

Consolidated Financial Statements of

**CARLETON UNIVERSITY**

Year ended April 30, 2006

# CARLETON UNIVERSITY

## Consolidated Financial Statements

Year ended April 30, 2006

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## **AUDITORS' REPORT TO THE BOARD OF GOVERNORS**

We have audited the consolidated statement of financial position of Carleton University as at April 30, 2006 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

*KPMG LLP*

Chartered Accountants

Ottawa, Canada

July 28, 2006

# CARLETON UNIVERSITY

## Consolidated Statement of Financial Position

April 30, 2006, with comparative figures for 2005  
(in thousands of dollars)

	2006	2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 81,568	\$ 87,504
Accounts receivable	15,647	22,003
Prepaid expenses	2,497	1,511
Current portion of net investment in lease (note 4)	349	327
	<u>100,061</u>	<u>111,345</u>
Investments (note 3)	176,083	152,640
Net investment in lease (note 4)	14,962	15,311
Capital assets (notes 5 and 6)	314,644	276,586
	<u>\$ 605,750</u>	<u>\$ 555,882</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 28,717	\$ 28,464
Deferred revenue (note 7)	47,389	47,513
Accrued vacation pay	6,474	6,290
Current portion of long-term debt (note 8)	1,597	1,663
	<u>84,177</u>	<u>83,930</u>
Long-term debt (note 8)	70,410	71,988
Deferred capital contributions (note 9)	112,017	110,584
Employee future benefits liability (note 13)	70,069	63,315
Net assets:		
Unrestricted	(90,910)	(85,675)
Internally restricted (note 10)	81,008	81,038
Investment in capital assets (note 11)	108,872	84,607
Endowments (note 12)	170,107	146,095
	<u>269,077</u>	<u>226,065</u>
Contingent liabilities and commitments (notes 15 and 18)		
	<u>\$ 605,750</u>	<u>\$ 555,882</u>

See accompanying notes to consolidated financial statements.

# CARLETON UNIVERSITY

## Consolidated Statement of Operations

Year ended April 30, 2006, with comparative figures for 2005  
(in thousands of dollars)

	2006	2005
<b>Revenue:</b>		
Government grants for general operations	\$ 132,697	\$ 118,010
Fees	129,453	127,182
Research grants and contracts	56,879	61,088
Sales and services	6,247	5,838
Donations	5,700	6,785
Investment income (note 3(c))	10,227	11,151
Amortization of deferred capital contributions (note 9)	8,395	9,436
Other	23,695	22,347
	<u>373,293</u>	<u>361,837</u>
<b>Expenses:</b>		
Salaries	175,582	169,990
Benefits	28,870	27,966
Supplies	13,749	9,771
Minor equipment and furnishings	7,211	8,025
Externally contracted services and fees	13,712	13,919
Scholarships and bursaries	25,362	22,187
Utilities	10,433	8,826
Travel	8,364	7,496
Renovations	16,140	21,609
Interest	5,066	5,124
Amortization of capital assets	20,489	19,472
Employee future benefits	9,594	7,650
Other expenses	19,395	19,489
	<u>353,967</u>	<u>341,524</u>
Excess of revenue over expenses	<u>\$ 19,326</u>	<u>\$ 20,313</u>

See accompanying notes to consolidated financial statements.

# CARLETON UNIVERSITY

## Consolidated Statement of Changes in Net Assets

Year ended April 30, 2006, with comparative figures for 2005  
(in thousands of dollars)

