



Carleton
UNIVERSITY

2016-2017

**FINANCIAL REPORT
TO THE
BOARD OF GOVERNORS**

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GENERAL OPERATING FUND – COMPARISON TO BUDGET
GENERAL OPERATING FUND – COMPARISON TO PROJECTIONS
CARLETON UNIVERSITY ANCILLARY OPERATIONS

SCHEDULE 1
SCHEDULE 1A
SCHEDULE 2

NOTES ON FINANCIAL STATEMENTS SUMMARY REPORT 2016-2017

Consolidated Statement of Operations - Operating Fund – Schedule 1 and 1a

As summarized in section 2.2.3, operating results for 2016-2017, before additional appropriations, showed a surplus of \$53.2 million. A comparison of actuals to the revised opening budget is presented in Schedule 1, while actuals compared to the projection is presented in Schedule 1A.

A breakdown and comparison follows:

	<i>2016-2017 Actual \$M</i>	<i>2016-2017 Projection \$ M</i>	<i>2016-2017 Budget \$ M</i>
Surplus generated for the year	53.2	38.2	-
Additional appropriations	53.2	38.2	-
Increase in accumulated surplus	-	-	-

The budget approved for 2016-2017 in April 2016 projected a balanced budget for the fiscal year. The breakeven result for 2016-2017 leaves the accumulated surplus unchanged at \$0.5M as of April 2017. A summary of the individual budgetary improvements and shortfalls is set out below. It excludes items where specific income was offset by related expenditure (see section 2.1).

Increase in Surplus Accumulation: on budget at \$nil

Income: \$33.0 million above budget

As outlined in section 2.2.3, the income items over budget were: Grant income \$4.3 million, Tuition income \$5.5 million, Miscellaneous income \$2.2 million and Investment income \$21.0 million.

Expenses and Appropriations: \$33.0 million above budget

Allocations less than contingency funds -	\$ (17.6) million savings
Expenses less than allocations -	\$ (2.6) million savings
New appropriations -	\$ 53.2 million cost

Accumulated Surplus: on budget

The breakeven result (excluding the provision for post-retirement benefits) for the 2016-2017 fiscal year leaves the accumulated surplus unchanged at \$0.5 million as of April 30, 2017.

Ancillary Operations: \$4.8 million surplus from regular operations – Schedule 2

The ancillary operations finished the year with a surplus of \$4.8 million from regular operations. The results of the individual services varied considerably. Each service is reviewed in section 2.3 of this report.

Statement of Financial Position (balance sheet)

The most significant changes in the balance sheet for 2016-2017 relates to cash (and cash equivalents) and marketable securities, investments, employee future benefits, endowment funds, and internally restricted funds.

Cash and cash equivalents and marketable securities increased by \$73.3 million in 2016-2017, which is directly related to the increase in internally restricted net assets of \$84.6 million, as the change in net assets increased by the excess of revenue over expenditures as shown on the Statement of Operations.

Investments rose by \$40.4 million in 2016-2017, which relates to the increase in endowment funds of \$30.6 million.

The liability for employee future benefits increased by \$40.0 million in 2016-2017, which was the main cause of the decrease in unrestricted net assets of \$44.8 million.



M. Piché
Vice-President
(Finance and Administration)



J.T. Sullivan
Assistant Vice-President
(Financial Services)

NOTES ON FINANCIAL STATEMENTS

2016-2017

1. INTRODUCTION

1.1 2016-2017 Operating Results

The operating result for the year is balanced, with revenues equalling expenditures and appropriations. This is in line with the original projection of a balanced budget and consistent with the prior year.

As summarized in section 2.2.3, the positive variance in operating income totalled \$33,033,000, while a positive variance of \$20,161,000 was observed for expenditures. The total positive variance of \$53,194,000 was appropriated for future commitments as described in section 2.2.2.

1.2 Accumulated Surplus

The accumulated operating surplus (excluding provisions for post-retirement benefits) was \$498,000 as of April 30, 2016, and therefore remains unchanged as of April 30, 2017.

2. CONSOLIDATED STATEMENT OF OPERATIONS

The Consolidated Financial Statements record income and expenses in accordance with Canadian accounting standards for not-for-profit organizations, as defined by the Chartered Professional Accountants (CPA) of Canada. Beginning with the 1997-1998 fiscal year, these statements combined all the activities of the University (previously segregated into "funds") into one statement. As the general operating activities of the University require specific strategic financial analysis, operating income and expenses are highlighted and restated in Schedule 1 immediately following these notes. This restatement facilitates a comparison to the 2016-2017 operating budget as approved by the Board of Governors in spring 2016.

In the sections 2.1, 2.2 and Schedule 1 which follow, the operating income and expenses are analysed and compared to the budget. The income and expenses of the Ancillary, Plant, and Research operations are reviewed in sections 2.3 to 2.4, and a reconciliation of these results to the audited financial statements is provided in section 2.5.

2.1 Operating Income

Operating income totalled \$487,797,000 in 2016-2017. This compares to an original budget of \$449,359,000 and a total for the previous year of \$441,213,000. Total operating income was therefore \$38,438,000 (8.6%) above budget, and \$46,584,000 (10.6%) above the previous year.

	<i>2016-2017 Actual \$000</i>	<i>2016-2017 Budget \$000</i>	<i>Variance \$000</i>
Revenues	487,797	449,359	38,438
Items offset by Expenditures (2.2.1)	5,405	-	5,405
Net Revenues	<u>482,392</u>	<u>449,359</u>	<u>33,033</u>

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

2.1.1 Government Operating Grants

The \$175,649,000 included in Schedule 1 is \$8,137,000 (4.9%) above the original estimate, and \$4,972,000 (2.9%) more than the previous year. A comparison to the estimate in the original budget is set out below:

	<i>2016-2017 Actual \$000</i>	<i>2016-2017 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items Affecting the Operating Result</u>			
Basic Operating Grant	129,589	130,050	(461)
Accessibility Fund	27,280	22,665	4,615
Access to Higher Quality Education Fund	6,303	6,298	5
Research Overheads	5,121	4,949	172
Performance Funding	668	778	(110)
Other government grants	368	260	108
Subtotal	<u>169,329</u>	<u>165,000</u>	<u>4,329</u>
<u>Items offset by expenses</u>			
Student Aid Funds	2,771	-	2,771
Municipal Tax Funding	1,578	1,567	11
Access for the Disabled	1,177	945	232
Aboriginal Education and Training	361	-	361
First Generation programs	208	-	208
Other Government Grants	225	-	225
Subtotal	<u>6,320</u>	<u>2,512</u>	<u>3,808</u>
Total Government Grants	<u>175,649</u>	<u>167,512</u>	<u>8,137</u>

Omitting special purpose grants, the operating revenue from the Ministry of Advanced Education and Skills Development was \$4,329,000 above the original projection. The increase relates mainly to Accessibility grant funding that is linked to enrolment. In addition to the grant being fully funded, while the budget was set at a discount, our enrolment was up by 2.8% over the previous year.

As explained in section 2.2.1 below, a portion of the increase in grant revenue that is attributable to enrolment growth is shared with the faculties via the Enrolment Linked Budget Allocation (ELBA).

2.1.2 Tuition Fees – Credit Programs

Tuition income totalled \$264,878,000 in 2016-2017. This represents an increase of \$21,167,000 (8.7%) over the previous year, and is \$6,048,000 (2.3%) above the original estimate. Details of the 8.7% increase over the previous year are as follows:

	<i>Enrolment (F.T.E.)</i>		<i>Total</i>	<i>Tuition Income \$000</i>
	<i>Undergraduate</i>	<i>Graduate</i>		
2015-2016	22,573	3,503	26,076	243,711
2016-2017	23,176	3,631	26,807	264,878
Increase (Decrease)	603	128	731	21,167
%	2.7%	3.7%	2.8%	8.7%

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

During the year, \$547,000 of the additional tuition revenue was allocated to specific additional expenditures. An allocation of \$392,000 was made to offset incremental international recruitment costs, \$180,000 was allocated to Cooperative Education, while a negative adjustment of \$25,000 relates to a formula adjustment for the Centre for Initiatives in Education.

