (Leeds, Prescott, Frontenac Lennox & Addington residences)	(69,475)	(71,777)
Other short-term financing	(52,694)	(56,744)
	<u>\$ 291,642</u>	<u>\$ 273,407</u>



# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

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## 14. Investment in tangible capital and intangible assets (continued):

The net change in investment in tangible capital and intangible assets is calculated as follows:

	2015	2014
Tangible capital and intangible assets additions:		
Total additions	\$ 34,360	\$ 52,375
Less:		
Contributions to art collection	(60)	(315)
Donated assets	(309)	(416)
Additions financed with grants	(3,907)	(8,029)
	<u>30,084</u>	<u>43,615</u>
Financing:		
Mortgages payable	197	185
Loans payable	2,302	2,175
Other short-term financing	4,050	1,018
	<u>6,549</u>	<u>3,378</u>
Amortization of deferred capital contributions	12,938	12,719
Amortization of tangible capital and intangible assets	(31,396)	(28,958)
	<u>(18,458)</u>	<u>(16,239)</u>
Net change in investment in tangible capital and intangible assets	<u>\$ 18,175</u>	<u>\$ 30,754</u>

## 15. Endowments:

Contributions restricted for endowment consist of monies received primarily as benefactions and which either the donor or the Board of Governors has designated as endowment. The annual income earned from funds designated as endowment by the donor may be expended only for the purpose designated. If no purpose is designated by the donor then the income is expended at the direction of the Board. Monies designated as endowment by the Board are unrestricted and the principal and annual income may be expended at its direction.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

## 15. Endowments (continued):

Investment income earned on endowed investments is distributed at a rate of 4% (2014 - 4.0%) of the moving average market value over four years of the endowment fund investments. Actual investment income earned in excess of the distributed amount is accumulated in the endowment fund for future distribution and to maintain capital.

	<u>Externally endowed</u>	<u>Board designated</u>	<u>Total 2015</u>	<u>Total 2014</u>
Donations and bequests	\$ 17,228	\$ —	\$ 17,228	\$ 3,978
Realized gains (losses) on sale of investments	(3,750)	(58)	(3,808)	3,104
Investment income	4,447	81	4,528	2,611
Income distributions	(7,736)	(113)	(7,849)	(8,116)
	<u>10,189</u>	<u>(90)</u>	<u>10,099</u>	<u>1,577</u>
Unrealized gains on investments	13,520	136	13,656	1,775
	<u>23,709</u>	<u>46</u>	<u>23,755</u>	<u>3,352</u>
Net change in year				
Fund balance, beginning of year	192,176	1,666	193,842	190,490
Fund balance, end of year	<u>\$ 215,885</u>	<u>\$ 1,712</u>	<u>\$ 217,597</u>	<u>\$ 193,842</u>

The endowment balance consists of:

	<u>2015</u>	<u>2014</u>
Cumulative endowment principal	\$ 133,994	\$ 116,766
Cumulative undistributed investment income	78,759	85,888
Cumulative unrealized gains (losses)	4,844	(8,812)
Endowment balance on endowment investments	<u>\$ 217,597</u>	<u>\$ 193,842</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

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## 16. Contingent liabilities and commitments:

At April 30, 2015, commitments for future acquisitions, construction and renovations amounted to approximately \$15,888,000 (2014 - \$13,811,000).

Letters of credit totaling \$10,702,000 (2014 - \$11,218,000) were issued on behalf of the University at year-end.

## 17. Canadian Universities Reciprocal Insurance Exchange:

The University is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE), a self-insurance co-operative comprised of Canadian universities and colleges. CURIE insures property damage, general liability and errors and omissions risks. If premiums collected are insufficient to cover expenses and claims, the University may be requested to pay additional amounts.

