

The Board of Governors acknowledges and respects the Algonquin First Nation, on whose traditional territory the Carleton University campus is located.

The 617th Meeting of the Board of Governors
Monday, September 30th, 2019 at 3:00 p.m.
Room 2440R River Building, Carleton University

AGENDA

OPEN SESSION

1. CALL TO ORDER AND CHAIR'S REMARKS

2. DECLARATION OF CONFLICT OF INTEREST

3. APPROVAL OF OPEN AGENDA

- The agenda was circulated with the meeting material.

4. OPEN CONSENT AGENDA

- Circulated with this agenda is a Consent Agenda which lists items presented to the Board for action or for information.

5. OPEN – PRESENTATION FROM THE CHANCELLOR

6. ITEM(S) FOR APPROVAL

6.1 Audited Financial Statements for year ended April 30/19 and Audit Finding Report
(L. Honsberger)

- Materials were circulated in advance.

6.2 New Student Residence Project (G. Farrell & D. Alves)

- Materials were circulated in advance.

7. OPEN – ITEM(S) FOR INFORMATION

7.1 Report from the Chair (N. Nanos)

- A verbal report will be given.

7.2 Report from the President (B.A. Bacon)

- Written report was circulated in advance.
- A verbal update will be given on Strategic Planning and the Strategic Mandate Agreement.

7.3 President's Goals and Objectives for 2019/20 (B.A. Bacon)

- Material was circulated in advance.

7.4 Student Mental Health Framework (S. Blanchard)

- Material was circulated in advance.

7.5 Committee Chair Updates

- a) Building Program (G. Farrell)
- b) Advancement & University Relations (D. Fortin)
- c) Finance Committee (D. Alves)
- d) Governance Committee (N. Nanos)

8 OPEN - OTHER BUSINESS

9. OPEN - QUESTION PERIOD

- There are no questions to be addressed.

10. END OF OPEN SESSION AND BRIEF NETWORKING BREAK

- Guests and observers are asked to step out of the meeting.
-

AGENDA ITEM

6.1

BOARD OF GOVERNORS REPORT

To:	Board of Governors	Date of Report: 8/15/2019
From:	Chair, Audit & Risk Committee	Date of Meeting: 9/30/2019
Subject:	Item 6.1 Audited Financial Statements and Audit Findings Report for Fiscal Year 2018-19	
Responsible Portfolio:	Vice-President (Finance and Administration)	

1.0 PURPOSE

☒ For Approval ☐ For Information ☐ For Discussion

2.0 MOTION

As recommended by the Audit and Risk Committee, the Board of Governors approve of Carleton's 2018-19 Consolidated Financial Statements and the Audit Findings Report.

3.0 EXECUTIVE SUMMARY

The draft Consolidated Financial Statements and Audit Findings Report are presented to the Audit Committee for review and approval. The Management Discussion and Analysis (MD&A) section of the annual Financial Report and management's presentation highlight the most significant changes to the 2018-19 Consolidated Financial Statements. The Audit Findings Report provides committee members with information to assist them in the review of the audit of the financial statements.

4.0 INPUT FROM OTHER SOURCES

The Consolidated Financial Statements were prepared by management and audited by the external auditing firm of KPMG. As part of their audit, KPMG prepared the Audit Findings Report, which describes the audit process, identifies audit risks and results, and highlights internal control observations. Management's annual Financial Report presented to the Finance Committee provides additional information in support of the audited Financial Statements.

5.0 ANALYSIS AND STRATEGIC ALIGNMENT

The Auditor reported that the Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of Carleton University as at April 30, 2019, and its consolidated results of operations, consolidated changes in net assets and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The Audit Findings Report indicated that KPMG did not identify any differences requiring adjustment, nor did it identify any control deficiencies in the internal controls over financial reporting. It also reported that any financial reporting risks had been addressed in the audit and they were satisfied with the reasonability of critical accounting estimates regarding employee future benefit liabilities.

6.0 FINANCIAL IMPLICATIONS

There are no financial implications in the review and approval of the financial statements and auditor findings report.

7.0 RISK, LEGAL AND COMPLIANCE ASSESSMENT

Carleton's financial reporting requirements includes (external) audited financial statements, (internal) financial statements and analysis, and reports prepared for various external users. These users cover amongst others; the Ministry of Training, Colleges, and Universities, the Council of Ontario Finance Officers (COFO), Canadian Association of University Business Officers (CAUBO), and the Canadian information return for the Canada Revenue Agency. The University is in full compliance with its external reporting requirements. The risk associated with financial statements findings by the auditor relates to material misstatements in the annual financial statements and/or ineffective controls. The report from KPMG suggests that these risk have been properly mitigated and the university's financial controls are appropriate.

8.0 REPUTATIONAL IMPLICATIONS AND COMMUNICATIONS STRATEGY

Reputational risks relate to reporting (material) misstatements or non-disclosure in the university's audited Consolidated Financial Statements or annual Financial Report. The independent audit of the Consolidated Financial Statements and resulting unqualified auditor's opinion serve to minimize that risk.

9.0 OVERALL RISK MANAGEMENT ANALYSIS

	LOW	MINOR	MODERATE	SERIOUS	VERY SERIOUS
STRATEGIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LEGAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OPERATIONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TECHNOLOGICAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FINANCIAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
REPUTATIONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

BOARD OF GOVERNORS REPORT

To:	Board of Governors	Date of Report: 8/12/2019
From:	Vice-President (Finance and Administration)	Date of Meeting: 9/30/2019
Subject:	Annual Financial Report for Fiscal Year 2018/19	
Responsible Portfolio:	Vice- President (Finance and Administration)	

1.0 PURPOSE

☐ For Approval ☒ For Information ☐ For Discussion

2.0 MOTION

None

3.0 EXECUTIVE SUMMARY

The Annual Financial Report is submitted to the Finance Committee for review and discussion of annual financial results and to provide an analysis of performance against budget. The Annual Financial Report (attached) includes a Management Discussion & Analysis section (MD&A), a review of financial performance against budget, and Carleton's draft audited financial statements.

For the fiscal year 2018-19, the University generated consolidated excess revenue over expenses of \$102.3 million. When compared to the internal Financial Report showing break-even results, this surplus reflects timing differences in the accounting of operating expenses such as investments in capital assets (\$31.5 million), increased appropriations (\$59.4 million), and internal contributions to endowment funds (\$3.8 million).

Consolidated revenues of \$703.0 million were up 7.2% from the previous year while consolidated expenses of \$600.3 million increased by 6.0%. Enrolment growth of 1.2% and average tuition fee increases of 3% were key contributors to the higher revenue.

Government grants increased by 0.7% during the year, mainly due to a minor increase in graduate student enrolment funding. Research grants and contracts recognized in the financial statements increased by \$4.7 million (or 8.1%) over the previous year, while deferred research revenues climbed \$7.0 million to \$38.5 million, reflecting the success of Carleton's efforts to expand its research activities.

Salaries and benefits form the largest part of the university's consolidated expenditures at \$375.3 million or 62.5%, and represent an increase of \$22.8 million over 2017-18.

The strong financial results for the year saw the University's Net Assets increase by \$112.9 million to \$1,103.0 million, an 11.4% increase over the previous year. Additional investments of \$31.5 million made for capital assets included major projects such as the Nicol building, Health Science building, the Institute for Advanced Research and Innovation in Smart Environments (ARISE), a co-generation plant, and a multi-year building modernization program (deferred maintenance).

Endowed net assets reached \$295.4 million at the end of April 2019, reflecting income distributions of \$10.7 million. Donation revenue recognized during the year amounted to \$20.1 million, an increase of 55.3% from the previous year.

4.0 INPUT FROM OTHER SOURCES

The Annual Financial Report was prepared by Financial Services, with commentaries provided by management. The Consolidated Financial Statements were also prepared by management and subject to an audit by external auditors. To facilitate discussion of the financial results, a separate slide presentation is provided.

5.0 ANALYSIS AND STRATEGIC ALIGNMENT

The Annual Financial Report and presentation (attached) provide the necessary information and analysis that will enable the Finance Committee to perform its review of the financial results of the University.

6.0 FINANCIAL IMPLICATIONS

There are no financial implications in the review and discussion of this report

7.0 RISK, LEGAL AND COMPLIANCE ASSESSMENT

Carleton’s financial reporting requirements includes (external) audited financial statements, (internal) financial statements and analysis, and reports prepared for various external users. These users cover amongst others; the Ministry of Training, Colleges, and Universities, the Council of Ontario Finance Officers (COFO), Canadian Association of University Business Officers (CAUBO), and the Canadian information return for the Canada Revenue Agency.

The University is in full compliance with its external reporting requirements.

8.0 REPUTATIONAL IMPLICATIONS AND COMMUNICATIONS STRATEGY

Reputational risks relate to reporting (material) misstatements or non-disclosure in the University’s Audited Consolidated Financial Statements or Annual Financial Report. The independent audit of the Consolidated Financial Statements and resulting unqualified auditor’s opinion serve to minimize that risk.

9.0 OVERALL RISK MANAGEMENT ANALYSIS

	LOW	MINOR	MODERATE	SERIOUS	VERY SERIOUS
STRATEGIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LEGAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OPERATIONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TECHNOLOGICAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FINANCIAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
REPUTATIONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



Carleton
UNIVERSITY

Canada's Capital University

Presentation to the
Audit & Risk Committee
FY2019 Audited Financial Statements
September 12, 2019

Auditor's Report

- Auditor's opinion received without reservation
- Audit work conducted on-time and budget
- No control deficiencies identified during audit
- Appropriate disclosure of critical accounting estimates – re. employees future benefits liability

Highlights of Changes (Year-over-Year)

- Excess of Revenue over Expenses of \$102.7M compared to \$89.4M in previous year (exclude changes to Internally Restricted Net Assets and investments in Capital Asset)
- Resulting in higher Net Assets of \$112M (from \$990.1M to \$1,103.0M)
- also impacted by higher endowment contributions of \$22.2M less \$12.0M valuation adjustment to unfunded employee future benefits
- Increase of \$47.3M in cash and marketable securities
- Investments balance higher by \$27.5M, to \$297.2M (Endowment Fund)
- Capital assets up by \$40.1M to \$684.9M

Reconciliation of Operating Results

	<u>2019</u>	<u>2018</u>
Total revenue*	\$ 703,002	\$ 655,819
Total expense*	\$ 600,260	\$ 566,462
Operating results per audited statements	\$ 102,742	\$ 89,357
Adjustments for:		
Operating appropriations (increase)/decrease	\$ (50,180)	\$ 16,571
Capital assets	\$ (31,499)	\$ (61,555)
Employee future benefits	\$ (7,932)	\$ (3,912)
Internal endowment contributions	\$ (3,153)	\$ (20,362)
Internally restricted fund increase	\$ (4,192)	\$ (13,168)
Ancillary (surplus)/deficit	\$ (4,712)	\$ (7,749)
Plant (surplus)/deficit	\$ (1,074)	\$ 818
Operating results per Financial Report	\$ -	\$ -

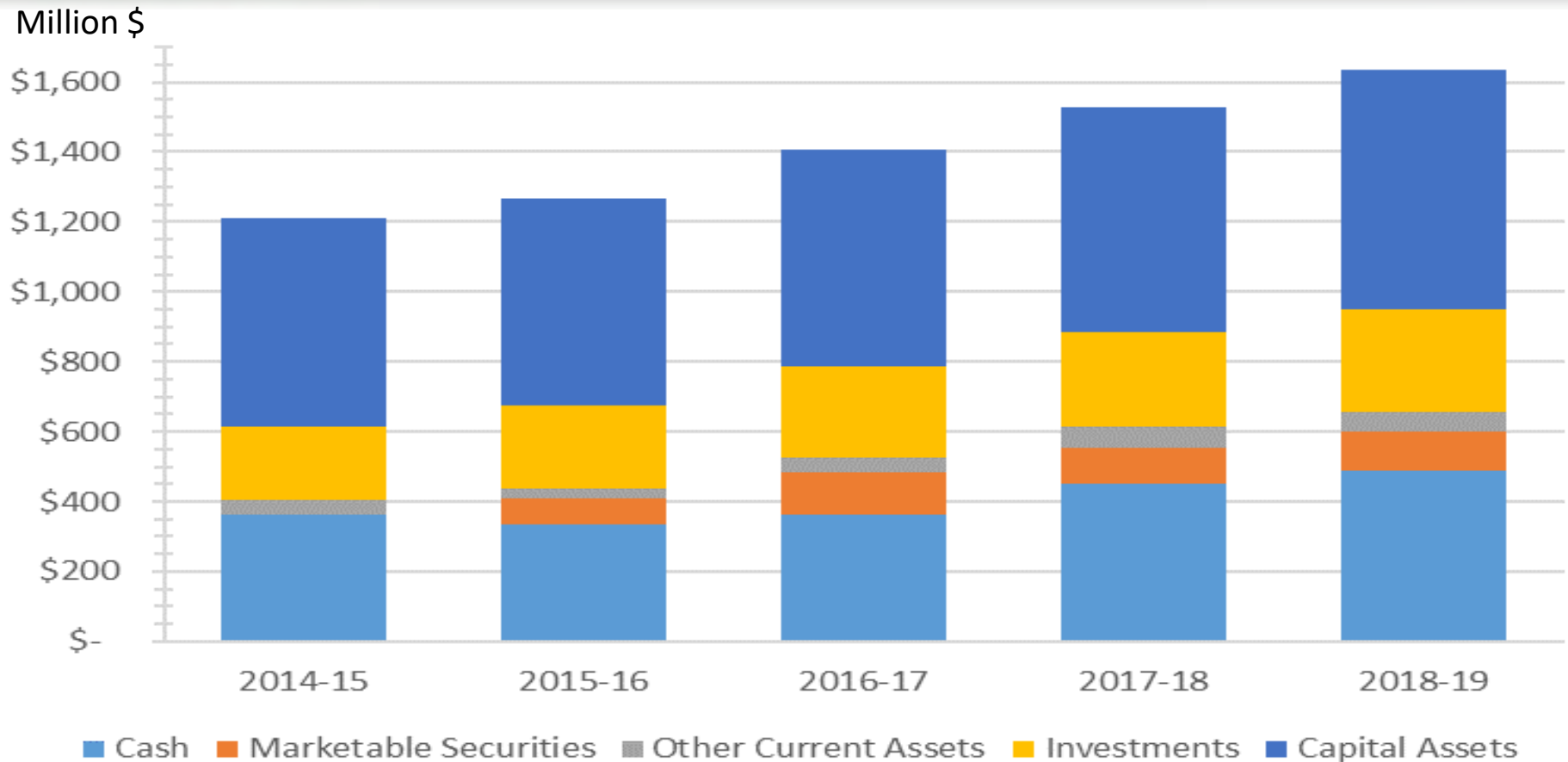
* Total revenue and expense includes amounts from all operations (Operating, Ancillary Research, Capital), plus different recognition standards as defined by CPA Canada



ASSETS AND LIABILITIES 5 YEAR TREND



Assets by Type (\$Million)



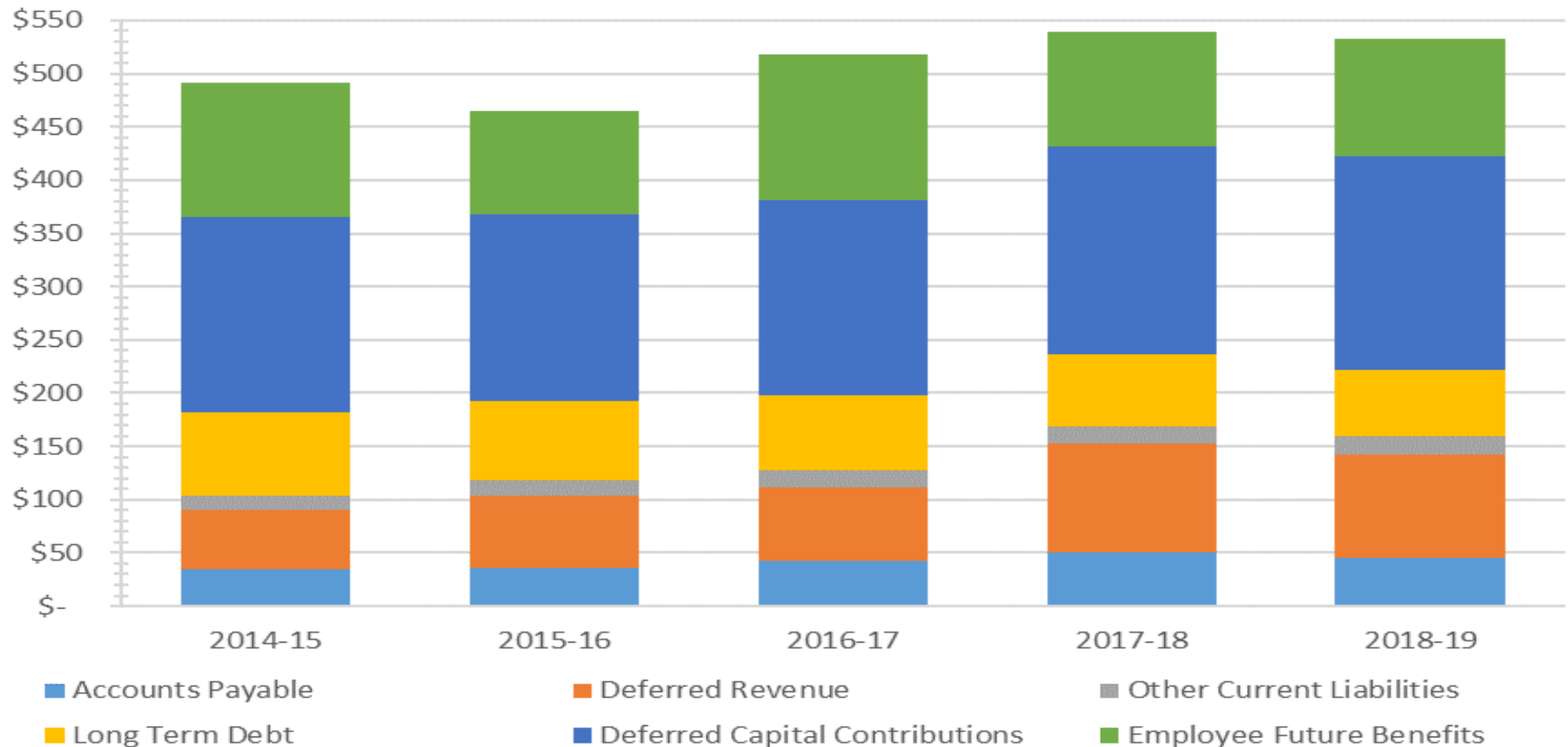
Cash & Marketable
Securities + \$47.3M

Investments +\$27.5M
(mostly Endowments)

Capital Assets +\$40.1M

Liabilities by Type (\$Million)

Million \$



Employee Future

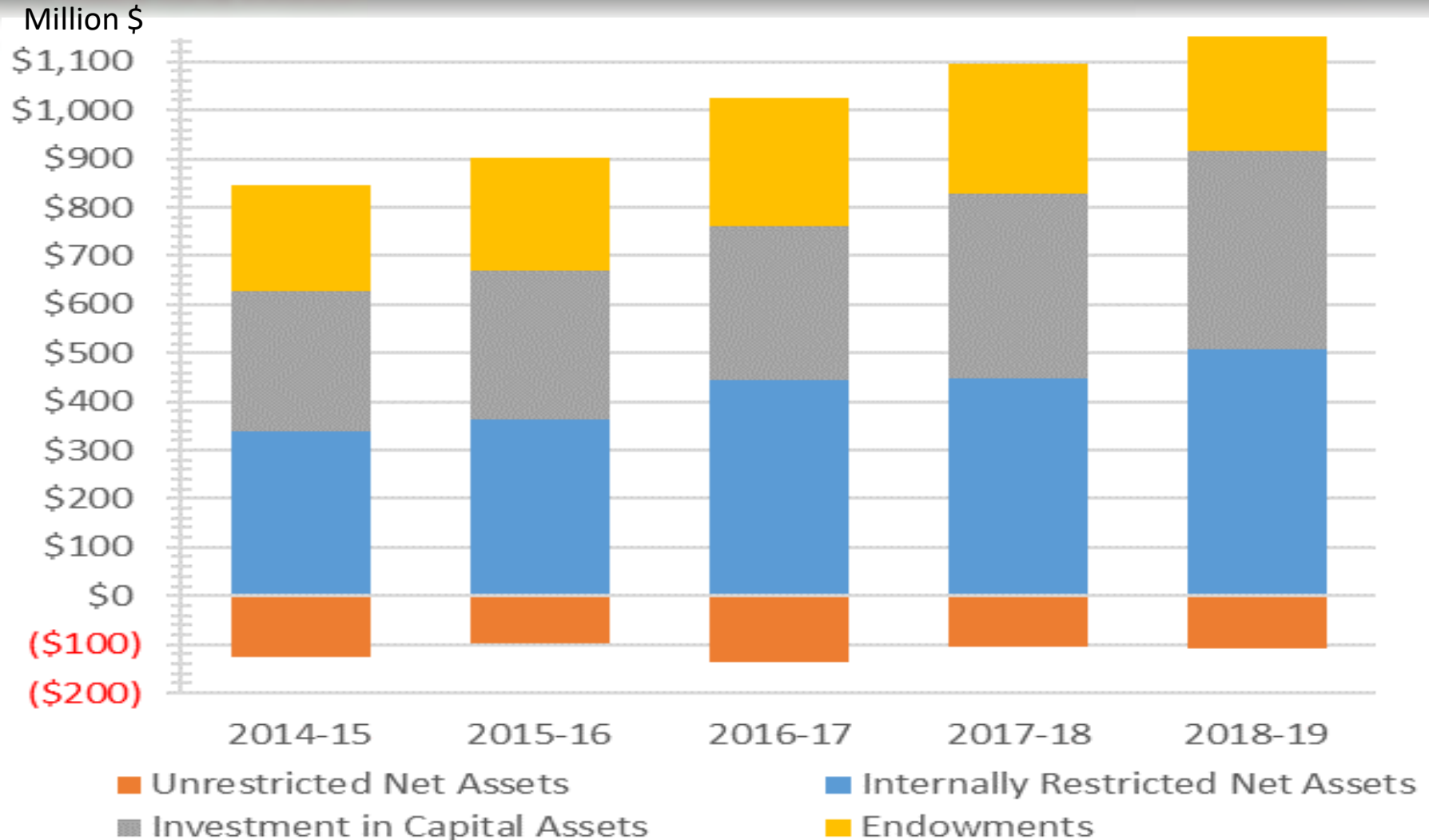
Benefits liability +\$4.1M

Current Liabilities -\$10.6M

Long-term debt -\$4.0M



Net Assets by Type (\$Million)



