



FINANCIAL REPORT TO THE BOARD OF GOVERNORS

2024-2025



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FINANCIAL HIGHLIGHTS OF THE YEAR

The university's audited financial statements, prepared in accordance with Canadian accounting standards for non-profit organizations, received an unqualified opinion from the external auditors (KPMG), and no differences (adjusted or unadjusted) were identified. Below are the highlights from the Statement of Operations and Financial.

Statement of Operations

The university's general operating budget continues to face significant financial pressure from both stagnant fee revenues, the university's largest revenue stream at 42% of all revenue (47% in 2024), and escalating compensation costs, the university's largest expenditure at 61% of all expenses. While the province has offered limited grant support, it is insufficient to offset the ongoing domestic tuition freeze after the 10% domestic fee rollback of 2019-20. Of greater concern in recent years, is the federal government's policy changes regarding international student visa. While it has had an impact at both the undergraduate and graduate level, our undergraduate international intake has declined 70% since the fall of 2020. To manage these financial pressures, the university is strategically utilizing its reserves while it engages in Ministry-supported efficiency work that will look at administration, student service, academic programming, facilities, and procurement, as well as revenue-generating opportunities.

On a positive note, the university's investment earnings for general operations exceeded budget by \$30 million, which helped to offset the international tuition revenue loss and reduced the operating budget's draw on reserves from the planned \$26.2 million to \$10.7 million.

The 2024-25 fiscal year also saw positive results for the ancillary units. The collective ancillary results contributed \$4.3 million in annual surplus. Its accumulated surplus now stands at \$46.4 million.

Awarded research funding had significant growth in the current year, reaching \$159.7 million as compared to \$115.6 million received in the previous year. Actual sponsored research expenditures of \$156.0 million in 2024-25 supports Carleton's research in the areas of the humanities, public and global affairs, science, engineering, and business. While sponsored research does not directly affect the surplus or deficit on the financial statements, as restricted research revenue can only be recognized to the same level as incurred research expenditures, our growing profile in this area

attracts students, partnerships and worldwide recognition, which ultimately impacts positively on our revenues. This increased research activity however does also come with associated increase in administrative burden and overhead contribution.

The audited financial results, presented in accordance with Canadian accounting standards for non-profit organizations, indicates a deficit on a consolidated basis of \$29.5 million, as compared to a \$50.1 million deficit in 2023-24. This consolidated deficit is mostly the result of voluntary retirement incentive payments, which, after contingencies for returned positions, will save the university close to \$10 million annually on a go-forward basis.

Statement of Financial Position

The university continues to be in a strong cash position with \$614.7 million in operating cash and current investments, compared to \$639.4 million one year earlier.

During the year, \$66.5 million was invested in capital assets, which includes substantial construction work on the new student residence. The university also continues to address its deferred maintenance backlog, with \$30.3 million spent on renovating facilities, which is comparable to the previous year.

The \$55.8 million deficit in unrestricted net assets is almost exclusively represented by the liability associated with employee future benefits. While the non-pension future benefit liability has increased to \$177.5 million from \$165.3 million in the prior year, the overall liability for future employee benefits has decreased by \$17 million. This reduction is mainly due to changes in the equity markets that have increased the pension asset, on an accounting basis, by \$28.3 million to \$121.6 million as at April 30, 2025.

Internally restricted net assets, at \$386 million, represent reserves available to faculties and departments, as well as specific centrally established reserves, including reserves for capital expenditures, and future pension liabilities. While net assets related to ancillary operations have grown by \$4.3 million, total net assets are down \$17.8 million from last year primarily due to the university's decrease in general appropriations.

Overall, the university's assets, and combined liabilities and net assets remained comparable to prior year at \$1.93 billion (2024 - \$1.93 billion).

OPERATING ENVIRONMENT

Full-time equivalent (FTE) students attending Carleton during 2024-25 totaled 27,791, a very minor increase of 0.02% over 2023-24. Overall, graduate FTEs increased by 7.7%, undergraduate levels decreased by 1.8%, while new first year students were down 3.0%.

Enrolment patterns since the pandemic, including 2024-25, have been less predictable than historical patterns and the impact of government policy on international student enrolment has been detrimental. The existing provincial tuition fee framework, which froze domestic fees at 2019-20 rates, remained unchanged for 2024-25. The 2024-25 tuition fees are comparable to 2016 rates and, as a result, the university is managing current year expenses with revenues that have remained unchanged for nine years. This, coupled with the decline in international student enrolments, resulted in tuition revenue falling short of budget by \$13.9 million.

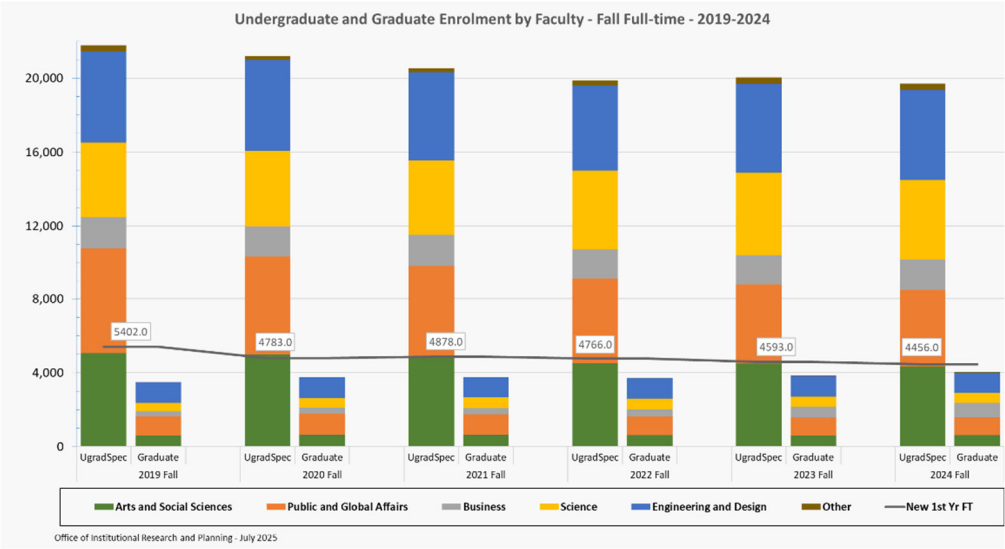
In June 2025, Carleton and MCU signed the current Strategic Mandate Agreement (SMA4), which covers a period of five years (2025-30) and continues the use of performance-based funding built on metrics that are meant to reflect priorities of the government in areas of student, graduate, community, and economic outcomes. The goals and priorities identified by the government for the post-secondary sector already occupy an important part of Carleton’s priorities, such as improving graduation rates, skills development towards higher employability, and research.

In the current year, government funding on a consolidated basis has increased \$4.1 million from the

prior year to \$184.5 million in 2024-25. The performance-based funding will be 25% of the total SMA funding in years 1 and 2, and then is expected to increase by 5% per year to a total of 40% in Year 5 (2029-30). Carleton met all but one metric in the Year 5 evaluation of SMA3, related to enrolment levels. However, with the strong performance in other metrics, Carleton netted an additional \$0.09M in performance-based grant for Year 5 of SMA3. Additionally, the university’s grant income is affected by the Ministry’s International Student Recovery (ISR) claw back and the requirement to defer restricted grants until the corresponding expenditures are made. Carleton will continue to closely monitor performance on all SMA4 metrics.

Carleton’s operating environment has been impacted by a number of regulatory provisions in recent years. With respect to compensation, the initial 1% cap and then ultimate repeal of the Ontario government’s *Protecting a Sustainable Public Sector for Future Generations* (Bill 124) has made for financially challenging labour negotiations. Beginning in 2024, the provincial government implemented the *Building Ontario Businesses Initiative* (BOBIA), which mandated that preference be given to Ontario-based businesses for our procurements under \$121,200. And most recently, Ontario public sector entities are prohibited from procuring goods and services from U.S. businesses, except in a limited set of circumstances.

Despite these regulatory challenges, the university’s focus for 2024-25 was developing a sustainable financial plan for the future. While this will be a multi-year, multi-faceted plan, the university first focused on cost containment measures and implemented the largest single-year budget cut for 2025-26, at \$24 million. This work will continue through the Ministry-mandated Efficiency and Accountability Fund (EAF) and with the assistance of a third-party reviewer.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS AT A GLANCE

Consolidated Statement of Operations

The audited Statement of Operations combines all activities of the university (general operating, ancillary, research, capital, and trust) into one column, and should be read in conjunction with the Financial Report, which highlights key operating income and expenses as compared to the approved 2024-25 Operating Budget.