As explained in section 2.2.1 below, a portion of the increase in tuition revenue that is attributable to enrolment growth is shared with the faculties via the Enrolment Linked Budget Allocation (ELBA). The total additional tuition revenue, as a result of positive enrolment changes, amounted to \$10,700,000.

2.1.3 Miscellaneous Income

Miscellaneous income totalled \$10,202,000 in 2016-2017, which is \$2,532,000 over the original budget and \$353,000 less than the previous year. Miscellaneous income consists of non-tuition administrative fees and charges to students, various recoveries from parties external to the University, as well as the Ancillary enterprises and certain non-credit operations. Details are as follows:

	<i>2016-2017 Actual \$000</i>	<i>2016-2017 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items affecting the operating result</u>			
Application and admission fees	2,412	2,130	282
Deferred payment and processing fees	2,920	2,355	565
Omnibus fee	1,053	1,010	43
Overhead charges	1,144	831	313
Library and other fines	72	70	2
Facility rentals	834	723	111
Career Placement Services	270	270	-
Other miscellaneous	1,147	281	866
Subtotal	9,852	7,670	2,182
<u>Items offset by additional expenditures</u>			
Other income	350	-	350
Subtotal	350	-	350
Total Miscellaneous Income	10,202	7,670	2,532

2.1.4 Investment Income

Investment income totalled \$28,174,000 in 2016-2017, which was \$20,994,000 above budget, and \$19,645,000 more than the previous year. Since the Investment Committee decided to invest \$100,000,000 in equity funds in 2015-2016, the returns have been very favourable but are also subject to market risks as the investments are carried at fair value. As a result, the unrealized gain included in our operating statement as of April 30, 2017 is \$12,769,000.

To mitigate the risks associated with equity investments and associated impact on the University's operations, in March 2017 the Investment Committee approved the use of an Investment Income Equalization Fund. Earnings, realized or unrealized, in excess of the opening investment income budget are to be appropriated to this fund. Alternatively, in years where investment income is below the amount budgeted, the shortfall can be covered by this reserve. As such, the amount of \$20,994,000 was appropriated as of April 30, 2017.

2.1.5 Departmental Income

The following items are included in departmental income:

	<i>2016-2017 Actual \$000</i>	<i>2016-2017 Budget \$000</i>	<i>Increase (Decrease) \$000</i>
<u>Items offset by additional expenditures</u>			
Co-op and Career Services	2,003	1,981	22
Instructional Media Services and CUOL	1,562	1,396	166
Information Technology Services (ITS)	314	312	2
Centre for Initiatives in Education	901	781	120
Salary recoveries	651	563	88
Science and Technology Centre	51	45	6
Student Experience Office	661	683	(22)
Paul Menton Centre	121	124	(3)
Alumni and external contributions	1,706	1,634	72
General sales	366	225	141
Other	524	416	108
Subtotal	8,860	8,160	700
<u>Items affecting the operating result</u>			
Benefit recoveries	34	7	27
Total Department Income	8,894	8,167	727

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

2.2 Operating Expenditures, Transfers, and Appropriations

Operating fund expenditures and transfers, before appropriations, totalled \$409,716,000 in 2016-2017. This represents a \$39,643,000 (8.8%) decrease from the original expense budget of \$449,359,000 and a \$12,645,000 (3.0%) decrease from the previous year's total of \$422,361,000. Total appropriations from the operating fund balance at the end of 2016-2017 amounted to \$172,213,000. This represents a net increase of \$78,081,000 in the appropriated fund balance returned from the previous year. Total operating expenses, transfers and appropriations were therefore \$38,438,000 (\$78,081,000 increase in appropriations less \$39,643,000 decrease in expenses) in excess of budget. The categories of changes are examined on the following pages.

2.2.1 Operating Expenditures and Transfers

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

	<u>\$000</u>
Actual operating expenditures and transfers	409,716
Opening budget	<u>449,359</u>
Expenditures above budget	<u>(39,643)</u>

The items included in the \$39,643,000 decrease in expenditures and transfers were:

	<u>\$000</u>	<u>\$000</u>
a) <u>Salary Increases</u>		
2016-2017 cost	7,265	
Less: Contingency in opening budget	<u>7,417</u>	
Additional cost/(savings)		(152)
b) <u>Mid-Year Allocations</u>		
Total allocations	1,669	
Less: Opening contingency	<u>1,461</u>	
Additional cost/(savings)		208
c) <u>Enrolment Incentive</u>		
2016-2017 cost	15,920	
Less: Opening contingency	<u>13,609</u>	
Additional cost/(savings)		2,311
d) <u>Other Contingencies</u>		
2016-2017 cost	21,431	
Less: Opening contingency	<u>41,400</u>	
Net		(19,969)
Total unspent contingency costs		<u>(17,602)</u>

<u>Overspent (unspent) balances not appropriated:</u>	<u>\$000</u>	<u>\$000</u>
e) Provision for bad debts	(424)	
f) Utilities	(1,265)	
g) Professional fees	(203)	
h) Student support	(624)	
i) Interfund transfers	(43)	
Subtotal		(2,559)
<u>Expenditures funded by additional income:</u>		
Government grant (section 2.1.1)	3,808	
Tuition income (section 2.1.2)	547	
Miscellaneous income (section 2.1.3)	350	
Departmental income (section 2.1.5)	700	
		5,405
Expenditures funded by returned appropriations	94,132	
Total appropriations in 2016-2017	172,213	
Net appropriations (section 2.2.2)	(78,081)	
Add: New appropriations (section 2.2.2)	53,194	
		(24,887)
Total expenditures and transfers below budget		(39,643)

Notes:

- a) Salary Increases: The cost of compensation increases in 2016-2017 totalled \$7,265,000 against a contingency of \$7,417,000 in the opening budget. This represents a savings of \$152,000 as compared to budget.
- b) Mid-Year Allocations: Allocations from the mid-year contingency fund totalled \$1,669,000 in 2016-2017 as compared to a budget of \$1,461,000. An analysis of the allocations follows:

Allocations from the Mid-Year Contingency Fund:

	<u>\$000</u>
Life Sciences Research Building – temporary relocation	1,200
Decanal searches	200
EDC teaching and learning support	150
Completion grant pilot project	88
AVP (Enrolment Management)	31
Total allocations	1,669
Opening contingency	(1,461)
Savings	208

The Mid-Year Contingency Fund is managed by the Financial Planning Group chaired by the President.

- c) Enrolment Incentive Plan: The enrolment-linked budget allocation (ELBA) was initiated in 2010-2011 whereby Faculties would receive 40% of the net revenue from enrolment growth in their areas. The plan continues to be very successful, as indicated by our grant and tuition revenue growth, and allocations to the Faculties exceeded budget by \$2,311,000.

d) Other Contingencies: The original budget of \$41,400,000 for 2016-2017 included the following:

	<u>\$000</u>
Pension deficit	33,400
Capital projects	8,000
Total	<u>41,400</u>

During the year, the full \$8,000,000 capital contingency was contributed toward the new business building while \$6,421,000 of the pension contingency was applied to the special pension deficit payment. The balance of the 2016-2017 cost relates to an additional amount carried forward for the capital reserve.