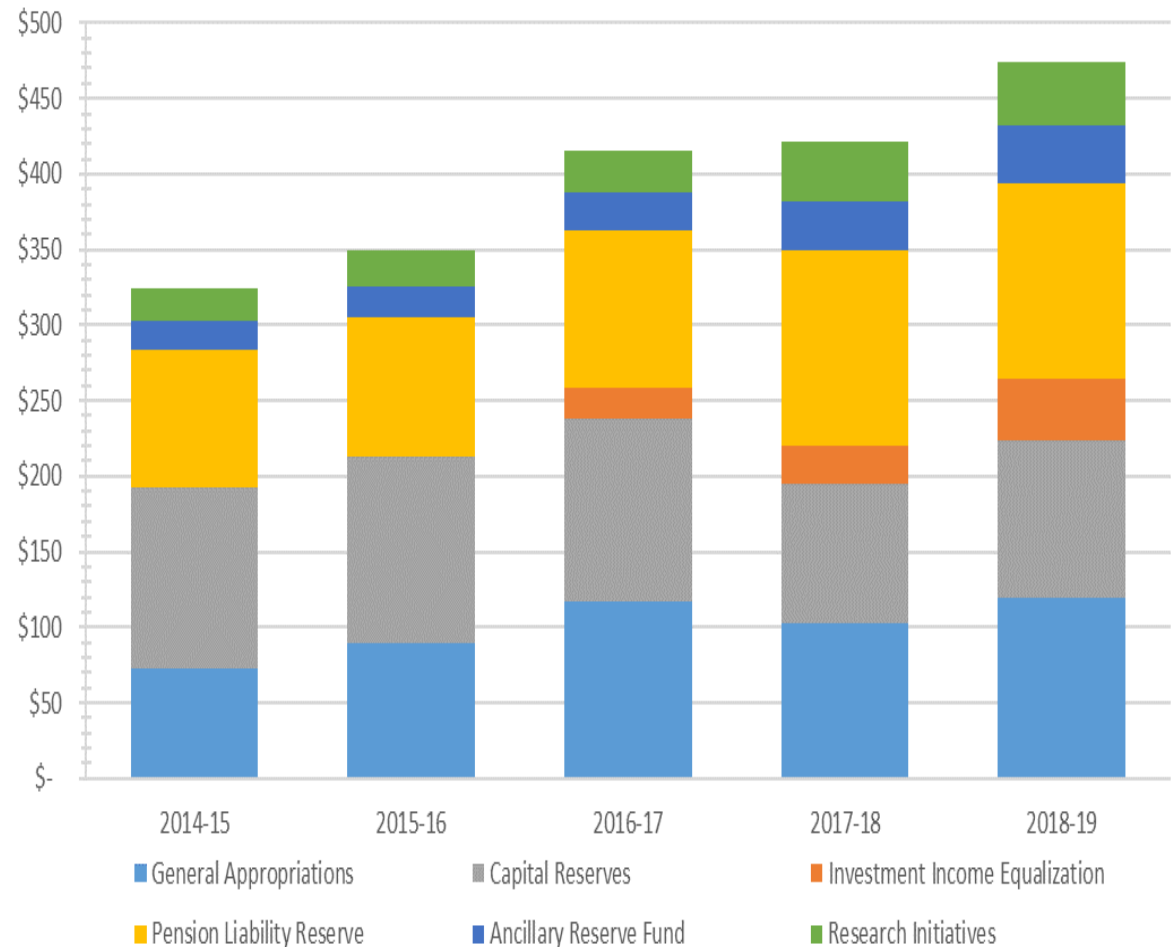
Internally Restricted Net Assets (\$Million)

Capital Reserve (\$104M) covers future commitments/plans for following projects:

- Nicol Business Building
 - \$38.9M
- Health Science Building
 - \$6.8M
- Co-generation Plant
 - \$2.7M
- Campus Transportation Strategy
 - \$10.0M
- Athletic/Wellness Hub & Energy Research Centre
 - \$38.0M

Pension reserve stands at \$129M, to mitigate against risks associated with est. \$130M Pfad obligation

Million \$





Carleton
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Presentation to the Finance Committee

Financial Results 2018-2019

September 12, 2019



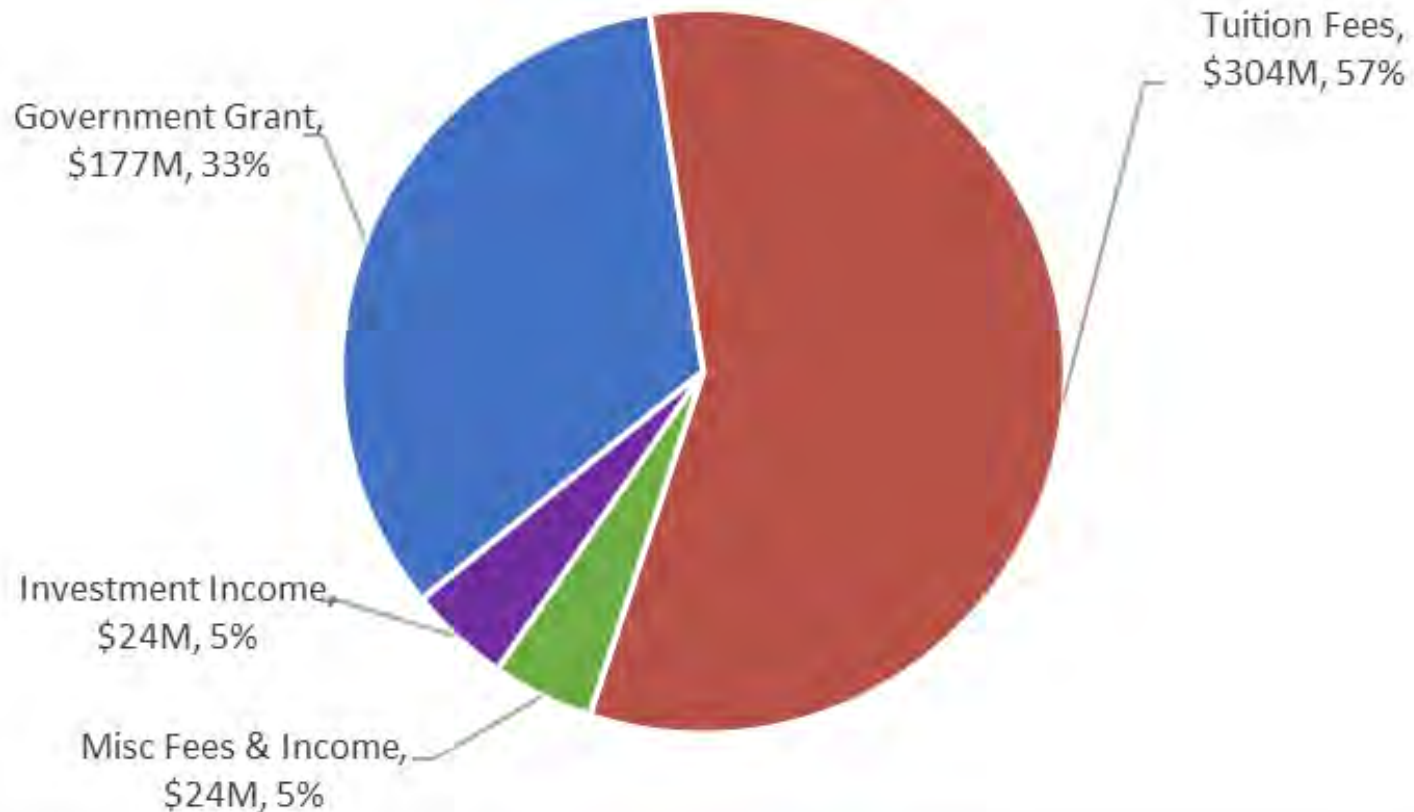
Board Orientation – September 5, 2019

- Total Enrolment increased 1.2% over previous year (+328 F.T.E)
- New appropriations of \$27.2M for:
 - Capital reserve - \$11.2M
 - Campus safety remediation - \$0.7M
 - Investment income equalization reserve - \$15.3M
- Surplus of \$4.7M for ancillary operations
- Investment income of \$32.3M compared to \$20.1M in 2017-2018
- Capital additions of \$74.8M compared to \$61.3M in previous year
- Long term debt at \$63.4M versus \$67.4M in 2017-2018



Operating Results 2018-19

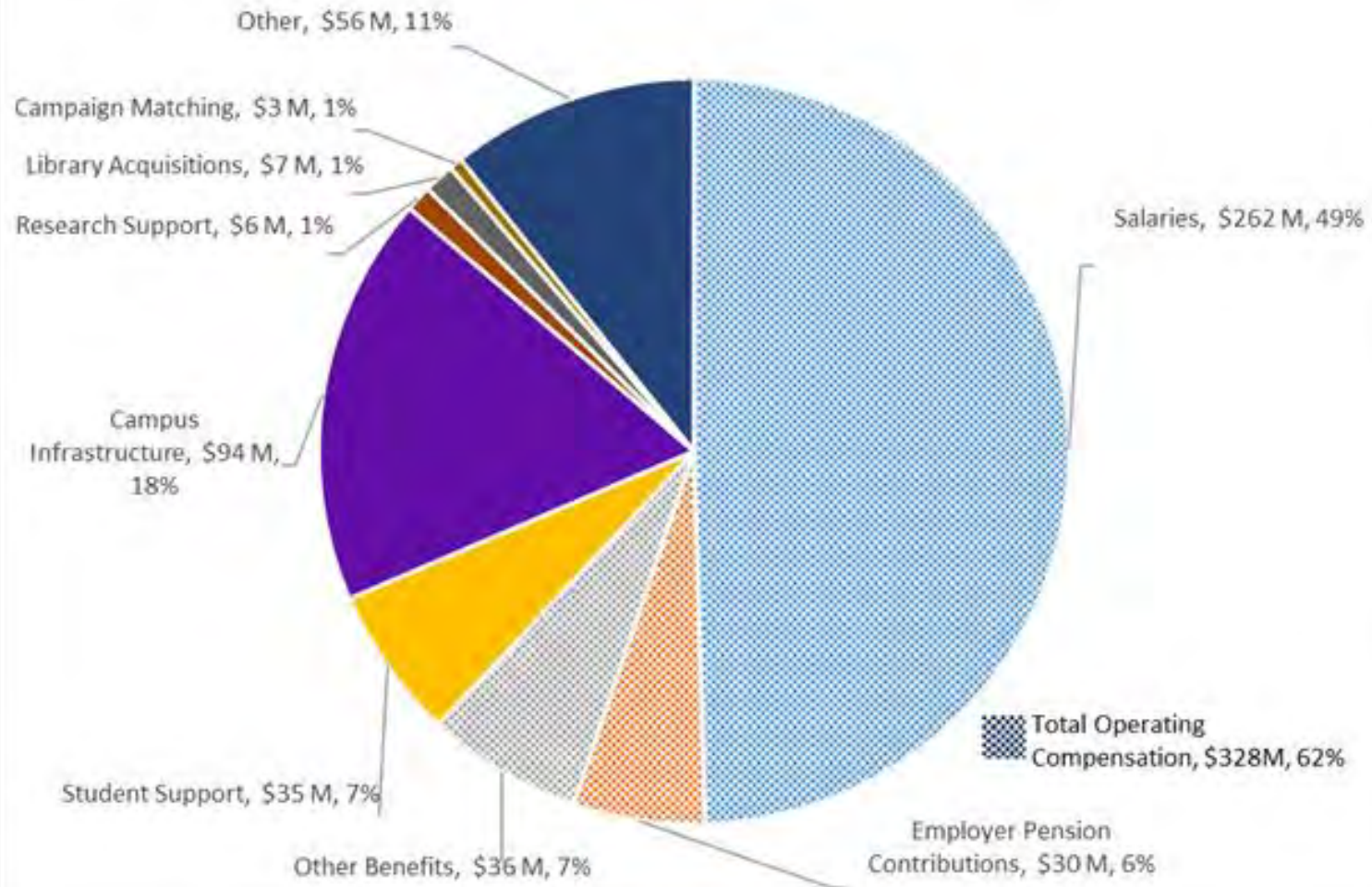
Operating Revenue: \$529 Million





Operating Results 2018-19

Operating Expenditures & Appropriations: \$529 Million



Operating Results - Income

	2018-19 Budget (\$000)	2018-19 Projections (\$000)	2018-19 Actual (\$000)	Variance to Projections (\$000)
Government Grant	172,606	176,578	176,822	244
Tuition Fee	307,000	304,300	304,492	192
Investment Income ¹	8,250	8,250	23,589	15,339
Other Income ²	20,856	17,590	24,351	6,671
Total Income	508,712	506,718	529,254	22,536
Total Expenses	508,712	506,718	529,254	22,536
Operating Results	-	-	-	-

Notes 2018-19 Actual vs. Projections:

1. Gains achieved in last 3 months of fiscal year
2. Large donation to the Earth Sciences department

Operating Results - Expenditures

Expenditures	2018-19 Budget (\$000)	2018-19 Projections (\$000)	2018-19 Actual (\$000)	Variance to Projections (\$000)
RPC Budgets ¹	315,227	317,721	292,919	(24,802)
University Budgets ²	156,826	145,324	147,903	2,579
Interfund Transfers	36,659	35,773	38,252	2,479
Net Appropriations ¹	-	-	22,980	22,980
Surplus Appropriated ³	-	7,900	27,200	19,300
Total Expenses	508,712	506,718	529,254	22,536

Notes 2018-19 Actual vs. Projections:

1. Projected results assume RPC budgets to be either spent or commitment for future use (ie. appropriated) at year end
2. Variance relates to additional recoveries and rebates on benefits and utilities.
3. The surplus has been appropriated for the following future commitments: \$11.9M for capital and campus safety remediation, and \$15.3M for investment income equalization fund.

Provisions and Contingencies

Provisions and Contingencies	2018-19 Opening Budget (\$000)	2018-19 Allocations (\$000)	(Over)/Under Allocation (\$000)
Salary Provisions	20,241	17,291	2,950
Midyear Contingencies	2,636	3,136	(500)
Enrolment Incentives	20,252	16,325	3,927
Pension Plan Obligation	10,000	10,000	-
Capital Projects	22,375	22,375	-
Other Allocations	758	805	(47)
Total Provisions and Contingencies	76,262	69,932	6,330

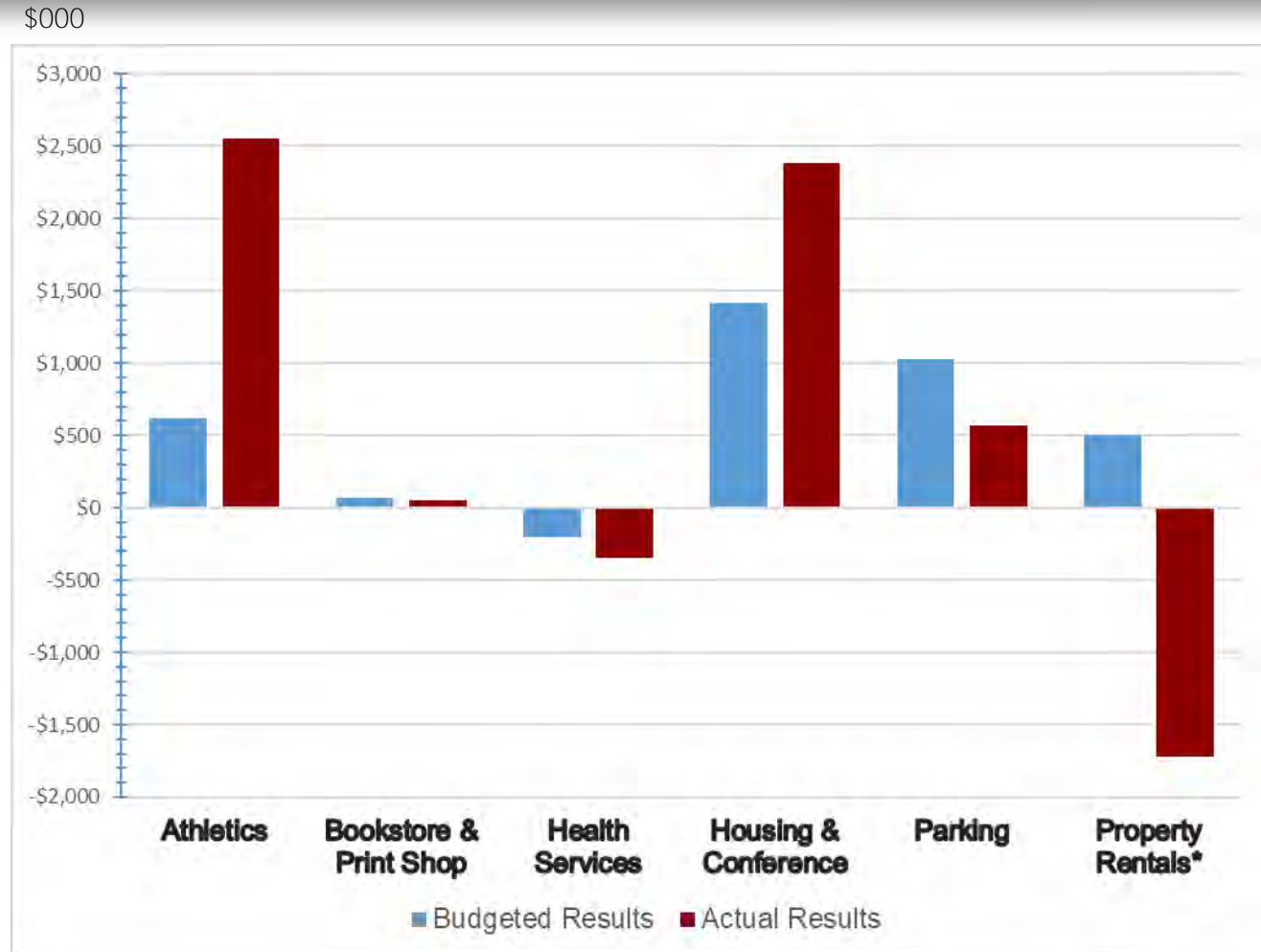
	2018-19 Budget (\$000)	2018-19 Projections (\$000)	2018-19 Actual (\$000)	Variance To Projections
Revenue	70,312	67,486	69,769	2,283
Expenses and transfers	45,468	44,435	45,910	1,475
Renovations and capital debt	19,952	18,072	19,147	1,075
Surplus	4,892	4,979	4,712	(267)
Accumulated closing surplus	39,104	39,191	38,924	(267)
Outstanding debt	105,548	105,219	105,219	-

Total deferred maintenance est. \$55 million, excluding the pool renovations

Ancillaries - Variances to Budget

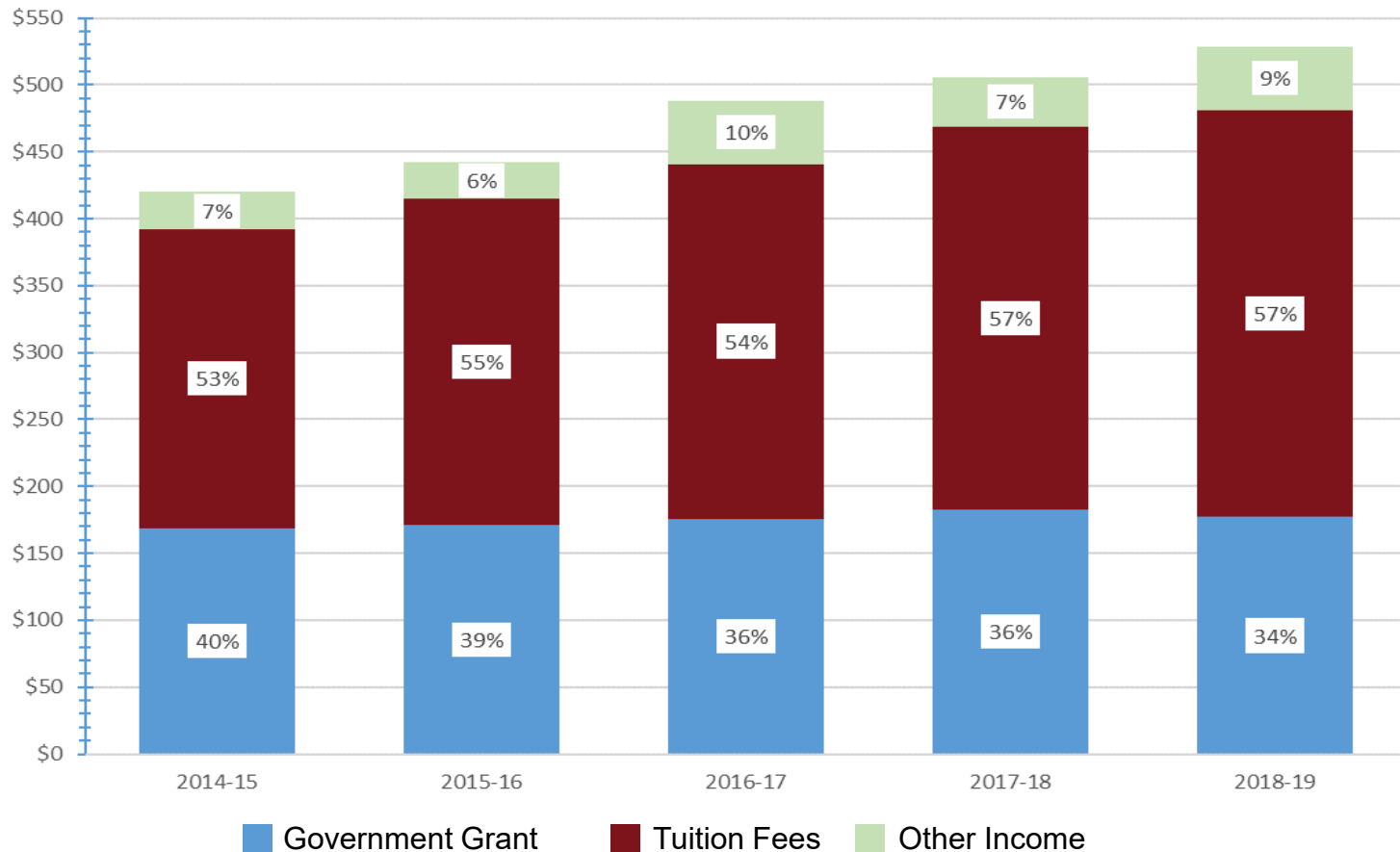
Highlights

- Athletics: deferred pool renovations & higher football donations recognized
- Housing & Conference Services: major renovations capitalized vs. expensed
- Property Rentals: Major renovations of \$3.2M funded by reserves



