

Consolidated Financial Statements of

CARLETON UNIVERSITY

Year ended April 30, 2022

CARLETON UNIVERSITY

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Year ended April 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Carleton University

Opinion

We have audited the consolidated financial statements of Carleton University (the "Entity"), which comprise:

- the consolidated statement of financial position as at April 30, 2022
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at April 30, 2022, and its consolidated results of operations, its 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

October 6, 2022

CARLETON UNIVERSITY

Consolidated Statement of Financial Position

April 30, 2022, with comparative information for 2021
(in thousands of dollars)

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 507,947	\$ 462,709
Marketable securities	301,108	141,055
Accounts receivable (note 3)	31,946	33,110
Prepaid expenses	10,200	11,059
Current portion of net investment in lease (note 5)	999	935
	<u>852,200</u>	<u>648,868</u>
Investments (note 4)	347,122	351,648
Net investment in lease (note 5)	4,742	5,741
Tangible capital and intangible assets (note 6)	705,099	702,529
Collections (note 7)	24,909	24,909
	<u>\$ 1,934,072</u>	<u>\$ 1,733,695</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 52,871	\$ 52,792
Deferred revenue (note 9)	139,925	126,210
Accrued leave	19,148	18,255
Current portion of long-term debt (note 10)	4,582	4,323
	<u>216,526</u>	<u>201,580</u>
Long-term debt (note 10)	270,402	54,984
Deferred capital contributions (note 11)	186,327	191,527
Employee future benefits liability (note 12(a))	112,479	79,050
Net assets:		
Unrestricted deficiency	(107,155)	(78,370)
Internally restricted (note 13(b))	443,239	461,850
Investment in tangible capital and intangible assets (note 14)	444,079	445,151
Investment in collections (note 7)	24,909	24,909
Endowments (note 15)	343,266	353,014
	<u>1,148,338</u>	<u>1,206,554</u>
Contingent liabilities and commitments (notes 16 and 17)		
	<u>\$ 1,934,072</u>	<u>\$ 1,733,695</u>

See accompanying notes to consolidated financial statements.

CARLETON UNIVERSITY

Consolidated Statement of Operations

April 30, 2022, with comparative information for 2021
(in thousands of dollars)

	2022	2021
Revenue:		
Government grants for general operations	\$ 170,832	\$ 173,896
Fees	349,278	336,036
Research grants and contracts	73,351	69,527
Sales and services	11,069	5,063
Donations	11,279	12,002
Investment income	20,716	51,369
Amortization of deferred capital contributions (note 11)	13,051	12,448
Other revenue (note 18)	17,577	11,215
	<u>667,153</u>	<u>671,556</u>
Expenses:		
Salaries	367,778	343,774
Benefits	39,938	39,532
Scholarships and bursaries	58,562	53,168
Amortization of tangible capital and intangible assets	41,143	37,990
Other expenses (note 19)	36,652	32,189
Externally contracted services and fees	35,146	27,083
Employee future benefits (note 12(b))	33,163	39,113
Renovations	31,518	21,019
Supplies	12,507	11,425
Utilities	11,789	9,960
Minor equipment and furnishings	11,600	12,580
Interest	2,590	2,870
Travel	2,561	1,736
	<u>684,947</u>	<u>632,439</u>
Excess (deficiency) of revenue over expenses	<u>\$ (17,794)</u>	<u>\$ 39,117</u>

See accompanying notes to consolidated financial statements.

CARLETON UNIVERSITY

Consolidated Statement of Changes in Net Assets

Year ended April 30, 2022, with comparative information for 2021
(in thousands of dollars)