- e) Provision for Bad Debt: The provision for bad debt relates mainly to student tuition fees. The total allowance for bad debt was set at \$1,279,000, which was \$424,000 under budget and represents 0.48% of tuition fees assessed. The University continues to use the mechanisms available to collect tuition fees and has reduced this expense from the previous year.
- f) Utilities: Savings continue to be achieved as the budget has been set conservatively given the volatility in oil and gas markets and the expected increases in the hydro costs.
- g) Professional fees: The savings achieved here related mostly to legal fees and as in-house counsel has handled more issues.
- h) Student support: Estimates of Ministry mandated tuition set-aside funding exceeded requirements.
- i) Interfund Transfers: The net transfer cost was less than the budget by \$43,000. This is due mostly to contract overhead recoveries into the Operating Fund from the Research Fund. They exceeded the original budget by \$149,000, and were in total, \$15,000 more than the previous year. As a general rule, the University charges overheads on research contracts and international contribution agreements. The distribution of the indirect costs recovery is generally 40% to the central operation budget, 15% to the Vice-President (Research and International) and 45% to the faculty performing the contractual work. If the total overheads exceed \$1.3 million, the operating budget and the Vice-President (Research and International) share the 55% equally. The distribution of overheads for 2016-2017 and 2015-2016 are as follows:

	<u>2016-2017</u>	<u>2015-2016</u>
	<u>\$000</u>	<u>\$000</u>
General operating budget and contingency	564	520
Vice President (Research and International)	184	188
<u>Faculties</u>		
Engineering and Design	172	243
Arts and Social Sciences	178	181
Science	98	66
Public Affairs	112	84
Business	-	3
Total	<u>1,308</u>	<u>1,285</u>

2.2.2 Appropriations

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

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

	<u>\$000</u>
Appropriated to fund balance 2016-2017	172,213
Returned from 2015-2016 fund balance	94,132
Increase in appropriated fund balance	<u>78,081</u>

Details of the returned and new appropriations are as follows:

	<i>Returned</i>	<i>Appropriated</i>	<i>Difference</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>RPC</u>			
Faculties	44,168	54,632	10,464
Academic Administration	1,265	1,580	315
Students and Enrolment	874	582	(292)
Library	554	541	(13)
President	2,112	2,248	136
Research and International	1,271	1,703	432
Finance and Administration	8,223	6,927	(1,296)
Computing infrastructure	681	1,535	854
Renovations	7,639	22,250	14,611
Advancement	10,919	12,720	1,801
Student Support	483	914	431
Pending commitments	163	420	257
Self-insurance fund	111	170	59
Capital reserves	15,669	12,797	(2,872)
New allocations	-	53,194	53,194
Total	<u>94,132</u>	<u>172,213</u>	<u>78,081</u>

New allocations consist of appropriations of unspent funds in addition to those included in the original budget. For 2016-2017, new allocations total \$53,194,000 as detailed below:

	<u>\$000</u>
Pension liability reserve	12,200
Endowed student aid matching funds	10,000
Endowed academic chair matching funds	10,000
Investment income equalization fund (see section 2.1.4)	20,994
	<u>53,194</u>

In addition, \$213,561,000 in prior year appropriated funds were not returned during 2016-2017, as the planned expenditures will occur in future fiscal years.

The \$213,561,000 relates to:

	<u>\$000</u>
Pension liability reserve	91,741
Capital reserves	108,318
Strategic Initiatives fund	12,958
Future program commitment	360
Self-insurance fund	184
Total appropriations not returned	<u>213,561</u>

The most immediate allocations from the Capital reserve will be \$31,200,000 for the Health Sciences building, \$26,232,000 for the new business building, \$17,145,000 for the co-generation plant, and approximately \$11,800,000 for the ARISE project.

Total appropriations for the Operating Fund amount to \$385,774,000 as of April 30, 2017.

2.2.3 Operating Result

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

In the notes above, the increases in income and expenses have been reviewed in detail. Many of the items are offsetting, in that additional income was directed to specific areas of additional expense. In the analysis below, these offsetting items are excluded. The items shown are the major ones that resulted in the balanced operating result, along with the amounts projected and presented to the Board earlier in the year.

	Changes in Accumulated Surplus vs Projection		
	<i>Actual</i>	<i>Projected</i>	<i>Variance</i>
	<i>Incr/Decr</i>	<i>Incr/Decr</i>	
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Income Variations</u>			
Government grants (section 2.1.1)	4,329	3,118	1,211
Tuition fees (section 2.1.2)	5,501	5,239	262
Miscellaneous income (section 2.1.3)	2,182	570	1,612
Investment income (section 2.1.4)	20,994	5,795	15,199
Departmental income (section 2.1.5)	27	-	27
Total income variations	33,033	14,722	18,311
<u>Expenditure Variations</u>			
Expenditures less than contingencies (sec 2.2.1)	17,602	23,474	(5,872)
Expenditures less than allocations (sec 2.2.1)	2,559	-	2,559
Total expenditure variations	20,161	23,474	(3,313)
Change in results	53,194	38,196	14,998
New appropriations (section 2.2.2)	(53,194)	(38,196)	(14,998)
Net change in results	-	-	-
Original surplus included in budget	-	-	-
Total change in accumulated surplus	-	-	-

2.2.4 Accumulated Surplus

The prior year accumulated operating surplus was \$498,000 and therefore the current year's results left that unchanged as of April 30, 2017.

2.3 Ancillary Operations - Operating Results and Fund Balances

Schedule 2, at the end of this Report, details the 2016-2017 operations of the ancillaries as compared to the original budget. Overall the ancillary results can be summarized as follows:

	<i>2016-17 Actual \$000</i>	<i>2016-17 Budget \$000</i>	<i>2015-16 Actual \$000</i>
Income and internal recoveries	70,805	66,244	66,296
Expenses and transfers	41,004	41,882	39,899
Surplus from operating activity	29,801	24,362	26,397
Renovations and capital debt	24,977	20,418	25,063
Surplus for the year	4,824	3,944	1,334

The fund balances of the ancillaries are all currently in an accumulated surplus position. The change in these balances is as follows:

	<i>Balance at April 2017 \$000</i>	<i>Balance at April 2016 \$000</i>	<i>Variance \$000</i>
Accumulated Surplus	24,881	20,057	4,824

Each operation is reviewed in the following sections. Ancillaries are expected to break even over time after covering both direct and indirect expenses. The contribution to indirect expenses highlighted in the analysis below represents contributions to general University overheads, as well the central office of University Services (for those entities under the jurisdiction of this office).

2.3.1 Recreation and Athletics

The 2016-2017 results and status of the Recreation and Athletics operations can be summarized as follows:

	<i>2016-17 Actual \$000</i>	<i>2016-17 Budget \$000</i>	<i>2015-16 Actual \$000</i>
<u>Revenue</u>			
Athletic fees	5,349	5,195	5,155
Other income	7,823	7,697	7,312
Internal revenue	1,278	1,204	1,346
	14,450	14,096	13,813
<u>Operating expenses and transfers</u>			
Direct expenses and transfers	11,196	11,989	10,792
Surplus from operating activity	3,254	2,107	3,021

<u>Renovations and capital debt</u>			
Renovations and alterations	1,678	1,000	527
Debt repayments	946	853	804
	<u>2,624</u>	<u>1,853</u>	<u>1,331</u>
Surplus for the year	630	254	1,690
Opening fund balance	7,603	7,603	5,913
Closing fund balance	8,233	7,857	7,603

The Recreation and Athletics operations finished the year with a surplus of \$630,000. This surplus can be attributed to student fees, program fees, donation revenue, and inter-fund transfers to Athletics being higher than anticipated, offset by an increase in renovation and capital debt costs. The accumulated surplus of \$8,233,000 will continue to be used to address the significant deferred maintenance issues.

2.3.2 Bookstore

The 2016-2017 results and status of the Bookstore operations can be summarized as follows:

	<u>2016-17</u>	<u>2016-17</u>	<u>2015-16</u>
	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Revenue</u>			
Commissions and reimbursements	717	658	680
<u>Operating expenses</u>			
Direct expenses	446	448	444
Indirect expense contribution	61	61	60
	<u>507</u>	<u>509</u>	<u>504</u>
Surplus from operating activity	210	149	176
<u>Renovations and capital debt</u>			
Capital debt	128	108	382
Surplus (deficit) for the year	<u>82</u>	<u>41</u>	<u>(206)</u>
Opening fund balance	29	29	235
Closing fund balance	111	70	29

The Bookstore operations finished the year with a surplus of \$82,000, and now has an accumulated surplus of \$111,000. The surplus was higher than budgeted due to commission income being higher than anticipated. The debt related to its expansion in the University Centre several years ago was fully repaid in the current year.

