

Consolidated Financial Statements of

**CARLETON UNIVERSITY**

Year ended April 30, 2007

# CARLETON UNIVERSITY

## Consolidated Financial Statements

Year ended April 30, 2007

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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, 2007 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, 2007 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.

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

July 27, 2007

# CARLETON UNIVERSITY

## Consolidated Statement of Financial Position

April 30, 2007, with comparative figures for 2006  
(in thousands of dollars)

	2007	2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 86,356	\$ 81,568
Accounts receivable	19,763	15,647
Prepaid expenses	1,773	2,497
Current portion of net investment in lease (note 5)	373	349
	<u>108,265</u>	<u>100,061</u>
Investments (note 3)	189,836	176,083
Long-term receivable (note 4)	573	-
Net investment in lease (note 5)	14,589	14,962
Capital assets (notes 6 and 7)	336,687	314,644
	<u>\$ 649,950</u>	<u>\$ 605,750</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 23,768	\$ 28,717
Deferred revenue (note 8)	43,113	47,389
Accrued vacation pay	7,664	6,474
Current portion of long-term debt (note 9)	1,433	1,597
	<u>75,978</u>	<u>84,177</u>
Long-term debt (note 9)	63,129	70,410
Deferred capital contributions (note 10)	132,849	112,017
Employee future benefits liability (note 14)	77,318	70,069
Net assets:		
Unrestricted	(98,177)	(90,910)
Internally restricted (note 11)	95,254	81,008
Investment in capital assets (note 12)	121,024	108,872
Endowments (note 13)	182,575	170,107
	<u>300,676</u>	<u>269,077</u>
Contingent liabilities and commitments (notes 16 and 19)	<u>\$ 649,950</u>	<u>\$ 605,750</u>

See accompanying notes to consolidated financial statements.

# CARLETON UNIVERSITY

## Consolidated Statement of Operations

Year ended April 30, 2007, with comparative figures for 2006  
(in thousands of dollars)

	2007	2006
<b>Revenue:</b>		
Government grants for general operations	\$ 147,894	\$ 132,697
Fees	137,329	129,453
Research grants and contracts	59,075	56,879
Sales and services	6,515	6,247
Donations	3,311	5,700
Investment income (note 3(c))	12,183	10,227
Amortization of deferred capital contributions (note 10)	8,425	8,395
Other	26,686	23,695
	<u>401,418</u>	<u>373,293</u>
<b>Expenses:</b>		
Salaries	190,572	175,582
Benefits	36,198	28,870
Supplies	10,412	13,749
Minor equipment and furnishings	8,318	7,211
Externally contracted services and fees	15,385	13,712
Scholarships and bursaries	27,830	25,362
Utilities	10,144	10,433
Travel	9,563	8,364
Renovations	17,079	16,140
Interest	4,843	5,066
Amortization of capital assets	21,646	20,489
Employee future benefits	9,984	9,594
Other expenses	20,618	19,395
	<u>382,592</u>	<u>353,967</u>
Excess of revenue over expenses	<u>\$ 18,826</u>	<u>\$ 19,326</u>

See accompanying notes to consolidated financial statements.

# CARLETON UNIVERSITY

## Consolidated Statement of Changes in Net Assets

Year ended April 30, 2007, with comparative figures for 2006  
(in thousands of dollars)

	Unrestricted	Internally restricted	Investment in capital assets	Endow- ments	Total 2007	Total 2006
		(note 11)	(note 12)	(note 13)		
Net assets, beginning of year	\$ (90,910)	\$ 81,008	\$ 108,872	\$ 170,107	\$ 269,077	\$ 226,065
Excess of revenue over expenses	18,826	—	—	—	18,826	19,326
Internally imposed restrictions	(14,296)	14,246	—	50	—	—
Net change in investment in capital assets (note 12)	(11,797)	—	11,797	—	—	—
Contributions to art collection (note 7)	—	—	355	—	355	191
Endowment contributions and investment income (note 13)	—	—	—	12,418	12,418	23,495
<b>Net assets, end of year</b>	<b>\$ (98,177)</b>	<b>\$ 95,254</b>	<b>\$ 121,024</b>	<b>\$ 182,575</b>	<b>\$ 300,676</b>	<b>\$ 269,077</b>
Details of year-end balance:						
Operating	\$ (12,144)	\$ —	\$ —	\$ —	\$ (12,144)	\$ (13,162)
Plant	(26)	—	—	—	(26)	(90)
Ancillary (see schedule 1)	(1,025)	—	—	—	(1,025)	(1,115)
Provision for vacation pay	(7,664)	—	—	—	(7,664)	(6,474)
Provision for employee future benefits obligation	(77,318)	—	—	—	(77,318)	(70,069)
Appropriations	—	78,841	—	—	78,841	66,414
Research	—	12,788	—	—	12,788	10,867
Enterprise	—	3,621	—	—	3,621	3,725
Scholarships	—	4	—	—	4	2
Capital assets	—	—	121,024	—	121,024	108,872
Endowment	—	—	—	182,575	182,575	170,107
	<b>\$ (98,177)</b>	<b>\$ 95,254</b>	<b>\$ 121,024</b>	<b>\$ 182,575</b>	<b>\$ 300,676</b>	<b>\$ 269,077</b>