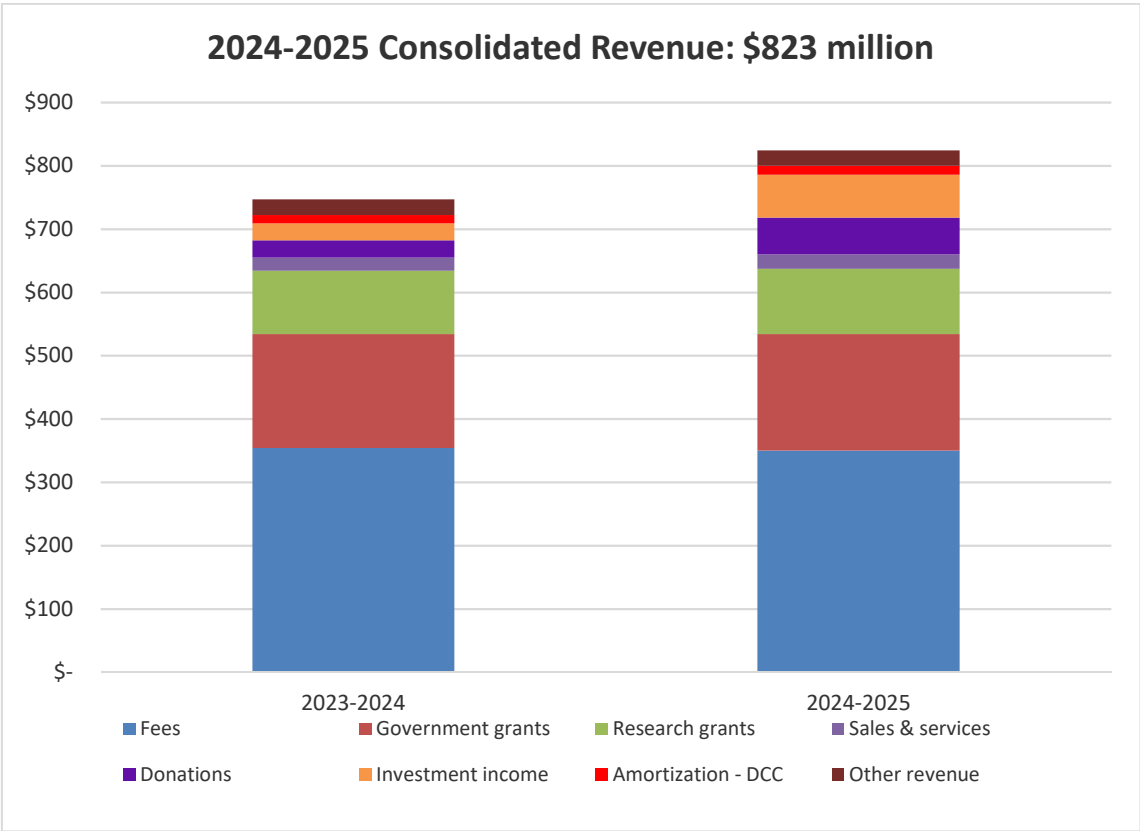
As shown in the Consolidated Financial Statements, the university experienced a shortfall in revenue over expenses of \$29.5 million in 2024-25. This deficit is the result of government policies placing restrictions on university revenue growth and the accrual of voluntary retirement incentives. The university was able to bridge this deficit by employing its existing reserves.

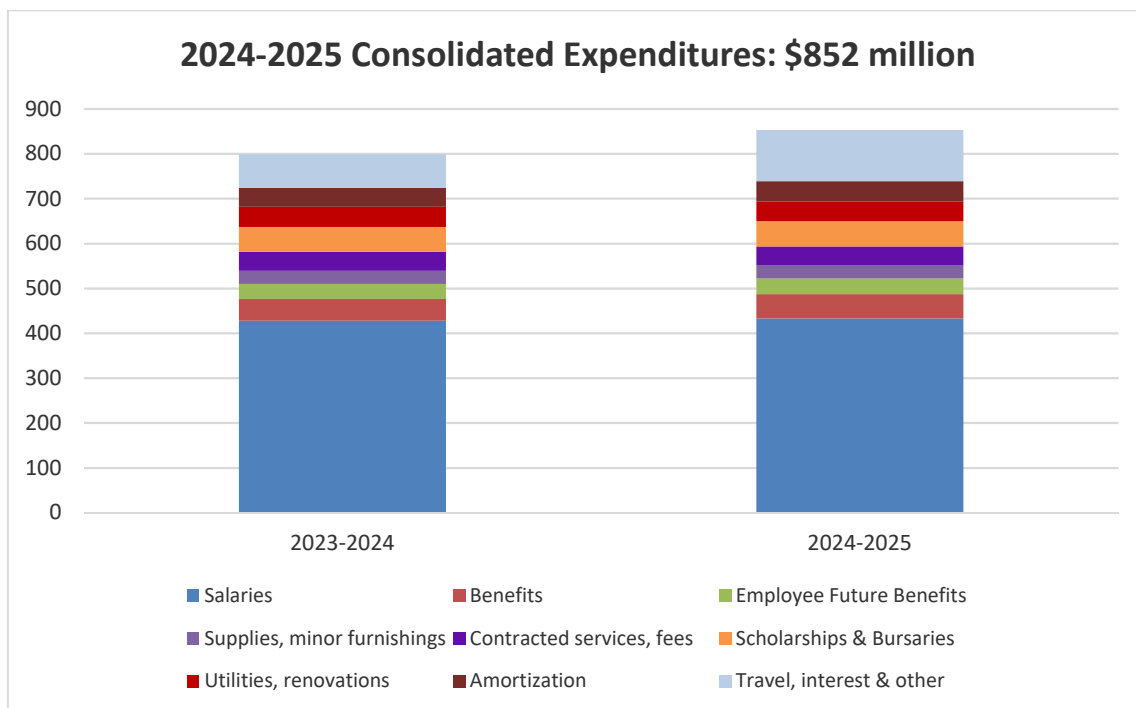
The university’s consolidated revenue of \$823.3 million increased \$75.7 million (10.1%) from the previous year, while consolidated expenses increased

\$55.1 million to \$852.8 million (6.9%). The growth in revenue was a result of increases in investment income (\$40.5), donations (\$30.8), government grants for operations (\$4.1 million), research grants and contracts (\$3.0 million), and other miscellaneous increases (\$1.6 million). These increases were offset by decreased fee income (\$4.3 million).

Carleton has continued its success in expanding its research profile. Research grants and contracts recognized in the financial statements totaled \$102.8 million. Additionally, the research enterprise also received \$48.9 million in donation revenue, most of which was industry in-kind support.

The following charts illustrate the sources of consolidated revenue and expenditures for 2024-25.





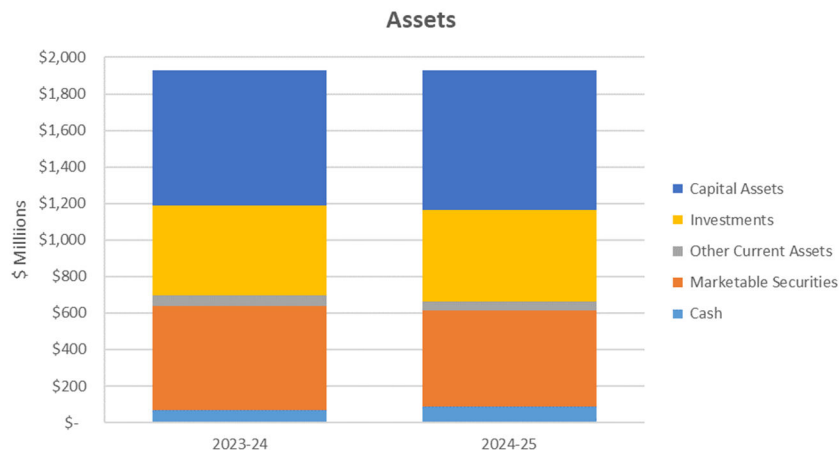
Salaries and benefits, at \$522.5 million, form the largest part of the university's consolidated expenditures, accounting for 61.3% of total expenses. This represents an increase of \$13.9 million (2.7%) over 2023-24 and is the combination of normal provisions for scale and progress through the ranks within our collective agreement and voluntary retirement incentives, as well as concerted efforts to reduce discretionary salary expenditures.

In 2024-25, licensing fees increased from \$16.1 million in the prior year, to \$46.8 million. The majority of this increase is due to industry in-kind donations of software licenses.

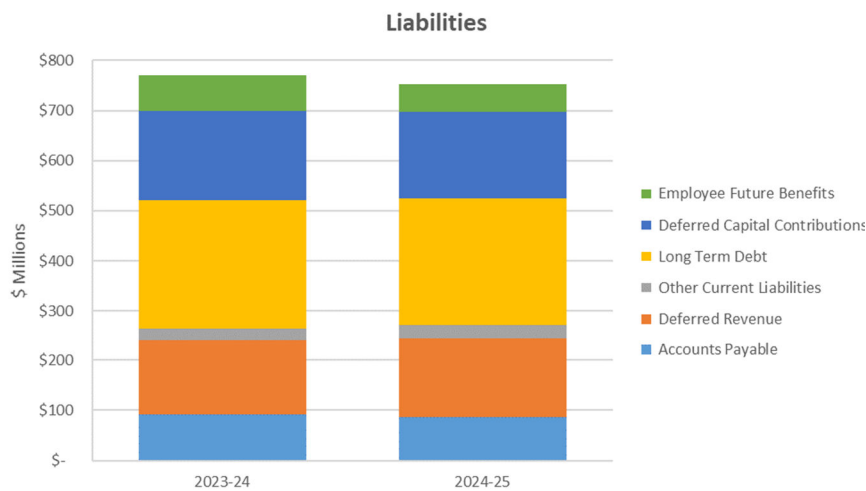
Student support, in the form of scholarships and bursaries remained relatively stable at \$56.9 million in 2024-25, as compared to \$56.1 in the prior year. In addition to this form of support, the university also employs thousands of students as teaching and research assistants, academic mentors, athletic facilitators and in various other positions across campus. Including employment, Carleton University provided almost \$113 million in financial support to its students in 2024-25.