2.3.3 Health and Counselling Services

The 2016-2017 results and status of the Health and Counselling Services operations can be summarized as follows:

	<i>2016-17 Actual \$000</i>	<i>2016-17 Budget \$000</i>	<i>2015-16 Actual \$000</i>
<u>Revenue</u>			
Health Services Student Fee	1,821	1,750	1,757
Insurance recoveries / other	1,552	1,700	1,689
	<u>3,373</u>	<u>3,450</u>	<u>3,446</u>
<u>Expenses and Transfers</u>			
Direct expenses	3,291	3,399	3,279
Indirect expense contribution	30	47	32
	<u>3,321</u>	<u>3,446</u>	<u>3,311</u>
Surplus for the year	<u>52</u>	<u>4</u>	<u>135</u>
Opening fund balance	561	561	426
Closing fund balance	613	565	561

The Health and Counselling Services operation finished the year with a surplus of \$52,000 and now has an accumulated surplus of \$613,000. The accumulated surplus will be used for future renovations and required upgrades to clinic space and equipment.

2.3.4 Housing & Residence Life, Conference Services and Dining Services

The 2016-2017 results for the Housing and Residence Life, Conference Services and Dining Services operations can be summarized as follows:

	<i>2016-17 Actual \$000</i>	<i>2016-17 Budget \$000</i>	<i>2015-16 Actual \$000</i>
<u>Revenue</u>			
Residence fees	21,291	21,253	21,168
Conference operations	1,570	2,032	1,686
Commission income	6,885	7,007	6,953
Other income	3,215	1,818	2,038
Internal rental income	560	240	528
	<u>33,521</u>	<u>32,350</u>	<u>32,373</u>
<u>Expenses and transfers</u>			
Direct expenses	15,603	16,353	15,462
Indirect expense contribution	249	242	317
Contribution to Ancillary Capital Fund	1,130	1,140	1,140
	<u>16,982</u>	<u>17,735</u>	<u>16,919</u>
Surplus from operating activity	16,539	14,615	15,454

<u>Renovations and capital debt</u>			
Renovations and alterations	3,926	5,252	8,809
Debt repayments	12,318	8,757	7,611
	<u>16,244</u>	<u>14,009</u>	<u>16,420</u>
Surplus (deficit) for the year	<u>295</u>	<u>606</u>	<u>(966)</u>
Opening fund balance	7,628	7,628	8,594
Closing fund balance	7,923	8,234	7,628

The Housing and Residence Life, Conference Services and Dining Services operations finished the year with a surplus of \$295,000. Given the continued strong occupancy rate and dining service operations, and a substantial electricity rebate, additional funds were directed towards reducing outstanding capital debt. The service now has an accumulated surplus of \$7,923,000, which will continue to be earmarked for outstanding deferred maintenance, future renovations and capital debt repayments.

2.3.5 Parking Services

The 2016-2017 results and status of the Parking Services operations can be summarized as follows:

	<i>2016-17 Actual \$000</i>	<i>2016-17 Budget \$000</i>	<i>2015-16 Actual \$000</i>
<u>Revenue</u>			
Parking charges	4,920	4,796	4,824
Other income	380	435	397
	<u>5,300</u>	<u>5,231</u>	<u>5,221</u>
<u>Expenses and transfers</u>			
Direct operating	2,177	2,083	2,161
Indirect expense contribution	76	76	77
	<u>2,253</u>	<u>2,159</u>	<u>2,238</u>
Surplus from operating activity	3,047	3,072	2,983
<u>Renovations and capital debt</u>			
Renovations and alterations	1,370	1,568	1,309
Debt repayments	1,235	1,236	1,236
	<u>2,605</u>	<u>2,804</u>	<u>2,545</u>
Surplus for the year	<u>442</u>	<u>268</u>	<u>438</u>
Opening fund balance	1,509	1,509	1,071
Closing fund balance	1,951	1,777	1,509

The Parking Services operation finished 2016-2017 with a surplus from regular operations of \$442,000. The service now has an accumulated surplus of \$1,951,000 which will be used for outstanding deferred maintenance and capital debt repayments.

2.3.6 University Centre

The 2016-2017 results and status of the University Centre operations can be summarized as follows:

	<i>2016-17 Actual \$000</i>	<i>2016-17 Budget \$000</i>	<i>2015-16 Actual \$000</i>
<u>Revenue</u>			
Rental revenue	625	625	610
Internal recoveries	1,019	1,019	990
	<u>1,644</u>	<u>1,644</u>	<u>1,600</u>
<u>Expenses and transfers</u>			
Direct operating expenses	1,173	1,184	1,129
Surplus from operating activity	471	460	471
<u>Renovations and capital debt</u>			
Renovations and alterations	71	-	18
Surplus for the year	<u>400</u>	<u>460</u>	<u>453</u>
Opening fund balance	1,495	1,495	1,042
Closing fund balance	1,895	1,955	1,495

The University Centre operation is run on a cost recovery basis over time. During the current year, a surplus of \$400,000 was generated, which will be appropriated for future renovations.

2.3.7 The Print Shop

The 2016-2017 results and status of The Print Shop operations can be summarized as follows:

	<i>2016-17 Actual \$000</i>	<i>2016-17 Budget \$000</i>	<i>2015-16 Actual \$000</i>
<u>Revenue</u>			
External sales	551	600	664
Internal sales	2,455	2,228	2,308
Other income	198	191	156
	<u>3,204</u>	<u>3,019</u>	<u>3,128</u>
Less: Cost of goods sold	496	470	492
Gross profit	<u>2,708</u>	<u>2,549</u>	<u>2,636</u>
<u>Expenses and Transfers</u>			
Direct operating	2,029	2,017	2,219
Indirect expense contribution	40	52	58
Contribution to Ancillary Capital Fund	92	100	105
	<u>2,161</u>	<u>2,169</u>	<u>2,382</u>
Surplus from operating activity	547	380	254

<u>Renovations and capital debt</u>			
Debt repayments	-	100	381
Surplus (deficit) for the year	547	280	(127)
Opening fund balance	457	457	584
Closing fund balance	1,004	737	457

The Print Shop operations finished the year with a surplus of \$547,000. The service now has an accumulated surplus of \$1,004,000.

2.3.8 Ancillary Property Rentals

The 2016-2017 results and status for the Ancillary Property Rental operations can be summarized as follows:

	<i>2016-17 Actual \$000</i>	<i>2016-17 Budget \$000</i>	<i>2015-16 Actual \$000</i>
<u>Revenue</u>			
External rental revenue	1,934	2,566	2,667
Internal rent and occupancy cost recovery	1,746	1,367	1,309
Interest and sundry income	39	32	149
	3,719	3,965	4,125
<u>Expenses and Transfers</u>			
Occupancy costs and operating expenses	1,822	1,921	1,656
Surplus from operating activity	1,897	2,044	2,469
<u>Renovations and capital debt</u>			
Renovations and alterations	256	200	144
Debt repayments	1,399	1,344	1,799
	1,655	1,544	1,943
Surplus for the year	242	500	526
Opening fund balance	579	579	53
Closing fund balance	821	1,079	579

The Ancillary Property Rentals include the Carleton Technology and Training Centre (CTTC) and the National Wildlife Research Centre (NWRC). The Ancillary Property Rentals finished the year with a \$242,000 surplus, and an accumulated surplus of \$821,000.

2.3.9 Ancillary Capital Fund

The 2016-2017 results and status for the Ancillary Capital Fund operations can be summarized as follows:

	<i>2016-17 Actual \$000</i>	<i>2016-17 Budget \$000</i>	<i>2015-16 Actual \$000</i>
<u>Revenue</u>			
External contributions	2,549	493	595
Internal contributions	2,328	1,338	1,315
	<u>4,877</u>	<u>1,831</u>	<u>1,910</u>
<u>Expenses and Transfers</u>			
Debt repayments	1,285	-	2,028
Capital projects	365	-	15
Transfers	695	-	-
Other expenses	398	300	476
	<u>2,743</u>	<u>300</u>	<u>2,519</u>
Surplus (deficit)	<u>2,134</u>	<u>1,531</u>	<u>(609)</u>
Opening fund balance	196	196	805
Closing fund balance	2,330	1,727	196

The Ancillary Capital Fund has been established to support future capital projects that may be required for ancillary units. In addition, the Ancillary Capital Fund also provides ongoing support to Athletics and Football for internally financed loan repayments, scholarships and general operations. In the current year, non-recurring costs included the construction costs related to the new Subway located in Athletics.