See accompanying notes to consolidated financial statements.

# CARLETON UNIVERSITY

## Consolidated Statement of Cash Flows

Year ended April 30, 2007, with comparative figures for 2006  
(in thousands of dollars)

	2007	2006
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 18,826	\$ 19,326
Add (deduct) non-cash items:		
Employee future benefits liability	7,249	6,754
Amortization of capital assets	21,646	20,489
Amortization of deferred capital contributions	(8,425)	(8,395)
Net change in other non-cash operating working capital (note 18)	(11,427)	5,683
Net cash provided by operating activities	27,869	43,857
Financing activities:		
Decrease in mortgages payable	(186)	(174)
Decrease in loans payable	(7,259)	(1,338)
Decrease in obligations under capital leases	—	(132)
Net cash used in financing activities	(7,445)	(1,644)
Investing activities:		
Increase in investments	(13,753)	(23,443)
Decrease in net investment in lease	349	327
Increase in long-term receivable	(573)	—
Capital asset additions	(43,689)	(58,547)
Capital contributions received (note 10)	29,257	9,828
Contributions to art collection	355	191
Endowment contributions and investment income	12,418	23,495
Net cash used in investing activities	(15,636)	(48,149)
Increase (decrease) in cash and cash equivalents	4,788	(5,936)
Cash and cash equivalents, beginning of year	81,568	87,504
Cash and cash equivalents, end of year	\$ 86,356	\$ 81,568

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, 2007

(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 and was dissolved effective October 10, 2006.

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 and was dissolved effective June 19, 2006.

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, 2007

(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, 2007

(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, 2007

(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:

	2007		2006	
	Carrying value	Market value	Carrying value	Market value
Bonds	\$ 4,712	\$ 5,344	\$ 4,308	\$ 5,108
Marketable securities	185,124	234,240	171,775	209,681
	<u>\$ 189,836</u>	<u>\$ 239,584</u>	<u>\$ 176,083</u>	<u>\$ 214,789</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2007

(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:

	2007		2006	
	Carrying value	Market value	Carrying value	Market value
Endowments	\$ 183,113	\$ 231,947	\$ 170,120	\$ 207,855
Centre for Research in Particle Physics	382	381	629	628
Residence sinking fund	4,712	5,344	4,308	5,108
Parker loans for students	1,064	1,336	1,026	1,198
NWRC Capital renewal	565	576	–	–
	<u>\$ 189,836</u>	<u>\$ 239,584</u>	<u>\$ 176,083</u>	<u>\$ 214,789</u>

(c) Investment income:

Investment income earned is reported as follows:

	2007	2006
Income earned on endowments	\$ 2,222	\$ 4,019
Income earned on restricted investments	63	51
Income earned on unrestricted investments	4,019	4,092
Income earned on residence sinking fund investments	404	372
Total investment income earned	<u>6,708</u>	<u>8,534</u>
Add (less) restricted amounts allocated (recognized)	387	(835)
Add amounts distributed from endowment in excess of annual income earned on endowments	5,088	2,528
Total investment income recognized as revenue	<u>\$ 12,183</u>	<u>\$ 10,227</u>

### 4. Long-term receivable:

The University holds a promissory note receivable, maturing in 2010 that bears interest at 5% and is repayable in monthly installments of \$5,500 consisting of principal plus interest.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2007  
(Tabular amounts in thousands of dollars)

## 5. Net investment in lease:

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

	2007	2006
Minimum lease payments receivable	\$ 26,000	\$ 27,300
Unearned financing revenue	(11,038)	(11,989)
	<u>14,962</u>	<u>15,311</u>
Less current portion of net investment in lease	(373)	(349)
Net investment in lease	<u>\$ 14,589</u>	<u>\$ 14,962</u>

At April 30, 2007, future minimum lease payments receivable under the direct financing lease are as follows:

2008	\$ 1,300
2009	1,300
2010	1,300
2011	1,300
2012	1,300
Thereafter	19,500
	<u>\$ 26,000</u>

## 6. Capital assets:

Capital assets consist of the following:

	Cost	Accumulated amortization	2007 Net book value	2006 Net book value
Land	\$ 6,430	\$ —	\$ 6,430	\$ 6,430
Buildings	327,317	109,665	217,652	216,260
Building improvements	25,209	551	24,658	8,818
Equipment and furniture	74,142	26,301	47,841	39,294
Computer equipment	9,723	6,348	3,375	4,148
Software	11,971	9,673	2,298	5,028
Automobiles	409	157	252	205
Library holdings	29,083	16,741	12,342	12,977
Art collection	21,839	—	21,839	21,484
	<u>\$ 506,123</u>	<u>\$ 169,436</u>	<u>\$ 336,687</u>	<u>\$ 314,644</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2007

(Tabular amounts in thousands of dollars)

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## 6. Capital assets (continued):

Included in buildings is \$18,624,000 (2006 - \$19,251,000) 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, 2006 amounted to \$528,487,000 and \$213,843,000 respectively.

In the year, \$66,053,000 of cost and accumulated amortization was removed from the respective balances for capital assets, that had been fully amortized and no longer in use.

## 7. Art collection:

The University has an art collection comprising approximately 25,000 pieces of art. In 2007, there were additions of donated pieces of art at an appraised value of \$355,000 (2006 - \$191,000).

## 8. 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:

	2007	2006
Research	\$ 23,735	\$ 24,390
Grants	3,701	5,465
Student aid	7,436	7,597
Donations	2,972	3,351
Other	5,269	6,586
	<u>\$ 43,113</u>	<u>\$ 47,389</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, 2007

(Tabular amounts in thousands of dollars)

## 9. Long-term debt:

As at April 30, 2007, the University has principal outstanding of \$64,562,000 (2006 - \$72,007,000) 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	\$ 427
Grenville and Russell Residences	2017	5.375%	79	585
Glengarry Residence	2020	6.375%	176	1,531
Stormont-Dundas Residence	2010	10.360%	1,222	11,800
				14,343
Loans payable:				
Leeds loan	2012	6.724%	1,607	17,412
NWRC loan	2028	6.460%	1,331	14,965
Prescott loan	2013	6.299%	1,520	17,842
				50,219
				64,562
Current portion of long-term debt				1,433
				\$ 63,129

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:

2008	\$ 1,433
2009	1,528
2010	1,628
2011	1,736
2012	1,850
Thereafter	56,387
	<u>\$ 64,562</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2007

(Tabular amounts in thousands of dollars)

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## 9. 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.

## 10. 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>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 112,017	\$ 110,584
Less amortization of deferred capital contributions	(8,425)	(8,395)
Add capital contributions received:		
Grants for equipment and buildings	28,942	9,629
Donated assets	315	199
	<u>29,257</u>	<u>9,828</u>
Balance, end of year	<u>\$ 132,849</u>	<u>\$ 112,017</u>



# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2007

(Tabular amounts in thousands of dollars)

## 11. Internally restricted net assets:

	Balance, beginning of year	Change in year	Balance, end of year
Appropriations	\$ 66,414	\$ 12,427	\$ 78,841
Research	10,867	1,921	12,788
Enterprise	3,725	(104)	3,621
Scholarships	2	2	4
	<u>\$ 81,008</u>	<u>\$ 14,246</u>	<u>\$ 95,254</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.

## 12. Investment in capital assets:

The investment in capital assets consists of the following:

	2007	2006
Capital assets	\$ 336,687	\$ 314,644
Less amounts financed by:		
Deferred capital contributions	(132,849)	(112,017)
Mortgages payable (net of residence sinking fund)	(3,692)	(4,282)
Loans payable (Leeds, Prescott buildings)	(35,254)	(42,160)
Other short-term financing	(43,868)	(47,313)
	<u>\$ 121,024</u>	<u>\$ 108,872</u>

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2007

(Tabular amounts in thousands of dollars)

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

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

	2007	2006
Capital assets additions:		
Total additions	\$ 43,689	\$ 58,547
Less:		
Contributions to art collection	(355)	(191)
Donated assets	(315)	(199)
Additions financed with grants	(28,942)	(9,629)
	<u>14,077</u>	<u>48,528</u>
Financing:		
Mortgage payable	186	174
Increase in residence sinking fund	404	372
Leases payable	-	132
Loans payable	6,906	976
Other short-term financing	3,445	(14,014)
	<u>10,941</u>	<u>(12,360)</u>
Amortization of deferred capital contributions	8,425	8,395
Amortization of capital assets	(21,646)	(20,489)
	<u>(13,221)</u>	<u>(12,094)</u>
Net change in investment in capital assets	<u>\$ 11,797</u>	<u>\$ 24,074</u>