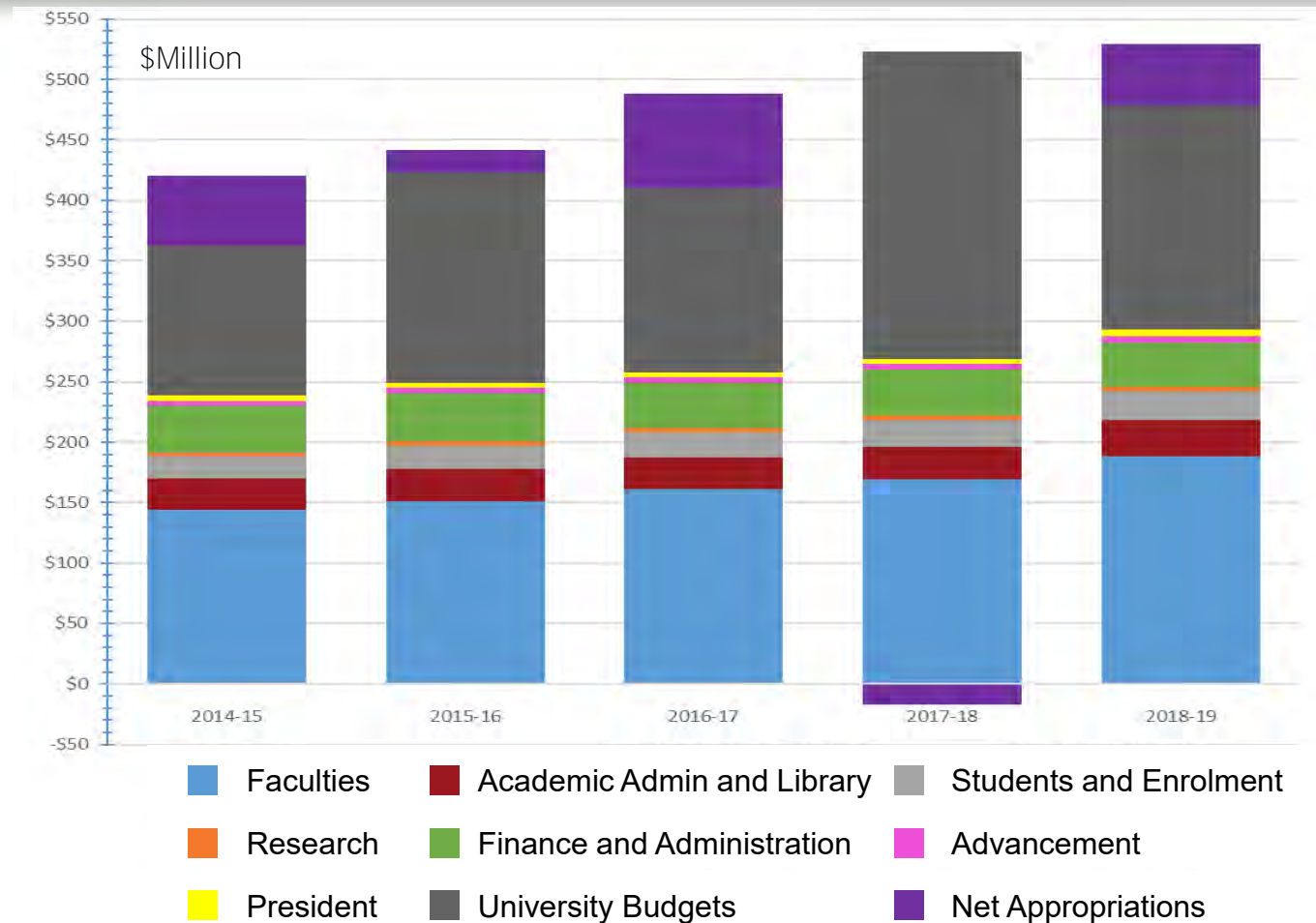
* Property Rentals includes the University Centre, CTTC, NWRC and Carleton DC Centre buildings

Operating Income By Source



Income of \$529M, \$22.8M higher than previous year (less related expenses of \$4.3M)
- *Trend of lower govt. grants and higher tuition fees*

Operating Expenditures by Area



Expenditures of \$529M, higher than previous year by \$22.8M - *Including \$27.2M of new appropriations for: capital reserves, campus safety and investment income equalization fund*

Consolidated Financial Statements of

CARLETON UNIVERSITY

Year ended April 30, 2019

CARLETON UNIVERSITY

Consolidated Financial Statements

Year ended April 30, 2019

Independent Auditors Report

Consolidated Statement of Financial Position.....	1
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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Carleton University

Opinion

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

- the consolidated statement of financial position as at April 30, 2019
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net assets for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies.

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

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at April 30, 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian Accounting standards for not-for-profit organizations.

Basis for Opinion

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

(date)

CARLETON UNIVERSITY

Consolidated Statement of Financial Position

April 30, 2019, with comparative information for 2018
(in thousands of dollars)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 488,453	\$ 452,824
Marketable securities	111,347	99,715
Accounts receivable (note 3)	32,315	32,969
Prepaid expenses	13,366	19,826
Current portion of net investment in lease (note 5)	820	768
	<u>646,301</u>	<u>606,102</u>
Investments (note 4)	297,232	269,751
Net investment in lease (note 5)	7,552	8,372
Tangible capital and intangible assets (notes 6)	684,928	644,850
	<u>\$ 1,636,013</u>	<u>\$ 1,529,075</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 45,136	\$ 50,790
Deferred revenue (note 8)	96,363	102,533
Accrued leave	13,012	11,939
Current portion of long-term debt (note 9)	3,966	3,798
	<u>158,477</u>	<u>169,060</u>
Long-term debt (note 9)	63,386	67,352
Deferred capital contributions (note 10)	200,485	196,056
Employee future benefits liability (note 11(a))	110,647	106,539
Net assets:		
Unrestricted	(109,832)	(105,847)
Internally restricted (note 12)	506,986	447,592
Investment in tangible capital and intangible assets (note 13)	410,454	378,937
Endowments (note 14)	295,410	269,386
	<u>1,103,018</u>	<u>990,068</u>
Contingent liabilities and commitments (notes 15 and 16)		
	<u>\$ 1,636,013</u>	<u>\$ 1,529,075</u>

See accompanying notes to consolidated financial statements.

CARLETON UNIVERSITY

Consolidated Statement of Operations

April 30, 2019, with comparative information for 2018
(in thousands of dollars)

	2019	2018
Revenue:		
Government grants for general operations	\$ 180,416	\$ 179,123
Fees	348,511	329,362
Research grants and contracts	63,165	58,417
Sales and services	24,244	23,278
Donations	20,066	12,924
Investment income	32,295	20,131
Amortization of deferred capital contributions (note 10)	13,186	12,379
Other revenue (note 17)	21,119	20,205
	<u>703,002</u>	<u>655,819</u>
Expenses:		
Salaries	314,235	293,677
Benefits	35,682	32,461
Employee future benefits (note 11(b))	25,413	26,405
Supplies	12,960	11,431
Minor equipment and furnishings	12,369	10,448
Externally contracted services and fees	24,664	22,745
Scholarships and bursaries	45,507	43,371
Utilities	10,129	10,539
Travel	13,118	11,747
Renovations	21,031	28,455
Interest	3,348	3,597
Amortization of tangible capital and intangible assets	34,709	32,576
Other expenses (note 18)	47,095	39,010
	<u>600,260</u>	<u>566,462</u>
Excess of revenue over expenses	<u>\$ 102,742</u>	<u>\$ 89,357</u>

See accompanying notes to consolidated financial statements.

CARLETON UNIVERSITY

Consolidated Statement of Changes in Net Assets

Year ended April 30, 2019, with comparative information for 2018
(in thousands of dollars)

	Unrestricted	Internally restricted (note 12)	Investment in tangible capital and intangible assets (note 13)	Endow- ments (note 14)	2019	2018
Net assets, beginning of year	\$ (105,847)	\$ 447,592	\$ 378,937	\$ 269,386	\$ 990,068	\$ 887,181
Excess of revenue over expenses	102,742	—	—	—	102,742	89,357
Employee future benefit re-measurements and other items (note 11)	(12,040)	—	—	—	(12,040)	26,134
Internally imposed restrictions	(62,547)	59,394	—	3,153	—	—
Internally endowed amounts	(641)	—	—	641	—	—
Net change in investment in tangible capital and intangible assets (note 13)	(31,499)	—	31,517	—	18	116
Endowment contributions and investment income (note 14)	—	—	—	15,225	15,225	(2,833)
Unrealized (loss) gains on endowment investments (note 14)	—	—	—	7,005	7,005	(9,887)
Net assets, end of year	\$ (109,832)	\$ 506,986	\$ 410,454	\$ 295,410	\$1,103,018	\$ 990,068

CARLETON UNIVERSITY

Consolidated Statement of Changes in Net Assets (continued)

Year ended April 30, 2019, with comparative information for 2018
(in thousands of dollars)

	Unrestricted	Internally restricted (note 12)	Investment in tangible capital and intangible assets (note 13)	Endow- ments (note 14)	2019	2018
Details of year-end balance:						
Operating (note 12)	\$ 498	\$ —	\$ —	\$ —	\$ 498	\$ 498
Plant	(427)	—	—	—	(427)	(1,501)
Ancillary	744	—	—	—	744	1,695
Provision for employee future benefits (note 11(a))	(110,647)	—	—	—	(110,647)	(106,539)
Appropriations - Operating	—	419,383	—	—	419,383	369,203
Appropriations - Ancillary	—	38,180	—	—	38,180	32,517
Research	—	42,260	—	—	42,260	39,371
Entrepreneurial initiatives	—	4,734	—	—	4,734	4,384
Professional development	—	2,415	—	—	2,415	2,105
Scholarships	—	14	—	—	14	12
Tangible capital and intangible assets	—	—	410,454	—	410,454	378,937
Endowment	—	—	—	295,410	295,410	269,386
	\$ (109,832)	\$ 506,986	\$ 410,454	\$ 295,410	\$1,103,018	\$ 990,068

See accompanying notes to consolidated financial statements.

CARLETON UNIVERSITY

Consolidated Statement of Cash Flows

Year ended April 30, 2019, with comparative information for 2018
(in thousands of dollars)

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 102,742	\$ 89,357
Add (deduct) non-cash items:		
Amortization of tangible capital and intangible assets	34,709	32,576
Amortization of deferred capital contributions	(13,186)	(12,379)
Net change in other non-cash operating working capital (note 19)	(3,637)	20,324
Changes relating to employee future benefits:		
Employee future benefits re-measurements and other items	(12,040)	26,134
Employee future benefits liability	4,108	(30,046)
Net cash provided by operating activities	112,696	125,966
Financing activities:		
Decrease in mortgages payable (note 9(a))	(163)	(153)
Decrease in loans payable (note 9(a))	(3,635)	(3,431)
Capital contributions received (note 10)	17,615	25,520
Contributions to art collection	18	116
Endowment contributions and investment income	15,225	(2,833)
Net cash used in financing activities	29,060	19,219
Investing activities:		
Net disposals (purchases) of investments	(32,108)	7,069
Decrease in net investment in lease	768	719
Tangible capital and intangible assets additions	(74,787)	(61,295)
Net cash used in investing activities	(106,127)	(53,507)
Increase in cash and cash equivalents	35,629	91,678
Cash and cash equivalents, beginning of year	452,824	361,146
Cash and cash equivalents, end of year	\$ 488,453	\$ 452,824
Consisting of:		
Cash on deposit	\$ 175,124	\$ 146,704
Outstanding cheques	(3,110)	(6,472)
Money market fund	52,681	71,682
Short-term bond and mortgage fund	263,758	240,910
	\$ 488,453	\$ 452,824
Interest paid	\$ 3,348	\$ 3,597

See accompanying notes to consolidated financial statements.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements

Year ended April 30, 2019
(in thousands of dollars)

1. Description:

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

The University is a registered charity and therefore is, under section 149(1)(f) of the Income Tax Act (Canada), exempt from payment of income tax.

The consolidated financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations and organizations controlled by the University. Accordingly, these consolidated financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue; restricted purpose endowment funds and ancillary operations. These consolidated statements also include the assets, liabilities, deficit and operations of the University's subsidiary and joint ventures as follows:

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

TRIUMF is a joint venture of the University and 13 other Canadian universities, which performs research in particle and nuclear physics. The University's proportionate share of TRIUMF's operations has been included in these consolidated financial statements.

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, 2019
(in thousands of dollars)

2. Summary of significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations, and include the following significant accounting policies.

(a) Basis of presentation:

The University uses the deferral method of accounting for contributions for not-for-profit organizations.

These consolidated financial statements do not reflect the assets, liabilities and results of operations of the various student organizations at the University, or the Carleton University Foundation (U.S.).

(b) Cash and cash equivalents:

Cash and cash equivalents include deposits with financial institutions that can be withdrawn without prior notice or penalty and short-term deposits with an original maturity of ninety days or less.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The University has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the University determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

2. Summary of significant accounting policies (continued):

(c) Financial instruments (continued):

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

The University accounts for interest rate swaps as hedges. The University uses the accrual basis of accounting for hedges. At the inception of the hedging relationship, the University designated that hedge accounting would be applied and formally documented the hedging relationship between the swap and the loan. At inception and throughout the loan period, the critical terms of the swap and the loan are the same.

Gains or losses realized on settlement are deferred until the settlement of the swap. Payments and receipts under the interest rate swaps are recognized as adjustments to interest expense on long-term debt. The fair value of the swap is not recorded on the consolidated statement of financial position, but is disclosed in note 10(c).

(d) Tangible capital and intangible assets:

Purchased tangible capital and intangible assets are recorded at cost. Donated tangible capital and intangible assets are recorded at an appraised value established by independent appraisal in the period receipted by the University. Land acquired prior to May 1, 2011 are recorded at deemed cost, being its fair value at May 1, 2011, the transition date to Canadian accounting standards for not-for-profit organizations. All subsequent purchases are recorded at cost.

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

Asset	Useful life
Tangible capital assets:	
Buildings	40 years
Building improvements	20 years
Equipment and furniture	10 years
Computer equipment	4 years
Automobiles	5 years
Library holdings	10 years
Intangible assets:	
Software	4 years

Construction costs are capitalized as work progresses and amortization commences in the period that the asset is available for use.

When a tangible capital or intangible asset no longer contributes to the University's ability to provide services, its carrying amount is written down to its residual value.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

2. Summary of significant accounting policies (continued):

(e) Deferred capital contributions:

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

(f) 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 receipted by the University.

(g) Recognition of revenue and other contributions:

(i) Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(ii) Contributions and investment income externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenses are recognized.

(iii) Endowment contributions and restricted investment revenue earned for re-endowment are recognized as direct increases in net assets in the period in which they are received or earned.

(iv) Student fees are recognized as revenue in the period that the courses and seminars are held. Sales revenue is recognized at point of sale.

(v) Contract revenue is recognized as the service is provided.

(h) Internally imposed restrictions on net assets:

The University internally restricts the use of portions of its externally unrestricted net assets for specific future uses. When incurred, expenses are charged to operations, and the balance of internally restricted assets is reduced accordingly.

(i) Contributed services:

Volunteers, as well as members of the staff and faculty of the University, contribute an indeterminable number of hours per year to assist the University in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these consolidated financial statements.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

2. Summary of significant accounting policies (continued):

(j) Employee benefit plans:

The University accrues its obligations and related costs for funded employee future benefit plans as the employees render the service necessary to earn the pension and other retirement benefits, based on the latest going concern funding valuation. The actuarial determination of the accrued benefit obligations for pensions and other employee future benefits uses the projected method on service (which incorporates management's assumptions used for funding purposes, other cost escalation, retirement ages of employees and other actuarial factors). The actuarial valuation is performed at least every three years. In the years between valuations, pension plan results are prepared based on extrapolations of the latest available funding valuation results. The University has elected to accrue its obligations and related costs for unfunded plans on a basis consistent with funded plans. Assets of the employee future benefit plans are valued using fair values at the date of the consolidated financial statements.

The benefit plan expense for the year consists of the current service and finance costs. Re-measurements and other items are recorded directly on the consolidated statement of changes in net assets.

(k) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the consolidated financial statements in the period in which they become known.

Significant management estimates include assumptions used in determining the employee future benefits liability.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

3. Accounts receivable:

	2019	2018
Research	\$ 9,159	\$ 8,178
Student	9,270	11,251
Government	664	1,323
Other	14,730	13,555
	<u>33,823</u>	<u>34,307</u>
Less allowance for doubtful accounts	(1,508)	(1,338)
	<u>\$ 32,315</u>	<u>\$ 32,969</u>

4. Investments:

(a) Carrying value, cost and fair values:

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

	2019		2018	
	Fair value	Cost	Fair value	Cost
Marketable securities	<u>\$ 297,232</u>	<u>\$ 266,599</u>	<u>\$ 269,751</u>	<u>\$ 246,612</u>

The carrying value of marketable securities is fair value.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

4. Investments (continued):

(b) Purpose:

Investments held by the University include funds, which are permanently endowed or restricted in use as follows:

	2019	2018
	Carrying value	Carrying value
Endowments	\$ 293,912	\$ 266,732
Parker loans for students	871	1,207
National Wildlife Research Centre Capital renewal	1,265	799
Sprott Student Investment Fund	1,184	1,013
	<u>\$ 297,232</u>	<u>\$ 269,751</u>

5. Net investment in lease:

Carleton University has entered into an agreement with Environment Canada under which Carleton University built the National Wildlife Research Centre (NWRC) on its property and leased the building to Environment Canada. The lease term is for 99 years starting May 1, 2002.

Carleton University's net investment in the direct financing lease consists of:

	2019	2018
Minimum lease payments receivable	\$ 10,400	\$ 11,700
Unearned financing revenue	(2,028)	(2,560)
	<u>8,372</u>	<u>9,140</u>
Less current portion of net investment in lease	(820)	(768)
Net investment in lease	<u>\$ 7,552</u>	<u>\$ 8,372</u>

At April 30, 2019, future minimum lease payments receivable under the direct financing lease are as follows:

2019-20	\$ 1,300
2020-21	1,300
2021-22	1,300
2022-23	1,300
2023-24	1,300
Thereafter	3,900
	<u>\$ 10,400</u>

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

6. Tangible capital and intangible assets:

Tangible capital and intangible assets consist of the following:

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Land	\$ 93,300	\$ —	\$ 93,300	\$ 89,000
Buildings	622,610	224,652	397,958	371,952
Building improvements	171,084	55,181	115,903	109,629
Equipment and furniture	99,113	58,662	40,451	40,336
Computer equipment	5,590	3,441	2,149	1,409
Automobiles	259	105	154	131
Art collection	24,568	—	24,568	24,550
Library holdings	23,000	12,746	10,254	7,531
Intangible assets:				
Software	855	664	191	312
	<u>\$ 1,040,379</u>	<u>\$ 355,451</u>	<u>\$ 684,928</u>	<u>\$ 644,850</u>

Cost and accumulated amortization at April 30, 2018 amounted to \$979,395 and \$334,545, respectively. In the year, \$13,803 of cost and accumulated amortization was removed from the respective balances for assets that had been fully-amortized and no longer in use.

Included in buildings and building improvements is \$33,509 (2018 - \$40,542) of construction in progress. As construction in progress is not yet in use, these assets are not amortized.

7. Accounts payable and accrued liabilities:

As at year end, the University had \$4,424 (2018 - \$4,070) payable for government remittances, including harmonized sales tax/goods and services tax and payroll remittances.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

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:

	2019	2018
Research	\$ 38,498	\$ 31,451
Grants	3,259	10,513
Student aid	5,703	5,128
Student fees	12,771	12,693
Donations	17,514	22,878
Other	18,618	19,870
	<u>\$ 96,363</u>	<u>\$ 102,533</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.

Student fees are tuition and related amounts received for courses beginning after April 30.

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

Other deferred revenue includes deposits and prepayments on contracts.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

9. Long-term debt:

As at April 30, 2019, the University has principal outstanding of \$67,352 (2018 - \$71,150) under long-term mortgages and loans.