	Unrestricted	Internally restricted (note 13(b))	Investment in tangible capital and intangible assets (note 14)	Collections (note 7)	Endowments (note 15)	2022 Total	2021 Total
Net assets (deficit), beginning of year	\$ (78,370)	\$ 461,850	\$ 445,151	\$ 24,909	\$ 353,014	\$ 1,206,554	\$ 947,026
Excess (deficiency) of revenue over expenses	(17,794)	–	–	–	–	(17,794)	39,117
Employee future benefit re-measurements and other items (note 12(c))	(27,777)	–	–	–	–	(27,777)	170,592
Internally imposed restrictions	16,045	(18,611)	–	–	2,566	–	–
Internally endowed restrictions	(331)	–	–	–	331	–	–
Net change in investment in tangible capital and intangible assets (note 14)	1,072	–	(1,072)	–	–	–	–
Contributions to collections (note 7)	–	–	–	–	–	–	149
Endowment contributions and investment income (note 15)	–	–	–	–	21,186	21,186	17,790
Unrealized (loss) gain on endowment investments (note 15)	–	–	–	–	(33,831)	(33,831)	31,880
Net assets (deficit), end of year	\$ (107,155)	\$ 443,239	\$ 444,079	\$ 24,909	\$ 343,266	\$ 1,148,338	\$ 1,206,554

CARLETON UNIVERSITY

Consolidated Statement of Changes in Net Assets (continued)

Year ended April 30, 2022, with comparative information for 2021
(in thousands of dollars)

	Unrestricted	Internally restricted (note 13(b))	Investment in tangible capital and intangible assets (note 14)	Collections (note 7)	Endowments (note 15)	2022 Total	2021 Total
Details of year-end balance:							
Plant	\$ 4,647	\$ —	\$ —	\$ —	\$ —	\$ 4,647	\$ —
Ancillary	677	—	—	—	—	677	680
Provision for employee future benefits (note 12(a))	(112,479)	—	—	—	—	(112,479)	(79,050)
Appropriations – Operating	—	355,969	—	—	—	355,969	382,153
Research	—	54,417	—	—	—	54,417	50,395
Appropriations – Ancillary	—	22,394	—	—	—	22,394	21,195
Entrepreneurial initiatives	—	4,722	—	—	—	4,722	4,795
Professional development	—	4,207	—	—	—	4,207	3,305
Sinking Funds	—	1,518	—	—	—	1,518	—
Scholarships	—	12	—	—	—	12	7
Tangible capital and intangible assets	—	—	444,079	—	—	444,079	445,151
Collections	—	—	—	24,909	—	24,909	24,909
Endowment	—	—	—	—	343,266	343,266	353,014
Net assets (deficit), end of year	\$ (107,155)	\$ 443,239	\$ 444,079	\$ 24,909	\$ 343,266	\$ 1,148,338	\$ 1,206,554

CARLETON UNIVERSITY

Consolidated Statement of Cash Flows

Year ended April 30, 2022, with comparative information for 2021
(in thousands of dollars)

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (17,794)	\$ 39,117
Add (deduct) non-cash items:		
Amortization of tangible capital and intangible assets	41,143	37,990
Amortization of deferred capital contributions	(13,051)	(12,448)
Unrealized losses (gains) on investments and marketable securities	26,834	(30,051)
Net change in other non-cash operating working capital (note 20)	16,710	33,784
Changes relating to employee future benefits:		
Employee future benefits contributions	(27,511)	(26,194)
Employee future benefits expenses	33,163	39,113
Net cash provided by operating activities	59,494	81,311
Financing activities:		
Issuance of debenture	220,000	–
Decrease in loans payable (note 10(a))	(4,323)	(4,079)
Capital contributions received (note 11)	7,851	11,958
Endowment contributions and investment income	21,186	17,790
Net cash used in financing activities	244,714	25,669
Investing activities:		
Net change in investments	(216,192)	(22,534)
Decrease in net investment in lease	935	876
Tangible capital and intangible assets additions	(43,713)	(59,856)
Net cash used in investing activities	(258,970)	(81,514)
Increase in cash and cash equivalents	45,238	25,466
Cash and cash equivalents, beginning of year	462,709	437,243
Cash and cash equivalents, end of year	\$ 507,947	\$ 462,709
Consisting of:		
Cash and cash equivalents on deposit	\$ 306,630	\$ 181,419
Outstanding cheques	(4,172)	(3,945)
Money market fund	–	8,670
Short-term bond and mortgage fund	205,489	276,565
	\$ 507,947	\$ 462,709
Interest paid	\$ 2,590	\$ 2,870

See accompanying notes to consolidated financial statements.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements

Year ended April 30, 2022
(in thousands of dollars)

1. Description:

Carleton University (the “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.