The current year surplus of \$2,134,000 was higher than budgeted due to non-recurring activity, including contributions relating to the transfer of the Canadian Academic English Language (CAEL) Assessment program, as well as additional sponsorship revenue. The Ancillary Capital Fund now has an accumulated surplus of \$2,330,000.

2.4 Other Income and Expenditures

As explained in section 2 above, the 2016-2017 audited financial statements include, in one column, all the activity of the University which used to be segregated into funds. The following sections extract the more significant non-operating activities from the Consolidated Statement of Operations for analysis.

2.4.1 Plant Income and Expenses

The Plant income and expenses represent those for non-capital and renovation projects, which are specifically funded from external sources, as well as those non-capital expenditures being funded from operations (e.g. general, ancillary, research) over a period of time. The following summarizes the activity for 2016-2017:

	<i>2016-2017</i>	<i>2015-2016</i>	<i>Increase</i>
	<i>Actual</i>	<i>Actual</i>	<i>(Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Income and Transfers</u>			
Government grants, other income	1,450	1,806	(356)
Transfers to/from operating & ancillary	(1,560)	5,676	(7,236)
Net income	(110)	7,482	(7,592)
<u>Expenses</u>			
Additions	4,492	3,046	1,446
Surplus (deficit)	(4,602)	4,436	(9,038)
Opening fund balance	3,920	(516)	4,436
Closing fund balance	(682)	3,920	(4,602)

The accumulated deficit of \$682,000 represents expenditures incurred in advance of funding for non-capital projects.

2.4.2 Research Funding and Expenditures

The following provides an analysis of Research receipts and disbursements by Funding Agency. In 2016-2017 there was a net increase of \$558,000 in the Research Fund balance, from \$49,577,000 to \$50,135,000. Research receipts total \$63,901,000. Disbursements and net transfers out total \$63,343,000. Following Canadian generally accepted accounting principles (GAAP), all restricted receipts in excess of restricted expenditures are deferred for use in future years. Deferred research revenue for 2016-2017 is \$23,530,000. (Key to acronyms is on the next page).

	<i>Balance</i> <i>April 30, 2016</i> \$000	<i>2016-2017</i> <i>Funding</i> \$000	<i>2016-2017</i> <i>Expenditure</i> \$000	<i>Balance</i> <i>April 30, 2017</i> \$000
<u>Canadian Government Departments and Agencies</u>				
National Defence	227	201	294	134
Natural Resources Canada	262	1,887	2,022	127
Environment and Climate Change Canada	9	258	269	(2)
Indigenous and Northern Affairs	29	36	(1)	66
ISED	47	47	69	25
IDRC	283	283	213	353
Health Canada	94	22	99	17
NRC	23	107	67	63
Other Federal	165	577	681	61
<u>Tri-Agency Sponsored Research</u>				
CIHR	718	786	464	1,040
NSERC	6,921	14,346	13,622	7,645
SSHRC	4,793	7,110	6,668	5,235
Canada Research Chairs	(162)	2,575	2,595	(182)
Research Support Fund	-	4,557	4,557	-
<u>Other Sponsored Research</u>				
COE	722	874	1,284	312
Provincial, Municipal Governments	902	5,019	5,161	760
CFI	145	1,327	1,418	54
Ontario Research Fund	2,878	996	2,314	1,560
Ontario ERAP	(9)	106	(38)	135
Businesses and Foundations	4,943	6,089	6,051	4,981
Foreign Governments	38	656	543	151
Research Partnership Agreements	2,165	899	2,069	995
<u>Total Sponsored Research</u>	<u>25,193</u>	<u>48,758</u>	<u>50,421</u>	<u>23,530</u>

<u>Funding Source – continued</u>	<u>Balance</u> <u>April 30, 2016</u>	<u>2016-2017</u> <u>Funding</u>	<u>2016-2017</u> <u>Expenditure</u>	<u>Balance</u> <u>April 30, 2017</u>
SNO and TRIUMF	-	7,714	7,714	-
Internally Restricted Research	24,384	7,429	5,208	26,605
<u>Total Restricted Research</u>	<u>49,577</u>	<u>63,901</u>	<u>63,343</u>	<u>50,135</u>

Notes: Key to acronyms

CFI	Canadian Foundation for Innovation
CIHR	Canadian Institutes for Health Research
COE	Federal/Provincial Centres of Excellence
ERAP	Early Researcher Award Program (Ontario)
IDRC	International Development Research Centre
ISED	Innovation, Science and Economic Development Canada
NRC	National Research Council
NSERC	Natural Science and Engineering Research Council
SNO	Sudbury Neutrino Observatory Institute
SSHRC	Social Science and Humanities Research Council
TRIUMF	National Laboratory for Particle and Nuclear Physics

2.5 Reconciliation of Operating Results

The accumulated balances for the operating, ancillary and plant funds described in the above sections match those shown on the Consolidated Statement of Changes in Net Assets. The operating results discussed above do not, however, coincide with those shown on the Consolidated Statement of Operations. The following explains the differences in presentation:

	<u>\$000</u>
<u>Operating result per Consolidated Statement of Operations</u>	100,913
Adjustments:	
a) Net change in investment in capital assets	(12,432)
b) Increase in operating appropriations (2.2.2)	(78,081)
c) Research surplus (internally restricted) increase (2.4.2)	(2,221)
d) Enterprise surplus (internally restricted) decrease	667
e) Scholarship surplus (internally restricted) increase	(8)
f) Professional Development decrease	70
g) Gain on unrestricted endowment	(186)
h) Employee future benefit expense net of cash payment	(5,747)
i) Internally endowed amounts	(2,753)
j) Ancillary surplus (section 2.3)	(4,824)
k) Plant deficit (section 2.4.1)	4,602
Operating budget result	<u>-</u>

Notes:

- a) Net change in investment in capital assets: For the purposes of managing general operations, the university accounts for funds received for, and expended on, the purchase of capital assets in the year the purchase is made. However, under Canadian generally accepted accounting principles (GAAP), the receipts and costs must be amortized over the life of asset (i.e. 10 to 40 years). The result of this is that expenditures incurred during the year for capital assets are removed from those shown in the statements of operations and a calculated amount for amortization expenditure is recognized. Similarly, any restricted funds received during the year for capital purchases are removed from revenues and brought into income over the life of the asset. During 2016-2017 the following entries were made:

	<u>\$000</u>
Current year capital assets expenditures removed from expenses	(51,612)
Current year funding received for capital assets removed from revenues	20,361
	<u>(31,251)</u>
Addback calculated amounts:	
Amortization of capital asset expense	31,321
Amortization of capital asset funding	(12,502)
Difference	<u>(12,432)</u>

The \$12,432,000 difference represents the excess of net cash outlays (i.e. actual cash expenditures less the actual cash received) over the calculated amounts reflected in the Consolidated Statement of Operations. It is shown as a reduction in Unrestricted Net Assets and an increase in Investment in Capital Assets.

- b) Increase in appropriations: Under Canadian GAAP, appropriations are not accounted for on the face of the Statement of Operations, but are shown as a change in internally restricted net assets on the Consolidated Statement of Changes in Net Assets.
- c) Research funds: As shown in section 2.4.2 above, internally restricted research balances increased by \$2,221,000 during 2016-2017. As these funds are earmarked for the continuation of the research activity being funded, this \$2,221,000 (\$26,605,000 - \$24,384,000) is shown as an increase to the internally restricted amounts on the Consolidated Statement of Changes in Net Assets.
- d) Enterprise funds: As shown on the Consolidated Statement of Changes in Net Assets, enterprise balances have decreased by \$667,000 (\$4,102,000 - \$4,769,000) during 2016-2017. As these funds are earmarked for the continual development of entrepreneurial, this change is shown as a decrease to the internally restricted amounts on the Consolidated Statement of Changes in Net Assets.
- e) Scholarship funds: As shown on the Consolidated Statement of Changes in Net Assets, internally restricted scholarship balances have increased by \$8,000 during 2016-2017. Although these scholarships do not have donor placed restrictions on them, the funds have been earmarked for student support in future years.
- f) Professional Development: As shown on the Consolidated Statement of Changes in Net Assets, we have an internally restricted balance for professional development funds earned by faculty members but not yet used.