	Unrestricted	Internally restricted	Investment in capital assets	Endow- ments	Total 2006	Total 2005
		(note 10)	(note 11)	(note 12)		
Net assets, beginning of year	\$ (85,675)	\$ 81,038	\$ 84,607	\$ 146,095	\$ 226,065	\$ 186,425
Excess of revenue over expenses	19,326	—	—	—	19,326	20,313
Internally imposed restrictions	(487)	(30)	—	517	—	—
Net change in investment in capital assets (note 11)	(24,074)	—	24,074	—	—	—
Contributions to art collection (note 6)	—	—	191	—	191	186
Endowment contributions and investment income (note 12)	—	—	—	23,495	23,495	19,141
<b>Net assets, end of year</b>	<b>\$ (90,910)</b>	<b>\$ 81,008</b>	<b>\$108,872</b>	<b>\$ 170,107</b>	<b>\$ 269,077</b>	<b>\$ 226,065</b>
Details of year-end balance:						
Operating	\$ (13,162)	\$ —	\$ —	\$ —	\$ (13,162)	\$ (14,964)
Plant	(90)	—	—	—	(90)	(153)
Ancillary (see schedule 1)	(1,115)	—	—	—	(1,115)	(953)
Provision for vacation pay	(6,474)	—	—	—	(6,474)	(6,290)
Provision for employee future benefits obligation	(70,069)	—	—	—	(70,069)	(63,315)
Appropriations	—	66,414	—	—	66,414	67,153
Research	—	10,867	—	—	10,867	10,215
Enterprise	—	3,725	—	—	3,725	3,634
Scholarships	—	2	—	—	2	36
Capital assets	—	—	108,872	—	108,872	84,607
Endowment	—	—	—	170,107	170,107	146,095
	\$ (90,910)	\$ 81,008	\$108,872	\$ 170,107	\$ 269,077	\$ 226,065

See accompanying notes to consolidated financial statements.

# CARLETON UNIVERSITY

## Consolidated Statement of Cash Flows

Year ended April 30, 2006, with comparative figures for 2005  
(in thousands of dollars)

	2006	2005
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 19,326	\$ 20,313
Add (deduct) non-cash items:		
Employee future benefits liability	6,754	5,098
Amortization of capital assets	20,489	19,472
Amortization of deferred capital contributions	(8,395)	(9,436)
Net change in other non-cash operating working capital (note 17)	5,683	5,178
Net cash provided by operating activities	43,857	40,625
Financing activities:		
Decrease in mortgages payable	(174)	(165)
Decrease in loans payable	(1,338)	(1,442)
Decrease in obligations under capital leases	(132)	(167)
Net cash used in financing activities	(1,644)	(1,774)
Investing activities:		
Increase in investments	(23,443)	(18,597)
Decrease in net investment in lease	327	306
Capital asset additions	(58,547)	(47,680)
Capital contributions received (note 9)	9,828	9,524
Contributions to art collection	191	186
Endowment contributions and investment income	23,495	19,141
Net cash used in investing activities	(48,149)	(37,120)
Increase (decrease) in cash and cash equivalents	(5,936)	1,731
Cash and cash equivalents, beginning of year	87,504	85,773
Cash and cash equivalents, end of year	\$ 81,568	\$ 87,504

The University considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

See accompanying notes to consolidated financial statements.

# CARLETON UNIVERSITY

## Notes to Consolidated Financial Statements

Year ended April 30, 2006

(Tabular amounts in thousands of dollars)

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### 1. Description:

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

The University is a registered charity and therefore is, under section 149 of the Income Tax Act, 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 statements also include the assets, liabilities, deficit and operations of the University's subsidiary and joint ventures as follows:

Carleton University Press Inc., a subsidiary of the University, was incorporated under the laws of Ontario in 1982 and is a taxable corporation. The Press had no activity in the year.

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

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

Carleton University Foundation is a Crown-controlled foundation and therefore is not included in these consolidated financial statements. The Foundation was incorporated without share capital on November 19, 1993 by Regulation 731/93 under the University Foundations Act, 1992 and is an agent of Her Majesty in Right of Ontario. The objectives of the Foundation are to solicit, 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 Foundation (U.S.) was incorporated without share capital on February 12, 1996 under the District of Columbia Non-Profit Corporation Act. The Foundation is not included in these consolidated financial statements. The objects of the Foundation, as established by the Internal Revenue Code of 1986, are to accept, receive, manage and distribute money and other property to support education and research at the University. The Foundation had minimal activity in the year.



# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2006

(Tabular amounts in thousands of dollars)

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## 2. Summary of significant accounting policies:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the accounting policies summarized below:

(a) Investments:

Investments are recorded at cost except for investments donated to the University, which are recorded at market value at the date of acquisition.

(b) Capital assets:

Purchased capital assets are recorded at cost. Donated capital assets are recorded at an appraised value established by independent appraisal in the period received by the University.

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

Asset	Useful life
Buildings	40 years
Building improvements	20 years
Equipment and furniture	10 years
Computer equipment	4 years
Software	4 years
Automobiles	5 years
Leasehold improvements	5 years
Library holdings	10 years

(c) Deferred capital contributions:

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

(d) 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.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2006

(Tabular amounts in thousands of dollars)

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

### (e) Recognition of revenue and other contributions:

The University follows the deferral method of accounting for contributions, which include donations and government grants. 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. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenses are recognized. 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.