Student Support and Employment (\$000)	Employment	Support	Total
Scholarship, bursary, grant	-	56,918	56,918
Teaching assistantship	27,120	-	27,120
Research assistantship	21,300	-	21,300
Other student employment	7,578	-	7,578
Total	55,998	56,918	112,916

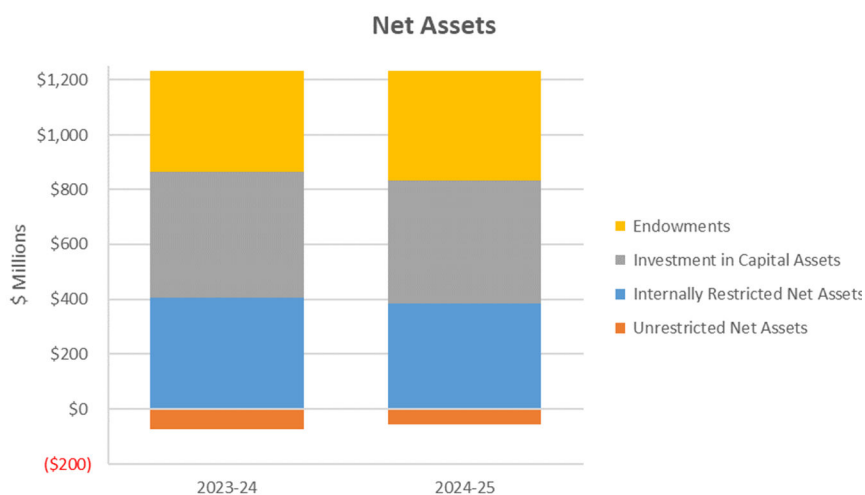
Consolidated Statement of Financial Position



The university's assets remained virtually unchanged from the prior year, at \$1.93 billion. Cash and short-term investments decreased by \$24 million, while long-term investments increased by \$10 million and capital assets by \$21 million. Accounts receivables decreased by \$4 million from the prior year.



The university's liabilities have decreased \$19 million from the prior year to \$752 million. While deferred revenues have increased \$9 million with growing research activity, positive market activity has reduced our employee future benefit obligation by \$16 million. Normal repayment of long-term debt and amortization of deferred capital contributions accounts for \$9 million of the decrease.

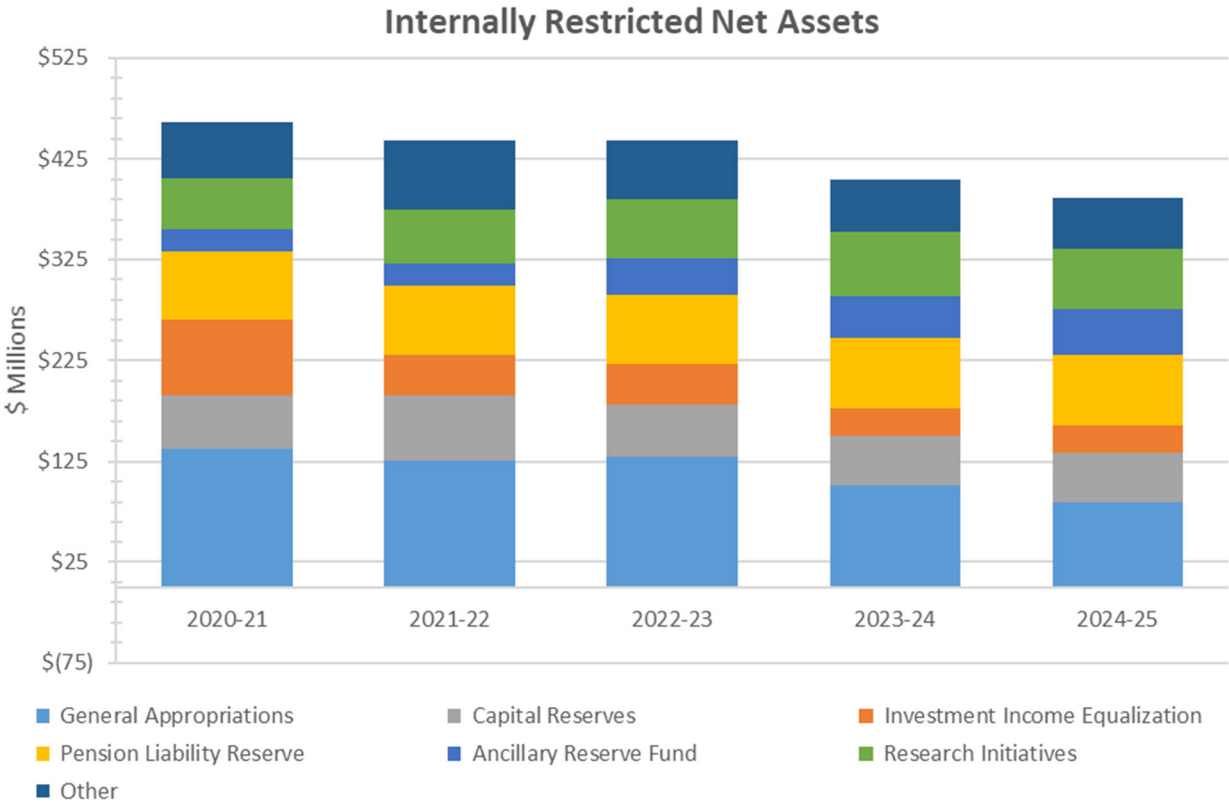


The university's net assets increased by \$18 million to \$1,179 million. This increase reflects the \$29 million shortfall in revenues over expenses, offset by \$29 million in endowment investment growth and a \$19 million positive re-measurement for employee future benefits.

Investment in Capital Assets decreased by \$11 million, as additions of \$67 million for projects such as the new student residence, building additions, deferred maintenance, and normal equipment requirements were offset by amortization costs and debenture financing. Endowed net assets were \$401 million on April 30, 2025, after income distributions of \$16 million. Most income distributions were to support student initiatives.

A substantial part of the university’s net assets are internal reserves and are shown on the Consolidated Statement of Financial Position as internally restricted assets. The chart below shows the change in these reserves over the last five years, with the largest change being associated with the

drawdown of operating reserves for the planned 2024-25 deficit budget. The current balance of internally restricted net assets is \$386 million, as compared to \$404 million one year ago.

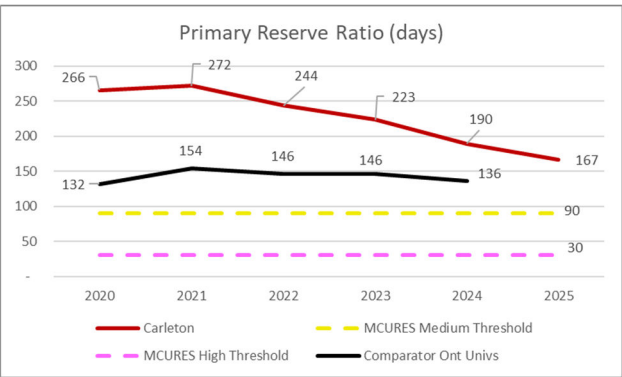


FINANCIAL HEALTH

The Ministry of Colleges and Universities and Carleton University recognize that financial sustainability is critical to ensure a healthy post-secondary education system. To that end, certain system-wide financial metrics have been developed and are being tracked as part of the government SMA framework. Keeping in mind that there will

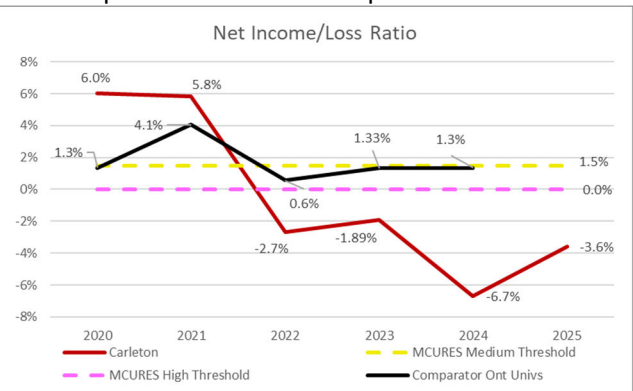
Primary Reserve Ratio

The primary reserve ratio is a viability measure that compares expendable net assets to total expenses. It provides an indication of an institution's financial strength and flexibility by determining how many days it might operate using only its existing available financial resources. A higher number is desirable and for 2025, Carleton's metric was 167 days, compared to sector averages closer to 136 days.



Net Income/Loss Ratio

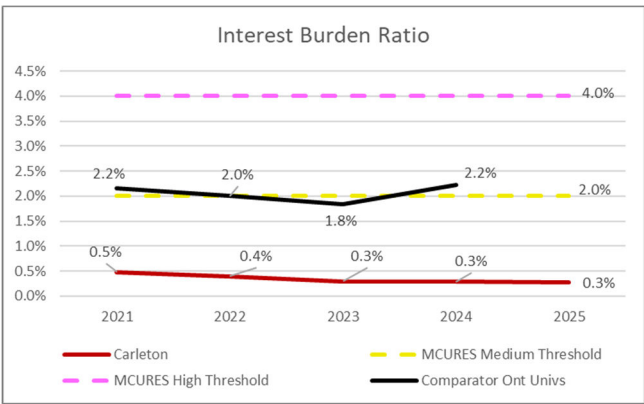
The net income/loss ratio is an indication of the extent an institution's revenues contribute to its net assets. The objective of this metric is to identify trends in net earnings and should be viewed in conjunction with the primary reserve ratio. In Carleton's case, the period of large positive ratios followed by negative years demonstrates our reinvestment of resources into strategic initiatives, however changes are required to our core operations to return to positive ratios.



always be volatility due to how investment gains and losses impact results, and the strategic use of reserves, these financial metrics demonstrate that Carleton is still in good financial health, and well positioned to address strategic opportunities and external funding disruption. Below we compare our metrics with the Ministry's thresholds, as well as our comparator universities, where available.

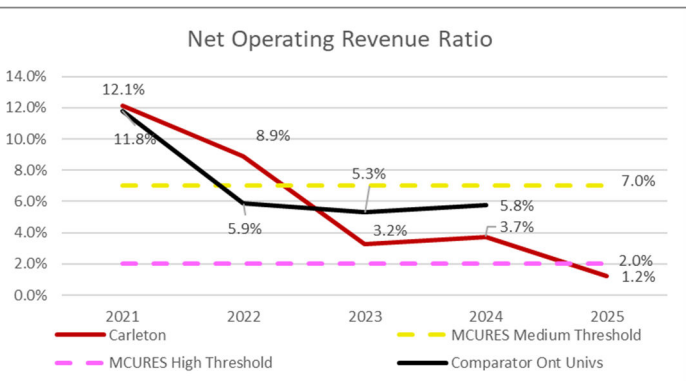
Interest Burden Ratio

The interest burden ratio is a measure of debt affordability. It compares the cost of servicing the university's debt to the total expenses. A lower percentage is desirable and the university's 2025 ratio of 0.3% is well below the sector average and MCURES's suggested medium-risk threshold of 2%.