- g) Gain on unrestricted endowment: The undistributed portion of the gain on the unrestricted endowment is recognized as gain in the unrestricted fund, thus increasing the surplus. However, as this amount does not actually impact the amount available for spending in the current year, it does not affect the operating result as reported on Schedule 1.
- h) Employee future benefits: As explained in section 3.2.5, a liability for future benefits owing to employees must be recognized in the university's financial statements. Actuarial assumptions are used to calculate the accrual-based expense to be recognized in the statement of operations and the related contributions that must be removed. During 2016-2017 the following entries were made:

	<u>\$000</u>
Employee future benefits, non-pension	11,024
Employee future pension benefits	10,413
Less: 2016-2017 contributions removed from expenditure	<u>(27,184)</u>
Difference	<u>(5,747)</u>

- i) Internally endowed amounts: Unrestricted contributions are recognized as revenue in the period in which they are received. When they are subsequently reallocated to the endowment fund, the transfer is shown on the Statement of Changes in Net Assets as a reduction in unrestricted net assets.
- j) Ancillary surplus: As presented in section 2.3, the ancillary operations resulted in a surplus of \$4,824,000 in 2016-2017.
- k) Plant deficit: As presented in section 2.4.1, the plant fund for non-capital and renovation projects resulted in a deficit of \$4,602,000 in 2016-2017.

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Some items in the Consolidated Statement of Financial Position do not require further analysis or explanation. The notes that follow provide detail, or highlight situations where it is thought necessary or useful.

3.1 Source and Application of University Resources

The source and application of University resources at April 30, 2017 were as follows:

	<i>2017</i>	<i>2016</i>	<i>Increase</i>
	<i>Actual</i>	<i>Actual</i>	<i>(Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Sources</u>			
Short term liabilities:			
Accounts payable	43,396	35,629	7,767
Deferred revenue	68,663	68,259	404
Accrued leave	11,638	11,160	478
Current portion of long term debt	3,584	3,424	160
Long term liabilities:			
Employee future benefits	136,585	96,554	40,031
Long term debt	71,150	74,698	(3,548)
Net assets:			
General operating fund	498	498	-
Ancillary and plant funds	1,030	5,791	(4,761)
Endowment fund	261,744	231,148	30,596
Internally restricted funds	443,228	358,673	84,555
	<u>706,500</u>	<u>596,110</u>	<u>110,390</u>
Total – Sources	<u>1,041,516</u>	<u>885,834</u>	<u>155,682</u>
	<i>2017</i>	<i>2016</i>	<i>Increase</i>
	<i>Actual</i>	<i>Actual</i>	<i>(Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Applications</u>			
Short term assets:			
Cash, equivalents and marketable securities	482,925	409,610	73,315
Accounts receivable	27,252	24,174	3,078
Prepaid expenses	4,302	5,045	(743)
Current portion of net investment in lease	719	674	45
Long term assets:			
Net investment in lease	9,140	9,859	(719)
Investments	264,643	224,282	40,361
Capital assets:			
	616,131	595,840	20,291
Less: Investment in capital assets	(317,266)	(304,834)	(12,432)
Deferred capital contributions	(182,915)	(175,370)	(7,545)
Net assets:			
Provision for employee future benefits	136,585	96,554	40,031
Total - Applications	<u>1,041,516</u>	<u>885,834</u>	<u>155,682</u>

3.2 Source of University Resources

3.2.1 Accounts Payable: \$43,396,000

The accounts payable as at April 30, 2017 comprised:

	2017	2016	<i>Increase</i> <i>(Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Due to suppliers	9,048	9,905	(857)
Construction accruals and holdbacks	10,389	2,695	7,694
Payroll taxes and pension	13,390	14,533	(1,143)
Amounts held on deposit	2,655	3,482	(827)
Other taxes payable	606	595	11
Other payables and accrued liabilities	7,308	4,419	2,889
Total	43,396	35,629	7,767

Amounts due to suppliers at April 30, 2017 are consistent with the prior year. The increase in construction accruals and holdbacks largely relates to the construction of the new Health Sciences facility.

3.2.2 Deferred Revenue: \$68,663,000

Deferred revenue as at April 30, 2017 comprised:

	2017	2016	<i>Increase</i> <i>(Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
a) Government grants	4,699	6,697	(1,998)
b) Research	23,530	25,193	(1,663)
c) Scholarships	4,091	3,284	807
d) Parker loans	1,035	1,035	-
e) Special purpose	11,750	9,464	2,286
f) Summer student fees	12,045	7,769	4,276
g) Other items	11,513	14,817	(3,304)
Total	68,663	68,259	404

Notes:

- a) Of the \$4,699,000 in deferred grant revenue, \$2,315,000 relates to 2017-2018 undergraduate and graduate accessibility funding received in April 2017 and \$1,005,000 relates to graduate support grants. A further \$1,379,000 relates to Strategic Investment Funds for the Advanced Research and Innovation in Smart Environments (ARISE) building.
- b) Research funds are the unexpended restricted grants and contracts to be spent in the future. The detailed composition of the balance is shown in section 2.4.2.
- c) Represents restricted scholarship accounts.

- d) Represents funds available to loan to students in need of financial aid.
- e) Special purpose is the unexpended portion of restricted donor gifts and other income.
- f) Summer student fees represent payments received prior to April 30th for courses held in the summer term.
- g) Other deferred revenue relates mainly to advance payments received for projects earmarked for future years, summer programs in the Recreation and Athletics operation and Housing and Conference Services operation, and a capital replacement fund held for the NWRC building.

**3.2.3 Current Portion of Long Term Debt:
\$3,584,000**

The current portion of long-term debt is defined as the amount coming due within the next fiscal year. This totalled \$3,584,000 as at April 30, 2017, an increase of \$160,000 over last year.

**3.2.4 Accrued Leave:
\$11,638,000**

The \$11,638,000 compares to \$11,160,000 one year earlier for an increase of \$478,000. Canadian generally accepted accounting principles (GAAP) require that accumulated but unpaid leave (annual and administrative) must be recognized as an expense and an amount payable at each year end. Consistent with other Ontario universities, the University has fully funded this accrued benefit, however the University's resource management policies are such that any payment of accrued vacation will be charged against existing departmental resources in the year the event occurs.

**3.2.5 Employee Future Benefits Liability:
\$136,585,000**

During 2001, the University adopted the recommendations of the CICA Handbook Section 3461, Employee Future Benefits, which has now been replaced by the Chartered Professional Accountants of Canada Handbook Section 3462/3463. Under these recommendations, the University accrues its obligations under employee benefits plans as the employees render the services necessary to earn post-retirement and post-employment benefits. Prior to the adoption of these recommendations, the non-pension costs were recognized on a "pay as you go" basis. While this represents a large, unfunded obligation, the on-going cash demands of these benefits remain unchanged. As such, the deficit created by this accounting policy change does not have a significant impact on the operations of the University. Refer to note 12 of the audited financial statements at the beginning of this report for further information.

With respect to pension benefits, the University must recognize the defined benefit liability or asset in its statement of financial position. This amount is the defined benefit obligation less the fair value of the assets. With the adoption of the new Handbook section 3462/3463, deferral and amortization of actuarial gains and losses is no longer permitted for any future benefit obligation. Additional details are provided in note 12 of the audited financial statements. This note shows that, on an accounting basis, the pension plan is in a deficit of \$8,615,000. It also states that on an actuarially determined basis, a going-concern shortfall of \$80,101,000 and a solvency shortfall of \$223,736,000 existed as at July 2016. As the actuarial determination relates more closely to potential fund flows, the University uses this as its guide. Given these deficits, which could continue to grow, the University has reserved funds in an attempt to deal with the potential shortfalls (see section 2.2.2).