Student fees are recognized as revenue in the period that the courses and seminars are held. Sales revenue is recognized at point of sale. Contract revenue is recognized as the service is provided.

### (f) 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.

### (g) 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.

### (h) Employee benefit plans:

The University accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method prorated on service and administration's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Adjustments arising from plan amendments, including past service costs, are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment. The excess of the net actuarial gain or loss over 10% of the greater of the benefit obligation is amortized over the average remaining service period of the active employees.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2006

(Tabular amounts in thousands of dollars)

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

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 financial statements and the reported amounts of revenues 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 financial statements in the period in which they become known.

(j) Derivative financial instruments:

The University is party to certain derivative financial instruments, principally interest rate swap contracts. These instruments are not recognized in the consolidated financial statements at inception. Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense on long-term debt. The carrying amounts of derivative financial instruments, which are comprised of accrued gains and losses not yet realized, are not included in the consolidated financial statements.

## 3. Investments:

(a) Carrying and market values:

The carrying value and market value of the investments are as follows:

	2006		2005	
	Carrying value	Market value	Carrying value	Market value
Bonds	\$ 4,308	\$ 5,108	\$ 3,936	\$ 5,000
Marketable securities	171,775	209,681	148,704	164,392
	<u>\$ 176,083</u>	<u>\$ 214,789</u>	<u>\$ 152,640</u>	<u>\$ 169,392</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2006

(Tabular amounts in thousands of dollars)

### 3. Investments (continued):

(b) Purpose:

Investments held by the University include funds, which are permanently endowed, restricted in use or related to the residence sinking fund as follows:

	2006		2005	
	Carrying value	Market value	Carrying value	Market value
Endowments	\$ 170,120	\$ 207,855	\$ 147,107	\$ 162,707
Centre for Research in Particle Physics	629	628	602	617
Residence sinking fund	4,308	5,108	3,936	5,000
Parker loans for students	1,026	1,198	995	1,068
	<u>\$ 176,083</u>	<u>\$ 214,789</u>	<u>\$ 152,640</u>	<u>\$ 169,392</u>

(c) Investment income:

Investment income earned is reported as follows:

	2006	2005
Income earned on endowments	\$ 4,019	\$ 1,601
Income earned on restricted investments	51	54
Income earned on unrestricted investments	4,092	6,692
Income earned on residence sinking fund investments	372	339
Total investment income earned	8,534	8,686
Less restricted amounts recognized	(835)	(1,364)
Add amounts distributed from endowment in excess of annual income earned on endowments	2,528	3,829
Total investment income recognized as revenue	<u>\$ 10,227</u>	<u>\$ 11,151</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2006  
(Tabular amounts in thousands of dollars)

## 4. Net investment in lease:

Carleton University has entered into an agreement with Environment Canada under which Carleton University built the National Wildlife Research Centre 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:

	2006	2005
Minimum lease payments receivable	\$ 27,300	\$ 28,600
Unearned financing revenue	(11,989)	(12,962)
	<u>15,311</u>	<u>15,638</u>
Current portion of net investment in lease	(349)	(327)
	<u>\$ 14,962</u>	<u>\$ 15,311</u>

At April 30, 2006, future minimum lease payments receivable under the direct financing lease are as follows:

2007	\$ 1,300
2008	1,300
2009	1,300
2010	1,300
2011	1,300
Thereafter	20,800
	<u>\$ 27,300</u>

## 5. Capital assets:

Capital assets consist of the following:

	Cost	Accumulated amortization	2006 Net book value	2005 Net book value
Land	\$ 6,430	\$ —	\$ 6,430	\$ 6,430
Buildings	318,878	102,618	216,260	182,567
Building improvements	8,954	136	8,818	4,231
Equipment and furniture	73,508	34,214	39,294	36,527
Computer equipment	24,430	20,282	4,148	4,693
Software	28,511	23,483	5,028	7,072
Automobiles	453	248	205	191
Leasehold improvements	92	92	—	—
Library holdings	45,747	32,770	12,977	13,582
Art collection	21,484	—	21,484	21,293
	<u>\$ 528,487</u>	<u>\$ 213,843</u>	<u>\$ 314,644</u>	<u>\$ 276,586</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2006  
(Tabular amounts in thousands of dollars)

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## 5. Capital assets (continued):

Included in buildings is \$19,251,000 (2005 - \$16,932,000) of construction in progress. As construction in progress is not yet in use, these assets are not amortized.