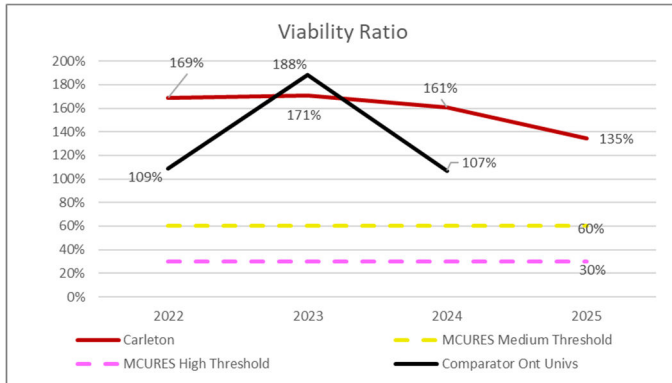
Net Operating Revenues Ratio

The net operating revenues ratio is a financial performance metric that indicates the extent to which an institution can generate positive cashflows. Positive ratios are an indication of strong financial health, while ongoing negative ratios are an indication of financial pressures. A positive ratio is desirable, and while Carleton's 2025 ratio was +1.2%, this is the first time the university has fallen below the Ministry's high threshold of 2.0%.



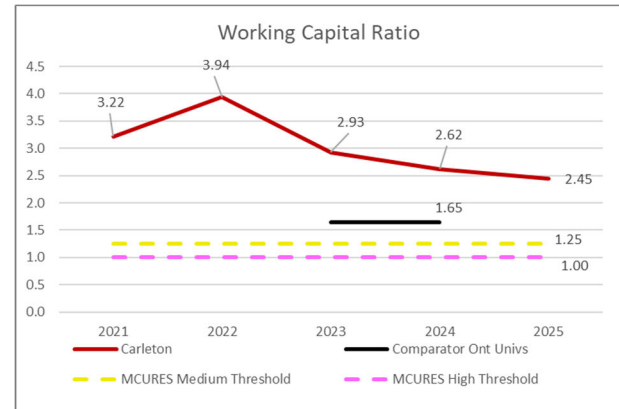
Viability Ratio

The viability ratio provides a measure of an institution's financial health as it indicates the funds on hand that can be used to settle long-term debt immediately, should they be required to. A higher percentage is desirable and the 2025 ratio of 135% is above the recent sector average of 107%.



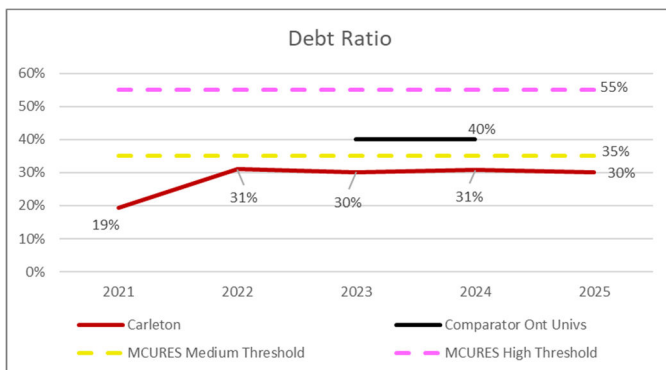
Working Capital Ratio

The working capital ratio provides an indication of financial health and liquidity as it measures an institution's ability to settle immediate debts with current assets. Carleton has consistently held low amounts of short-term debt relative to its cash and liquid investments.



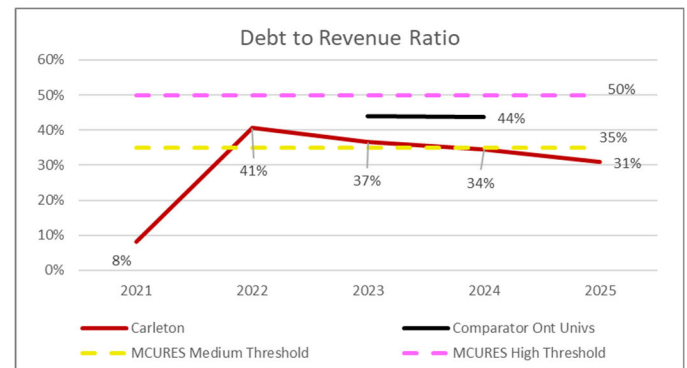
Debt Ratio

The debt ratio indicates the percentage by which an institution's assets are provided through debt. A higher ratio indicates that there may be a higher risk of default on loans, while a lower ratio indicates available borrowing capacity and greater financial flexibility. Since the issuance of the \$220 million debenture in 2021, Carleton has continued to maintain a healthy debt ratio in the 30% range.



Debt to Revenue Ratio

The debt to revenue ratio provides an indication of an institution's ability to repay debt and settle long-term commitments. While the university's ratio increased significantly in 2021 with the bond issuance, our ratio is currently just below the medium threshold of 35%.



CAPITAL INVESTMENTS, INFRASTRUCTURE, AND FACILITY RENEWAL

Carleton continues to invest in renewing the campus infrastructure and fund new projects to meet the growing needs of its community. Our most recent report on deferred maintenance estimated its value at \$204 million for non-ancillary buildings and another \$45 million for general campus infrastructure. Deferred maintenance on ancillary buildings, such as residence and athletic facilities, accounted for an additional \$88 million. These costs are funded solely by ancillary operations.

During 2024-25, the university spent \$30.3 million on

various non-capital renovation and infrastructure projects, including projects addressing the campus-wide deferred maintenance issue.

The university capitalized \$67 million in spending this year, including \$52 million for major capital projects. This includes the new student residence and dining hall expansion, as well as building improvements to Herzberg, Loeb, and Nideyinan.

The following tables outline the capital additions for the year and the sources of funding:

Capital Asset Additions (\$000)	2024-25	2023-24
Building projects, construction in progress	52,520	47,498
Equipment and furnishings	13,466	11,893
Other asset additions	524	1,053
	66,510	60,444

Major Capital Projects (\$000)	2024-25	2023-24
Debenture	37,494	35,938
Internally Financed Loan	2,709	5,435
Facilities Grant	2,523	1,100
Ancillary funds	6,615	62
Operating funds	1,937	4,164
Capital Reserve	1,242	800
	52,520	47,498

As society evolves in the digital age, the university must make strategic shifts towards technological investments alongside our traditional physical infrastructure. This includes investments in digital platforms, cybersecurity and cloud technologies that enhance operational efficiency, support hybrid learning and research environments, as well as contribute to the institution's resilience in this rapidly changing landscape.

The university's operating fund spent \$12 million in 2024-25 to support the non-salary technology costs for central IT infrastructure, up from \$8 million in the prior year. When factoring in all university activity, particularly research, the site licensing technology costs amounted to approximately \$47 million in the current fiscal year.

USING THIS FINANCIAL REPORT

As noted earlier, the annual Financial Report needs to be read in conjunction with the associated Audited Financial Statements.

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

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

Appropriations represent commitments that are internally recognized as charges against the current operating results in the Financial Report, whereas they are excluded from expenditures in the Consolidated Statement of Operations (income statement) and instead are shown as internally restricted assets on the

Consolidated Statement of Financial Position (balance sheet). Internally restricted assets cover specific reserves for future commitments such as pension, capital projects, ongoing research initiatives, or carry-forward budget balances available for future purposes. This is seen as an effective institutional policy in the management of financial resources, as it allows managers to plan expenditures over a period that extends beyond the fiscal year.

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

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

Section 4 of this report provides further details on the differences between the audited Consolidated Statement of Operations and the Financial Report. In addition, Schedule 1 of the Financial Report provides specific financial analysis of operating income and expenses as compared to the 2024-25 operating budget approved by the Board of Governors.

	2024-25	2023-24
Operating budget result, before (use) or increase to reserves	\$ (10.7 M)	13.7 M
Decrease in operating appropriations	\$ (9.9 M)	(66.3 M)
Investment in capital assets	\$ (10.7 M)	(6.6 M)
Employee future benefits	\$ (3.0 M)	(6.6M)
Internal contributions to endowment and sinking funds	\$ 3.5 M	4.2 M
Research surplus/(deficit)	\$ (4.0 M)	4.8 M
Ancillary surplus/(deficit)	\$ 4.3 M	6.3 M
Plant surplus/(deficit)	\$ 0.3 M	(0.5 M)
Other minor adjustments	\$ 0.7 M	0.9 M
Excess of revenue over expense per audited statements	\$ (29.5 M)	(\$50.1 M)

The Internal Statement of Operations following this Management Discussion and Analysis section provides a more detailed analysis of the key revenue and expenditures that impact the university's consolidated results.

CONCLUSION

Despite ongoing frozen domestic tuition fees at values similar to fees assessed in 2016, limited increases to operating grants and the enrolment challenges presented by government policies and actions affecting international students, Carleton University continues to have an adequate financial position which allows us to take measured actions towards financial stability. Our commitment to planning, while still adhering to conservative budget practices, enabled the university to offset a large decrease in international tuition revenue this year, cover additional compensation costs related to retirement incentives, and reduce the draw on the strategic funds required to balance the approved operating budget by \$15.4 million.

After the Ministry's delay in activating SMA3's

performance-based grant funding model, the university has had positive metric results in both Year 4 (2023-24) and Year 5 (2024-25), which ensured the current 25% of at-risk funding was not negatively affected. Prudent cash management as also provided the university with additional resources to offset the loss of international students and begin the necessary operational and organization changes required to restore financial stability.