The University is a member, along with 13 other universities, of TRIUMF, which performs research in particle and nuclear physics and is located on the campus of the University of British Columbia (UBC). Prior to June 1, 2021, TRIUMF was a joint venture and was an unincorporated registered charity. On June 1, 2021, TRIUMF transferred all of its assets and liabilities to TRIUMF Inc., a not-for-profit corporation. From that day onward, the University became a member of the corporation with the 13 other universities. Each university has an undivided 1/14 interest in its assets, liabilities and obligations. The land and buildings it occupies are owned by UBC. The facilities and its operations are funded by federal government grants, and the University has made no direct financial contribution to date. TRIUMF’s net assets are not contemplated to be and are not readily realizable by the University. The University’s proportionate share of TRIUMF’s operations has been included in these consolidated financial statements.

Carleton University Foundation (U.S.) (the “Foundation”) 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, 2022
(in thousands of dollars)

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 Foundation.

(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.

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

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

2. Summary of significant accounting policies (continued):

(c) Financial instruments (continued):

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(d).

(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 life of the asset. When components of a capital asset have different useful lives, they are accounted for as separate items of capital assets and depreciated separately.

The estimated useful lives of assets are as follows:

Asset	Useful life
Tangible capital assets:	
Buildings and its components	20 to 40 years
Cogeneration facility	25 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.

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.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

2. Summary of significant accounting policies (continued):

(e) 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.

(f) 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.

(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.

(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.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

2. Summary of significant accounting policies (continued):

(j) Employee benefit plans:

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, 2022
(in thousands of dollars)

3. Accounts receivable:

	2022		2021	
Student	\$	10,465	\$	12,298
Research		10,284		8,992
Government		1,882		1,837
Other		10,609		11,982
		<u>33,240</u>		<u>35,109</u>
Less allowance for doubtful accounts		(1,294)		(1,999)
	\$	<u>31,946</u>	\$	<u>33,110</u>

4. Investments:

(a) Carrying value, cost and fair values:

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

	2022		2021	
	Fair value	Cost	Fair value	Cost
Marketable securities	\$ 347,122	\$ 336,929	\$ 351,648	\$ 303,029

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:

	2022		2021	
	Carrying value		Carrying value	
Endowments	\$	342,869	\$	347,491
Sprott Student Investment Fund		1,936		1,753
Parker loans for students		1,308		1,378
National Wildlife Research Centre Capital renewal		1,009		1,026
	\$	<u>347,122</u>	\$	<u>351,648</u>

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

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:

	<u>2022</u>	<u>2021</u>
Minimum lease payments receivable	\$ 6,500	\$ 7,800
Unearned financing revenue	(759)	(1,124)
	<u>5,741</u>	<u>6,676</u>
Less current portion of net investment in lease	(999)	(935)
Net investment in lease	<u>\$ 4,742</u>	<u>\$ 5,741</u>

At April 30, 2022, future minimum lease payments receivable under the direct financing lease are as follows:

2022-23	\$ 1,300
2023-24	1,300
2024-25	1,300
2025-26	1,300
2026-27	1,300
	<u>\$ 6,500</u>

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

6. Tangible capital and intangible assets:

Tangible capital and intangible assets consist of the following:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Land	\$ 93,300	\$ –	\$ 93,300	\$ 93,300
Buildings and its components	884,149	349,524	534,625	531,665
Cogeneration facility	21,879	2,550	19,329	19,517
Equipment and furniture	99,627	56,140	43,487	42,523
Computer equipment	13,294	7,828	5,466	5,717
Automobiles	664	312	352	145
Library holdings	20,149	12,369	7,780	8,923
Intangible assets:				
Software	1,653	893	760	739
	<u>\$ 1,134,715</u>	<u>\$ 429,616</u>	<u>\$ 705,099</u>	<u>\$ 702,529</u>

Cost and accumulated amortization at April 30, 2021 amounted to \$1,101,237 and \$398,708, respectively. In the year, \$10,235 (2021 - \$13,013) 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 and its components is \$27,757 (2021 - \$68,353) of construction in progress. As construction in progress is not yet in use, these assets are not amortized.