(a) Details of long-term debt:

	Maturity	Interest rate	Annual payment	2019 Principal outstanding	2018 Principal outstanding
Mortgages payable:					
Glengarry Residence	2020	6.375%	\$ 176	\$ 114	\$ 277
Loans payable:					
Leeds Residence	2027	6.724%	1,607	9,279	10,226
Prescott Residence	2029	6.299%	1,520	10,773	11,586
Frontenac Residence	2039	4.930%	928	12,180	12,499
Lennox & Addington Residence	2042	2.930%	1,583	26,636	27,428
NWRRC loan	2028	6.460%	1,332	8,370	9,134
				67,238	70,873
				67,352	71,150
Less current portion of long-term debt				3,966	3,798
				\$ 63,386	\$ 67,352

Annual payment amounts include principal and interest.

(b) Long-term debt repayments:

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

2019-20	\$ 3,966
2020-21	4,079
2021-22	4,323
2022-23	4,582
2023-24	4,858
Thereafter	45,544
	<u>\$ 67,352</u>

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

9. Long-term debt (continued):

(c) Interest rate swaps:

The University has entered into interest rate swap agreements to manage the volatility of interest rates. The University converted a net notional \$101,758 of floating rate debt for fixed rate debt ranging from 2.930% to 6.724%. The related derivative agreements are in place until the maturity of the debts in 2027, 2029, 2039, 2042 and 2028.

These interest rate swaps qualify, and have been designated by the University, as cash flow hedging items against the floating rate long-term debt. The University has assessed the hedging relationship as effective. The fair value of the interest rate swaps at April 30, 2019 is estimated to be \$9,231 (2018 - \$7,908) which represents the amount the University would have to pay if the swap agreements were terminated on that date. The University is current with respect to the required payments under the loan and swap agreements.

10. Deferred capital contributions:

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

	2019	2018
Balance, beginning of year	\$ 196,056	\$ 182,915
Less amortization of deferred capital contributions	(13,186)	(12,379)
Add capital contributions received:		
Grants for equipment and buildings	13,289	25,318
Donated assets	4,308	86
Contributions to art collection	18	116
	17,615	25,520
Balance, end of year	\$ 200,485	\$ 196,056

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

11. Employee future benefits:

(a) Employee future benefits liability:

	2019	2018
Post-employment and post-retirement benefit plans	\$ 139,406	\$ 132,113
Pension plan liability (asset)	(28,759)	(25,574)
	<u>\$ 110,647</u>	<u>\$ 106,539</u>

(b) Employee future benefits expense:

	Current service cost	Carrying cost	2019	2018
Post-employment and post-retirement benefit plans	\$ 5,108	\$ 8,059	\$ 13,167	\$ 12,381
Pension plan	13,806	(1,560)	12,246	14,024
	<u>\$ 18,914</u>	<u>\$ 6,499</u>	<u>\$ 25,413</u>	<u>\$ 26,405</u>

During the year, the University made cash contributions included in the total above of \$4,410 (2018 - \$3,871) and \$28,935 (2018 - \$26,446), respectively.

(c) Re-measurements and other items:

	2019	2018
Post-employment and post-retirement benefit plans	\$ (1,464)	\$ (4,367)
Pension plan	13,504	(21,767)
	<u>\$ 12,040</u>	<u>\$ (26,134)</u>

(d) Post-employment and post-retirement benefit plans:

The University has defined post-retirement benefit plans (other than pensions) and defined post-employment benefit plans covering substantially all of its employees. These plans provide health, dental and severance benefits to eligible employees. The most recent full actuarial valuation of employee future benefits was completed as at April 30, 2019.

Similar to many non-pension benefit plans in Canada, the University's plans are not pre-funded, resulting in plan deficits equal to the accrued benefit obligation.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

11. Employee future benefits (continued):

(e) Pension plan and pension plan liability:

The University contributes to the Carleton University Retirement Plan which is a defined contribution pension plan with a defined benefit minimum guarantee, covering substantially all full-time employees of the University.

An actuarial valuation of the Plan as of July 1, 2016 determined that the Plan had an \$80,101,000 unfunded going-concern liability and an unfunded \$223,736 solvency liability as at July 1, 2016. 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. Generally the solvency liability is to be repaid over a period not to exceed 5 years. However, the Province extended three rounds of temporary solvency funding relief to approved plans. Carleton University applied for and was determined to be an approved plan. The funding relief reduces the annual special payments that must be contributed to the fund. As such, effective July 1, 2017, the annual special payment required towards the combined going concern and solvency deficiencies is \$13,508. The next actuarial valuation for funding purposes is required July 1, 2019. That valuation will determine the minimum funding requirement commencing July 1, 2020.

An actuarial valuation roll-forward for funding purposes was performed as at April 30, 2019, the measurement date for financial reporting purposes.

Accrued benefit liability:

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

	2019	2018
Accrued benefit obligation	\$ 1,306,120	\$ 1,249,568
Less: fair value of Plan assets	1,334,879	1,275,142
Accrued benefit liability (asset)	<u>\$ (28,759)</u>	<u>\$ (25,574)</u>

12. Net assets:

(a) Capital management:

The University's overall objective for its capital is to fund tangible capital and intangible assets, future projects and ongoing operations. The University manages its capital by appropriating amounts to internally restricted net assets for anticipated future projects, contingencies and other capital requirements. These allocations are disclosed in note 12(b).

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

12. Net assets (continued):

(a) Capital management (continued):

The University also considers its endowments, as disclosed in notes 4(b) and 14 as part of its capital. The University's objective with regards to endowments is to grow the endowment principal such that it preserves the original capital investment and provides the prescribed distribution rate described in note 14.

Under the direction of its Board of Governors, the University is required to present a balanced budget each year.

The University is not subject to any other externally imposed capital requirements and its approach to capital management remains unchanged from the prior year.

(b) Internally restricted net assets:

Internally restricted net assets are funds restricted by the University for future commitments and projects to improve and invest in the University's campus facilities, information systems, equipment, programs and student aid.

Internally restricted net assets have been designated for the following purposes:

	2019	2018
General appropriations	\$ 160,264	\$ 128,015
Pension liability reserve	128,941	128,941
Capital reserve	104,316	91,980
Student aid funds	3,499	4,623
Other projects and initiatives	22,363	15,644
Total operating appropriations	419,383	369,203
Research initiatives	42,260	39,371
Ancillary reserve fund	38,180	32,517
Entrepreneurial initiatives	4,734	4,384
Professional development funds	2,415	2,105
Scholarship funds	14	12
	<u>\$ 506,986</u>	<u>\$ 447,592</u>

- (i) General appropriations relate to funds held centrally and within academic units to support long-term strategic initiatives as well as economic uncertainties.
- (ii) Capital reserve funds relate to operating funds that have been allocated to capital improvements and additions, as well as for addressing the university's deferred maintenance.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

12. Net assets (continued):

(b) Internally restricted net assets (continued):

- (iii) Pension liability reserve represents funds set aside to cover future pension liabilities.
- (iv) Student aid funds relates to funds available to provide financial support to students.
- (v) Other projects and initiatives relates to funding set aside to support various initiatives, including improvements to campus facilities and infrastructure, as well as other initiatives aimed at improving the quality of the university's activities and programs.
- (vi) Ancillary reserve fund relates to funding available for improving ancillary programs and physical facilities.
- (vii) Research initiatives relates to funds that have been internally restricted for research activities.
- (viii) Entrepreneurial initiatives represents funds earmarked for the continuation of providing entrepreneurial activities at the university, including professional development services and seminars, non-credit course offerings, and contract services.
- (ix) Professional development funds are funds reserved for the professional development of faculty members.
- (x) Scholarship funds relates to funds that do not have donor placed restrictions on them, but have been internally earmarked for student support in future years.

13. Investment in tangible capital and intangible assets:

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

	2019	2018
Tangible capital and intangible assets	\$ 684,928	\$ 644,850
Less amounts financed by:		
Deferred capital contributions	(200,485)	(196,056)
Mortgages payable	(114)	(277)
Loans payable (Leeds, Prescott, Frontenac Lennox & Addington residences)	(58,868)	(61,739)
Other short-term financing	(15,007)	(7,841)
	<u>\$ 410,454</u>	<u>\$ 378,937</u>

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

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

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

	2019	2018
Tangible capital and intangible assets additions:		
Total additions	\$ 74,787	\$ 61,295
Less:		
Contributions to art collection	(18)	(116)
Donated assets	(4,308)	(86)
Additions financed with grants	(13,289)	(25,318)
	57,172	35,775
Financing:		
Mortgages payable	163	153
Loans payable	2,871	2,714
Other short-term financing	(7,166)	43,226
	(4,132)	46,093
Amortization of deferred capital contributions	13,186	12,379
Amortization of tangible capital and intangible assets	(34,709)	(32,576)
	(21,523)	(20,197)
Net change in investment in tangible capital and intangible assets	\$ 31,517	\$ 61,671
Donated non-depreciable capital assets	\$ 18	\$ 116
Investment of unrestricted net assets	31,499	61,555
	\$ 31,517	61,671

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

14. 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.

Investment income earned on endowed investments is distributed at a rate of 4% (2018 - 4%) of the moving average market value over four years of the endowment fund investments. Actual investment income earned in excess of the distributed amount is accumulated in the endowment fund for future distribution and to maintain capital.

	Externally endowed	Board designated	Total 2019	Total 2018
Donations and bequests	\$ 11,027	\$ —	\$ 11,027	\$ 7,066
Internal contributions	3,153	—	3,153	20,356
Realized gains on sale of investment	11,304	367	11,671	8,332
Investment income	3,271	329	3,600	3,826
Distribution per donor agreement	—	—	—	(11,946)
Income distributions	(10,377)	(293)	(10,670)	(9,800)
	18,378	403	18,781	17,834
Unrealized (losses) gains on investments	7,005	238	7,243	(10,192)
Net change in year	25,383	641	26,024	7,642
Fund balance, beginning of year	262,294	7,092	269,386	261,744
Fund balance, end of year	\$ 287,677	\$ 7,733	\$ 295,410	\$ 269,386

In 2015, a donation was received to fund physical infrastructure for a future building. The agreement stated that the funds were to be held as an endowment, and the income reinvested, until such time as construction began. Construction on the building began in 2018, and in accordance with the agreement, both principal and income on the balance were distributed to fund construction costs.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

14. Endowments (continued):

The endowment balance consists of:

	2019	2018
Cumulative endowment principal	\$ 186,449	\$ 172,269
Cumulative undistributed investment income	86,257	81,656
Cumulative unrealized gains	22,704	15,461
Endowment balance on endowment investments	\$ 295,410	\$ 269,386

15. Contingent liabilities and commitments:

At April 30, 2019, commitments for future acquisitions, construction and renovations amounted to approximately \$64,215 (2018 - \$47,732).

Letters of credit totaling \$13,553 (2018 - \$13,954) were issued on behalf of the University at year-end.

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

16. 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

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

17. Other revenue:

	2019	2018
Commissions and sponsorships	\$ 8,720	\$ 9,195
Medical insurance recoveries	1,696	1,487
Salary and benefit recoveries	1,601	1,263
Miscellaneous	9,102	8,260
	<u>\$ 21,119</u>	<u>\$ 20,205</u>

18. Other expenses:

	2019	2018
Licensing and membership fees	\$ 13,520	\$ 7,207
Support services	5,228	4,942
Equipment rental	4,995	4,834
Minor repair and upkeep	4,503	4,826
Advertising and promotion	4,369	3,746
Property taxes and insurance	3,247	3,010
Banking and bad debts	2,674	2,363
Communication	1,696	1,880
Miscellaneous	6,863	6,202
	<u>\$ 47,095</u>	<u>\$ 39,010</u>

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

	2019	2018
Decrease (increase) in accounts receivable	\$ 654	\$ (5,717)
Decrease (increase) in prepaid expenses	6,460	(15,524)
Increase (decrease) in accounts payable and accrued liabilities	(5,654)	7,394
Increase (decrease) in deferred revenue	(6,170)	33,870
Increase in accrued leave	1,073	301
	<u>\$ (3,637)</u>	<u>\$ 20,324</u>

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

20. Financial risks:

(a) Credit risk:

The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The University's Statement of Investment Policies and Procedures defines permitted investments and provides guidelines and restrictions on acceptable investment categories which minimize credit risk.

The maximum credit exposure of the University is represented by the fair value of the investments and accounts receivable as presented in the consolidated statement of financial position.

Credit risk concentration exists where a significant portion of the portfolio is invested in securities which have similar characteristics or similar variations relating to economic, political or other conditions. The University monitors the financial health of its investments on an on-going basis with the assistance of its Finance Committee and its investment advisors.

The University assesses on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. In 2019, \$1,508 (2018 - \$1,338) is recorded as allowance for doubtful accounts.

(b) Interest rate risk:

The University is exposed to interest rate risk with respect to its interest-bearing investments, long-term debt and interest rate swaps as disclosed in the consolidated statement of cash flows and notes 4 and 9.

(c) Currency risk:

The University believes that it is not exposed to significant foreign currency risks arising from its financial instruments.

(d) Liquidity risk:

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The University manages its liquidity risk by monitoring its operating requirements. The University prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no change to the risk exposures from 2018.

CARLETON UNIVERSITY

Notes to Consolidated Financial Statements, continued

Year ended April 30, 2019
(in thousands of dollars)

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

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

As per Ministry of Training, Colleges and Universities policies, the transactions related to the Ontario Student Opportunity Trust Fund and to the Ontario Trust for Student Support must be presented in these consolidated financial statements, for the year ended March 31, 2019.

Endowment Fund	Ontario Student Opportunity Trust Funds		Trust for Student Support	Total 2019	Total 2018
	Phase I	Phase II			
Fund balance, beginning of year	\$ 16,916	\$ 4,775	\$ 17,018	\$ 38,709	\$ 38,709
Schedule of changes in expendable funds available for awards:					
Balance, beginning of year	\$ 34	\$ 786	\$ 305	\$ 1,125	\$ 1,014
Realized investment income net of direct investment- related expenses and preservation of capital contributions	1,433	255	775	2,463	2,436
Bursaries awarded	(1,481)	(194)	(836)	(2,511)	(2,325)
Balance, end of year	\$ (14)	\$ 847	\$ 244	\$ 1,077	\$ 1,125
Number of recipients	886	114	532	1,532	1,435
Endowment total book value	\$ 16,902	\$ 5,622	\$ 17,263	\$ 39,787	\$ 39,834

22. Related Party Transaction:

During the year, a party connected to a former director of the Board received \$130 (2018 - \$262) in remuneration for the purchase of services. The services were provided through a competitive procurement process and related to building improvements and renovations.

CARLETON UNIVERSITY

Schedule 1 - Consolidated Schedule of Changes in Ancillary Net Assets

Year ended April 30, 2019
(in thousands of dollars)

Unrestricted	Housing, Conference & Dining	Physical Recreation & Athletics	Parking Services	Health & Counselling Services	The Print Shop
Revenues	\$ 32,823	\$ 14,428	\$ 5,306	\$ 3,752	\$ 817
Expenses (recovery)	26,128	13,390	4,508	4,574	757
Excess (deficiency) of revenues over expenses	6,695	1,038	798	(822)	60
Net assets, beginning of year	—	—	—	—	—
Transfer from (to) non-ancillary unrestricted net assets	(4,315)	1,513	(225)	478	(41)
Appropriated to internally restricted net assets	(2,380)	(2,551)	(573)	—	(19)
Return of funds from internally restricted net assets	—	—	—	344	—
Unrestricted net assets, end of year	\$ —	\$ —	\$ —	\$ —	\$ —

Internally restricted	Housing, Conference & Dining	Physical Recreation & Athletics	Parking Services	Health & Counselling Services	The Print Shop
Net assets, beginning of year	\$ 9,701	\$ 9,873	\$ 2,844	\$ 743	\$ 1,442
Appropriated from unrestricted net assets	2,380	2,551	573	—	19
Return of funds to unrestricted net assets	—	—	—	(344)	—
Internally restricted net assets, end of year	\$ 12,081	\$ 12,424	\$ 3,417	\$ 399	\$ 1,461

Ancillary Property Rentals	University Centre	Carleton DC Centre	Bookstore	Ancillary Capital Fund	Total 2019	Total 2018
\$ 1,074	\$ 638	\$ 237	\$ 688	\$ 918	\$ 60,681	\$ 60,562
287	79	419	547	213	50,902	54,419
787	559	(182)	141	705	9,779	6,143
1,695	—	—	—	—	1,695	1,713
(3,184)	—	300	(110)	517	(5,067)	1,606
—	(559)	(118)	(31)	(1,222)	(7,453)	(7,767)
1,446	—	—	—	—	1,790	—
\$ 744	\$ —	\$ —	\$ —	\$ —	\$ 744	\$ 1,695

Ancillary Property Rentals	University Centre	Carleton DC Centre	Bookstore	Ancillary Capital Fund	Total 2019	Total 2018
\$ 1,446	\$ 2,491	\$ —	\$ 267	\$ 3,710	\$ 32,517	\$ 24,750
—	559	118	31	1,222	7,453	7,767
(1,446)	—	—	—	—	(1,790)	—
\$ —	\$ 3,050	\$ 118	\$ 298	\$ 4,932	\$ 38,180	\$ 32,517

Carleton University

Audit Findings Report
for the year ended April 30, 2019

KPMG LLP

Prepared on August 16, 2019 for the Audit
Committee meeting on September 12, 2019

kpmg.ca/audit



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Executive summary



Purpose of this report*

The purpose of this Audit Findings Report is to assist you, as a member of the audit committee, in your review of the results of our audit of the consolidated financial statements of Carleton University ("the University", "Carleton") as at and for the year ended April 30, 2019.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on March 6, 2019.



Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

See pages 4 – 7 for debrief of the audit plan.



Finalizing the Audit

As of August 16, 2019 we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- completing procedures over testing of general IT controls
- final quality review procedures
- receiving legal letter responses
- completing our discussions with the Audit Committee
- receiving the signed management representation letters for the consolidated financial statements
- completing subsequent event audit procedures up to the Board of Directors ("the Board") meeting
- obtaining evidence of the Board's approval of the consolidated financial statements.

We will update the Audit Committee, and not solely the Chair (as required by professional standards), on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

*This Audit Findings Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Executive summary



Audit risks and results

We discussed with you at the start of the audit the significant financial reporting risk related to the presumed risk of management override of controls.

This risk has been addressed in our audit. We did not identify any significant findings in our other areas of focus during our audit.



Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

The critical areas of estimates relate to employee future benefit liabilities.

See page 8.



Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.



Adjustments and differences

We did not identify differences that remain uncorrected.

We did not identify any adjustments that were communicated to management and subsequently corrected in the consolidated financial statements.

See page 12.





Executive summary



Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal controls over financial reporting (ICFR).

See page 13 and Appendix 5.



Independence

We have included a copy of our independence letter, which notes that we are independent with respect to the University (and its related entities), within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation.

Fees for non-assurance services and the nature of the services themselves have been summarized in our annual independence letter.

We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services and follow Audit Committee approved protocols.





Audit plan debrief

We provide a summary debrief of items included in the Audit Plan presented to the Audit Committee on March 6, 2019 to aid in discussion on changes to or deviations from the Audit Plan.

Item	Our response
Your audit team	There were no changes in your KPMG Partner, Senior Manager and Manager from the Audit Plan. The on-site audit team remained consistent throughout our on-site field-work.
Materiality	Materiality remained at \$9 million, which represented approximately 1.59% of prior year total expenses of \$566 million. Current year total expenses increased to \$600 million, and therefore, materiality represents 1.5% of current year expenses, which falls in the mid-range of our required benchmark of between 0.5% - 3.0%.
Significant financial reporting risks	Throughout the audit, and consistent with our audit plan previously communicated to you we presumed a significant financial reporting risk around potential management override of controls, requiring specific audit procedures. To address this significant financial reporting risk, we performed journal entry testing, retrospective reviews of estimates, and evaluating business rationale of significant unusual transactions (no such transactions noted). Our audit procedures have addressed the significant financial reporting risk.
Areas of audit focus	There were no changes from the audit plan relating to areas of audit focus, or to methods of testing performed over each area of audit focus.
Fraud risk	We performed our required audit procedures in professional standards over fraud risk as communicated to the Audit Committee in the Audit Plan, and did not identify any additional fraud risks from our audit work.
Additional audit-related work – required to support audit opinion	We did not identify any additional audit work that is required to support our audit opinion.
Additional audit-related work – other audits	We did not identify any changes from the Audit Plan relating to other audits. The audit for 1 of the 5 cost audits was performed and issued in June. The audit for the enrolment audit and the remaining cost audits are in progress and will be finalized in August 2019. One additional cost audit will be completed in September 2019.





Audit plan debrief (cont.)

Item	Our Response
Additional audit related work – requests of the Audit committee	As at July 31, 2019, the Audit Committee has not requested that KPMG perform any additional audit-related work for the year-ended April 30, 2019.
New independent auditors' report	The new auditors' report came in to effect for the 2019 fiscal year of the University. The auditor's report appended to the draft consolidated financial statements reflects the new requirements.



Audit plan debrief – timeline

Audit Work Key Activities and deliverable description	Planned Date	Date Delivered or Performed
Presentation of the Audit Plan to the Audit Committee	March 6, 2019	March 6, 2019
Audit Planning meetings with management	April 2019	April 2019
Year-end fieldwork for the University's Financial Statements and Enrolment	June – July 2019	June 3, 2019 – July 19, 2019
Draft Financial Statements submitted to management for review	July 12, 2019	July 24, 2019
Draft Audit Findings Report and other communications submitted to management for review	August 7, 2019	July 31, 2019
Review and approval of the Financial Statements by the Audit Committee	September 2019	September 12, 2019 (scheduled)
Audit debrief meeting with management	September 2019	To be scheduled
Review and approval of the Financial Statements by the Board of Governors	September 2019	-



Audit plan debrief – Audit fees

We provide a summary debrief of items included in the Audit Plan presented to the Audit Committee to aid in discussion on changes to or deviations from the Audit Plan. We will discuss matters that could impact our professional fees that were acknowledged at the March 6, 2019 Audit Committee meeting and inform the Audit Committee of any revisions to our audit fees.