With ancillary financial performance being strong, sufficient reserves to manage necessary changes for financial sustainability, and remarkable growth in our research enterprise, Carleton University will continue to successfully meet the financial challenges ahead.

Duane McNair, MBA CPA
Vice-President (People, Finance and Operations)
August 2025

Angela Marcotte, CPA, CA
Associate Vice-President (Financial Services) and
Chief Financial Officer
August 2025

1. INTERNAL STATEMENT OF OPERATIONS

The Consolidated Statement of Operations presented in the audited financial statements records income and expenses in accordance with Canadian accounting standards for not-for-profit organizations, as defined by the Chartered Professional Accountants (CPA) of Canada. These statements combined all the activities of the university into one statement, whereas the management and internal review of such activities are segregated into “funds.”

As management requires specific financial information for budgeting and monitoring purposes, operating income and expenses are accounted for differently for internal uses, as shown in Schedule 1 of this report.

These internal management statements provide a comparison of actual results to the 2024-25 operating and ancillary budgets, as approved by the Board of Governors. A reconciliation of internal management statements to the audited financial statements is provided in Section 4.

Sections 1.1 and 1.2 below provide a review of Schedule 1 operating income and expense variances as compared to the approved 2024-25 operating budget. A similar review is provided in sections 2 and 3 for ancillary services, plant, and research activities.

1.1 Operating Income

Operating income totaled \$566,448,000 in 2024-25, compared to the opening budget of \$534,858,000 and the previous year’s income of \$538,430,000. Total operating income was therefore \$31,590,000 (5.9%) above budget and \$28,018,000 (5.2%) above the previous year. If we excluded the additional \$14,358,000 in income restricted to specific expenditures such as student aid, accessibility, Indigenous education and training, and in-kind software licenses, operating income was above budget by \$17,232,000. While operating income has grown in 2024-25, overall income growth is not keeping pace with growth in operating expenses. As a result of freezes on grant and tuition fees, there is no mechanism to index costs in-line with overall inflation of higher education cost over time.

	<i>2024-2025 Actual \$000</i>	<i>2024-2025 Budget \$000</i>	<i>Variance from Budget \$000</i>	<i>2023-2024 Actual \$000</i>
Revenues	566,448	534,858	31,590	538,430
Less: Items offset by expenditures (section 1.2.1)	(14,358)	-	(14,358)	(5,760)
Net Revenues	552,090	534,858	17,232	532,670

Each category of income is reviewed in more details below, with a summary provided in Schedule 1.

1.1.1 Government Operating Grants

Government operating grants of \$184,493,000 were \$3,579,000 (2.0%) above the original budget, and \$84,000 below the previous year. A comparison to the budget is provided below:

	2024-2025 <i>Actual</i> \$000	2024-2025 <i>Budget</i> \$000	<i>Incr/(Decr)</i> <i>from Budget</i> \$000	2023-2024 <i>Actual</i> \$000
<u>Items Affecting the Operating Result</u>				
Core Operating Grant	58,674	58,674	-	69,690
International Student Recovery	(1,855)	(2,477)	622	(2,229)
Performance Funding	110,718	110,572	146	98,320
Financial Sustainability Funding	5,090	5,807	(717)	-
Research Overheads	5,285	5,047	238	5,066
Other government grants	1,855	1,889	(34)	8,999
Subtotal	179,767	179,512	255	179,626
<u>Items offset by expenses</u>				
Student Aid & Support Funds	2,507	-	2,507	2,703
Access for the Disabled	1,585	1,074	511	1,608
Other Government Grants	634	328	306	640
Subtotal	4,726	1,402	3,324	4,951
Total Government Grants	184,493	180,914	3,579	184,577

Omitting special purpose grants, the operating revenue from MCURES was \$255,000 higher than budget. The new financial sustainability funding came in slightly below budget, which was offset by additional research overheads and a lower grant recovery (i.e. fee) for international students.

1.1.2 Tuition Fees – Credit Programs

Tuition income totaled \$295,278,000 in 2024-2025, a decrease of \$13,922,000 (-4.5%) from budget. This shortfall is driven by international enrolments being lower than planned, offset by some positive domestic growth in both undergraduate and graduate programs. Details of the decrease are as follows:

	2024-2025 <i>Actual</i> \$000	2024-2025 <i>Budget</i> \$000	<i>Incr/(Decr)</i> <i>from Budget</i> \$000	2023-2024 <i>Actual</i> \$000
<u>Items Affecting the Operating Result</u>				
Undergraduate - Domestic	160,861	159,100	1,761	158,613
Undergraduate - International	78,884	92,301	(13,417)	92,130
	239,745	251,401	(11,656)	250,743
Graduate - Domestic	30,299	29,099	1,200	26,407
Graduate - International	25,234	28,700	(3,466)	26,214
	55,533	57,799	(2,266)	52,621
Total Tuition Fee Revenue	295,278	309,200	(13,922)	303,364

Tuition fees vary based on the discipline of study, as well as the residency status of the student. The overall change in enrolment from the previous year, which netted to 0.02%, is detailed below:

	<i>Enrolment (F.T.E.)</i>		<i>Increase/Decrease</i>	
	<i>2024-2025</i>	<i>2023-2024</i>	<i>#</i>	<i>%</i>
Undergraduate - Domestic	19,963	19,907	56	0.28%
Undergraduate - International	2,017	2,482	(465)	-18.74%
	21,980	22,389	(409)	-1.83%
Graduate - Domestic	4,607	4,066	541	13.32%
Graduate - International	1,204	1,331	(127)	-9.56%
	5,811	5,397	414	7.68%
Total	27,791	27,786	5	0.02%

The decrease in overall tuition revenue is a result of the constraints on international recruitment due to government policy. Although the university has made some gains in domestic enrolment, particularly on the graduate front, they are insufficient to address the international loss considering frozen fees. Additionally, it is expected that stalling international tuition revenues will continue as the current cohort of students work through the education cycle and government policies continue to make international recruitment more competitive. In addition to challenges with enrollment, university tuition fees have substantively been frozen at the 2016 level.

1.1.3 Miscellaneous Income

Miscellaneous income totaled \$15,975,000 in 2024-25, exceeding budget by \$2,028,000. Miscellaneous income consists mostly of non-tuition related administrative fees and charges, and recoveries from ancillary services, external parties, and certain non-credit operations. Details are as follows:

	<i>2024-2025 Actual</i>	<i>2024-2025 Budget</i>	<i>Incr/(Decr) from Budget</i>	<i>2023-2024 Actual</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Items affecting the operating result</u>				
Application and admission fees	3,124	3,193	(69)	3,379
Deferred payment and processing fees	3,176	2,945	231	3,077
Omnibus fee	1,363	1,260	103	1,276
Overhead charges	4,521	4,396	125	4,503
Facility rentals	943	791	152	943
Career Placement Services	333	310	23	324
Other miscellaneous	1,338	928	410	1,950
Subtotal	14,798	13,823	975	15,452
<u>Items offset by additional expenditures</u>				
Insurance proceeds	776	-	776	618
Other	401	124	277	219
Subtotal	1,177	124	1,053	837
Total Miscellaneous Income	15,975	13,947	2,028	16,289

1.14 Investment Income

Investment income amounted to \$52,927,000 in 2024-25, above budget by \$30,927,000 and \$35,431,000 above the previous year. After relatively modest earning in the prior year, as well as a minor write-down for an impairment in one investment portfolio, realized earnings have rebounded in the 2024-25 fiscal year, and were equally distributed between equity investments and conservative high-interest GICs and savings accounts.

	<i>2024-2025 Actual \$000</i>	<i>2024-2025 Budget \$000</i>	<i>Incr/(Decr) from Budget \$000</i>	<i>2023-2024 Actual \$000</i>
<u>Items affecting the operating results</u>				
Investment income - realized	44,000	21,534	22,466	25,254
Unrealized gains/(losses)	7,182	-	7,182	(8,311)
Internal interest and endowment revenue	1,584	1,316	268	1,382
Investment management fees	(814)	(850)	36	(829)
Subtotal	51,952	22,000	29,952	17,496
<u>Items offset by additional expenditures</u>				
Funding of bond costs	975	-	975	-
Total Investment Income	52,927	22,000	30,927	17,496

On the recommendation of the Investment Committee, investments in equity vehicles are maintained around the \$100 million level. The university also maintains an Investment Income Equalization Fund to mitigate the risks associated with market return fluctuations, should investment earnings fall below what has been planned for in the operating budget. This reserve currently stands at \$27 million.

1.15 Departmental Income

Departmental income relates to sales, rentals and fees that are under the responsibility of 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.

During the year, departmental income totaled \$17,775,000 and exceeded the original budget by \$8,798,000. This was comprised of \$9,006,000 of income that was used to support additional expenditures, while a shortfall of \$29,000 in central benefit recoveries affected the operating results. The majority of the additional income was in the form of in-kind software licenses that was offset by an equal licenses expense.

1.2 Operating Expenditures, Transfers, and Appropriations

The Operating Fund expenditures and transfers, before appropriations, totalled \$587,151,000 in 2024-25, and were \$26,138,000 (4.7%) above the opening budget, and \$3,855,000 less than the previous year. Including the net return of additional prior year appropriations of \$20,703,000, expenditures exceeded budget by \$5,435,000.

A breakdown of the expense variances to budget are shown below.