In 2016-2017, non-pension employee future benefits increased by \$17,439,000, while the pension liability increased by \$27,592,000. These increases are mainly due to changes in mortality tables used for the actuarial valuations.

3.2.6 Long Term Debt: \$71,150,000

The loans and mortgages payable are described in some detail in note 10 of the audited financial statements at the beginning of this report.

3.2.7 Net Assets, providing a source of resources: \$706,500,000

The net assets that constitute a source of resources are:

	2017 \$000	2016 \$000	Increase (Decrease) \$000
Operating fund	498	498	-
Ancillary and plant funds	1,030	5,791	(4,761)
Internally restricted funds	443,228	358,673	84,555
Endowment fund	261,744	231,148	30,596
Total	706,500	596,110	110,390

Notes:

a) The internally restricted net assets as at April 30, 2017, consist of the following:

	<u>\$000</u>
Appropriated operating funds (section 2.2.2)	385,774
Appropriated ancillary funds (section 2.3)	24,750
Internally restricted research balances (section 2.4.2)	26,605
Enterprise funds	4,102
Scholarship funds	24
Professional Development	1,973
	<u>443,228</u>

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

	<u>\$000</u>
Market Value at April 30, 2017	261,744
Market Value at April 30, 2016	231,148
Increase in Value	<u>30,596</u>

The \$30,596,000 increase is calculated as follows:

	<u>\$000</u>
Unrealized gain (loss) on sale of investment	12,604
Gifts, bequests and other additions (per below)	9,768
Gain (loss) on sale of investments	12,640
Investment income	5,817
	<u>40,829</u>
Less: Distributed for endowed spending	(9,083)
Direct and indirect operating costs	-
Investment management fees	(1,150)
Change in nominal value	<u>30,596</u>

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

	<u>\$000</u>
Carleton University matching contributions	2,753
The Clayton H. Riddell Political Management Endowment Fund	1,900
Bell Chair in Parliamentary Democracy	750
CU Engineering Students Equipment Fund	393
President's Endowment Fund (Singhal Family Foundation)	335
Fund for Good	292
Dr. Walter and Mary Chudobiak Entrepreneurial Award in Electrical Engineering	253
Helmut Kallmann Chair in Canadian Music	227
Richard. J Van Loon Graduate Award in Political Science	221
KCT Bursary	100
Scotiabank International Exchange Awards	100
Borealis Foundation Endowment	100
Doug De Pencier Memorial Fund	100
Other additions (<\$100,000)	2,244
Total additions	<u>9,768</u>

The realized investment returns for the year totalled \$18,457,000. The amount distributed for endowed spending in 2016-2017 was \$9,083,000. This represents a distribution of \$3.563 per unit held in the investment pool. In addition, \$1,150,000 was paid to investment managers during the year. No administrative fee was charged to the fund in 2016-2017.

A more complete analysis of the University's endowment investments is provided in the quarterly report to the Board on investment performance.

3.3 Application of University Resources

3.3.1 Cash and Short Term Investments: \$482,925,000

The cash and short term investment balance is as follows:

	2017 \$000	2016 \$000	Increase (Decrease) \$000
Cash balance	1,178	(513)	1,691
Cash equivalent investments	359,968	333,929	26,039
Marketable securities	121,779	76,194	45,585
Total	482,925	409,610	73,315

During 2015-2016, the Investment Committee decided to invest a portion of the University's cash balances in marketable securities, with a view to increasing longer term average returns on investment. Using history as a guide, it was decided that \$100,000,000 would be invested, as this amount would not be called upon to meet immediate liquidity needs. As of April 30, 2017, the full \$100,000,000 (2016 - \$75,000,000) has been invested, with a current value of \$121,779,000 (2016 - \$76,194,000).

3.3.2 Accounts Receivable: \$27,252,000

	2017 \$000	2016 \$000	Increase (Decrease) \$000
a) Student accounts	11,594	10,883	711
b) Student associations	247	358	(111)
c) General accounts receivable	7,870	5,439	2,431
d) Staff computer loans	92	90	2
e) HST/GST receivable	1,504	1,344	160
f) Bookstore	34	55	(21)
g) Union groups	130	192	(62)
h) Research funds	4,798	5,107	(309)
i) Student loans	7	9	(2)
j) Food service provider	671	622	49
Other receivables	1,584	1,600	(16)
Sub-total	28,531	25,699	2,832
k) Less: Allowance for doubtful accounts	(1,279)	(1,525)	246
Total	27,252	24,174	3,078

Notes:

- a) Student accounts: These accounts record activity relating to tuition fees, residence fees and other miscellaneous charges. The \$11,594,000 represents 4.05% (2016 – 4.11%) of the 2016-2017 tuition and residence fee assessments.

- b) Student associations: The various student groups use University services on a recovery basis.
- c) General accounts receivable: These amounts relate to services rendered by certain departments to external clients or to monies owed at year end for expenditures. The increase in the current year can be attributed to an increase in research advances to joint project participants, as well as due to a receivable from the Ontario Universities' Application Centre (OUAC) that was received in May 2017. The receivables are generally current, and no specific problems exist.
- d) Staff computer loans: During 1996-1997, the University introduced a program whereby staff could acquire computers from the Computer Store on a credit basis. The loans bear interest and are recovered through payroll deduction.
- e) HST/GST receivable: The balance typically represents the amount due from the government for the April HST/GST return.
- f) Bookstore: The 2016-2017 amount receivable is due from Follett Books and represents commission income related to 2016-2017 operations.
- g) Union groups: The various union groups use the University services on a recovery basis. The accounts are generally kept up to date.
- h) Research funds: The receivables related to research funds consist of two different types of balances: contract research and grants receivable. The nature of contractual research is such that expenditures must be incurred before progress billings can be made and income received. Most granting agencies make multi-year research awards with payment being spread over the period (usually three years). In many cases, however, the nature of the project is such that a greater proportion of the expenses must be incurred in the earlier periods of the grant. For the sake of continuity and given that research activity as a whole is in a net cash surplus position, the University allows reasonable advanced spending on multi-year research grants.
- i) Student loans: Student loans outstanding are issued under the Parker Loan fund which funds the interest and guarantees the principal of the loans.
- j) Food services provider: The 2016-2017 amount receivable from Aramark represents commission and profit share income related to the 2016-2017 operations.
- k) Allowance for doubtful accounts: The allowance includes \$1,275,000 for student fees, while the balance is for other overdue items.

3.3.3 Prepaid Expenses: \$4,302,000

Prepaid Expenses as at April 30, 2017 comprised:

	2017	2016	<i>Increase (Decrease)</i>
	\$000	\$000	\$000
Insurance	639	628	11
Licences	2,662	3,498	(836)
Physical Plant supplies	373	331	42
Other	628	588	40
Total	4,302	5,045	(743)

Prepaid expenses represent payments to third parties for services to be provided in future periods (e.g. insurance, licenses), as well as any significant stock of materials and supplies for internal use (e.g. Facilities Management & Planning supplies). The decrease in prepaid licences is due to multi-year licence agreements being drawn down from one year to the next.

3.3.4 Current Portion of Net Investment in Lease: \$719,000

The current portion of net investment in lease is defined as the amount collectible within the next fiscal year. This totalled \$719,000 at April 30, 2017 and represents the non-financing income portion of the \$1,300,000 annual National Wildlife Research Centre (NWRC) lease payment. Further detail is provided in section 3.3.5 and in note 5 of the audited financial statements.

3.3.5 Net Investment in Lease: \$9,140,000

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

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

The calculation of this amount is presented in detail in note 5 of the audited financial statements.

3.3.6 Investments: \$264,643,000

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

	2017	2016	<i>Increase (Decrease)</i>
	\$000	\$000	\$000
Investments held for:			
Endowment	261,631	221,689	39,942
Parker Loan fund	1,242	1,123	119
NWRC capital reserve	792	690	102
Sprott Student fund	978	780	198
Total	264,643	224,282	40,361

As indicated in note 2(c) of the audited financial statements, all investments are shown at fair market value. Additional information on the investments can be found in note 4 of the audited financial statements.