Matters that could impact our fees

Our observations

Audit readiness	Based on the audit timeline on page 6, management delivered the audit requests upon the requested dates and there were no significant delays noted relating to audit readiness that had an impact on meeting our agreed-upon deadlines.
Availability of team members	Key Carleton team members were available and responsive to the Audit team on a timely manner throughout the audit.
Identification of control deficiencies	No significant control deficiencies were identified during fieldwork.
Significant changes in the nature or size of operations	There were no significant changes in the nature or size of the operations noted in the audit plan, nor were there any significant changes noted throughout the audit.
Changes to professional standards	There were no changes to professional standards that impacted the April 30, 2019 consolidated financial statements or our audit.
Changes in the timing of the audit work	There were no significant deviations to the timing of our audit work than from what was agreed-upon in the Audit Plan.
Significant one-time transactions	We did not note any significant one-time transactions that impacted the April 30, 2019 consolidated financial statements or our audit.
Audit Committee meeting attendance	We attended 2 meetings as planned.

Revisions to Audit Fees

We did not encounter any significant difficulties throughout the audit that could impact our fees for the regular financial statement audit. As such, we find that the audit fees outlined in the Audit Plan are still appropriate.





Critical accounting estimates

Management is required to disclose information in the consolidated financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be “critical accounting estimates.”

We have summarized our assessment of the subjective areas.

Asset / liability	Balance (\$'000s)
Employee Future Benefit Liabilities	\$110,647 (2018 - \$106,539)
KPMG comment	
Our audit procedures performed related to the employee future benefits included:	
<ul style="list-style-type: none">– We obtained and reviewed the actuarial valuation report for the Carleton University Retirement Plan and the actuarial valuation report for the Non-Pension Post-Retirement and Post-Employment Benefit Plans of Carleton University. These reports were obtained from the University's third party actuary, Mercer, in fiscal 2019.– As management utilized an expert in preparing the actuarial valuation, we assessed the professional competence and objectivity of management's expert.– We reviewed the disclosures in the notes to the consolidated financial statements.– We believe management's process for estimating the Employee Future Benefit Liabilities is appropriate. Based on our audit procedures, we believe that the account balances are reasonable as at year-end.	

Technology in the audit

As previously communicated in our Audit Planning Report, we have utilized technology to enhance the quality and effectiveness of the audit.



Areas of the audit where Technology and D&A routines were used

Areas of Focus

Our results and insights

Journal entry testing

- Utilizing computer-assisted audit techniques to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing
- Utilizing KPMG application software (IDEA) to evaluate the completeness of the journal entry population through a roll-forward of all accounts
- No audit differences were noted as part of the procedures.

Tuition revenues

- Utilizing computer-assisted audit techniques examine the enrolment data verified in our enrolment audit to tuition revenue recorded for 100% of the population.
- Utilizing Tableau Visualization tools to understand enrolment and correlation with tuition revenue. Refer to Appendix 6.
- No audit differences were noted as part of the procedures.

Amortization expense

- Utilizing KPMG application software (IDEA) to re-perform the amortization calculations of all capital assets based on the estimated useful life of each specific asset.
- No audit differences were noted as part of the procedures.



Technology in the audit – KPMG Clara

In the current year we used KPMG Clara to perform our Journal Entry Analysis. Results were as follows:

General Ledger Accounts and User Summary

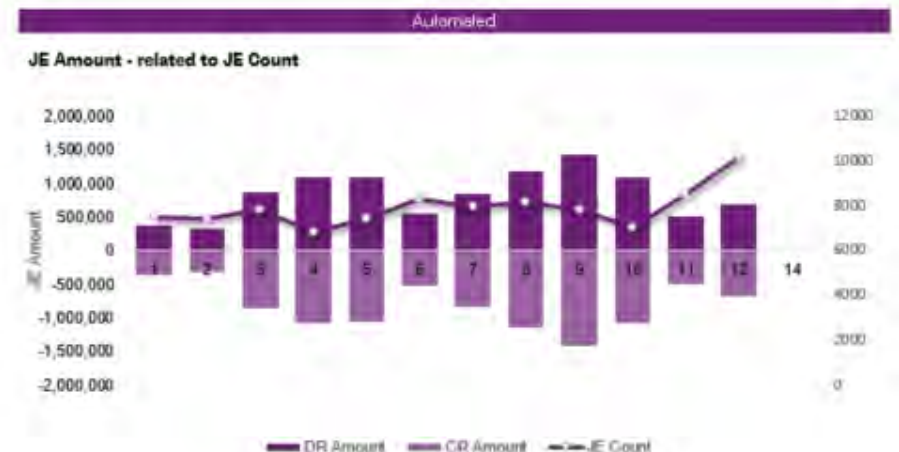
Category	All
Total Number of Users	2,296
Total Number of Company Codes	1
Total used accounts	877
Seldom used accounts	300

< 12

The above table shows that approximately 1/3 of accounts are used less than once a month during the year, and that there are approximately 2,300 users who are posting entries into the financial system. We have provided management additional details on the above information to help them gain a better understanding of the Chart of Account and of its Users in order to assess needs for future systems and access controls.

Summary of Entries posted in the General Ledger during the period

2.1. Postings by Period



The above tables demonstrates the level of effort required by the finance department and faculty administrators to close the fiscal year-end.



Financial statement presentation and disclosure

The presentation and disclosure of the consolidated financial statements are, in all material respects, in accordance with the University's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

We also highlight the following:

**Form, arrangement, and
content of the consolidated
financial statements**

Adequate

Adjustments and differences



Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Professional standards require that we request of management and the audit committee that all identified adjustments or differences be corrected. We have already made this request of management.

Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the consolidated financial statements.

Uncorrected differences

We did not identify differences that remain uncorrected.

Control observations



In accordance with professional standards, we are required to communicate to the Audit Committee any control deficiencies that we identified during the audit and have determined to be material weaknesses or significant deficiencies in ICFR. We have not identified any material weaknesses or significant deficiencies in ICFR in the course of our audit.

Significant deficiencies

We have not identified any material weaknesses or significant deficiencies in internal controls over financial reporting (ICFR) in the course of our audit. Refer to Appendix 5.

Appendices



Appendix 1: Required communications



Appendix 2: Audit Quality and Risk Management



Appendix 3: Management Representation Letter



Appendix 4: Independence Letter



Appendix 5: Management Letter



Appendix 6: University Enrolment – Tableau Visualization



Appendix 7: Current Developments



Appendix 1: Required communications



In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:



Auditors' report

The conclusion of our audit is set out in our draft auditors' report attached to the draft consolidated financial statements.



Management representation letter

In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee. The management representation letter is attached. See Appendix 3.



Annual independence letter

In accordance with professional standards, our annual independence letter has been provided to the Audit Committee. The independence letter is attached. See Appendix 4.



Appendix 2: Audit Quality and Risk Management



KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the six key elements of our quality control system.

Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality Report](#).

Other controls include:

- Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits
- Technical department and specialist resources provide real-time support to audit teams in the field

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.

- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



We do not offer services that would impair our independence.

The processes we employ to help retain and develop people include:

- Assignment based on skills and experience
- Rotation of partners
- Performance evaluation
- Development and training
- Appropriate supervision and coaching

We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 3: Management Representation Letter



KPMG LLP
Suite 1800
150 Elgin Street
Ottawa, ON K2P 2P8

September 30, 2019

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of Carleton University ("the Entity") as at and for the period ended April 30, 2019.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated March 7, 2019, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
 - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
 - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.

- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, short sellers or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.

- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Non-SEC registrants or non-reporting issuers:

- 11) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 12) We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Other:

- 13) The Entity is responsible for preparing and submitting the T3010 Registered Charity Information Return to the Canada Revenue Agency.
- 14) The Entity is a venturer in the TRIUMF and Sudbury Neutrino Observatory Institute research joint ventures. The Entity's proportionate share of the research expenditures and revenues of these joint ventures are included in the consolidated financial statements in accordance with CPA Canada Handbook Section 4450, Reporting Controlled and Related Entities by Not-For-Profit Organizations, and Section 3056, Interest in Joint Ventures.
- 15) In-kind contributions received by the Entity under research project contribution agreements have been recorded by the Entity in accordance with the terms of the agreement and CPA Canada Handbook Section 4410, Contributions - Revenue Recognition.
- 16) The Entity's significant accounting policies are disclosed in the financial statements:
 - i) there have been no changes in the Entity's accounting policies that have not been disclosed to you and appropriately reflected in the financial statements
 - ii) the accounting policies selected and applied are appropriate in the circumstances
 - iii) significant accounting estimates are reasonable in the circumstances.

- 17) There are no material unrecorded assets or liabilities or contingent assets or liabilities (such as claims related to patent infringements, unfulfilled contracts, etc. whose values depend on fulfillment of conditions regarded as uncertain or receivables sold or discounted, endorsements or guarantees, additional taxes for prior years, repurchase agreements, sales subject to renegotiation or price re determination, etc.).
- 18) The Entity does not allocate expenses between functions as defined in CPA Canada Handbook Section 4470, Disclosure of Allocated Expenses by Not-For-Profit Organization.
- 19) The Entity believes the financial statements accurately discloses its exposure to interest rate, currency and credit risks.

Yours very truly,

Dr. Benoit-Antoine Bacon, President and Vice-Chancellor

Mr. Michel Piché, Vice-President (Finance and Administration)

Mr. Tim Sullivan, Assistant Vice-President (Financial Services)

cc: Audit Committee

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Related parties

In accordance with Canadian accounting standards for not-for-profit organizations *related party* is defined as:

- Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common influence. Two not-for-profit organizations are related parties if one has economic interest in the other. Related parties also include management and immediate family members (see paragraph 3840.04).

In accordance with Canadian accounting standards for not-for-profit organizations a *related party transaction* is defined as:

- A related party transaction is a transfer of economic resources or obligation between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Appendix 4: Independence Letter





KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Telephone 613-212-5764
Fax 613-212-2896

Ms. Lynn Honsberger
Chair of the Audit Committee
Carleton University
1125 Colonel By Drive
Ottawa, ON K1S 5B6

September 12, 2019

Dear Ms. Honsberger:

Professional standards specify that we communicate to you in writing all relationships between the Carleton University (the "Entity") and our firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, we consider relevant rules and related interpretations prescribed by the relevant professional bodies and any applicable legislation or regulation, covering such matters as:

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
 - holding a financial interest, either directly or indirectly, in a client
 - holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
 - personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
 - economic dependence on a client

PROVISION OF SERVICES

The appendix summarizes the professional fees paid or payable to our firm relating to our audit of the April 30, 2019 consolidated financial statements and the professional fees for other professional services billed in fiscal 2019.



SAFEGUARDS

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. We have not provided any prohibited services. We have applied the following safeguards regarding threats to independence created by these services:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions.
- We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services and we have not made any management decisions or assumed responsibility for such decisions.
- We obtained pre-approval of non-audit services and during this pre-approval process we discussed the nature of the engagement and other independence issues related to the services.

OTHER RELATIONSHIPS

We are not aware of any other relationships between our firm and the Entity (and its related entities) that may reasonably be thought to bear on our independence from May 1, 2018 up to the date of our auditor's report.

CONFIRMATION OF INDEPENDENCE

We confirm that, as of the date of this letter, we are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

OTHER MATTERS

This letter is confidential and intended solely for use by those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purposes.

KPMG shall have no responsibility for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP' in a stylized, cursive-like font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants



APPENDIX: PROFESSIONAL FEES FOR THE PROVISION OF SERVICES

The table below summarizes the professional fees paid or payable to our firm relating to our audit of the April 30, 2019 consolidated financial statements and the professional fees for other professional services billed in the fiscal year April 30, 2019.

		Column A	Column B	Column C	Total
		Fees Invoiced in Current Year related to the Prior Fiscal Year	Fees Invoiced in Current Year related to the Current Year	Fees to be Invoiced related to the Current Year Audit	Audit Fee Paid or Payable and Other Fees Billed in Current Year
Financial Statement Audit	<ul style="list-style-type: none"> -Carleton University -Pension Fund of Carleton University Retirement Plan -Enrolment Report -Carleton University Foundation (US) -BIT Enrolment -Schedule of Occupancy Costs - CTTC -Attendant Care Services Program -US Department of Education's Foreign School Audit Guide – 2018 academic year - Energy Retrofit and Modernization of Facilities Audit (final report) - Institute for Advanced Research and Innovation in Smart Environments Audit (final report) 		\$65,000 \$15,245 \$12,630 \$1,000 \$3,160 \$4,550 \$2,380 \$3,475 \$4,000 \$4,000	\$7,950 - - - - - - - -	\$72,950 \$15,245 \$12,630 \$1,000 \$3,160 \$4,550 \$2,380 \$3,475 \$4,000 \$4,000

Tax	-Indirect tax services	-	\$15,114		\$15,114
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Appendix 5: Management Letter





KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Telephone 613-212-5764
Fax 613-212-2896

Ms. Lynn Honsberger
Chair, Audit and Finance Committee
Carleton University
1125 Colonel By Drive
Ottawa, ON K1S 5B6

September 12, 2019

Dear Ms. Honsberger:

In planning and performing our audit of the consolidated financial statements of Carleton University ("the Entity") for the period ended April 30, 2019, we obtained an understanding of internal control over financial reporting (ICFR) relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR. Accordingly, we do not express an opinion on the effectiveness of the Entity's ICFR.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. As a result, any matters reported below are limited to those deficiencies in ICFR that we identified during the audit.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

IDENTIFICATION

Refer to Appendix A for the definitions of various control deficiencies.

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

OTHER CONTROL DEFICIENCIES

We did not identify any other control deficiencies to bring to your attention during our audit.



USE OF LETTER

This letter is for the use of management and those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purpose or by anyone other than management and those charged with governance. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

APPENDIX A

Terminology	Definition
Deficiency in Internal Control	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing; or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
Significant Deficiency in Internal Control	A significant deficiency in internal control is a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

Appendix 6: University Enrolment – Tableau Visualization



Overview

Average enrollee

Homes of enrollees

Enrolment Information

Program make-up

Thank You

Tableau Visualization: University Enrolment

This Tableau workbook is intended to provide insights into Carleton University's enrolment data for the 2018-2019 academic year.

This Tableau workbook consists of a storyboard which analyzes four aspects of enrolment:

- 1) A look at the average student that enrolls in Carleton's various degrees.
- 2) An analysis of where students enrol from and their citizenship.
- 3) An investigation into the programs, campuses, and degrees that are being enrolled in.
- 4) Finally, an inquiry into the programs and their enrolment patterns.





Overview	Average enrollee	Homes of enrollees	Enrolment information	Program make-up	Thank You
----------	------------------	--------------------	-----------------------	-----------------	-----------

For the 2019 Academic year, 34,717 students enrolled at Carleton University.
What does the average Carleton U student look like?
Click on the Qualification Sought below to find out:



Bachelor

Undergraduate Level
Certificate

Graduate Level Diploma

Master's - Qualifying
Year

Master's Degree

None: Master's and 1st
Stage Doctoral Courses

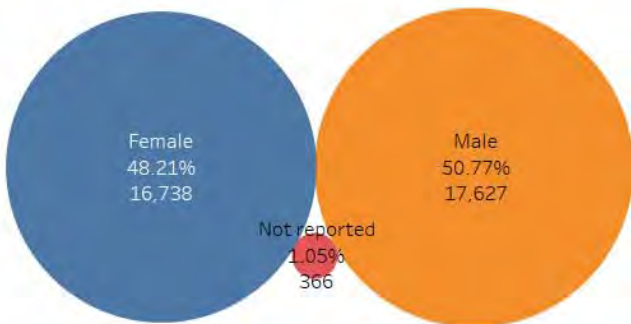
Ph.D.

Continuing/upgrading

None: 2nd stage
doctoral level courses



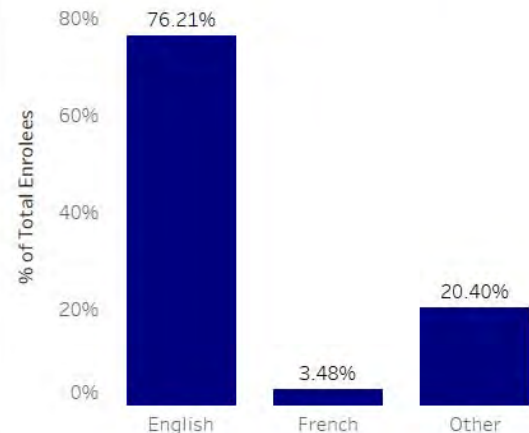
Gender of enrollees



Residency of enrollees

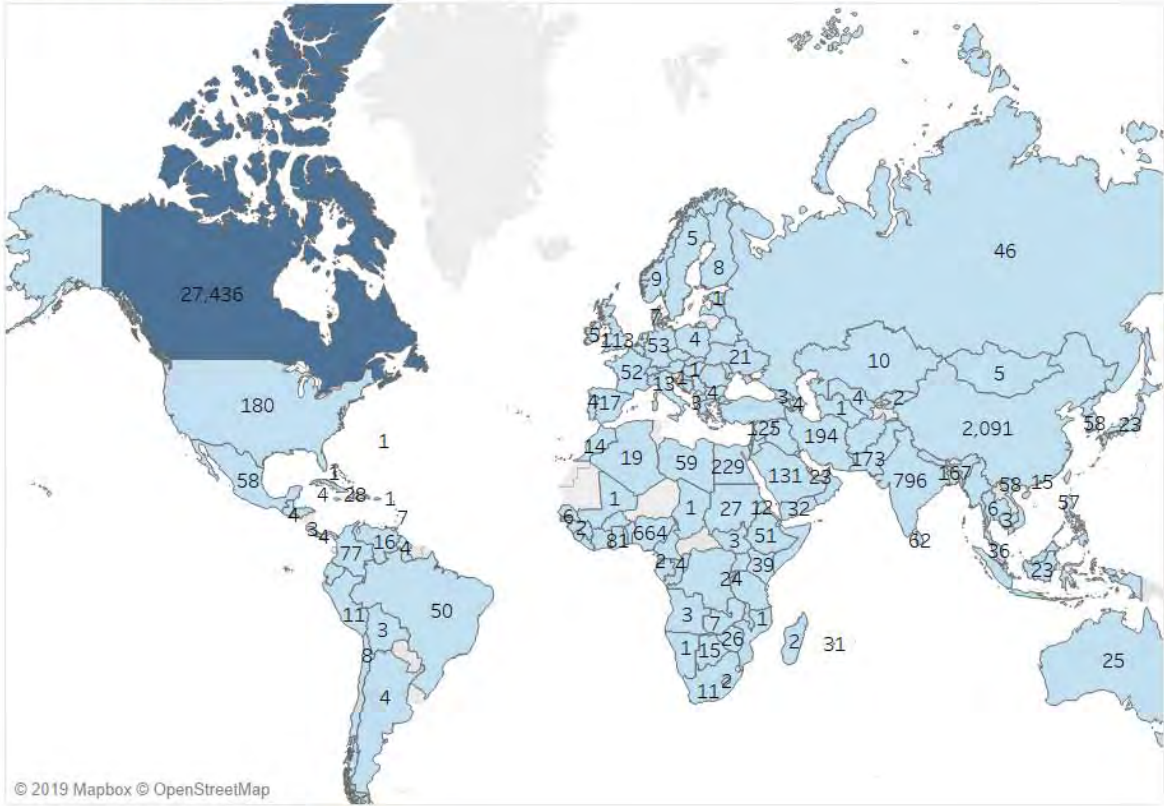


Mother tongue of enrollees



Citizenship Legacy Country Name1
All

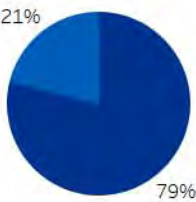
Citizenship of enrollees



Citizenship by no. of enrollees

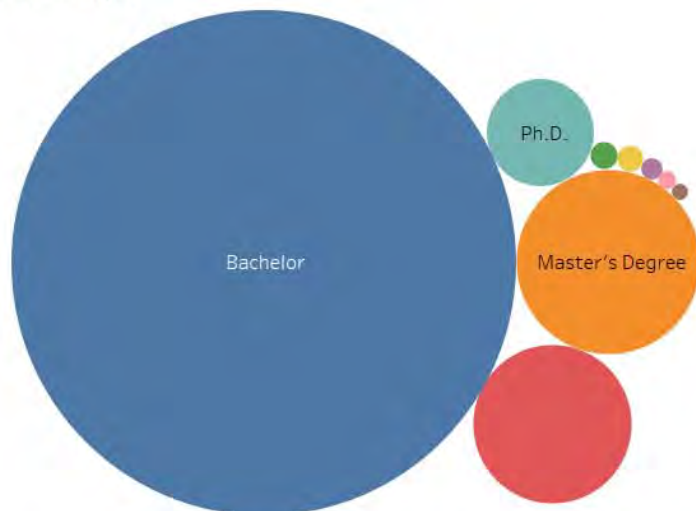
	Rank	No. of stud..
Canada	1	27,436
China	2	2,091
India	3	796
Nigeria	4	664
Iran	6	194
United States	7	180
Egypt	5	229
Pakistan	8	173
Bangladesh	9	167
Jordan	10	134

Immigration status of enrollees



[Overview](#)[Average enrollee](#)[Homes of enrollees](#)[Enrolment Information](#)[Program make-up](#)[Thank You](#)

Qualification sought



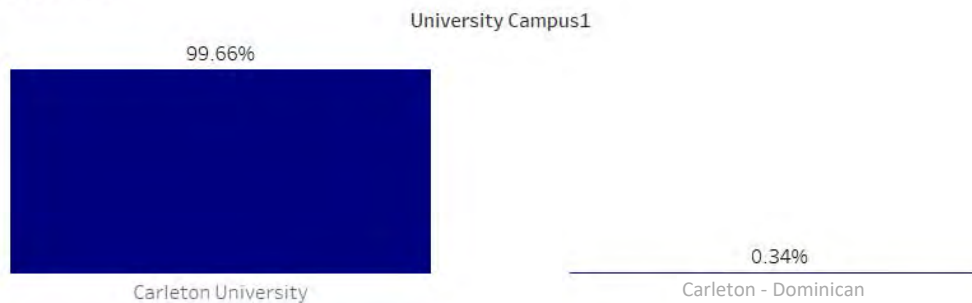
Top 10 Desired Programs of Study

	% of Total	No. of students
ARTS, UPPER YEARS HONOURS	18.07%	5,838
ARTS, GEN AND 1ST YR HONO..	17.01%	5,494
ENGINEERING	18.90%	6,106
SCIENCE, UPPER YRS HONOURS	20.34%	6,569
COMMERCE AND BUSINESS A..	9.19%	2,967
SCIENCE GENERAL & 1ST YR H..	14.23%	4,596
SOCIAL SCIENCES - OTHER	3.43%	1,107
HUMANITIES	1.62%	524
PHYSICAL & BIOL SCIENCES	1.69%	547
COMMERCE & BUSINESS ADMIN	1.44%	464

Full-time vs. Part-time studies

Full-time	33.33%	40K
Part-time	77.78%	20K
Grand Total	100.00%	0K

Campus of studies



[Overview](#)[Average enrollee](#)[Homes of enrollees](#)[Enrolment information](#)[Program make-up](#)[Thank You](#)

Click on the programs for a deeper look into their enrolment.