7. Collections:

The University has an art collection comprised of approximately 30,000 works of art. The collection focuses on three main areas. The first is twentieth-century Canadian art, in particular prints, drawings and photographs created since 1950. The second is European works on paper, in particular French prints from the 18th and 19th centuries. The third is Indigenous (Inuit, Métis and First Nations) art in all forms, including prints, drawings, sculptures and textiles. In 2022, no donations of art were received (2021 - \$149).

8. Accounts payable and accrued liabilities:

As at year end, the University had \$5,440 (2021 - \$5,016) payable for government remittances, including harmonized sales tax/goods and services tax and payroll remittances.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

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:

	2022	2021
Research	\$ 69,891	\$ 61,237
Donations	12,308	13,625
Student fees	11,893	14,205
Grants	11,254	6,565
Student aid	8,398	7,692
Other	26,181	22,886
	<u>\$ 139,925</u>	<u>\$ 126,210</u>

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

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

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.

Other deferred revenue includes deposits and prepayments on contracts.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

10. Long-term debt:

As at April 30, 2022, the University has principal outstanding of \$274,984 (2021 - \$54,984) under long-term debentures and loans.

(a) Details of long-term debt:

	Maturity	Interest rate	2022 Principal outstanding	2021 Principal outstanding
Unsecured debenture, Series A Interest payable in equal semi-annual payments	2061	3.264%	\$ 220,000	\$ -
Loans payable:				
Leeds Residence	2027	6.782%	6,025	7,183
Prescott Residence	2029	6.549%	8,004	8,985
Frontenac Residence	2039	4.930%	11,098	11,481
Lennox & Addington Residence	2042	3.110%	24,099	24,972
NWRC loan	2028	6.710%	5,758	6,686
			54,984	59,307
			274,984	59,307
Less current portion of long-term debt			(4,582)	(4,323)
			\$ 270,402	\$ 54,984

(b) Long-term debt repayments:

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

2022-23	\$ 4,582
2023-24	4,858
2024-25	5,149
2025-26	5,461
2026-27	4,624
Thereafter	250,310
	<u>\$ 274,984</u>

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

10. Long-term debt (continued):

(c) Debenture:

At April 30, 2022 the University was in the process of establishing a sinking fund investment by purchasing units in the endowment fund to provide funding to repay the Series A senior unsecured debenture maturing on July 5, 2061. As the investment was not completed until May 2022, the University has internally restricted \$1,518 (2021 - \$Nil) for sinking funds (note 10).

(d) 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 of floating rate debt for fixed rate debt ranging from 3.110% to 6.782%. The related derivative agreements are in place until the maturity of the debts in 2027, 2028, 2029, 2039, and 2042.

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, 2022 is estimated to be \$1,588 (2021 - \$7,818) 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:

	2022	2021
Balance, beginning of year	\$ 191,527	\$ 192,017
Less amortization of deferred capital contributions	(13,051)	(12,448)
Add capital contributions received:		
Contributions for equipment and buildings	6,902	6,136
Donated assets	949	5,822
	7,851	11,958
Balance, end of year	\$ 186,327	\$ 191,527

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

12. Employee future benefits:

(a) Employee future benefits liability:

	2022	2021
Post-employment and post-retirement benefit plans	\$ 166,392	\$ 161,519
Pension plan asset	(53,913)	(82,469)
	<u>\$ 112,479</u>	<u>\$ 79,050</u>

(b) Employee future benefits expense:

	Current service cost	Carrying amortization	2022	2021
Post-employment and post-retirement benefit plans	\$ 6,700	\$ 9,692	\$ 16,392	\$ 15,621
Pension plan	21,719	(4,948)	16,771	23,492
	<u>\$ 28,419</u>	<u>\$ 4,744</u>	<u>\$ 33,163</u>	<u>\$ 39,113</u>

During the year, the University made cash contributions included in the total above of \$4,799 (2021 - \$4,620) and \$22,712 (2021 - \$21,574), respectively.