1.2.1 Operating Expenditures and Transfers

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

	<u>\$000</u>
Actual operating expenditures and transfers	587,151
Opening operating budget	<u>561,013</u>
Expenditures above budget	<u>26,138</u>

The items making up the \$26,138,000 increase in expenditures and transfers were:

	<u>\$000</u>	<u>\$000</u>
a) Salary Increases		
Current year cost	34,096	
Less: Contingency in opening budget	<u>36,852</u>	
Additional cost/(savings)		(2,756)
b) Mid-Year Allocations		
Total allocations	677	
Less: Opening contingency	<u>562</u>	
Additional cost/(savings)		115
c) Enrolment Incentive		
Current year cost	7,318	
Less: Opening contingency	<u>8,049</u>	
Additional cost/(savings)		(731)
d) Bond Financing		
Current year cost	4,423	
Less: Opening contingency	<u>5,729</u>	
Additional cost/(savings)		(1,306)
e) Other Contingencies		
Current year cost/(savings)	(2,582)	
Less: Opening contingency	<u>1,545</u>	
Net		(4,127)
Total additional contingency costs/(savings)		<u>(8,805)</u>

	<u>\$000</u>	<u>\$000</u>
Overspent (unspent) balances not appropriated:		
f) Voluntary Retirement Incentive Program (VRIP)	20,395	
g) Interfund transfers	(2,246)	
h) Student support	(2,138)	
i) Utilities	(2,057)	
i) Benefits	(1,941)	
j) Joint program costs	(928)	
k) Library acquisitions	(496)	
l) Other minor balances	6	
Subtotal		10,595
Expenditures funded by additional income:		
Government grant (section 1.1.1)	3,324	
Tuition income (section 1.1.2)	-	
Miscellaneous fees & income (section 1.1.3)	1,053	
Investment income (section 1.1.4)	975	
Departmental income (section 1.1.5)	9,006	
		14,358
Prior year unspent budget returned to units	98,544	
2024-25 unspent budget appropriated from units	(77,841)	
Total spending of appropriated reserves (section 1.2.2)		20,703
less: Use of reserve for original budget (section 1.2.2)		(10,713)
Total expenditures and transfers above original budget		26,138

Notes:

- a) Salary Increases: Once estimates of settlements related to the repeal of Bill 124 were finalized, the cost of salary and benefit increases for 2024-25 were under budget by \$2,756,000.
- b) Mid-Year Allocations: Allocations from the mid-year contingency fund totaled \$677,000 in 2024-25, as compared to the budget of \$562,000. The allocations include:

Allocations from the Mid-Year Contingency Fund:

	<u>\$000</u>
Labour relations support	517
IT back-up storage	160
Total allocations	677
Opening contingency	562
Allocation in excess of budget	(115)

The Provost's Budget Working Group, co-chaired by the Provost and the Vice-President (Finance and Administration), manages the Mid-Year Contingency Fund.

- c) Enrolment Incentive Plan: The Enrolment-Linked Budget Allocation (ELBA) was initiated in 2010-11 whereby faculties receive 40% of the net revenue from enrolment growth in their area. Due to contractions in enrolment, ELBA, with the exception of incentives related to the Online MBA program, have been paused. In 2024-25, \$731,000 of the amount set aside for this purpose was not required.

- d) Bond Financing: In June 2021, the university issued a \$220 million, 40-year debenture which requires interest-only payments during that time. In accordance with the university's Capital Debt policy, annual contributions to a sinking fund must also be made to accumulate sufficient funds to retire the principal due at the end of 40 years. Contributions to both the interest and sinking fund are shared proportionately between the operating and ancillary funds. During the year, the operating fund contributed \$4,423,000 toward both interest and sinking fund payments. The savings against the \$5,729,000 original budget represent interest costs related to the bond funding of the Loeb renovation being allocated to the plant fund.
- e) Other Contingencies: Included in the opening budget are annual amounts set aside for international recruiting agent fees and revenue sharing estimates for special programs. In light of the challenges within the operating fund, \$1 million from available reserves in both the ancillary and internal research funds was contributed back to the operating fund, along with a \$1.7 million renovation budget. Total allocations and changes to this contingency amounted to a savings of \$4,127,000.
- f) Voluntary Retirement Incentive Program (VRIP): In late 2024, the university offered all employees who were eligible to retire and had ten years or more of service, an incentive package to retire. Over 25% of those eligible applied for the VRIP, and it is anticipated the university will save \$10 million in compensation costs on a go-forward basis. The one-time cost for the VRIP, which includes the incentive and previously earned retiring allowances amounts to \$20,395,000.
- g) Interfund transfers: The \$2,246,000 in savings over budget represents additional research overheads being contributed to the operating fund.
- h) Student supports: The budget for student scholarships and bursary, both at the undergraduate and graduate level, exceed actual expenditures by \$2,138,000.
- i) Utilities: The savings are attributed to natural gas, which experienced a 4% lower rate than anticipated, and there was a 50% savings in the carbon tax as compared to budget.
- j) Benefits: Savings were achieved due to an overestimation for the benefit impact of the prior year's Bill 124 retroactive salary payments, and additional benefit recoveries achieved during the year.
- k) Joint program costs: These savings relate to joint programs offered with Algonquin College and related revenue sharing, and actual enrolment being lower than what was originally budgeted for.
- l) Library acquisitions: As part of its cost saving initiatives, the Library was able to save \$496,000 in acquisition costs, as compared to budget.

1.2.2 Appropriations

Appropriations, also known as internally restricted net assets, represent commitments that are recognized as charges against the operating results in the current year, although the expenditure has not yet taken place. The commitment can either be to an outside supplier (i.e., an outstanding encumbrance may exist based on a purchase order which has not yet been fulfilled), or an internal commitment to a departmental manager that budgetary balances available in the current year can be used for specific projects in the future.

Generally, unspent budgetary balances are carried forward into the next year. This is seen as an effective institutional policy as it allows managers to plan expenditures over a period that extends beyond the fiscal year and deters any potentially wasteful spending towards the year-end that may arise if budgetary funds were no longer available.

The net decrease in the general operations appropriated fund balance for the year is as follows:

	<i>\$000</i>
Returned to units from 2023-24 appropriated fund balance	(87,831)
Unspent budget from units appropriated to fund balance 2024-25	77,841
Net appropriations utilized by units	(9,990)
Strategic Initiative reserve requirement for 24/25 budgetary needs	(10,713)
Total decrease in appropriated fund balance	(20,703)

Details of the returned and new appropriations are as follows:

	<i>Returned \$000</i>	<i>Appropriated \$000</i>	<i>Difference \$000</i>
RPC			
Faculties	33,672	30,488	(3,184)
Academic Administration	1,091	1,257	166
Students and Enrolment	3,698	2,116	(1,582)
Library	1,383	1,266	(117)
President	1,547	1,179	(368)
Research and International	1,151	1,849	698
Finance and Administration	4,193	3,693	(500)
IT infrastructure	6,019	4,936	(1,083)
Renovations	27,044	23,999	(3,045)
Advancement	1,167	1,330	163
Student Support	3,178	1,906	(1,272)
Pending commitments	171	1,374	1,203
Capital reserves	3,517	2,448	(1,069)
Subtotal	87,831	77,841	(9,990)
Strategic initiative reserve requirement for 24/25	10,713	-	10,713
	98,544	77,841	(20,703)

The strategic initiative reserve requirement represents the draw on reserves required to meet the necessary budgetary allocations included in the original budget. The original budget for 2024-25 included a draw on reserves of \$26,155,000, so the actual requirement of \$10,713,000 represents an improvement of \$15,442,000.

In addition to the \$77,841,000 appropriated amount above, \$184,067,000 of prior year appropriated funds were not returned during 2024-25, as the planned or possible expenditures will occur in future fiscal years.

	<u>\$000</u>
Capital reserves	46,471
Pension liability reserve	69,212
Investment income equalization fund	26,983
Strategic Initiatives fund	40,484
Future project commitments	769
Self-insurance fund	148
Total appropriations not returned	<u>184,067</u>

There are only minor commitments against the capital reserve currently, including \$1.4 million for the campus transportation strategy. The balance may be used in tandem with the \$100 million of uncommitted bond proceeds for future capital projects, or in light of current financial constraints, may be partially repurposed to address strategic operational needs.

While the pension fund is currently fully funded on an actuarial basis, the plan remains top of mind for the university when assessing future risks. On an accounting basis, the plan improved from a \$93.3 million asset position as of April 30, 2024, net of obligations, to an increased asset position of \$121.6 million at April 30, 2025, as a result of the market's impact on the assets backing the pension plan. Given the market's ability to impact the position of the pension plan, the university continues to hold \$69.2 million reserved for pension obligations.

As referenced in section 1.1.4, the university maintains an investment income equalization fund to mitigate against market risks on its equity investment holdings within short-term operating investments.

The strategic initiatives fund will be utilized in the near-term to assist the university in bridging the current structural budget deficit. With the assistance of a third-party reviewer, and as mandated by the MCURES, the university will be exploring opportunities for more effectiveness and efficiencies in financial governance, administration, the use of physical assets or facilities, collaborative procurement and revenue-generating opportunities. The implementation of recommendations coming out of this review may require resourcing from this fund.

1.3 Operating Results

As noted in section 1 above and on Schedule 1 at the end of this report, actual results show that revenues equal expenditures and net appropriations. 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 expense. In the analysis below, we have excluded these offsetting items to provide a variance analysis against the mid-year projections, for the major categories.

Final Operating Budget Results vs Projection			
	<i>Actual</i>	<i>Projected</i>	
	<i>Incr/Decr</i>	<i>Incr/Decr</i>	<i>Variance</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Income Variations			
Government grants (section 1.1.1)	255	-	255
Tuition fees (section 1.1.2)	(13,922)	(14,500)	578
Miscellaneous income (section 1.1.3)	975	700	275
Investment income (section 1.1.4)	29,952	-	29,952
Departmental income (section 1.1.5)	(28)	-	(28)
Total income variations	17,232	(13,800)	31,032
Expenditure Variations			
Expenditures less than contingencies (sec 1.2.1)	8,805	2,000	6,805
Expenditures less/(more) than allocations (sec 1.2.1)	(10,595)	(16,200)	5,605
Total expenditure variations	(1,790)	(14,200)	12,410
Net change in results	15,442	(28,000)	43,442
Original surplus included in budget	(26,155)	(28,115)	-
Return of appropriation (section 1.2.2)	10,713	54,155	43,442
Total change in accumulated surplus	-	-	-

1.4 Accumulated Unrestricted Surplus

The prior year's accumulated operating balance was \$nil, and therefore remains unchanged for April 2025. The university continues its practice of utilizing reserves to balance the annual operating budget's results. Unrestricted operating surpluses are appropriated and held in internally restricted net assets for future purposes. In the same vein, internally restricted net assets are returned to the unrestricted operating fund when there is an in-year deficit.