Cost and accumulated amortization at April 30, 2005 amounted to \$469,940,000 and \$193,354,000 respectively.

## 6. Art collection:

The University has an art collection comprising approximately 27,000 pieces of art. In 2006, there were additions of donated pieces of art at an appraised value of \$191,000 (2005 - \$186,000).

## 7. 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:

	2006	2005
Research	\$ 24,390	\$ 23,083
Grants	5,465	7,732
Student aid	7,597	6,447
Donations	3,351	2,777
Other	6,586	7,474
	<u>\$ 47,389</u>	<u>\$ 47,513</u>

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

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

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

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

Other includes deposits and prepayments on contracts.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2006  
(Tabular amounts in thousands of dollars)

## 8. Long-term debt:

As at April 30, 2006, the University has principal outstanding of \$72,007,000 (2005 - \$73,651,000) under mortgages and loans.

### (a) Details of long-term debt:

	Maturity	Interest rate	Annual payment	Principal outstanding
Mortgages payable:				
Lanark and Renfrew Residences and University Commons	2013	5.375%	\$ 86	\$ 490
Grenville and Russell Residences	2017	5.375%	79	631
Glengarry Residence	2019	6.375%	176	1,608
Stormont-Dundas Residence	2010	10.360%	1,222	11,800
				14,529
Loans payable:				
CTTC loan	2007	5.200%	563	6,073
Leeds loan	2012	6.724%	1,607	17,863
NWRC loan	2028	6.460%	1,331	15,318
Prescott loan	2013	6.299%	1,520	18,224
				57,478
				72,007
Current portion of long-term debt				1,597
				\$ 70,410

Annual payment amounts include principal and interest.

For the Stormont-Dundas Residence mortgage, interest is payable semi-annually with the principal amount due on maturity.

### (b) Long-term debt repayments:

Anticipated requirements to meet the principal portion of long-term repayments are as follows:

2007	\$ 1,597
2008	1,697
2009	1,805
2010	1,921
2011	2,047
Thereafter	62,940
	<u>\$ 72,007</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2006

(Tabular amounts in thousands of dollars)

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

### (c) Residence sinking fund:

A sinking fund was established for the purpose of accumulating funds to retire the \$11,800,000 mortgage on the Stormont-Dundas Residence maturing April 1, 2010. The full amount has been set aside in money market funds and in guaranteed investment certificates, so that, together with interest, there will be sufficient funds necessary to extinguish the mortgage liability on maturity.

### (d) Interest rate derivative agreements:

The University has entered into interest rate derivative agreements to manage the volatility of interest rates. The University converted a net notional \$55,008,000 of floating rate debt for fixed rate debt ranging from 6.299% to 6.724%. The related derivative agreements are in place until the maturity of the debts in 2012, 2013 and 2028.

## 9. Deferred capital contributions:

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

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 110,584	\$ 110,496
Less amortization of deferred capital contributions	(8,395)	(9,436)
Add capital contributions received:		
Grants for equipment and buildings	9,629	9,240
Donated assets	199	284
	<u>9,828</u>	<u>9,524</u>
Balance, end of year	<u>\$ 112,017</u>	<u>\$ 110,584</u>



# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2006

(Tabular amounts in thousands of dollars)

## 10. Internally restricted net assets:

	Balance, beginning of year	Change in year	Balance, end of year
Appropriations	\$ 67,153	\$ (739)	\$ 66,414
Research	10,215	652	10,867
Enterprise	3,634	91	3,725
Scholarships	36	(34)	2
	<u>\$ 81,038</u>	<u>\$ (30)</u>	<u>\$ 81,008</u>

Internally restricted net assets include departmental funds available for spending at the department's discretion and commitments for specific purpose which reflect the application of University policy as follows:

Appropriations represent commitments by the University of current year unspent budgetary funds for capital and other expenditures, which will be incurred in the following year. The commitment can either be to an outside supplier 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.

Research funds represent recoveries and other revenue from the University's research activities and are available for future research expenditures.

Enterprise funds represent fees and other revenues from the University's non-credit, professional development activities and are available for future enterprise activities.

Scholarships represent the unspent portion of unrestricted endowment fund income allocated to scholarships by the University.