All Programs of Study

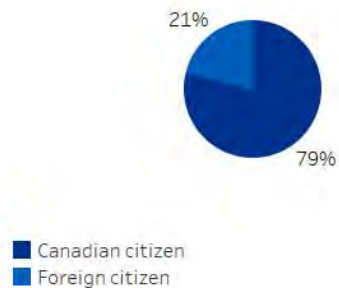
ARTS, GEN AND 1ST YR HONOURS
SCIENCE GENERAL & 1ST YR HON
THEOLOGY
COMMERCE AND BUSINESS ADMIN
ENGINEERING
LAW
MUSIC
Null
SOCIAL SCIENCES - OTHER
HUMANITIES
PHYSICAL & BIOL SCIENCES
PSYCHOLOGY
COMMERCE & BUSINESS ADMIN
SOCIAL WORK
GEOGRAPHY
PUBLIC ADMINISTRATION
THEOLOGY MA/PHD
MATHEMATICS
FINE AND APPLIED ARTS
ARCHITECTURE
ARTS, UPPER YEARS HONOURS
JOURNALISM
SCIENCE, UPPER YRS HONOURS
SOCIAL WORK - 1ST YEAR
SOCIAL WORK - UPPER YEARS



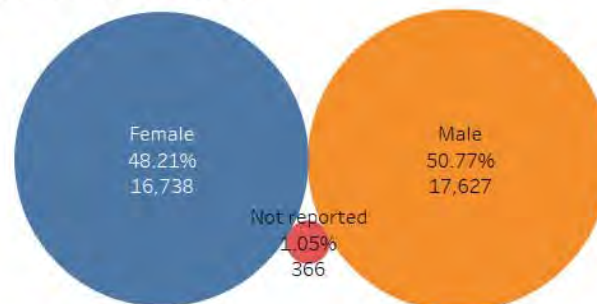
Number of Enrolees

34,717

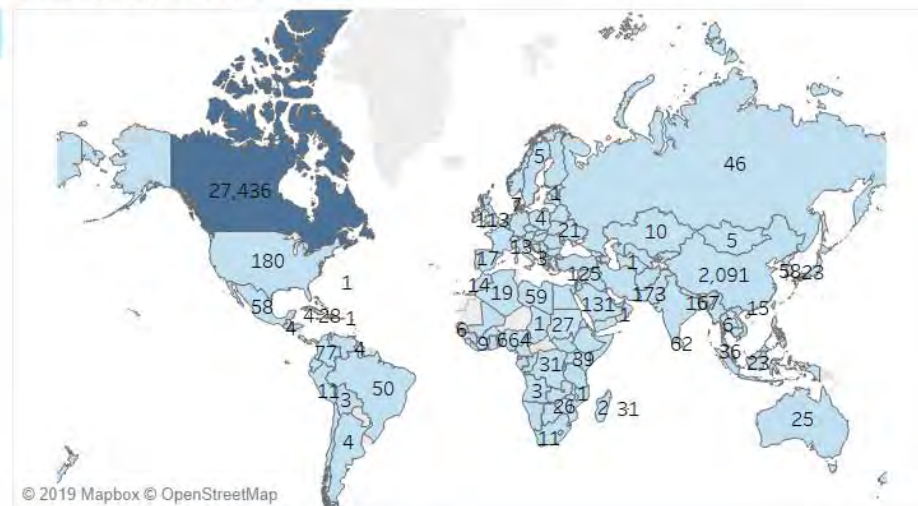
Immigration status of enrolees



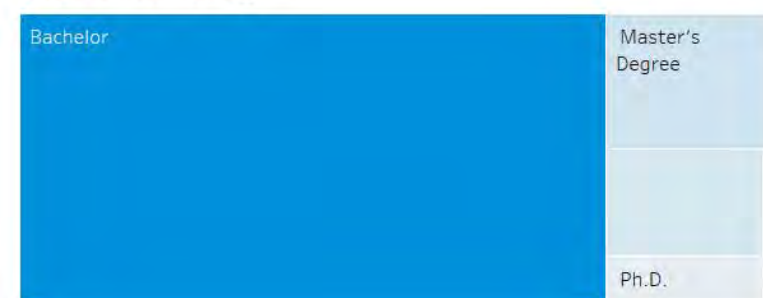
Gender of enrolees



Citizenship of enrolees



Qualification sought



Appendix 7: Current Developments

Current Developments, created by the KPMG Public Sector and Not-for-Profit Practice, summarizes some of the regulatory, operational and governance developments impacting public sector, charitable and not-for-profit organizations. We provide this summary to inform our clients of changes that they may impact their organization, and the trends we see in the industry based on our discussions with the management and Board members of our clients.

We attach this summary to our audit plans and audit findings reports that we provide to the Finance, Audit and Risk Committees of our public sector, not-for-profit and charity clients. Some of these developments may not impact your organization directly but we believe it is important for management and Committee members of charities and not-for-profit organizations to understand what is happening in the broader public, not-for-profit and charity sector.

Annual Accounting, Tax and Risk Update for Not-for-Profit Organizations

KPMG held its Annual Accounting, Tax & Risk Update for Not-for-Profit Organizations on April 4, 2019 at the KPMG office in downtown Ottawa. The seminar covered current accounting, tax, technology and risk issues, including some of those discussed below, in greater detail providing not-for-profit organizations and charities with guidance on new standards, regulations and best practices. This event consistently attracts over 100 executives, financial officers and Board members from the Ottawa and area not-for-profit and charity community.

Audit Committee members are also invited to attend our 2020 session, which is scheduled for April 2, 2020. If you wish to have your name included on the invite list going forward, please e-mail Stacey McMillan at samcmillan@kpmg.ca

Registered Charities

Below we provide a summary of activities and announcements that could have an impact on Canadian registered charities:

Official Donation Receipts:

All official donation receipts need to include the CRA's name and website address. CRA's website recently merged with the Canada.ca domain website. Therefore, official donation receipts will need to be updated to include the new website address: [Canada.ca/charities-giving](https://www.canada.ca/charities-giving). Receipts issued after March 31, 2019 must include the new website address.

Social Innovation and Social Financing:

The federal government's Social Innovation and Social Finance Strategy Co-Creation Steering Group released its report: *Inclusive Innovation: New Ideas and New Partnerships for Stronger Communities*. The report provides a number of recommendations to the Government to promote social innovation and social financing in Canada, and is of significant interest to the Canadian charity and not-for-profit industry. The full report can be found at the following website:

<https://www.canada.ca/en/employment-social-development/programs/social-innovation-social-finance/reports/recommendations-what-we-heard.html>.

Senate Committee on the Charitable Sector

In January 2018, The Senate of Canada established a new special committee to examine the impact of federal, provincial and territorial laws and policies governing charities and study the role that the charitable sector plays in Canadian society. The Committee will issue a report of the Committee's findings and make recommendations on revisions to government policies at all levels to support charities fulfil their important missions. The Committee continues to hold meetings and hear from expert witnesses from the charity and other sectors. More information on the Committee can be found on the website of the Senate of Canada.



CRA's Charity Education Project

In the fall of 2017, Canada Revenue Agency announced the implementation of its Charity Education Project (CEP) initiative, as a complement to its traditional audit program. Per the CRA announcement the CEP program is “*designed to conduct in-person visits with registered charities, providing them with information and assistance in understanding these obligations*”. A CEP visit by a CRA Charity Education Officer will include information sharing on the charity's purpose and activities, a review of the charity's books and records and T3010 information return, and a summary of findings and recommendations prepared by the Charity Education Officer. The registered charity will be requested to sign the summary of findings and recommendations to indicate their agreement with it.

CRA plans to perform 500 CEP visits per year. We are aware of registered charities receiving notification that they have been selected for a CEP visit in January 2018. At KPMG, we will be tracking these initial visits at our clients to identify patterns in CRA's approach and in their findings and recommendations, to assist our clients in preparing for future CRA visits.

To paraphrase Shakespeare's “A rose by any other name would smell as sweet”; a CRA visit by any other name smells like an audit. We encourage our registered charity clients who receive a CEP request letter to contact us to discuss how to prepare for CRA's visit and to prepare a response to the summary of findings and recommendations.

As a matter of good governance, we also encourage all registered charities to do the following on a regular basis:

- 1) Review the charity's operations to verify that activities directly support their charitable objectives. Consider the level of time and resources invested in fundraising or political activities, as these are two activities that CRA monitors.
- 2) Verify that the charity's T3010 Charity Information Return is accurate and that it strategically and faithfully represents the activities and operations of the charity. Verify that the T3010 published on the CRA's website agrees with the submitted return.
- 3) Assess the charity's accumulated reserves, surpluses and net assets, including the purpose for having them and support for the amounts. Consider developing a Board-approved “net asset reserve policy” documenting the purpose and amount of reserves in the context of organization risks and strategic plan.

KPMG will continue to monitor this situation and will provide updates to you.

Tax-Exempt Status of Not-for-Profit Organizations

Over the past few years, the income tax-exempt status of not-for-profit organizations and the activities that should be eligible for this exemption have been the subject of significant political and public debate.

This debate intensified with the CRA's Non-Profit Organization Risk Identification Project (the “NPORIP”) looking at entities claiming the exemption from income tax under Paragraph 149(1)(l) of the Income Tax Act of Canada, and the release of their report in 2014. The report emphasized three main risk areas which in the eyes of CRA would disqualify a not-for-profit organization from claiming the income tax exemption:

- having individual activities not related to their not-for-profit objectives; or earning non-incidental profits from individual activities
- using income to provide personal benefits to members
- maintaining excessive accumulated reserves, surpluses or net assets

In 2014, the Department of Finance announced its intention to hold public consultations with not-for-profit organizations on these issues. Since then, the Department of Finance has provided no further indication as to when, or if, it expects to begin public consultations with the not-for-profit community on the issues surrounding the tax-exempt status of not-for-profit organizations, or when legislation is anticipated.

In the interim, CRA has not performed specific audits of the income tax-exemption status of not-for-profit organizations to our knowledge. However, CRA continues to perform regular HST and payroll compliance audits of not-for-profit organizations and charities. As part of these audits, CRA has included questions relating to the accumulated surplus/net assets/reserves of the audited organization, and is seeking documented evidence of purpose, future plans and governance oversight related to these balances.

KPMG encourages the Boards and management of not-for-profit organizations, and of charities, to continue to prepare their organizations for the anticipated changes to tax legislation and regulations. Not-for-profit organizations should review and consider their not-for-profit or charitable objectives, strategic plans, risk assessments, financial results



and operational practices in the context of the aforementioned risk areas identified by CRA. In particular, not-for-profit organizations should develop or update a written, approved Board policy relating to their net assets, accumulated surpluses and/or reserves explicitly documenting the reasons for maintaining these balances, how the amounts were calculated and quantified, and how the amounts will ultimately be used. Boards should also demonstrate and document their oversight of this policy on an annual basis.

KPMG continues to monitor this situation closely and will continue to update you and all of our NPO audit clients.

Decriminalization of Cannabis

On October 17, 2018, the use of cannabis for recreational purposes became legal in Canada. Most organizations are reviewing their policies with respect to the use of cannabis from a human resources perspective, such as impairment in the workplace. However, from a governance and management perspective there are also a number of policies that will also need to be considered and revised. A couple of examples:

- 1) What is the organization's policy with respect to serving cannabis-infused drinks or products at official events and functions?
- 2) What is the organization's policy with respect to reimbursing for cannabis-infused drinks and products on expense reports of employees, volunteers and Board members?
What are the policies of your funders relating to whether these will be considered eligible costs under their contribution agreements?

Fortunately, most organizations have these policies relating to alcohol which will serve as a good starting point. We encourage our clients to review all of their policies to identify ones potentially in need of revisions to reflect this new law.

Charities, Not-for-Profit Organizations and the # MeToo Movement

In the last five years, the bar has been raised steadily for employers by a series of class-action and individual law-suits, legislative, regulatory and public policy changes, all in relation to sexual harassment in the workplace. There is a need and desire to stamp out sexual harassment in the workplace, and Boards and Management must understand their role in addressing this very real and significant workplace risk. Apart from the obvious impact to individuals involved in a harassment situation, there are significant reputational risks for charities, not-for profit organizations and individuals.

Managing the risk of sexual harassment in the workplace is similar to managing other risks in the organization and must be included as a very important element of an organization's overall governance and risk management strategy. To protect against the risk of sexual harassment in the workplace, Boards and Management need to maintain a robust risk management program designed to address the core objectives of prevention, detection and response.

Prevention starts with the "tone from the top", where a culture of honest and ethical behaviour is promoted throughout the organization, starting with the Board and Senior Management. This tone can be reflected in the Code of Conduct or Ethics policy, outlining core values and specifics regarding what constitutes sexual harassment. In addition to setting an appropriate tone for the organization, periodic risk assessments should be conducted, which identify the areas/business units and activities most susceptible to incidents of sexual misconduct.

Detection of sexual harassment in the workplace can be difficult, and as such, it is critical for organizations to provide a mechanism for employees, volunteers and the public at large to report incidents of sexual harassment to Senior Management or the Board, if they suspect an issue. The keys to a successful incident reporting mechanism include sufficient training and awareness for all employees and volunteers, ongoing communication including periodic reminders of the program (and annual signoff by employees regarding their awareness of the program and their duty to report), and transparency of reporting the status of complaints (in an anonymous fashion) to employees.

An organization's **response** to sexual harassment in the workplace is critical in mitigating potential damage, including personal and organizational reputational harm. As such, it is important to have a response plan in place before a sexual harassment complaint occurs, including investigation and communication protocols.

Boards and Management of charities and not-for-profit organizations are beginning to incorporate sexual harassment awareness in their training programs to increase awareness, and to develop a greater understanding of the key organizational elements of a robust sexual harassment risk management strategy. Such a risk management strategy is not a "nice to have" - it is a business imperative.

Cyber Security – Prevention and Response

Organizations are subject to increasing amounts of legislative and public pressures to show they are managing and protecting their information appropriately. Simultaneously, the threats from cyber criminals and hacktivists are growing in scale and sophistication. Organizations are also increasingly vulnerable as a result of technological advances and changing working practices including remote access, cloud computing, mobile technology and services on demand. The financial and reputational costs of not being prepared against a cyber-breach could be significant. Not-for-profit organizations are at particular risk due to the information they maintain, including research data, personal data, and health and financial information. The reputational risk of this information not being adequately protected can often outweigh the financial consequences of a breach.

Cyber Security is not solely about information technology; it is fundamentally an operational and governance issue. Not-for-profit organizations should document their assessment of operational threats, implement preventative safeguards against a cyber-attack, and create a comprehensive response plan to a cyber-breach. Every organization should have a Computer Security Incident Response Team (CSIRT) consisting of individuals from many areas of the organization, including those involved in finance, human resources, procurement, customer/member relations, upper management and Board members. Key elements to consider in developing your cyber plans include:

- Assessing the likelihood and intensity of a cyber-attack, based on the value of your information and your public profile
- Assessing your organization's vulnerabilities to a cyber-attack
- Preparing your people, processes, infrastructure and technology to prevent a cyber-attack from being successful
- Detecting, responding and reporting a cyber-breach within your organization
- Initiating your cyber response plan, including containing and investigating the cyber breach
- Recovering from a cyber-breach and resuming business operations
- Reporting on the cyber breach, including informing authorities and affected individuals, as required by legislation and industry common practices.
- Doing a "lessons learned" process to identify improvements

Not-for-profit organizations need to review their operations from the perspective of cyber risks, preventative measures against an attack and response plans for breaches. Of particular importance is the cyber response plan as most experts believe that it is now a matter of when, not if, a cyber-breach occurs. A proper cyber response plan should include at least the following elements:

- 1) Define sensitive data and information -- what is important to your organization and of value to hackers
- 2) Identify cyber breach scenarios -- perform a Threat Risk Assessment of threats, vulnerabilities and likelihood of exploitation
- 3) Assess detection and response capabilities -- what is your organization's capability to manage an incident (CSIRT structure and effectiveness, required performance metrics, business resumption, internal/external communication protocols)
- 4) Develop and refresh your organization's response plan -- Identify a target state and address gaps, including time to discover, time to manage, severity of post-mortem reviews
- 5) Test and improve response plan -- develop a testing strategy that includes key internal and external CSIRT responders (event simulations, live testing)

We encourage all not-for-profit organizations and charities to develop their cyber response plans and discuss them at the Board level.

Members of Audit Committees should be asking management a fundamental questions such as: How effective is our organization's cyber strategy at identifying and addressing cyber risks? Is the organization relying on the correct and accurate information to oversee and understand those risks? Is the organization addressing its data privacy and security obligations? Does the organization have a response plan in place to manage a cyber-crisis when an incident occurs?

Indirect Tax Considerations

The GST/HST is constantly evolving. The kinds and pace of the changes affecting your organization will depend on your status and activities, and may result from new legislative and regulatory rules, court cases, and changes in the CRA's administrative policies. In addition, major organization changes, such as reorganizations, cessation of activities, major capital projects, new relationships (e.g., shared service arrangements), and new revenue generating activities may have significant GST/HST implications.

The Canada Revenue Agency (CRA) continues to increase its focus on public service bodies (e.g., municipalities, universities, colleges, hospitals, schools, associations, charities, non-profits etc.) for purposes of conducting GST/HST audits. These audits may be undertaken by GST/HST audit teams dedicated to the public sector or by auditors attached to the CRA's GST/HST Refund Integrity Unit. Many organizations have undergone audits over the past couple of years. Based on our work with audited organizations, we offer the following general observations on the impact of the CRA's ongoing focus on the public sector:

- The CRA has been focusing on documentation, cost sharing and buying group arrangements, grants and sponsorships, as well as the allocation of inputs between taxable and exempt activities for input tax credit purposes (e.g. the filing of a Section 211 election and claiming of input tax credits on the use of real property).
- The CRA has not consistently been applying audit offsets (e.g., allowing unclaimed input tax credits or rebates) that would help minimize the impact of any assessments.
- Proposed assessments based on sampling and alternative valuation or allocation methodologies conducted by CRA auditors should be reviewed as fair and reasonable alternatives may be available that could significantly reduce an GST/HST assessment.
- The CRA is required to communicate the amount and basis for a proposed to the registrant, and should allow the registrant a reasonable amount of time to review and respond to the assessment (i.e., generally 30-days). It is entirely appropriate to carefully review and question a proposed assessment. Our experience is that proposed assessments can often be significantly reduced at the audit stage. If a Notice of Assessment is issued, you will have 90 days to file a Notice of Objection with the CRA.
- It is important that you have a plan in place for a GST/HST audit, including having a fixed point of contact for the auditor. Planning and managing the audit is as important as having the appropriate policies and procedures.
- Organizations that have undergone significant changes in operations are more likely to be selected for an audit. Many of these organizations are completing compliance reviews by indirect tax professionals in advance of a potential GST/HST audit to verify that the GST/HST is being appropriately handled. A proactive approach can reduce compliance costs and the time needed to deal with CRA auditors.

Our experience with GST/HST auditors has varied from audit to audit. However, in each case, the taxpayer has the burden of proof. The best approach is to be prepared in advance of receiving that audit notification from CRA.

Reporting Requirements in the United States

Over the past two years, the United States has implemented significant tax reforms impacting Canadian business and individuals with activities and investments in the United States. Given this current environment, it is prudent for Canadian charities and not-for-profit organizations to consider whether they have any reporting obligations in the United States, which is dependent on their U.S. sources of revenue and activities.

For example, Canadian registered charities may be required to file the Form 990: Return of Organizations Exempt From Income Tax, depending on whether the Canadian charity is recognized as a U.S. public charity or a U.S. private foundation and depending on the total gross receipts that the Canadian charity receives from U.S. sources (including individual and corporate donations). The Internal Revenue Service (IRS) assumes that a Canadian registered charity is the equivalent of a U.S. private foundation unless it applies to the IRS to be recognized as a public charity. Normally, a Canadian registered charity receiving more than \$25,000 in gross receipts from sources within the United States will have a requirement to submit the Form 990 to the IRS.