(c) Re-measurements and other items:

	2022	2021
Post-employment and post-retirement benefit plans	\$ (6,720)	\$ (12,756)
Pension plan	34,497	(157,836)
	<u>\$ 27,777</u>	<u>\$ (170,592)</u>

(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 full actuarial valuation of employee future benefits was completed as at April 30, 2022.

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.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

12. Employee future benefits (continued):

(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.

An actuarial valuation of the Plan as of July 1, 2019 determined that the Plan had a \$59,277 unfunded going-concern liability and an unfunded \$120,998 hypothetical wind-up/solvency liability as at July 1, 2019. Subsequent to July 1, 2019, the University made lump sum special payments totaling \$61,729 into the pension fund for the period from July 1, 2019 to March 31, 2020. As a result, no University special payments are required to be made for the period from April 2020 to June 2023. The next actuarial valuation for funding purposes is required July 1, 2022, which will determine the minimum funding requirement commencing July 1, 2023.

An actuarial valuation roll-forward for funding purposes was performed as at April 30, 2022, the measurement date for financial reporting purposes.

Accrued benefit asset:

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

	2022	2021
Accrued benefit obligation	\$ 1,511,798	\$ 1,495,677
Less: fair value of Plan assets	1,565,711	1,578,146
Accrued benefit asset	<u>\$ (53,913)</u>	<u>\$ (82,469)</u>

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 15.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

13. Net assets (continued):

(a) Capital management (continued):

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.

(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:

	2022	2021
General appropriations	\$ 164,940	\$ 211,669
Pension liability reserve	69,212	69,212
Capital reserve	65,274	54,035
Student aid funds	5,636	4,613
Other projects and initiatives	50,907	42,624
Total operating appropriations	355,969	382,153
Research initiatives	54,417	50,395
Ancillary reserve fund	22,394	21,195
Entrepreneurial initiatives	4,722	4,795
Professional development funds	4,207	3,305
Sinking funds	1,518	-
Scholarship funds	12	7
	\$ 443,239	\$ 461,850

- (i) General appropriations relate to funds held centrally and within academic units to support long-term strategic initiatives as well as economic uncertainties.
- (ii) Capital reserve funds relate to operating funds that have been allocated to capital improvements and additions, as well as for addressing the university's deferred maintenance.
- (iii) Pension liability reserve represents funds set aside to cover future pension liabilities.
- (iv) Student aid funds relates to funds available to provide financial support to students.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

13. Net assets (continued):

(b) Internally restricted net assets (continued):

- (v) Other projects and initiatives relates to funding set aside to support various initiatives, including improvements to campus facilities and infrastructure, as well as other initiatives aimed at improving the quality of the university's activities and programs.
- (vi) Research initiatives relates to funds that have been internally restricted for research activities.
- (vii) Ancillary reserve fund relates to funding available for improving ancillary programs and physical facilities.
- (viii) Entrepreneurial initiatives represents funds earmarked for the continuation of providing entrepreneurial activities at the university, including professional development services and seminars, non-credit course offerings, and contract services.
- (ix) Professional development funds are funds reserved for the professional development of faculty members.
- (x) Sinking funds have been established to fund the principal repayments of the bullet debenture held by the University, as disclosed in Note 10.
- (xi) Scholarship funds relates to funds that do not have donor placed restrictions on them, but have been internally earmarked for student support in future years.

14. Investment in tangible capital and intangible assets:

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

	2022	2021
Tangible capital and intangible assets	\$ 705,099	\$ 702,529
Less amounts financed by:		
Deferred capital contributions	(186,327)	(191,527)
Loans payable (Leeds, Prescott, Frontenac Lennox & Addington residences)	(49,226)	(52,621)
Other short-term financing	(25,467)	(13,230)
	<u>\$ 444,079</u>	<u>\$ 445,151</u>

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

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

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

	2022	2021
Tangible capital and intangible assets additions:		
Total additions	\$ 43,713	\$ 59,856
Less:		
Donated assets	(949)	(5,822)
Additions financed with grants	(6,902)	(6,136)
	35,862	47,898
Financing:		
Loans payable	3,395	3,210
Other short-term financing	(12,237)	8,375
	(8,842)	11,585
Amortization of deferred capital contributions	13,051	12,448
Amortization of tangible capital and intangible assets	(41,143)	(37,990)
	(28,092)	(25,542)
Net change in investment in tangible capital and intangible assets	\$ (1,072)	\$ 33,941

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, 2022
(in thousands of dollars)

15. Endowments (continued):

Investment income earned on endowed investments is distributed at a rate of 4% (2021 - 4%) 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.