## 11. Investment in capital assets:

The investment in capital assets consists of the following:

	2006	2005
Capital assets	\$ 314,644	\$ 276,586
Less amounts financed by:		
Deferred capital contributions	(112,017)	(110,584)
Mortgages payable (net of residence sinking fund)	(4,282)	(4,828)
Leases payable	—	(132)
Loans payable (CTTC, Leeds, Prescott buildings)	(42,160)	(43,136)
Other short-term financing	(47,313)	(33,299)
	<u>\$ 108,872</u>	<u>\$ 84,607</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2006

(Tabular amounts in thousands of dollars)

## 11. Investment in capital assets (continued):

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

	2006	2005
Capital assets additions:		
Total additions	\$ 58,547	\$ 47,680
Less:		
Contributions to art collection	(191)	(186)
Donated assets	(199)	(284)
Additions financed with grants	(9,629)	(9,240)
	48,528	37,970
Financing:		
Mortgage payable	174	165
Increase in residence sinking fund	372	578
Gain on residence sinking fund investment	-	3,137
Leases payable	132	166
Loans payable	976	934
Other short-term financing	(14,014)	(12,714)
	(12,360)	(7,734)
Amortization of deferred capital contributions	8,395	9,436
Amortization of capital assets	(20,489)	(19,472)
	(12,094)	(10,036)
Net change in investment in capital assets	\$ 24,074	\$ 20,200

## 12. 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, 2006

(Tabular amounts in thousands of dollars)

## 12. Endowments (continued):

Investment income earned is distributed at a rate of 5% (2005 - 5%) 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 held in the fund to maintain capital.

	<u>Externally endowed</u>	<u>Board designated</u>	<u>Total 2006</u>	<u>Total 2005</u>
Donations and bequests	\$ 5,644	\$ –	\$ 5,644	\$ 11,120
Gain on sale of investments	20,379	605	20,984	12,104
Investment income	4,019	105	4,124	1,649
Income distributed	(6,547)	(193)	(6,740)	(5,663)
Net change in year	<u>23,495</u>	<u>517</u>	<u>24,012</u>	<u>19,210</u>
Fund balance, beginning of year	<u>144,422</u>	<u>1,673</u>	<u>146,095</u>	<u>126,885</u>
Fund balance, end of year	<u>\$ 167,917</u>	<u>\$ 2,190</u>	<u>\$ 170,107</u>	<u>\$ 146,095</u>

## 13. Employee future benefits:

The University has defined post-retirement benefit plans (other than pensions) and defined post-employment benefit plans covering substantially all of its employees. These plans provide health, dental and severance benefits to eligible employees. The most recent actuarial evaluation of employee future benefits was completed as at May 1, 2006.

At April 30, 2006, the University's future employee benefits liability and accrued benefit obligations are as follows:

	<u>2006</u>	<u>2005</u>
Accrued benefit obligation	\$ 88,016	\$ 84,855
Unamortized past service costs	(687)	(817)
Unamortized net actuarial loss	(17,260)	(20,723)
Employee future benefits liability	<u>\$ 70,069</u>	<u>\$ 63,315</u>

Similar to most post-employment benefit plans (other than pension) in Canada, the University's plan is not pre-funded, resulting in a plan deficit equal to the accrued benefit obligation.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2006

(Tabular amounts in thousands of dollars)

## 13. Employee future benefits (continued):

The significant actuarial assumptions adopted in estimating the University's accrued benefit obligations are as follows:

	Post-retirement benefits plan	Post-employment benefits plan
Discount rate	5.75%	5.50%
Salary escalation	5.00%	5.00%
Dental benefits escalation	4.50%	4.50%
Drugs benefits escalation	5.00% to 10.00%	5.00% to 10.00%
Hospital benefits escalation	4.50% to 9.00%	4.50% to 9.00%

Included in the consolidated statement of revenue and expense is an annual expense in the amount of \$9,594,000 (2005 - \$7,650,000) regarding employee future benefits. The annual expense includes the current service cost of employee benefits for the year and the interest cost for the unfunded accrued benefit obligation. During 2006, the University contributed \$2,840,000 (2005 - \$2,552,000) to cover pay-as-you-go disbursements incurred during the year for these employee future benefits.

Health care sensitivity analysis:

Assumed health care cost trend rates have a significant effect on the amounts reported for the health-care plans. A 1% change in assumed health care trend rates would have the following effects for 2006.