The Form 990 reporting requirements are significantly more extensive than the Canadian reporting requirements. The Form 990 can easily be more than 50 pages long and includes an 8-page detailed questionnaire on the organization's governance, operations and activities, and very detailed information on the organization's donors, activities outside

of the United States, grants provided to other entities inside/outside the United States, executive compensation, and related party transactions. The Form 990 is a Canadian registered charity's only public document in the United States and is available on the IRS information website.

We encourage all of our charity and not-for-profit clients to review their activities and sources of revenue on a regular basis to determine whether they have U.S. reporting requirements.

Fraud Risk in Charities and Not-for-Profit Organizations

You only have to read the local and national news to understand the significant, adverse impact that a fraudulent or illegal act can have on an entity's financial position, on-going operations and public reputation. For charities and not-for-profit organizations, a fraudulent or illegal act can be absolutely devastating not only because of their reliance on public financial support but also their need to maintain public confidence and trust in their activities. With social media, and the 24-hour continuous news cycle, the financial, operational and reputational risk of a fraud on a charity or not-for-profit organization has never been higher.

Therefore, fraud risk management is now a very important element of an organization's overall governance and risk management. To protect against the risk of fraud, Boards and management need to maintain a robust fraud risk management program designed to address the core objectives of prevention, detection and response.

Prevention starts with having a heightened awareness of fraud including the key indicators that a fraud may have occurred, an understanding of the profile of a fraudster and what may drive otherwise good people to do bad things. In addition to a heightened awareness of fraud, conducting regular fraud risk assessments allows charities and not-for-profit organizations to identify the key fraud risks they are facing and what they need to do to mitigate these risks.

Detecting fraud can be difficult, so in addition to implementing and monitoring detection controls, it is critical for organizations to provide a mechanism for employees, volunteers and the public at large to report incidents of alleged fraud or wrongdoing to the Board.

An organization's response to a fraud is critical in mitigating potential damage, including reputational harm. As such, it is important to have a response plan in place before a fraud occurs, including investigation and communication protocols.

Boards and management of charities and not-for-profit organizations are beginning to incorporate fraud awareness in their training programs to increase fraud awareness, and to develop a greater understanding of the key organizational elements of a robust fraud risk management program.

The COSO Framework: Demonstrating Sound Management Practices and Internal Controls

Charities and not-for-profit organizations are facing increasing pressures and challenges from various internal and external stakeholders, who are demanding greater transparency and accountability. Chief among these is a heightened level of scrutiny and higher expectations on charities and NPOs to demonstrate sound stewardship, accountability, and achievement of results. This includes being able to demonstrate that resources are managed in a cost-effective manner and that funding received is used to maximize the achievement of the organization's mandate.

A charity's or not-for-profit organization's ability to clearly demonstrate sound management and use of funding and the achievement of objectives are of direct interest to donors, funders, partners, stakeholders and beneficiaries, and increasingly to the Canadian general public. This, combined with a general increase in competition for scarce resources, can compound the challenges experienced by charities and not-for-profit organizations.

In this environment, your organization will be asked to demonstrate that it is using and managing funds in an economical and efficient way and that it maintains a solid control environment supporting management decisions made by the organization. National charities and not-for-profit organizations are beginning to formally adopt the "COSO Framework" of management practices and internal controls to respond to their stakeholder demands. The COSO Framework is an internationally recognized framework for the assessment of management practices and internal controls in all types of entities.

The main reason that the COSO Framework is gaining acceptance in the charity and not-for-profit sector is that it considers internal controls from the perspective of achieving organizational objectives categorized into three areas:

- Effectiveness and efficiency of operations, at the entity-wide and divisional/program levels



- Reliability of financial and non-financial reporting to internal and external stakeholders
- Compliance with applicable laws and regulations

In the current environment of transparency and accountability, charities and not-for-profit organizations must not only achieve, but also explicitly demonstrate, their performance in these three areas. COSO provides a methodology to develop and maintain an effective system of internal control that reduces, to an acceptable level, the risk of not achieving these objectives.

The COSO Framework identifies five core components (Control Environment, Risk Assessment, Control Activities, Information & Communication, and Monitoring Activities) and seventeen key principles within these five components that are required for an effective system of internal control. The Framework is fully scalable to an organization's size, structure, funding sources, or mandate.

The Framework provides a recognized baseline against which existing management practices can be documented and assessed to confirm existing sound practices and identify areas for improvement to strengthen an organization's internal control structure and prioritize efforts and resources to the areas of most significance. As a recognized management control framework, an assessment of internal controls against COSO will also serve to provide both internal and external stakeholders with additional confidence in the stewardship, accountability and overall control environment of the organization.

Accounting Standards Board: Accounting Standards for Not-for-Profit Organizations

The Accounting Standards Board of Canada ("AcSB") is responsible for setting the accounting standards that your organization is required to apply in preparing the general purpose financial statements. **There are currently no new or revised accounting standards approved by the Board that we anticipate will have a significant impact on your financial statements in the next fiscal year.** Below, we provide a summary of the status of the Board's work on accounting standards for not-for-profit organizations (including charities).

The AcSB included not-for-profit organizations in its issued-for-comment draft strategic plan for 2016–2021. The proposed core strategy includes maintaining a separate set of accounting standards for areas unique to not-for-profit organizations while continuing to direct them to Part II of the CPA Canada Handbook - Accounting for non-unique areas (such as employee future benefits and financial instruments). The AcSB formed a not-for-profit advisory committee (the "Committee") to provide input into this process and approved a three phase project plan, of which the second phase is now complete. AcSB is now focusing on user outreach and stakeholder engagement as part of the contributions project, and to plan for additional projects with respect to the Part III standards.

In March 2018, the AcSB issued three new, revised accounting standards **with an effective date of fiscal years beginning on or after January 1, 2019**, with earlier application permitted:

Section 4433, to replace Section 4431, Tangible Capital Assets Held by Not-for-Profit Organizations;

Section 4434, to replace Section 4432, Intangible Assets Held by Not-for-Profit Organizations; and

Section 4441, to replace Section 4440, Collections Held by Not-for-Profit Organizations.

Key aspects of these new standards include:

Tangible Capital Assets:

Overall, there is a direction to not-for-profit organizations to apply accounting standards for private enterprises in accounting for tangible capital assets, except where guidance is included in Section 4433. In particular:

- Section 3061 Property, Plant and Equipment would be used as the guidance to report:
 - the capitalization, amortization and disposal of tangible assets – largely similar with the current practice



- componentization for tangible capital assets – new concept for Not-For-Profit Organizations. Not-for-profit organizations will be able to apply componentization of significant tangible capital assets being accounted and amortized on a component basis. For example, a building could be split into structure, roof, HVAC, elevators etc. and each component could be amortized over different useful lives.
- Section 3110 Asset Retirement Obligations related to recognition, measurement and disclosure of liabilities for long lived assets and;
- Section 3063 Impairment of Long-Lived Assets for disclosure requirements related to impairment, including partial impairment, of long lived assets. Impairment adjustments will be to either fair value or replacement cost based on a list of indicators which will be provided as guidance for decision making.

Intangible Capital Assets:

The new accounting standard will provide guidance related to intangible assets such as goodwill, trademarks and software. Reference is made to Section 3064 Goodwill and Intangible Assets, for the capitalization, amortization and disposal of such assets and Section 3063 Impairment of Long-Lived Assets, for impairment disclosures.

Collections

The new accounting standard formalizes common practice to encourage consistency between entities. The new standard includes the following changes:

- That collections be recorded on the Statement of Financial Position at either cost or a nominal value. Careful selection of cost or nominal value will be important as consistency in methodology will be required for all collections.
- That when disposed of, the difference between the carrying value and proceeds will be accounted for as either a restricted contribution or unrestricted contribution depending on the facts and circumstances.

Enhanced note disclosure requirements



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FINANCIAL REPORT TO THE BOARD OF GOVERNORS

2018 — 2019



Carleton
UNIVERSITY

Canada's Capital University

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**THE HIGHLIGHT OF THE
YEAR WAS THE SUCCESSFUL
COMPLETION OF THE
UNIVERSITY'S \$300.0 MILLION
CAMPAIGN, WITH A FINAL
CLOSING OF \$308.1 MILLION**

Management Discussion and Analysis

Highlights of the year

Since its founding in 1942 as a community-based university located at the juncture of the historic Rideau Canal and Rideau River, Carleton has grown to annually serve more than 30,600 students, supported by over 2,200 faculty and staff. The university offers a wide range of interdisciplinary academic programs and courses in six faculties: Arts and Social Sciences, Engineering and Design, Public Affairs, Science, Business and Graduate and Postdoctoral Affairs. Continuing investments in academic programs, research, and facilities have helped Carleton achieve cumulative enrolment growth of 29% in the past 10 years.

The 2018-2019 fiscal year was a period of significant leadership renewal for Carleton, with the arrival of our new President and Vice-Chancellor, Benoit-Antoine Bacon, and our distinguished Chancellor, Yaprak Baltacioğlu. This renewal has also seen the appointment of a new Provost and Vice-President Academic and several new Deans in the faculties of Arts and Social Science, Engineering and Design, Business, and Postdoctoral Affairs. The Carleton executive team, under the direction of the President, has begun to work on a comprehensive strategic planning process that will set the tone for the university's direction for years to come. The new Strategic Plan will build on the success of Carleton's previous Strategic Integrated Plan (SIP) – 2013-2018, which has raised the bar on the university's academic strength and research intensity, while improving financial and environmental sustainability. Carleton new Strategic Plan is expected to be available in spring 2020.

Despite some enrolment challenges experienced in 2018-2019, Carleton was able to maintain strong financial results for the year, with excess revenue over expenses increasing by 14.9% and net assets by 11.4%. Going forward, the university's financial strength will be critical to address the financial pressures from changes to the tuition fee framework and provincial grants.

The highlight of the year was the successful completion of the university's \$300.0 million campaign, with a final closing of \$308.1 million as at April 17, 2019. As a result, over 400 new scholarships were established to help Carleton students. Another key milestone reached in 2018-2019, involved receiving a record \$85.6 million for sponsored research that will advance Carleton's

research intensity in the areas of the humanities, science, and engineering.

Work on renewing the campus infrastructure continued throughout the year with \$14.2 million spent on building modernization, and \$104.3 million committed to future projects such as the Nicol Building for the Sprott Business School, and the new Engineering Design Centre. Carleton also acquired a 900-seat concert hall through an innovative arrangement that will benefit both the university and the community. Known as the Carleton Dominion-Chalmers Centre, the facility located in downtown Ottawa will become an academic and artistic hub to students and various community organizations. The Ottawa Symphony Orchestra was one of the first organizations to take advantage of this arrangement by making the Centre their main base of operation.

The university continues to invest in energy reduction and sustainability initiatives, and has been ranked 2nd in Canada and 33rd internationally by the UI Green Metric. Since 2005, to date, Carleton has reduced its overall greenhouse gas emissions intensity by 35%, with an interim target to reduce emissions by 50% before 2030, and to become carbon neutral by 2050.

During the year, Carleton established the Canadian Accessibility Network (CAN) to lead a national partnership in advancing accessibility for persons with disabilities through research, education and training, employment, and community engagement. This network will serve to mobilize the many potential partners dedicated to issues of accessibility across Canada and will build on the momentum of the Accessible Canada Act. During the year, Carleton also convened the Indigenous Strategic Initiatives Committee to revitalize the university's Indigenous strategy and re-energize relationships with Indigenous communities in the region and across the country. The committee is comprised of First Nations, Métis and Inuit members from local communities, as well as Carleton faculty, professional services staff and students.

CARLETON PRIORITIES: IMPROVING GRADUATION AND RETENTION RATES, SKILLS DEVELOPMENT TOWARDS HIGHER EMPLOYABILITY, STUDENT'S ACCESSIBILITY, AND RESEARCH FUNDING

Operating Environment

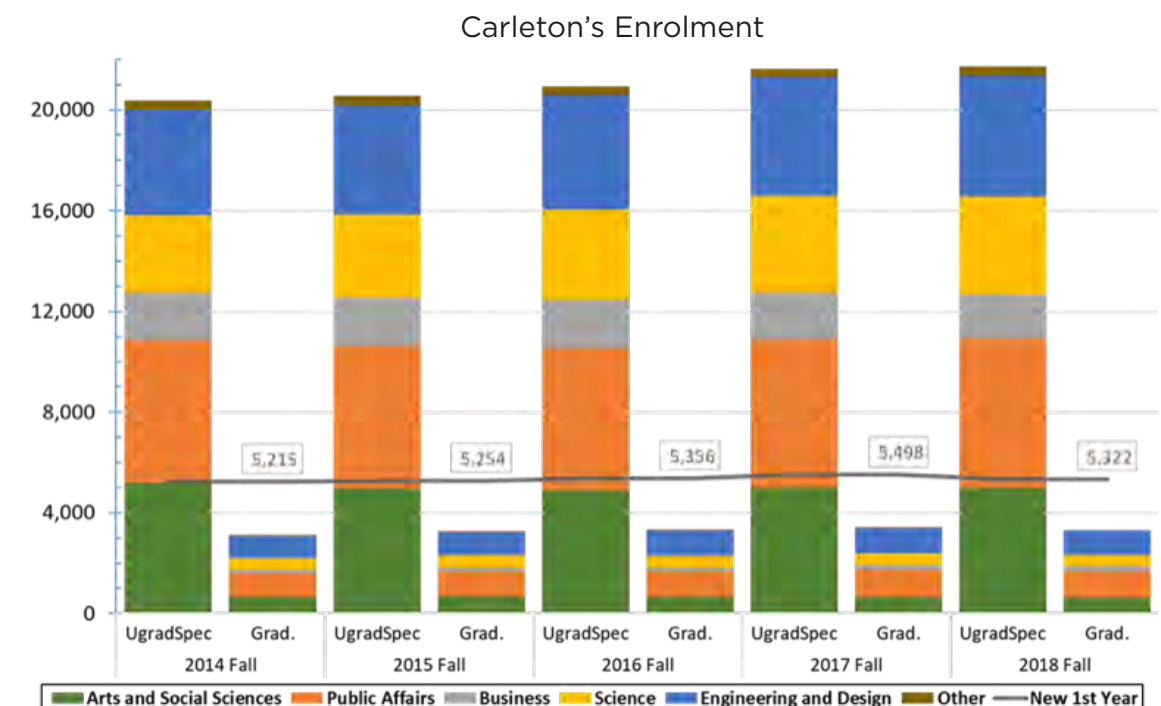
Carleton's 2018-2019 enrolment growth was temporarily impacted by the labour disruption experienced in the spring of 2018. First-year new students came in at 5,322 versus 5,498 the previous year, a reduction of 3.2%. However, we still managed to increase total full-time/part-time enrolment by 1.2% year-over-year.

In 2018-2019, government grants were administered through the 2017-2020 Strategic Mandate Agreement, using a corridor funding model, which capped grants at the 2016-2017 level for undergraduate students and at the 2019-2020 level for graduate students. On April 11, 2019, the Ministry of Training, Colleges and Universities (MTCU) announced a new performance-based funding framework for the next Strategic Mandate Agreement (2020-2025). This framework will tie the majority of funding to specific outcomes, starting at 25% of operating grants in the first year and ramping up to 60% in year 5. The related performance metrics will be set to reflect the priorities of the government in areas of skills development, job outcomes, and economic/community impacts. Most of the goals and priorities, identified by the government for the post-secondary sector, already occupy an important part of Carleton's priorities, with emphasis on improving graduation and retention rates, skills development towards higher employability, student's accessibility, and research funding.

In January 2019, the MTCU also announced a new Tuition Fee Framework and Ancillary Fee Guidelines for 2019-2020 and 2020-2021, which calls for a tuition fee decrease of 10% for full-time and part-time domestic students in 2019-2020, and a tuition freeze in 2020-2021. The financial impact of the lower tuition revenue for Carleton will be approximately \$20 million in 2019-2020. Changes to the Ancillary Fees Guideline further introduced a compulsory/non-compulsory categorization that will make non-compulsory fees, such as clubs and societies, optional to students.

In December 2017, the government implemented new regulations concerning the funding of pensions in Ontario. The changes affect going-concern and solvency funding along with various administrative matters. For Carleton, the new regulations will come into effect during the next pension valuation date of July 1, 2019. We expect that the university's current pension reserve will be sufficient to cover expected additional liabilities arising from the new Provision for Adverse Deviation (PfAD).

Other changes from recent government legislation that will have an impact on the operations of the university include the cancellation of the provincial Cap and Trade regulations and funding, the repeal of many provisions within the Fair Workplaces, Better Jobs Act (Bill 148), and the Centralized Procurement Initiative. More recently, the Ontario government introduced legislation to cap broader public sector wage increases to an average of one per cent annually for a three year period. This proposed legislation is expected to become law in fall 2019.



Using this Financial Report

The annual Financial Report needs to be read in conjunction with the associated Audited Financial Statements.

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

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

Appropriations represent commitments that are internally recognized as charges against the current operating results in the Financial Report, whereas they are excluded from the Consolidated Statement of Operations (income

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

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

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

Section 2.5 of the Financial Report provides further details on the differences between the audited Consolidated Statement of Operations and the Financial Report. In addition, Schedule 1 of the Financial Report provides specific financial analysis of operating income and expenses as compared to the 2018-2019 operating budget approved by the Board of Governors. Audited Consolidated Financial Statements

Audited Consolidated Financial Statements

The audited financial statements combine all activities of the university (general operating, ancillary, research, capital, trust) into one statement, and should be read in conjunction with the Financial Report, which highlights key operating income and expenses as compared to the approved 2018-2019 Operating Budget.

As shown in the Consolidated Financial Statements, the university generated an excess of revenue over expenses of \$102.7 million in 2018-2019. This surplus reflects timing differences in the recognition of operating expenses as described previously.

The university's consolidated revenue of \$703.0 million increased \$47.2 million (7.2%) over the previous year, while consolidated expenses

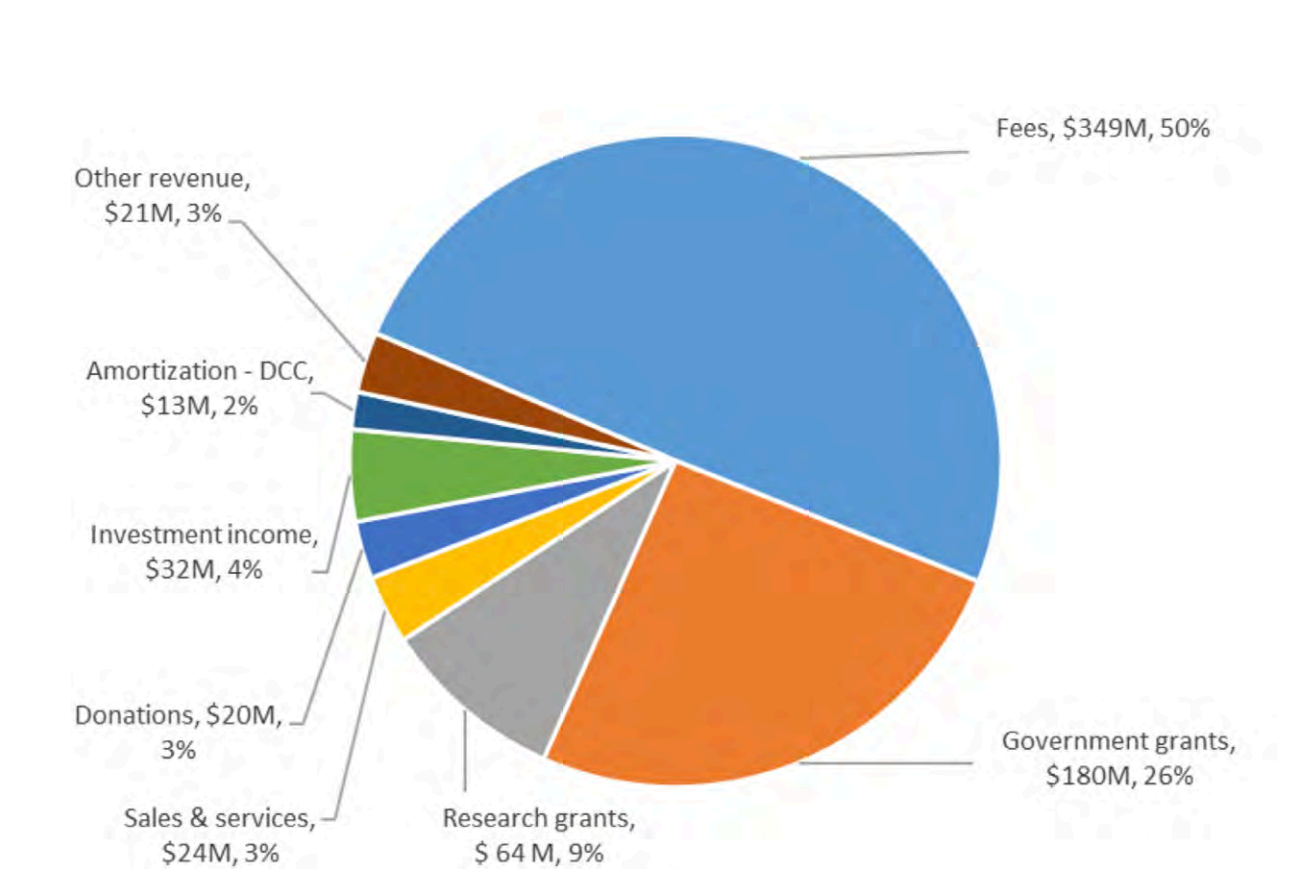
increased \$33.8 million to \$600.3 million (6.0%). Key contributors to the higher revenue included enrolment growth of 1.2% and average tuition fee increases of 3%, along with increased investment income.