## 13. 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, 2007

(Tabular amounts in thousands of dollars)

## 13. Endowments (continued):

Investment income earned is distributed at a rate of 4.5% (2006 - 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 2007</u>	<u>Total 2006</u>
Donations and bequests	\$ 5,947	\$ —	\$ 5,947	\$ 5,644
Gain on sale of investments	11,559	99	11,658	20,984
Investment income	2,222	24	2,246	4,124
Income distributed	(7,310)	(73)	(7,383)	(6,740)
Net change in year	12,418	50	12,468	24,012
Fund balance, beginning of year	167,917	2,190	170,107	146,095
Reclassification of income	723	(723)	—	—
	168,640	1,467	170,107	146,095
Fund balance, end of year	\$ 181,058	\$ 1,517	\$ 182,575	\$ 170,107

## 14. 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, 2007, the University's future employee benefits liability and accrued benefit obligations are as follows:

	<u>2007</u>	<u>2006</u>
Accrued benefit obligation	\$ 100,926	\$ 88,016
Unamortized past service costs	(900)	(687)
Unamortized net actuarial loss	(22,708)	(17,260)
Employee future benefits liability	\$ 77,318	\$ 70,069

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, 2007

(Tabular amounts in thousands of dollars)

## 14. 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	5.25%	4.75%
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 \$9,984,000 (2006 - \$9,594,000) 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 2007, the University contributed \$2,735,000 (2006 - \$2,840,000) 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 2007.

	Increase	Decrease
Net benefit cost	\$ 1,601	\$ 1,107
Accrued benefit obligation	14,888	11,651

## 15. 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, 2006 determined that the plan had a \$7,960,000 unfunded going-concern liability and a \$20,709,000 solvency deficit as at July 1, 2006. The going-concern liability is to be repaid over a period not to exceed 15 years as required under the Pension Benefits Act of Ontario, while the solvency deficit must be repaid over 5 years, beginning in 2006-07. Amortization of the unfunded liability and deficit is expected to require special payments of \$5,571,000 per year for the next 4 years, and \$894,000 thereafter until 2021. At April 30, 2007, the University has appropriated \$7,103,000 in their internally restricted assets relating to expected special payments for future unfunded liabilities, and has included a provision of \$7,800,000 in the 2007-08 operating budget.

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2007

(Tabular amounts in thousands of dollars)

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## 15. Pension plan and pension plan liability (continued):

The University contributed \$14,683,000 to the pension plan during fiscal 2006-07 and this contribution is included in the consolidated statement of operations.

## 16. Contingent liabilities and commitments:

At April 30, 2007, commitments for future acquisitions, construction and renovations amounted to approximately \$14,532,000 (2006 - \$21,686,000).

Letters of credit totaling \$7,525,000 (2006 - \$7,384,000) were issued on behalf of the University at year-end.

## 17. 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.

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

	2007		2006	
	Carrying value	Fair value	Carrying value	Fair value
Investments	\$ 189,836	\$ 239,584	\$ 176,083	\$ 214,789
Long-term receivable	573	536	—	—
Loans payable	50,219	59,529	57,478	63,851
Mortgages payable	14,343	15,066	14,529	15,455

# CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2007

(Tabular amounts in thousands of dollars)

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## 17. Financial instruments (continued):

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

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) Long-term receivable, 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 instruments.

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

	2007	2006
Decrease (increase) in accounts receivable	\$ (4,116)	\$ 6,356
Decrease (increase) in prepaid expenses	724	(986)
Increase (decrease) in accounts payable and accrued liabilities	(4,949)	253
Decrease in deferred revenue	(4,276)	(124)
Increase in accrued vacation pay	1,190	184
	<u>\$ (11,427)</u>	<u>\$ 5,683</u>

## 19. 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.

## 20. Comparative figures:

Certain 2006 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2007.