	Increase	Decrease
Net benefit cost	\$ 2,006	\$ 750
Accrued benefit obligation	13,227	8,063

## 14. Pension plan and pension plan liability:

The University contributes to a defined contribution Pension Plan with a defined benefit minimum guarantee, which covers substantially all full-time employees.

An actuarial valuation of the Carleton University Retirement Plan as of July 1, 2004 determined that the plan had an \$8,200,000 unfunded liability at July 1, 2004. The amount is to be repaid over a period not to exceed 15 years as required under the Pension Benefits Act of Ontario. Amortization of the unfunded liability is expected to require special payments of \$843,000 per year. At April 30, 2006, the University has appropriated \$8,000,000 in their internally restricted assets relating to expected special payments for future unfunded liabilities.

The University contributed \$9,953,000 to the pension plan during fiscal 2005-06 and this contribution is included in the consolidated statement of revenue and expense.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2006  
(Tabular amounts in thousands of dollars)

## 15. Contingent liabilities and commitments:

At April 30, 2006, commitments for future acquisitions, construction and renovations amounted to approximately \$21,686,000 (2005 - \$25,679,000).

Letters of credit totaling \$7,384,000 (2005 - \$5,064,000) were issued on behalf of the University at year-end.

## 16. Financial instruments:

### (a) Concentration of credit risk:

The University is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing mostly with creditworthy counterparties such as government agencies and public companies. The University also enforces approved collection policies for student accounts.

### (b) Fair values:

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and accrued vacation pay approximate their fair value due to the relatively short periods to maturity of the instruments.

### (b) Fair values (continued):

The fair values of other financial assets and liabilities included in the consolidated statement of financial position are as follows:

	2006		2005	
	Carrying value	Fair value	Carrying value	Fair value
Investments	\$ 176,083	\$ 214,789	\$ 152,640	\$ 169,392
Obligations under capital leases	—	—	132	134
Loans payable	57,478	63,851	58,816	65,796
Mortgages payable	14,529	15,455	14,703	16,419

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- 1) Investments: at the quoted market value on April 30.
- 2) Obligations under capital lease, loans payable and mortgages payable: at the present value of contractual future payments of principal and interest discounted at the current market rates of interest available to the University for the same or similar debt instruments.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2006

(Tabular amounts in thousands of dollars)

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

	<u>2006</u>	<u>2005</u>
Decrease (increase) in accounts receivable	\$ 6,356	\$ (6,400)
Decrease (increase) in prepaid expenses	(986)	150
Increase in accounts payable and accrued liabilities	253	5,943
Increase (decrease) in deferred revenue	(124)	4,740
Increase in accrued vacation pay	184	745
	<u>\$ 5,683</u>	<u>\$ 5,178</u>

## 18. 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.

# CARLETON UNIVERSITY

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

Year ended April 30, 2006  
(in thousands of dollars)

Unrestricted	Athletics	Bookstore	Carleton Technology and Training Centre	Graphic Services	Health Services
Revenues	\$ 6,734	\$ 1,286	\$ 1,361	\$ 1,751	\$ 2,373
Expenses	7,116	1,204	1,195	1,551	2,569
Excess (deficiency) of revenues over expenses	(382)	82	166	200	(196)
Net assets, beginning of year	(595)	—	(2,074)	—	—
Transfer from (to) non-ancillary unrestricted net assets	80	—	(30)	(185)	148
Appropriated to internally restricted net assets	—	(82)	—	(15)	—
Return of funds from internally restricted net assets	—	—	—	—	48
Net assets, end of year	\$ (897)	\$ —	\$ (1,938)	\$ —	\$ —
<b>Internally restricted</b>					
Net assets, beginning of year	\$ —	\$ 272	\$ —	\$ 129	\$ 163
Appropriated from unrestricted net assets	—	82	—	15	—
Return of funds to unrestricted net assets	—	—	—	—	(48)
Net assets, end of year	\$ —	\$ 354	\$ —	\$ 144	\$ 115