	Externally endowed	Board designated	Total 2022	Total 2021
Donations and bequests	\$ 6,112	\$ —	\$ 6,112	\$ 8,004
Internal contributions	2,566	—	2,566	3,433
Realized gains on sale of investment	25,227	885	26,112	20,496
Investment income	3,869	205	4,074	2,255
Income distributions	(14,022)	387	(13,635)	(12,664)
	23,752	1,477	25,229	21,524
Unrealized gains (losses) on investments	(33,831)	(1,146)	(34,977)	32,878
Net change in year	(10,079)	331	(9,748)	54,402
Fund balance, beginning of year	344,134	8,880	353,014	298,612
Fund balance, end of year	\$ 334,055	\$ 9,211	\$ 343,266	\$ 353,014

The endowment balance consists of:

	2022	2021
Cumulative endowment principal	\$ 219,571	\$ 210,893
Cumulative undistributed investment income	118,509	101,958
Cumulative unrealized gains	5,186	40,163
Endowment balance on endowment investments	\$ 343,266	\$ 353,014

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

16. Contingent liabilities and commitments:

At April 30, 2022, commitments for future acquisitions, construction and renovations amounted to approximately \$19,505 (2021 - \$34,258).

Letters of credit totaling \$14,812 (2021 - \$12,867) were issued on behalf of the University at year-end.

A decommissioning plan has been approved by the members of the TRIUMF joint venture and the Canadian Nuclear Safety Commission (CNSC) that requires all members to be severally responsible for their share of the decommissioning costs as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions of decommissioning the facilities, TRIUMF has complied with federal legislation by putting a decommissioning plan in place for funding the cost of decommissioning that does not require any payments from the members of the joint venture.

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:

	2022	2021
Commissions and sponsorships	\$ 5,738	\$ 1,899
Medical insurance recoveries	1,183	1,234
Salary and benefit recoveries	1,212	1,057
Miscellaneous	9,444	7,025
	<u>\$ 17,577</u>	<u>\$ 11,215</u>

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

19. Other expenses:

	2022	2021
Equipment rental	\$ 6,658	\$ 5,412
Licensing and membership fees	6,617	6,028
Minor repair and upkeep	5,031	4,468
Support services	4,829	5,177
Property taxes and insurance	3,909	3,612
Banking and bad debts	2,918	2,129
Advertising and promotion	2,739	1,866
Communication	1,569	1,405
Miscellaneous	2,382	2,092
	<u>\$ 36,652</u>	<u>\$ 32,189</u>

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

	2022	2021
Decrease in accounts receivable	\$ 1,164	\$ 1,772
Decrease (increase) in prepaid expenses	859	(3,844)
Increase in accounts payable and accrued liabilities	79	2,950
Increase in deferred revenue	13,715	29,929
Increase in accrued leave	893	2,977
	<u>\$ 16,710</u>	<u>\$ 33,784</u>

21. Financial risks:

There has been no significant change to the risk exposures from the prior year, other than the impacts of COVID-19 as described in note 23.

(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 Statement of Investment Policies and Procedures 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.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

21. Financial risks (continued):

(a) Credit risk (continued):

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 2022, \$1,294 (2021 - \$1,999) 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.

(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.

(e) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The University is exposed to these risks in connection with its holdings of domestic and foreign equities (including pooled funds), as well as through its investments in real estate and infrastructure.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

22. Ontario Student Opportunity Trust Fund (Phase I and Phase II) and Ontario Trust for Student Support:

The restricted endowment fund includes funds granted by the Government of Ontario for Phase I and Phase II of the Ontario Student Opportunity Trust Fund (OSOTF) and the Ontario Trust for Student Support (OTSS), as these programs provide for the matching by the Province of Ontario of the endowment contributions received by the University. The investment revenue earned on those funds must be used to provide financial aid to Ontario Students.