2. Ancillary Operations - Operating Result and Fund Balance

Schedule 2 of this report details the 2024-25 operations of each ancillary as compared to the opening budget. Overall, the ancillary results can be summarized as follows:

	<i>2024-25 Actual \$000</i>	<i>2024-25 Budget \$000</i>	<i>2023-2024 Actual \$000</i>
Revenue and internal recoveries	77,831	73,765	72,853
Expenses and transfers	51,723	48,364	46,991
Surplus (deficit) from operating activity	26,108	25,401	25,862
Major renovations	11,503	22,621	9,667
Capital debt	10,259	10,549	9,886
Surplus (deficit) from operating activity and debt servicing	4,346	(7,769)	6,309

Ancillary operations ended the year with a combined surplus of \$4.3 million compared to a budgeted deficit of \$7.8 million. The surplus can primarily be attributed to strong revenues, including higher residence occupancy and the successful introduction of a new student mental health fee following a referendum. Expenses and transfers were higher than budget due largely to retroactive salary expenses related to the repeal of Bill 124. This expense was not included in the original budget. In addition, the ancillary fund contributed \$1 million to the operating fund to minimize the current year operating deficit, and this figure was not included in the original budget. Major renovations were under budget due to the demolition of the P9 parking garage being significantly below the budgeted costs and the deferral of furniture purchases for Rideau house to the 2025-26 fiscal year. All individual ancillary units have successfully eliminated any accumulated deficits developed during the pandemic, apart from Parking Services, The Campus Store and The Print Shop. The strong financial results for all ancillaries have increased the overall accumulated surplus to \$46.4 million as of April 30, 2025.

The change in the fund balances are as follows:

	<i>Balance at April 2025 \$000</i>	<i>Balance at April 2024 \$000</i>	<i>Variance \$000</i>
Accumulated Surplus - Unrestricted	-	-	-
Accumulated Surplus - Internally Restricted	46,437	42,091	4,346
	46,437	42,091	4,346

3. Other Income and Expenditures

As explained in section 1 above, the 2024-25 audited financial statements include all the activities of the university which, for management purposes, are segregated into separate funds. The following sections highlight the more significant non-operating activities from the Consolidated Statement of Operations.

3.1 Capital Investments, Plant Income and Expenses

The accounting for investments in capital assets is one of the major differences in how the university accounts for expenditures internally, versus those in the audited financial statements. Included here is a high-level view of capital investments, as well as operating results for the non-capital portion of renovation projects, known as plant income and expenses.

Although the university has undertaken necessary work in several operating buildings (MacOdrum Library, Nideyinan, Loeb and Herzberg Buildings), and additions to capital assets totalled \$66.5 million in 2024-25, the university continues with a cautious approach to future construction, including the pause of major renovations to Paterson Hall. To maintain existing buildings in acceptable condition, the university has worked to address its considerable backlog of deferred maintenance projects. In the current year alone, \$30.3 million was spent on building modernization and maintenance projects. In the current year, projects funded by ancillaries include the expansion of the residence dining hall, turf replacement for the Field House and Raven's Field, and the construction of a new student residence, opening in the fall of 2025.

As indicated in the university's audited financial statements (note 6), capital assets totaled \$739.6 million as at April 30, 2025, as compared to \$718.9 million in the previous year. Capital assets have been funded through a combination of direct investments in capital assets, deferred contributions, and financing, as outlined below.

	2025 \$000	2024 \$000	Increase/(Decrease) \$000
Capital assets	739,604	718,932	20,672
<u>Funding</u>			
Investment in capital assets	422,318	432,968	(10,650)
Deferred capital contributions	171,820	177,240	(5,420)
Loans payable	37,805	41,829	(4,024)
Debenture	80,694	43,250	37,444
Internal financing	26,967	23,645	3,322
	739,604	718,932	20,672

The specific assets funded through external and internal financing are as follows:

	Maturity	Interest rate	2025 \$000	2024 \$000	Increase/(Decrease) \$000
<u>External loan financing</u>					
Prescott residence	2029	6.844%	4,660	5,845	(1,185)
Leeds residence	2027	6.487%	2,043	3,461	(1,418)
Frontenac residence	2039	4.855%	9,798	10,258	(460)
Lennox & Addington residence	2042	2.815%	21,304	22,265	(961)
			37,805	41,829	(4,024)

	<i>Maturity</i>	<i>Interest rate</i>	<i>2025 \$000</i>	<i>2024 \$000</i>	<i>Increase/(Decrease) \$000</i>
<u>External debenture financing</u>					
Rideau residence	2061	3.264%	80,000	43,250	36,750
Loeb renovation	2061	3.264%	694	-	694
			80,694	43,250	37,444
<u>Internal loan financing</u>					
Parking facilities	2048	3.35%	22,168	22,647	(479)
Teraanga Commons renovations	2037	3.50%, 5.70%	11,438	5,757	5,681
Ice Arena	2027	0.00%	850	1,399	(549)
Building fit-ups (funding in advance of expenditure)			(7,489)	(6,158)	(1,331)
			26,967	23,645	3,322
			145,466	108,724	36,742

The debenture financing represents the utilized portion of the \$220 million issuance in 2021. Amounts that have not yet been applied toward capital projects are invested with the university's available cash resources and contribute towards investment income for operating purposes. The 40-year bullet bond requires interest-only payments during that time, and as such, the university has established a sinking fund to accumulate sufficient funds to retire the principal due in 2061. The balance of the sinking fund as of April 30, 2025 was \$8,011,000.

Annual external debt servicing costs, comprised of principle and interest, are as follows:

	<i>Operating \$000</i>	<i>Ancillary \$000</i>	<i>Total \$000</i>
<u>2025-26</u>	4,570	8,362	12,932
2026-27	4,570	7,291	11,861
2027-28	4,570	6,767	11,337
2028-29	4,570	5,886	10,456
2029-30	4,570	5,263	9,833
Thereafter	141,670	328,640	470,310
	164,518	362,211	526,729

In addition, the university invests in a sinking fund to provide funding to repay the debenture on maturity in 2061. The current sinking fund payments are \$1.8M (Operating - \$1.1M; Ancillary - \$0.6M).

Per the university's capital debt policy, two ratios, debt per full-time equivalent (FTE) student and debt service coverage, are to be used as a guideline to determine the maximum amount of outstanding debt.

	<i>Threshold</i>	<i>2024-25</i>	<i>2023-24</i>
Debt per student FTE	< \$14,706	\$ 9,992	\$ 10,105
Debt service coverage ratio	> 2.5	1.4	-0.4

While debt per student FTE is well within the threshold, recent operating results have driven the debt service coverage ratio below its threshold.

The plant income and expenses included below represent 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 Plant income and expenses for 2024-25:

	<i>2024-2025 Actual \$000</i>	<i>2023-2024 Actual \$000</i>	<i>Increase (Decrease) \$000</i>
Income and Transfers			
Government grants, other income	4,078	1,722	2,356
Transfers from/(to) operating & ancillary	919	840	79
Net income	4,997	2,562	2,435
Expenses			
Additions	4,669	3,112	1,557
Surplus (deficit)	328	(550)	878
Opening fund balance	(114)	436	(550)
Closing fund balance	214	(114)	328

In addition to government grants for non-capital projects, \$919,000 in funding was provided by the operating fund for projects. During the year, \$4,669,000 in expenditures was incurred, leaving a small balance of \$214,000 in the fund as of April 30, 2025.

3.2 Research Funding and Expenditures

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

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

	<i>Balance</i> <i>April 30, 2024</i> <i>\$000</i>	<i>2024-25</i> <i>Funding</i> <i>\$000</i>	<i>2024-25</i> <i>Expenditure</i> <i>\$000</i>	<i>Balance</i> <i>April 30, 2025</i> <i>\$000</i>
<u>Tri-Agency Sponsored Research</u>				
CIHR	3,265	4,228	3,015	4,478
NSERC	20,448	25,027	21,570	23,905
SSHRC	15,743	21,746	19,177	18,312
	39,456	51,001	43,762	46,695
<u>Other Sponsored Research</u>				
Federal Government Agencies	9,072	14,897	18,965	5,004
4SNO and TRIUMF	-	9,347	9,347	-
CFI / Ontario Research Fund	3,066	7,142	5,461	4,747
Provincial, municipal governments	3,134	3,931	4,658	2,407
Businesses and foundations	16,108	63,874	64,498	15,484
Research partnership agreements	2,782	8,550	7,746	3,586
Other sponsored research	502	984	1,571	(85)
	34,664	108,724	112,245	31,143
<u>Total Sponsored Research</u>	74,120	159,725	156,007	77,838
Internally funded research	63,583	4,801	8,813	59,571
<u>Total I Research</u>	137,703	164,526	164,820	137,409

Notes: Acronyms

CFI	Canadian Foundation for Innovation
CIHR	Canadian Institutes for Health Research
NRC	National Research Council
NSERC	Natural Science and Engineering Research Council
SNO	Sudbury Neutrino Observatory Institute
SSHRC	Social Science and Humanities Research Council
TRIUMF	National Laboratory for Particle and Nuclear Physics

Sponsored research funding received during the year increased by \$44,090,000 (38%) from \$115,635,000 in 2023-24 to \$159,725,000 in 2024-25. Corresponding expenditures on these projects increased by \$39,094,000 from \$116,916,000 to \$156,007,000. The sponsored research fund balance increased by \$2,718,000 from \$75,120,000 to \$77,838,000 as of April 30, 2025. As unspent sponsored research funds are restricted in use, this balance is included in deferred revenue.