	NWRC	Parking	Residence and Food Services	University Centre	Ancillary Capital Fund	Total 2006	Total 2005
\$	1,005	\$ 3,044	\$ 16,326	\$ 615	\$ 155	\$ 34,650	\$ 33,020
	1,001	2,456	14,305	157	–	31,554	30,450
	4	588	2,021	458	155	3,096	2,570
	1,716	–	–	–	–	(953)	(575)
	–	(632)	(1,835)	–	(115)	(2,569)	(1,650)
	–	–	(186)	(458)	(40)	(781)	(1,298)
	–	44	–	–	–	92	–
\$	1,720	\$ –	\$ –	\$ –	\$ –	\$ (1,115)	\$ (953)
\$	–	\$ 814	\$ 1,832	\$ 847	\$ 221	\$ 4,278	\$ 2,980
	–	–	186	458	40	781	1,298
	–	(44)	–	–	–	(92)	–
\$	–	\$ 770	\$ 2,018	\$ 1,305	\$ 261	\$ 4,967	\$ 4,278



# CARLETON UNIVERSITY

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

(in thousands of dollars)

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## Ontario Student Opportunity Trust Fund (Phase I)

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

The University has recorded the following amounts under the program:

	<u>2006</u>	<u>2005</u>
<b>Schedule of Changes in Endowment Fund Balance for the year ended April 30, 2006</b>		
Fund balance at beginning of year	\$ 17,823	\$ 17,897
Cash donations received	–	–
Prior year adjustments	–	(74)
Fund balance at end of year	<u>\$ 17,823</u>	<u>\$ 17,823</u>

## Schedule of Changes in Expendable Funds Available for Awards for the year ended April 30, 2006

Balance, beginning of year	\$ 2,310	\$ 1,805
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	2,451	2,116
Bursaries awarded (total number: 2,531)	(2,089)	(1,611)
Balance, end of year	<u>\$ 2,672</u>	<u>\$ 2,310</u>

The market value of the endowment as at April 30, 2006 was \$64,217,000 (2005 - \$51,701,000).

# CARLETON UNIVERSITY

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

(in thousands of dollars)

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## Ontario Student Opportunity Trust Fund (Phase II)

The externally restricted endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund II matching program for the period of April 1, 2005 to April 30, 2006 to award student aid as a result of raising an equal amount of endowed donations.

The University has recorded the following amounts under the program:

	<u>2006</u>	<u>2005</u>
<b>Schedule of Changes in Endowment Fund Balance for the Period of April 1, 2005 to April 30, 2006</b>		
Fund balance at beginning of year	\$ 4,821	\$ 1,656
Cash donations received	–	3,165
Audited unmatched cash donations, received between March 27, 2003 and March 31, 2005, transferred to OTSS in 2005-06	(255)	–
Fund balance at end of year	<u>\$ 4,566</u>	<u>\$ 4,821</u>

## Schedule of Changes in Expendable Funds Available for Awards for the Period April 1, 2005 to April 30, 2006

Balance, beginning of year	\$ 73	\$ 2
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	263	80
Bursaries awarded (total number: 34)	(129)	(9)
Balance, end of year	<u>\$ 207</u>	<u>\$ 73</u>

The market value of the endowment as at April 30, 2006 was \$6,704,000 (2005 - \$5,787,000).

# CARLETON UNIVERSITY

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

(in thousands of dollars)

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## Ontario Trust for Student Support

The externally restricted endowments include monies provided by the Government of Ontario from the Ontario Trust for Student Support matching program for the period April 1, 2005 to March 31, 2006 to award student aid as a result of raising an equal amount of endowed donations.

The University has recorded the following amounts under the program:

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	2006
<b>Schedule of donations received between April 1, 2005 and March 31, 2006</b>	
Cash donations matched between April 1, 2005 and March 31, 2006	\$ 1,615
Unmatched cash donations (received between April 1, 2005 and March 31, 2006)	–
<b>Total cash donations</b>	<b>\$ 1,615</b>

## Schedule of Changes in Endowment Fund Balance for the period April 1, 2005 to March 31, 2006

Balance, beginning of year	\$ –
Eligible cash donations received between April 1, 2005 and March 31, 2006 in compliance with the November 2005 Program Guidelines and Reporting Requirements	1,615
Matching funds received/receivable from MTCU in 2005-06	1,615
Cash donations ineligible for match for the period between April 1, 2005 and March 31, 2006	36
Preservation of capital	–
<b>Fund balance at end of year</b>	<b>\$ 3,266</b>

## Schedule of Changes in Expendable Funds Available for Awards for the period April 1, 2005 to March 31, 2006

Balance, beginning of year	\$ –
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	24
Bursaries awarded (total number: 0)	–
<b>Balance, end of year</b>	<b>\$ 24</b>