As per Ministry of Training, Colleges and Universities policies, the transactions related to the Ontario Student Opportunity Trust Fund and to the Ontario Trust for Student Support must be presented in these consolidated financial statements, for the year ended March 31, 2022.

Endowment Fund	Ontario Student Opportunity Trust Funds		Trust for Student Support	Total 2022	Total 2021
	Phase I	Phase II			
Fund balance, beginning of year	\$ 16,916	\$ 4,775	\$ 17,018	\$ 38,709	\$ 39,709
Schedule of changes in expendable funds available for awards:					
Balance, beginning of year	\$ 127	\$ 987	\$ 249	\$ 1,363	\$ 1,169
Realized investment income net of direct investment-related expenses and preservation of capital contributions	1,655	285	871	2,811	2,696
Bursaries awarded	(1,594)	(189)	(924)	(2,707)	(2,502)
Balance, end of year	\$ 188	\$ 1,083	\$ 196	\$ 1,467	\$ 1,363
Endowment total book value	\$ 17,104	\$ 5,858	\$ 17,214	\$ 40,176	\$ 41,072

23. Impacts of COVID-19:

The University's financial results for fiscal 2022 incorporates the financial impact of COVID-19 which was declared by the World Health Organization to be a global pandemic in March 2020. While travel restrictions and stay-at-home requirements have lifted, there is still some residual reduction in on-campus operations of the University.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2022
(in thousands of dollars)

23. Impacts of COVID-19 (continued):

The extent of any ongoing adverse effects on the University's business and financial and operational performance remains uncertain and difficult to assess. As at April 30, 2022, the University did not have significant adjustments to reflect the possible future impact of COVID-19. Management has assessed the going concern assumptions and believes there are no issues given the University has a strong working capital base and access to enough liquid resources to see through operations in the coming year. Given the outcome and timeframe to a full recovery from the current pandemic is highly unpredictable, it remains impracticable to estimate and disclose its financial effect on future operations at this time.

24. Comparative information:

Certain 2021 comparative information has been reclassified to conform to the consolidated financial statement presentation adopted for 2022.

CARLETON UNIVERSITY

Schedule 1 - Consolidated Schedule of Changes in Ancillary Net Assets

Year ended April 30, 2022
(in thousands of dollars)

Unrestricted	Residence & Conference Services	Dining Services	Physical Recreation & Athletics	Parking Services	Health & Counselling Services	Other Ancillary Units	2022 Total	2021 Total
Revenues	\$ 20,004	\$ 4,066	\$ 11,193	\$ 2,115	\$ 3,607	\$ 2,586	\$ 43,571	\$ 20,836
Expenses	20,687	5,181	10,649	4,418	4,717	5,352	51,004	40,182
Excess (deficiency) of revenues over expenses	(683)	(1,115)	544	(2,303)	(1,110)	(2,766)	(7,433)	(19,346)
Net assets, beginning of year	–	–	–	–	–	680	680	680
Transfer from non-ancillary unrestricted net assets	3,354	1,378	1,555	351	1,882	109	8,629	455
Appropriated to internally restricted net assets	(2,671)	(263)	(2,099)	–	(772)	–	(5,805)	(674)
Return of funds from internally restricted net assets	–	–	–	1,952	–	2,654	4,606	19,565
Unrestricted net assets, end of year	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 677	\$ 677	\$ 680
Internally restricted	Residence & Conference Services	Dining Services	Physical Recreation & Athletics	Parking Services	Health & Counselling Services	Other Ancillary Units	2022 Total	2021 Total
Net assets (deficit), beginning of year	\$ 3,690	\$ (321)	\$ 11,438	\$ 956	\$ 878	\$ 4,554	\$ 21,195	\$ 40,086
Appropriated from unrestricted net assets	2,671	263	2,099	–	772	–	5,805	674
Return of funds to unrestricted net assets	–	–	–	(1,952)	–	(2,654)	(4,606)	(19,565)
Net assets (deficit), end of year	\$ 6,361	\$ (58)	\$ 13,537	\$ (996)	\$ 1,650	\$ 1,900	\$ 22,394	\$ 21,195