3.3.7 Capital Assets: \$616,131,000
Investment in Capital Assets: \$317,266,000
Deferred Capital Contributions: \$182,915,000

The net value of capital assets as at April 30, 2017 comprised:

	2017 \$000	2016 \$000	<i>Increase (Decrease)</i> \$000
Capital Assets:			
Land and buildings	632,063	600,755	31,308
Building improvements	149,419	140,112	9,307
Equipment and furnishings	104,741	104,167	574
Computers and software	6,378	9,139	(2,761)
Automobile	233	216	17
Library and art collections	45,922	49,903	(3,981)
	938,756	904,292	34,464
Less: Accumulated depreciation	(322,625)	(308,452)	(14,173)
Net capital assets	616,131	595,840	20,291
Funding:			
Investment in capital assets	317,266	304,834	12,432
Deferred capital contributions	182,915	175,370	7,545
Total funding	500,181	480,204	19,977
Unfunded assets	115,950	115,636	314
Financed by:			
Mortgages payable	430	613	(183)
Loans payable	64,453	67,041	(2,588)
Other short-term borrowing	51,067	47,982	3,085
Total	115,950	115,636	314

The specific capital assets funded through financing are as follows:

	2017 \$000	2016 \$000	<i>Increase (Decrease)</i> \$000
Mortgage financing:			
Glengarry residence	430	574	(144)
Grenville and Russell residences	-	39	(39)
	430	613	(183)
External loan financing:			
Prescott residence	12,349	13,066	(717)
Leeds residence	11,111	11,951	(840)
Frontenac residence	12,798	13,080	(282)
Lennox & Addington residence	28,195	28,944	(749)
	64,453	67,041	(2,588)

	2017 \$000	2016 \$000	Increase (Decrease) \$000
<u>Internal loan financing:</u>			
P6/P7 Parking Garage	23,813	24,148	(335)
Housing and Food Services renovations	12,352	16,704	(4,352)
Ice Arena	5,242	5,791	(549)
Alumni Hall and Sports Centre	2,838	4,594	(1,756)
Field Bleachers	1,069	1,141	(72)
Health Science building	7,840	1,105	6,735
University Centre	-	126	(126)
Other (funding in advance of expense)	(2,087)	(5,627)	3,540
	<u>51,067</u>	<u>47,982</u>	<u>3,085</u>
Financed assets	<u>115,950</u>	<u>115,636</u>	<u>314</u>

**3.3.8 Net Assets, requiring an application of resources:
\$136,585,000**

The net assets classified as an application of resources include:

	2017 \$000	2016 \$000	Increase (Decrease) \$000
Provision for employee future benefits	136,585	96,554	40,031
Total	<u>136,585</u>	<u>96,554</u>	<u>40,031</u>

As discussed in section 3.2.5, this represents the unfunded balance of employee future benefits as at April 30, 2017.



M. Piché
Vice-President
(Finance and Administration)



J.T. Sullivan
Assistant Vice-President
(Financial Services)

**GENERAL OPERATING FUND 2016-2017
INCOME, EXPENSES AND ACCUMULATED SURPLUS
COMPARISON TO BUDGET (MAY 2016) AND 2015-16 ACTUAL**

	2016-17		Actual to Budget		2015-16		Actual to Prior Year	
	Actual \$000's	Budget \$000's	\$000's	%	Actual \$000's	\$000's	%	%
INCOME								
Government Grant	175,649	167,512	8,137	4.9	170,677	4,972	2.9	
Tuition Fees	264,878	258,830	6,048	2.3	243,711	21,167	8.7	
Miscellaneous Income	10,202	7,670	2,532	33.0	10,555	(353)	(3.3)	
Investment Income	28,174	7,180	20,994	292.4	8,529	19,645	230.3	
Departmental Income	8,894	8,167	727	8.9	7,741	1,153	14.9	
Total Operating Income	487,797	449,359	38,438	8.6	441,213	46,584	10.6	
EXPENSES								
Faculty of Arts & Social Sciences	50,214	51,534	(1,320)	(2.6)	47,957	2,257	4.7	
Faculty of Public Affairs	32,167	33,265	(1,098)	(3.3)	30,626	1,541	5.0	
Sprott School of Business	12,274	12,358	(84)	(0.7)	11,988	286	2.4	
Faculty of Science	33,490	35,039	(1,549)	(4.4)	30,374	3,116	10.3	
Faculty of Engineering and Design	32,648	38,585	(5,937)	(15.4)	30,029	2,619	8.7	
Provost and Vice-President (Academic)	9,989	9,991	(2)	(0.0)	9,986	3	0.0	
Vice-President (Students and Enrolment)	20,649	19,581	1,068	5.5	19,461	1,188	6.1	
Library	16,509	16,485	24	0.1	16,093	416	2.6	
Vice-President (Research and International)	3,639	4,080	(441)	(10.8)	3,682	(43)	(1.2)	
Vice-President (Finance & Administration)	36,942	42,169	(5,227)	(12.4)	39,143	(2,201)	(5.6)	
Advancement	5,066	6,894	(1,828)	(26.5)	5,063	3	0.1	
President	4,189	4,054	135	3.3	4,068	121	3.0	
University Budgets and Provisions	134,664	173,662	(38,998)	(22.5)	149,619	(14,955)	(10.0)	
Interfund Transfers (net)	17,276	1,662	15,614	939.5	24,272	(6,996)	(28.8)	
Sub-Total Operating Expenses	409,716	449,359	(39,643)	(8.8)	422,361	(12,645)	(3.0)	
Net Appropriations	78,081	-	78,081		18,852	59,229		
Total Expenses	487,797	449,359	38,438	8.6	441,213	46,584	10.6	
Increase in Surplus for the Year	-	-	-		-	-		
Opening Accumulated Surplus/(Deficit)	498	498	-		498	-		
Closing Accumulated Surplus/(Deficit)	498	498	-		498	-		

Note: 2016-2017 budget figures reflect the opening May 1, 2016 budget, with reallocations made to assist in comparison.

**GENERAL OPERATING FUND 2016-2017
INCOME, EXPENSES AND ACCUMULATED SURPLUS
COMPARISON TO PROJECTION (MARCH 2017)**

INCOME	2016-17	2016-17	Actual to Projected	
	Actual \$000's	Projected \$000's	\$000's	%
Government Grant	175,649	174,969	680	0.4
Tuition Fees	264,878	264,715	163	0.1
Miscellaneous Income	10,202	8,240	1,962	23.8
Investment Income	28,174	12,975	15,199	117.1
Departmental Income	8,894	8,077	817	10.1
Total Operating Income	487,797	468,976	18,821	4.0
EXPENSES				
Faculty of Arts & Social Sciences	50,214	49,692	522	1.1
Faculty of Public Affairs	32,167	32,658	(491)	(1.5)
Sprott School of Business	12,274	11,749	525	4.5
Faculty of Science	33,490	33,997	(507)	(1.5)
Faculty of Engineering and Design	32,648	35,222	(2,574)	(7.3)
Provost and Vice-President (Academic)	9,989	10,242	(253)	(2.5)
Vice-President (Students and Enrolment)	20,649	19,695	954	4.8
Library	16,509	16,475	34	0.2
Vice-President (Research and International)	3,639	4,377	(738)	(16.9)
Vice-President (Finance & Administration)	36,942	36,145	797	2.2
Advancement	5,066	7,266	(2,200)	(30.3)
President	4,189	4,327	(138)	(3.2)
University Budgets and Provisions	134,664	151,699	(17,035)	(11.2)
Interfund Transfers (net)	17,276	17,236	40	0.2
Sub-Total Operating Expenses	409,716	430,780	(21,064)	(4.9)
Net Appropriations	78,081	38,196	39,885	104.4
Total Expenses	487,797	468,976	18,821	4.0
Increase in Surplus for the Year	-	-	-	
Opening Accumulated Surplus/(Deficit)	498	498	-	
Closing Accumulated Surplus/(Deficit)	498	498	-	

Note: The 2016-2017 Projection were those presented to the Board in March 2017.