## 18. Other revenue:

	2015	2014
Commissions and sponsorships	\$ 8,698	\$ 8,521
Medical insurance recoveries	1,675	1,751
Salary and benefit recoveries	1,115	1,098
Miscellaneous	8,928	8,889
	<u>\$ 20,416</u>	<u>\$ 20,259</u>

## 19. Other expenses:

	2015	2014
Equipment rental	\$ 4,688	\$ 4,498
Research support services	4,288	5,306
Minor repair and upkeep	4,095	3,359
Advertising and promotion	3,994	3,392
Property taxes and insurance	3,050	2,814
Licensing and membership fees	3,395	2,652
Banking and bad debts	2,050	2,317
Communication	1,911	1,384
Miscellaneous	4,595	3,245
	<u>\$ 32,066</u>	<u>\$ 28,967</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

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## 20. Net change in non-cash operating working capital:

	2015	2014
Increase in accounts receivable	\$ (3,267)	\$ (2,801)
Decrease (increase) in prepaid expenses	943	(3,043)
Increase (decrease) in accounts payable and accrued liabilities	4,534	(4,781)
Increase in deferred revenue	1,857	5,145
Increase in accrued leave	1,307	856
	<u>\$ 5,374</u>	<u>\$ (4,624)</u>

## 21. Financial risks:

### (a) Credit risk:

The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The University's SIPG, which is reviewed annually, defines permitted investments and provides guidelines and restrictions on acceptable investment categories which minimize credit risk.

The maximum credit exposure of the University is represented by the fair value of the investments and accounts receivable as presented in the consolidated statement of financial position.

Credit risk concentration exists where a significant portion of the portfolio is invested in securities which have similar characteristics or similar variations relating to economic, political or other conditions. The University monitors the financial health of its investments on an on-going basis with the assistance of its Finance Committee and its investment advisors.

The University assesses on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. In 2015, \$1,629,000 (2014 - \$1,729,000) is recorded as allowance for doubtful accounts.

### (b) Interest rate risk:

The University is exposed to interest rate risk with respect to its interest-bearing investments, long-term debt and interest rate swaps as disclosed in the consolidated statement of cash flows and notes 4 and 10.

### (c) Currency risk:

The University believes that it is not exposed to significant foreign currency risks arising from its financial instruments.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2015

(Tabular amounts in thousands of dollars)

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## 21. Financial risks (continued):

(d) Liquidity risk:

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The University manages its liquidity risk by monitoring its operating requirements. The University prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no change to the risk exposures from 2014.

## 22. Adjustment to prior period:

The University is party to an interest rate swaps agreements that was determined to be an effective cash flow hedge for accounting purposes. In prior years, on transition to Part III accounting standards for not-for-profit organizations, the University inadvertently continued to report the fair value of the swaps in long-term debt with the changes in fair value through the consolidated statement of changes in net assets. The University has recast the comparative information to reflect this adjustment.

The impact on the consolidated financial statements of this adjustment for the year ended April 30, 2014 is as follows:

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	As previously reported April 30, 2014	Adjustment	Recasted April 30, 2014
Interest rate swaps (long-term debt)	\$ (10,718)	\$ 10,718	\$ –
Interest rate swaps (net assets)	10,718	(10,718)	–

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# CARLETON UNIVERSITY

## Schedule 1 - Consolidated Schedule of Changes in Ancillary Net Assets

Year ended April 30, 2015  
(in thousands of dollars)

Unrestricted	Athletics	Bookstore	Graphic Services	Health Services
Revenues	\$ 12,588	\$ 826	\$ 790	\$ 3,361
Expenses	12,262	823	645	3,545
Excess (deficiency) of revenues over expenses	326	3	145	(184)
Net assets, beginning of year	-	-	-	-
Transfer from (to) non-ancillary unrestricted net assets	579	-	(40)	299
Appropriated to internally restricted net assets	(905)	(3)	(105)	(115)
Unrestricted net assets, end of year	\$ -	\$ -	\$ -	\$ -
 Internally restricted net assets				
Net assets, beginning of year	\$ 5,008	\$ 232	\$ 479	\$ 311
Appropriated from unrestricted net assets	905	3	105	115
Return of funds to unrestricted net assets	-	-	-	-
Net assets, end of year	\$ 5,913	\$ 235	\$ 584	\$ 426

	Ancillary Property Rentals	Parking	Residence and Food Services	University Centre	Ancillary Capital Fund	Total 2015	Total 2014
\$	2,716	\$ 4,804	\$ 30,715	\$ 591	\$ 544	\$ 56,935	\$ 56,172
	2,817	3,509	24,453	136	–	48,190	47,998
	(101)	1,295	6,262	455	544	8,745	8,174
	1,736	–	–	–	–	1,736	1,709
	–	(8,688)	(4,997)	–	(3,032)	(15,879)	(5,157)
	–	7,393	(1,265)	(455)	2,488	7,033	(2,990)
\$	1,635	\$ –	\$ –	\$ –	\$ –	\$ 1,635	\$ 1,736
\$	–	\$ 8,464	\$ 7,329	\$ 587	\$ 3,293	\$ 25,703	\$ 22,713
	–	–	1,265	455	–	2,848	2,990
	–	(7,393)	–	–	(2,488)	(9,881)	–
\$	–	\$ 1,071	\$ 8,594	\$ 1,042	\$ 805	\$ 18,670	\$ 25,703