Funding of internally restricted research projects was lower in 2024-25 at \$4,801,000, compared to \$10,521,000 in 2023-24. However, related expenditures were higher, at \$8,813,000, compared to \$5,279,000 in the prior year, and resulted in the internally funded research balance decreasing from \$63,583,000 to \$59,571,000.

4. Reconciliation of Operating Results

The accumulated balances for the operating, ancillary and plant funds described in the previous sections match those shown on the Consolidated Statement of Changes in Net Assets. The operating results discussed above, however, vary from those shown on the Consolidated Statement of Operations. The following explains the differences in presentation:

	<u>\$000</u>
Operating budget result, before return of appropriation to cover in-year deficit (section 1.3)	(10,713)
Adjustments:	
a) Decrease in operating appropriations (section 1.2.2)	(9,990)
b) Investment in capital assets	(10,650)
c) Employee future benefits	(2,975)
d) Internal contributions to endowments and sinking fund	3,451
e) Research surplus (internally restricted) decrease (section 3.2)	(4,012)
f) Ancillary surplus (section 2)	4,346
g) Plant surplus (section 3.1)	328
h) Other minor adjustments	733
Operating results per audited consolidated financial statements	<u>(29,482)</u>

Notes:

- a) Decrease in appropriations: As noted in Section 1.2.2, there was a reduction of \$9,990,000 in internal reserves for the general operating budget, excluding the return of appropriated funds to cover the \$10,713,000 deficit that was the residual of the planned \$26,155,00 deficit approved in the opening operating budget. Under Canadian accounting standards, appropriations, or the use of reserves for budgetary purposes, are not accounted for within the audited Statement of Operations but are shown as a change in internally restricted net assets on the Consolidated Statement of Changes in Net Assets.
- b) Net change in investment in capital assets: For the purposes of managing general operations, the university accounts for funds received for, and expended on the purchase of capital assets in the year the purchase is made. However, under Canadian accounting standards, the receipts and costs must be amortized over the life of asset (i.e. 10 to 40 years). The result of this is that expenditures incurred during the year for capital assets are removed from those shown in the statements of operations and a calculated amount for amortization expenditure is recognized. Similarly, any restricted funds received during the year for capital purchases are removed from revenues and brought into income over the life of the asset. The prescribed, calculated expenditure on our audited operating statement

was \$10,650,000 higher than the actual net cash outlay during the year and included as an expense in our internal operating budget.

- c) Employee future benefits: The liability for future benefits owing to employees must be accrued as service is rendered to earn that benefit. Legislation requires that pension obligations must be funded, however non-pension future benefits, such as health care, are generally handled on a 'pay as you go' basis in the university sector. For both pension and non-pension future benefits, actuarial assumptions are used to calculate the accrual-based expense that must be recognized in the statement of operations and the related contributions that have been paid must be removed. During 2024-25 the following entries were made:

	<u>\$000</u>
Employee future benefits, non-pension	15,852
Employee future pension benefits	19,581
Less: 2024-25 contributions removed from expenditure	<u>(32,458)</u>
Difference – calculated expense more than cash outlay	<u>2,975</u>

- d) Internal contributions to endowments and sinking fund: Unrestricted contributions are recognized as revenue in the period in which they are received. When they are subsequently reallocated to the endowment fund or the sinking fund, the transfer is considered an expenditure within our internal operating budget. However, in our audited financial statements, these amounts are shown on the Statement of Changes in Net Assets as a reduction in unrestricted net assets, rather than as an expenditure within the Statement of Operations. Internal contributions to the endowment amounted to \$1,118,000 while \$2,333,000 was contributed towards the sinking fund. As per the university's Capital Debt policy, a sinking fund was established for the \$220 million, 40-year debenture issued in June 2021. As of April 30, 2025, the balance in the sinking fund was \$8,011,000.
- e) Research funds: As shown in section 3.2 above, internally restricted research balances decreased by \$4,012,000 during 2024-25. As these funds are earmarked for the continuation of the research activity being funded, this \$4,012,000 (\$59,571,000 - \$63,583,000) is shown as a decrease to the internally restricted amounts on the Consolidated Statement of Changes in Net Assets.
- f) Ancillary surplus: As presented in section 2, the ancillary operations resulted in a surplus of \$4,346,000 in 2024-25.
- g) Plant surplus: As presented in section 3.1, the plant fund for non-capital and renovation projects resulted in a surplus of income over expenditures of \$328,000 in 2024-25.
- h) Other minor adjustments: The audited Statement of Operations also includes the results of other university operations, such as entrepreneurial activities, that are not detailed in this report. The net surplus of those activities included in the audited financial statements is \$733,000.

General Operating Fund 2024-25

Income, Expenses and Accumulated Surplus

Comparison To Budget (May 2024) and 2023-24 Actual

	2024-25 Actual	2024-25 Budget	Actual to Budget		2023-24 Actual	Actual to Prior Year	
	\$000's	\$000's	\$000's	%	\$000's	\$000's	%
<u>INCOME</u>							
Government Grant	184,493	180,914	3,579	2.0	184,577	(84)	(0.0)
Tuition Fees	295,278	309,200	(13,922)	(4.5)	303,364	(8,086)	(2.7)
Miscellaneous Income	15,975	13,947	2,028	14.5	16,289	(314)	(1.9)
Investment Income	52,927	22,000	30,927	140.6	17,496	35,431	202.5
Departmental Income	17,775	8,797	8,978	102.1	16,704	1,071	6.4
Total Operating Income	566,448	534,858	31,590	5.9	538,430	28,018	5.2
<u>EXPENSES</u>							
Faculty of Arts & Social Sciences	72,869	73,787	(918)	(1.2)	66,845	6,024	9.0
Faculty of Public Affairs	48,726	48,964	(238)	(0.5)	45,015	3,711	8.2
Sprott School of Business	24,972	25,546	(574)	(2.2)	21,299	3,673	17.2
Faculty of Science	56,946	54,915	2,031	3.7	52,268	4,678	9.0
Faculty of Engineering and Design	58,912	55,674	3,238	5.8	53,623	5,289	9.9
Provost and Vice-President (Academic)	26,805	18,772	8,033	42.8	23,894	2,911	12.2
Vice-President (Students and Enrolment)	33,466	30,614	2,852	9.3	30,952	2,514	8.1
Library	13,339	13,924	(585)	(4.2)	12,240	1,099	9.0
Vice-President (Research and International)	6,544	7,885	(1,341)	(17.0)	6,299	245	3.9
Vice-President (Finance & Administration)	67,062	65,864	1,198	1.8	56,240	10,822	19.2
Advancement	5,785	6,402	(617)	(9.6)	6,098	(313)	(5.1)
President	7,547	7,227	320	4.4	6,411	1,136	17.7
University Budgets and Provisions	158,097	144,679	13,418	9.3	191,550	(33,453)	(17.5)
Interfund Transfers (net)	6,081	6,760	(679)	(10.0)	18,272	(12,191)	(66.7)
Subtotal Operating Expenses	587,151	561,013	26,138	4.7	591,006	(3,855)	(0.7)
Net RPC Appropriations, before return of prior year surplus	(9,990)	-	(9,990)		(66,274)	56,284	
Return of prior year surplus	(10,713)	(26,155)	15,422		13,698	(24,411)	
Total Expenses	566,448	534,858	31,590	5.9	538,430	28,018	5.2
Increase/(Decrease) in Unrestricted Surplus	-	-	-		-	-	

Note: 2024-2025 budget figures reflect the opening May 1, 2025 budget, with reallocations made to assist in comparison.

Carleton University Ancillary Operations
Income and Expenditure as Compared to Budget
and Accumulated Operating Results as of April 30, 2025

Schedule 2

	2024-25 Actual			2024-25 Budget			Actual as Compared to Budget			Accumulated Surplus	
	<u>Income</u>	<u>Expenses and Transfers</u>	<u>Surplus (Deficit)</u>	<u>Income</u>	<u>Expenses and Transfers</u>	<u>Surplus (Deficit)</u>	<u>Income</u>	<u>Expenses and Transfers</u>	<u>Surplus (Deficit)</u>	<u>Opening</u>	<u>Closing</u>
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Housing, Residence Life & Conference Services	30,612	25,680	4,932	29,543	27,991	1,552	1,069	(2,311)	3,380	16,691	21,623
Dining Services	7,528	8,611	(1,083)	7,517	8,855	(1,338)	11	(244)	255	3,925	2,842
Physical Recreation & Athletics	18,106	17,568	538	16,859	17,314	(455)	1247	254	993	17,373	17,911
Parking Services	6,614	7,493	(879)	6,788	12,763	(5,975)	(174)	(5,270)	5,096	(1,410)	(2,289)
Health & Counselling Services	4747	3886	861	3,162	3,311	(149)	1,585	575	1,010	1,239	2,100
The Print Shop	1,332	558	774	1,633	537	1,096	(301)	21	(322)	(1,770)	(996)
Campus Card	887	838	49	839	872	(33)	48	(34)	82	437	486
Ancillary Property Rentals	2,829	2,779	50	2,456	2,491	(35)	373	288	85	655	705
Nideyinan	2,758	2,822	(64)	2,654	4,210	(1556)	104	(1,388)	1,492	3,685	3,621
Carleton Performance Centre	1,146	1,133	13	1,321	1,384	(63)	(175)	(251)	76	240	253
Bookstore	386	869	(483)	317	536	(219)	69	333	(264)	(38)	(521)
Ancillary Strategic Fund	886	1,248	(362)	676	1,270	(594)	210	(22)	232	1,064	702
Total Ancillaries	77,831	73,485	4,346	73,765	81,534	(7,769)	4,066	(8,049)	12,115	42,091	46,437
										42,091	46,437
								Appropriated fund balance			