# CARLETON UNIVERSITY

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

Year ended April 30, 2007  
(in thousands of dollars)

Unrestricted	Athletics	Bookstore	Graphic Services	Health Services
Revenues	\$ 7,292	\$ 1,264	\$ 1,862	\$ 2,411
Expenses	7,561	1,183	1,492	2,787
Excess (deficiency) of revenues over expenses	(269)	81	370	(376)
Net assets, beginning of year	(897)	–	–	–
Transfer from (to) non-ancillary unrestricted net assets	161	(128)	(352)	210
Appropriated to internally restricted net assets	–	–	(18)	–
Return of funds from internally restricted net assets	–	47	–	115
Unrestricted net assets, end of year	\$ (1,005)	\$ –	\$ –	\$ (51)
<b>Internally restricted</b>				
Net assets, beginning of year	\$ –	\$ 354	\$ 144	\$ 115
Appropriated from unrestricted net assets	–	–	18	–
Return of funds to unrestricted net assets	–	(47)	–	(115)
Net assets, end of year	\$ –	\$ 307	\$ 162	\$ –

	Ancillary Property Rentals	Parking	Residence and Food Services	University Centre	Ancillary Capital Fund	Total 2007	Total 2006
\$	2,620	\$ 3,307	\$ 17,509	\$ 437	\$ 230	\$ 36,932	\$ 34,650
	2,308	2,377	15,235	1,775	–	34,718	31,554
	312	930	2,274	(1,338)	230	2,214	3,096
	(218)	–	–	–	–	(1,115)	(953)
	(30)	(175)	(129)	–	(120)	(563)	(2,569)
	–	(755)	(2,145)	–	(110)	(3,028)	(781)
	–	–	–	1,305	–	1,467	92
\$	64	\$ –	\$ –	\$ (33)	\$ –	\$ (1,025)	\$ (1,115)
\$	–	\$ 770	\$ 2,018	\$ 1,305	\$ 261	\$ 4,967	\$ 4,278
	–	755	2,145	–	110	3,028	781
	–	–	–	(1,305)	–	(1,467)	(92)
\$	–	\$ 1,525	\$ 4,163	\$ –	\$ 371	\$ 6,528	\$ 4,967



# 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>2007</u>	<u>2006</u>
<b>Schedule of Changes in Endowment Fund Balance for the year ended April 30, 2007</b>		
Fund balance at beginning of year	\$ 17,823	\$ 17,823
Cash donations received	–	–
Prior year adjustments	–	–
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, 2007

Balance, beginning of year	\$ 2,672	\$ 2,310
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	2,555	2,451
Bursaries awarded (total number: 2,765)	(2,635)	(2,089)
Balance, end of year	<u>\$ 2,592</u>	<u>\$ 2,672</u>

The market value of the endowment as at April 30, 2007 was \$69,632,000 (2006 - \$64,217,000).

# 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>2007</u>	<u>2006</u>
<b>Schedule of Changes in Endowment Fund Balance for the Period of April 1, 2005 to April 30, 2007</b>		
Fund balance at beginning of year	\$ 4,566	\$ 4,821
Cash donations received	–	–
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>\$ 4,566</u>

## Schedule of Changes in Expendable Funds Available for Awards for the Period April 1, 2005 to April 30, 2007

Balance, beginning of year	\$ 207	\$ 73
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	266	263
Bursaries awarded (total number: 174)	(219)	(129)
Balance, end of year	<u>\$ 254</u>	<u>\$ 207</u>

The market value of the endowment as at April 30, 2007 was \$7,248,000 (2006 - \$6,704,000).

# 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, 2006 to March 31, 2007 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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2007

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### Schedule of donations received between April 1, 2006 and March 31, 2007

Cash donations matched between April 1, 2006 and March 31, 2007	\$ 1,956
Unmatched cash donations (received between April 1, 2006 and March 31, 2007)	4
<b>Total cash donations</b>	<b>\$ 1,960</b>

### Schedule of Changes in Endowment Fund Balance for the period April 1, 2006 to March 31, 2007

Balance, beginning of year	\$ 3,266
Eligible cash donations received between April 1, 2006 and March 31, 2007 in compliance with the November 2005 Program Guidelines and Reporting Requirements	2,457
Matching funds received/receivable from MTCU in 2006-07	1,956
Cash donations ineligible for match for the period between April 1, 2006 and March 31, 2007	4
<b>Fund balance at end of year</b>	<b>\$ 7,683</b>

### Schedule of Changes in Expendable Funds Available for Awards for the period April 1, 2006 to March 31, 2007

Balance, beginning of year	\$ 24
Realized investment income, net of direct investment-related expenses and preservation of capital contributions	132
Cash donations (received between April 1, 2006 and March 31, 2007)	1
Bursaries awarded (total number: 82)	(69)
<b>Balance, end of year</b>	<b>\$ 88</b>