# CARLETON UNIVERSITY

Schedule 2 - Ontario Student Opportunity Trust Fund (Phase I and Phase II) and Ontario Trust for Student Support

Year ended April 30, 2015  
(in thousands of dollars)

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## Ontario Student Opportunity Trust Fund (Phase I)

The externally restricted endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund I matching program to award student aid as a result of raising an equal amount of endowed donations.

The University has recorded the following amounts under the program:

	2015	2014
<b>Schedule of Changes in Endowment Fund Balance for the year ended April 30, 2015</b>		
Fund balance at beginning and end of year	\$ 16,916	\$ 16,916
<b>Schedule of Changes in Expendable Funds Available for Awards for the year ended April 30, 2015</b>		
Balance, beginning of year	\$ (8)	\$ 262
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	1,357	1,459
Bursaries awarded (total number: 990)	(1,398)	(1,729)
Balance, end of year	<u>\$ (49)</u>	<u>\$ (8)</u>

The market value of the endowment as at April 30, 2015 was \$56,176 (2014 - \$53,429).



# CARLETON UNIVERSITY

Schedule 2 - Ontario Student Opportunity Trust Fund (Phase I and Phase II) and Ontario Trust for Student Support (continued)

Year ended April 30, 2015  
(in thousands of dollars)

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## Ontario Student Opportunity Trust Fund (Phase II)

The externally restricted endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund II matching program for the period of April 1, 2006 to April 30, 2008 to award student aid as a result of raising an equal amount of endowed donations.

The University has recorded the following amounts under the program:

	2015	2014
<b>Schedule of Changes in Endowment Fund Balance for the year ended April 30, 2015</b>		
Fund balance at beginning and end of year	\$ 4,775	\$ 4,775
<b>Schedule of Changes in Expendable Funds Available for Awards for the year ended April 30, 2015</b>		
Balance, beginning of year	\$ 504	\$ 445
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	245	259
Bursaries awarded (total number: 147)	(199)	(200)
Balance, end of year	<u>\$ 550</u>	<u>\$ 504</u>

The market value of the endowment as at April 30, 2015 was \$6,418 (2014 - \$6,100).

# CARLETON UNIVERSITY

Schedule 2 - Ontario Student Opportunity Trust Fund (Phase I and Phase II) and Ontario Trust for Student Support (continued)

Year ended April 30, 2015  
(in thousands of dollars)

## Ontario Trust for Student Support

The externally restricted endowments include monies provided by the Government of Ontario from the Ontario Trust for Student Support matching program for the period April 1, 2014 to March 31, 2015 to award student aid as a result of raising an equal amount of endowed donations.

The University has recorded the following amounts under the program:

	2015	2014
<b>Schedule of donations received between April 1 and March 31</b>		
Cash donations matched between April 1 and March 31	\$ -	\$ -
Unmatched cash donations (received between April 1 and March 31)	-	-
<b>Total cash donations</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Schedule of Changes in Endowment Fund Balance for the period April 1 to March 31</b>		
Balance, beginning of year	\$ 17,018	\$ 17,023
Funds re-allocated to OSOTF2	-	-
Funds re-allocated to OTSS	-	(5)
Eligible cash donations received between April 1 and March 31 in compliance with the November 2005 Program Guidelines and Reporting Requirements	-	-
Matching funds received/receivable from MTCU in 2010-11	-	-
Cash donations ineligible for match for the period between April 1 and March 31	-	-
<b>Fund balance at end of year</b>	<b>\$ 17,018</b>	<b>\$ 17,018</b>
<b>Schedule of Changes in Expendable Funds Available for Awards for the period April 1 to March 31</b>		
Balance, beginning of year	\$ 416	\$ 433
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	729	769
Cash donations (received between April 1 and March 31)	-	-
Bursaries awarded (total number: 652)	(750)	(786)
<b>Balance, end of year</b>	<b>\$ 395</b>	<b>\$ 416</b>