Research grants and contracts recognized in the financial statements totalled \$63.2 million, increasing \$4.7 million (8.1%) over the previous year, while deferred research revenues climbed \$7.0 million to \$38.5 million, reflecting the success of Carleton's efforts to expand research activities.

Salaries and benefits, at \$375.3 million, form the largest part of the university's consolidated expenditures, accounting for 62% of total expenses. This represents an increase of \$22.8 million (6.5%) over 2017-2018.

The following charts illustrate the sources of consolidated revenue and expenditures for 2018-2019.

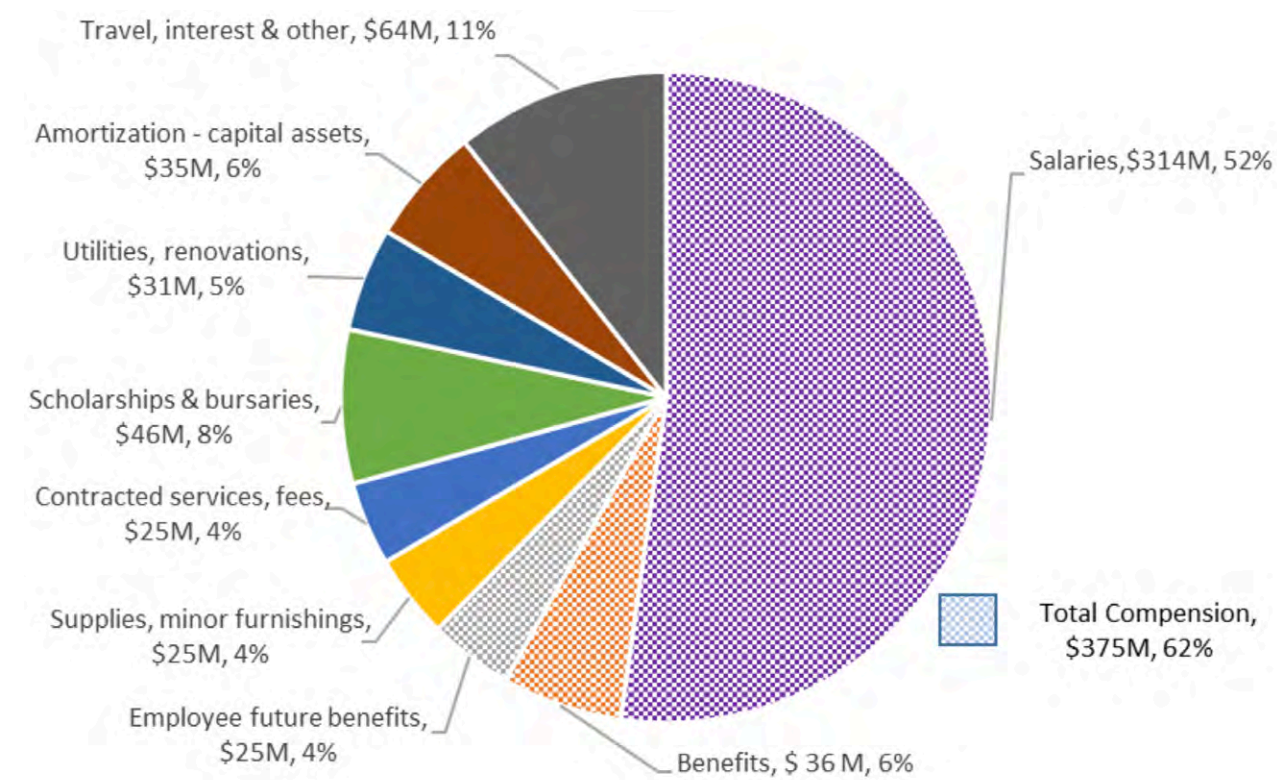
2018-2019 Consolidated Revenue : \$703 million



		2018-2019	2017-2018
Excess of revenue over expense (per audited statements)	\$	102.7 M	89.4 M
Net change in investment in capital assets	\$	(31.5 M)	(61.6 M)
Increase in internal appropriations	\$	(59.4 M)	(4.4 M)
Internal contributions to endowment	\$	(3.8 M)	(20.4 M)
Other items*	\$	(8.0 M)	(3.1 M)
Excess of revenue over expense per Financial Report	\$	nil	nil

*Other items include the difference in calculated employee future benefit expenses versus the net cash payment for those benefits.

2018-2019 Consolidated Expenses: \$601 million



The strong financial results for the year saw the university's net assets increase by \$112.9 million to \$1,103.0 million, or 11.4% more than the previous year. This increase reflects the \$102.7 million excess of revenues over expenses and the \$22.2 million in net endowment contributions and earnings, offset by the \$12.0 negative adjustment for employee future benefits.

Additional investments in capital assets of \$74.8 million included major projects such as the Health Sciences Building, the Institute for Advanced Research and Innovation in Smart Environments (ARISE), the Nicol building, the Co-generation plant, and a multi-year building modernization program (deferred maintenance).

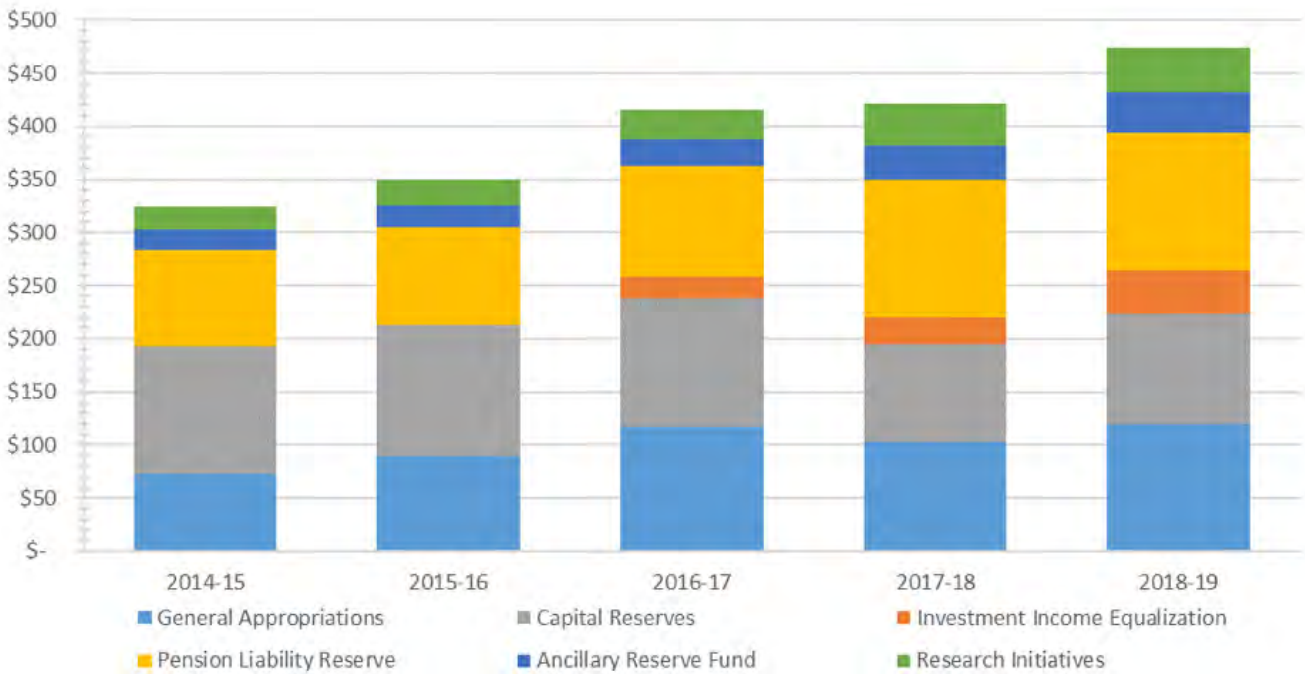
Endowed net assets reached \$295.4 million on April 30, 2019, after income distributions of \$10.7 million. The majority of endowment distributions

were to support student initiatives including scholarships and bursaries.

Donation revenue recognized during the year amounted to \$20.1 million, an increase of 55.3% from the previous year. In addition, donor contributions to endowment funds amounted to \$11.0 million. Contributions from donors form a vital part of the university's annual operations and help finance student activities and financial aid.

Internal reserves are shown in the Consolidated Statement of Financial Position as internally restricted assets. The chart below shows the change in these reserves over the last five years, with the largest increase being associated with pension liabilities related to the government pension regulations.

Internally Restricted Assets



More details on the balances within the Consolidated Statement of Financial Position can be found in section 3 of the Financial Report.

The ministry and the university recognize that financial sustainability is critical to ensure a healthy post-secondary education system. To

that end, certain system-wide financial metrics have been developed and are being tracked as part of the SMA framework. These financial metrics, shown below, demonstrate that Carleton is in good financial health, and well positioned to address strategic opportunities and funding challenges.

System-Wide Financial Metrics*

	2016-2017	2017-2018	2017-2018 (Sector Average)
Net Income/Loss Ratio (Profitability Indicator)	16.0%	13.6%	5.4%
Primary Reserve Ratio (days) (Ability to operate using unrestricted reserves)	309	293	115
Viability Ratio (Ability to cover long-term debt using unrestricted assets)	6.3	6.7	2.8
Interest Rate Burden Ratio (Proportion of total expenses to cover Interest payments)	0.8%	0.8%	2.2%

* Source: Council of Ontario Financial Officers (COFO), April 2019

Capital Investments and Facility Renewal

Since 2008, Carleton’s enrolment has grown from 24,211 students to more than 30,600 (fall 2018 count). In order to accommodate that growth, the university has invested over \$440 million in major capital projects, with more recent projects including the Health Sciences Building (\$52 million) and the Advanced Research and Innovations in Smart Environments (ARISE) Building (\$29.5 million). Work is also under way on the Nicol Business Building (\$65 million), which will provide much needed classroom and workshop space.

In addition to investing in new facilities, the university has been addressing a backlog of deferred maintenance projects to maintain existing buildings in acceptable condition. Carleton’s 2017-2018 building condition assessment indicated that over 60% of the buildings on campus were considered in poor condition. In order to address the backlog of deferred maintenance projects, the Board approved funding of \$140 million over a 10-year period in 2016. To date, \$48 million has been spent on building modernization projects, including \$14.2 million in 2018-2019.

During the year, the university developed a comprehensive Transportation Plan to address growing congestion on campus roads and increasing demand for pedestrian and cyclist facilities. In the spring of 2020, the university will have to deal with the shutdown of the O-Train Line 2 for between 18 and 24 months, which will add to the congestion and parking challenges on campus. The Transportation Plan includes various measures including construction of additional campus access points, such as the new Stadium

Way off Bronson Avenue. An amount of \$10 million has been earmarked to implement the various transportation initiatives in the coming years.

Conclusion

In 2018-2019, the university was able to meet its financial targets despite experiencing lower than expected first year enrolment. Carleton’s continued financial strength will be key in addressing current and future capital commitments, pension liability, changes to tuition and grant funding, and other unforeseen contingencies.

The regulatory landscape for post-secondary institutions in Ontario is undergoing significant changes, which will present new operational and financial challenges. Most significant will be the move of grant funding in 2020-2021 to performance based outcomes. A significant portion of the government funding grant will become “at risk” under SMA3 – starting at 25% and moving to 60% after the fifth year. Although institutions will be comparing results against their historical performance, there are still many unknowns concerning targets and tolerance levels, which will be determined by the MTCU in the coming months.

The changing Ontario post-secondary regulatory framework will be an important backdrop to Carleton’s strategic planning process now underway. It is helpful that many of the desired such as student graduation and employability, are common themes for the university and the government. Overall, the university remains well positioned to take advantage of opportunities and address incoming challenges.

Michel Piché, CPA, MPA, CIA, C.Dir
Vice-President (Finance and Administration)

September 2019

Tim Sullivan, BA, CPA, CGA
Assistant Vice-President (Financial Services)

September 2019



**THE UNIVERSITY REMAINS
WELL POSITIONED TO TAKE
ADVANTAGE OF OPPORTUNITIES
AND ADDRESS INCOMING
CHALLENGES**



CONSOLIDATED FINANCIAL REVIEW

Consolidated Financial Review

1.1 General Operating Fund

The net 2018-2019 results for the Operating Fund (see section 2.2.3), showed a surplus of \$27.2 million before additional appropriations. This compares to the January 2019 projection of a \$7.9 million surplus and a break-even budget. The additional appropriations related primarily to increases in capital reserves of \$11.2 million and transfer to the Investment Income Equalization Fund of \$15.3 million.

Comparison of actual results to the opening budget is presented in Schedule 1, and actual results to projections is presented in Schedule 1A.

The breakeven result after appropriations for 2018-2019 leaves the accumulated surplus unchanged at \$0.5M as of April 30, 2019. A summary of key budget variances is provided below (see section 2.1), and excludes items where specific income was offset by related expenses.

Income: \$20.5 million above budget; \$16.2 million after \$4.3 million in specific expense offsets

Total operating income exceeded budget by \$20.5 million. Of that amount, \$4.3 million was required to be directed to specific expenditures such as student aid, access for the disabled, and Indigenous education and training. The remaining \$16.2 million favourable variance came from: grant income of \$0.7 million, investment income of \$15.3 million, and other miscellaneous income of \$2.7 million. These favourable variances were offset by lower tuition income of \$2.5 million.

Section 2.2.3 provides further details on the income budget variances.

Expenses and Appropriations: \$20.5 million above budget; \$16.2 million after \$4.3 million in additional income driven expenditures

Allocations less than contingency funds	\$ (6.4) million
Expenses less than budget	\$ (4.6) million
New appropriations	\$ 27.2 million

New appropriations (related to higher revenues), are included as charges against the current year's operations and therefore reduce the operating results.

1.2 Ancillary Operations

Although the results of the individual services can vary considerably, each is expected to break even over time, and maintain sufficient accumulated surpluses to address future capital expenditures and expansion.

In 2018-2019, total ancillary revenue amounted to \$69.8 million, with total expenditures of \$65.1 million, resulting in a combined surplus of \$4.7 million. This compared to a budgeted surplus of \$4.9 million. The accumulated surplus for all ancillary operations was \$38.9 million as at April 30, 2019, and will be required to fund future deferred maintenance and capital projects.

Additional information for ancillary operations is provided in section 2.3 and a summary of financial results is presented on Schedule 2 at the end of this report.

1.3 Statement of Financial Position (balance sheet)

Cash and cash equivalents and marketable securities increased by \$47.3 million in 2018-2019, which is due to the increase in internally restricted net assets of \$59.4 million, offset by the decrease in deferred revenue and accounts payable of \$11.8 million.

The increase of \$59.4 million in internally restricted assets, or appropriations, include funds for future capital investments (\$12.3 million), renovation projects (\$6.7 million), and research initiatives (\$2.9 million). Also contributing to the increase is the addition of \$32.3 million in general appropriations, which includes \$15.3 million to the Investment Income Equalization reserve to mitigate against equity investment fluctuations.

Significant investments in capital assets were made during the year, with additions totalling \$74.8 million dollars. The majority of these investments related to building and building improvements, including the Strategic Investment Funded (SIF) ARISE building and energy projects, as well as the Nicol Business building, the Health Science building and the Co-generation plant.

2. CONSOLIDATED STATEMENT OF OPERATIONS

The Consolidated Statement of Operations presented in the audited financial statements records income and expenses in accordance with Canadian accounting standards for not-for-profit organizations, as defined by the Chartered Professional Accountants (CPA) of Canada. 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 restated for management purposes in Schedule 1 on this report. This restatement provides a comparison of actual results to the 2018-2019 operating budget, as approved by the Board of Governors in the spring of 2018. A reconciliation of management statements to audited financial statements is provided in section 2.5.

Sections 2.1 and 2.2 below offer an analysis of Schedule 1 operating income and expense items as compared to the approved 2018-2019 operating budget. A similar review is provided in sections 2.3 and 2.4 for ancillary services, plant, and research activities.

2.1 Operating Income

Operating income totalled \$529,254,000 in 2018-2019. This compares to an original budget of \$508,712,000 and a total for the previous year of \$506,449,000. Total operating income was therefore \$20,542,000 (4.0%) above budget, and \$22,805,000 (4.5%) above the previous year. Each category of income is reviewed below and a summary is provided in Schedule 1 at the back of this report.

	2018-2019 Actual \$000	2018-2019 Budget \$000	Variance \$000
Revenues	529,254	508,712	20,542
Items offset by expenditures (section 2.2.1)	4,293	-	4,293
Net Revenues	524,961	508,712	16,249

2.1.1 Government Operating Grants

Government operating grants of \$76,822,000 were \$4,216,000 (2.4%) better than the budget, but \$5,770,000 (3.2%) less than the previous year. A comparison to the budget is provided below:

	2018-2019 Actual \$000	2018-2019 Budget \$000	Increase (Decrease) \$000
<u>Items Affecting the Operating Result</u>			
Core Operating Grant	153,816	153,816	-
International Student Recovery	(2,779)	(2,735)	(44)
Accessibility/Performance Funding	14,071	13,565	506
Research Overheads	5,269	5,146	123
Other government grants	344	260	84
Subtotal	170,721	170,052	669
<u>Items offset by expenses</u>			
Student Aid Funds	2,615	-	2,615
Municipal Tax Funding	1,649	1,609	40
Access for the Disabled	1,173	945	228
Indigenous Education and Training	358	-	358
Other Government Grants	306	-	306
Subtotal	6,101	2,554	3,547
Total Government Grants	176,822	172,606	4,216

Omitting special purpose grants, the operating revenue from the Ministry of Training, Colleges and Universities was \$669,000 above budget. The increase relates mostly to additional performance and enrolment operating funds.

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 \$304,492,000 in 2018-2019. This represents an increase of \$18,062,000 (6.3%) over the previous year, but \$2,508,000 (0.8%) less than budget. Details of the increase over the previous year are as follows:

	Tuition Income (\$000)		Increase/Decrease	
	2018-2019	2017-2018	\$000	%
Undergraduate - Domestic	179,401	170,183	9,218	5.4%
Undergraduate - International	88,507	80,552	7,955	9.9%
	267,908	250,735	17,173	6.8%
Graduate - Domestic	23,104	22,455	649	2.9%
Graduate - International	13,480	13,240	240	1.8%
	36,584	35,695	889	2.5%
Total	304,492	286,430	18,062	6.3%

Tuition fees vary based on the discipline of study, as well as the residency status of the student. The 1.2% increase in enrolment from the previous year is detailed below:

	<i>Enrolment (F.T.E.)</i>		<i>Increase/Decrease</i>	
	<i>2018-2019</i>	<i>2017-2018</i>	<i>#</i>	<i>%</i>
Undergraduate - Domestic	20,972	20,771	201	1.0%
Undergraduate - International	3,147	3,023	124	4.1%
	24,119	23,794	325	1.4%
Graduate - Domestic	3,600	3,585	15	0.4%
Graduate - International	808	820	(12)	-1.5%
	4,408	4,405	3	0.1%
Total	28,527	28,199	328	1.2%

The additional tuition revenue coming from higher enrolment in 2018-2019 amounted to \$7,870,000, with the balance of \$10,192,000 due to tuition fee increases. As explained in section 2.2.1 below, a portion of the change in tuition revenue that is attributable to enrolment variation is shared with the faculties via the Enrolment-Linked Budget Allocation (ELBA).

2.1.3 Miscellaneous Income

Miscellaneous income totalled \$13,593,000 in 2018-2019, which was \$2,852,000 over budget and \$1,700,000 more 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>2018-2019</i>	<i>2018-2019</i>	<i>Increase</i>
	<i>Actual</i>	<i>Budget</i>	<i>(Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Items affecting the operating result</u>			
Application and admission fees	2,945	2,335	610
Deferred payment and processing fees	2,597	2,438	159
Omnibus fee	1,131	1,085	46
Overhead charges	3,848	3,112	736
Facility rentals	801	776	25
Claim Settlement	678	-	678
Career Placement Services	285	275	10
Commission income	285	175	110
Library and other fines	20	50	(30)
Other miscellaneous	900	495	405
Subtotal	13,490	10,741	2,749
<u>Items offset by additional expenditures</u>			
Insurance proceeds	49	-	49
UPass production costs	54	-	54
Subtotal	103	-	103
Total Miscellaneous Income	13,593	10,741	2,852

2.1.4 Investment Income

Investment income totalled \$23,589,000 in 2018-2019, and was favourable to budget by \$15,339,000, and \$10,979,000 higher than the previous year. Investment returns related to equity investments represented \$11,000,000 of the total returns and consisted of \$7,600,000 in realized gains and \$3,400,000 in unrealized gains. Unrealized gain or loss at the end of the fiscal year are included in the consolidated statement of operations.

In 2015-2016, the Investment Committee decided to invest \$100,000,000 of the university’s available cash in equity funds, thus accounting for the favourable returns of the past years. However, to mitigate the risks associated with equity type investments, the Investment Committee also approved in 2017-2018 the creation of an Investment Income Equalization Fund to offset fluctuating market returns. Investment returns in excess or below budgeted investment income are appropriated to/from this fund. At April 30, 2019, the fund had a balance of \$40,693,000.

2.1.5 Departmental Income

Departmental income relates to sales and rentals that are under the jurisdiction of the university’s 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.

The following items are included in departmental income:

	<i>2018-2019</i>	<i>2018-2019</i>	<i>Increase</i>
	<i>Actual</i>	<i>Budget</i>	<i>(Decrease)</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Items offset by additional expenditures</u>			
Co-op and Career Services	2,415	2,413	2
Teaching and Learning Services	1,495	1,480	15
Information Technology Services (ITS)	306	272	34
Centre for Initiatives in Education	1,049	1,030	19
Salary recoveries	582	579	3
Science and Technology Centre	40	40	-
Student Experience Office	667	655	12
Accessibility Services	139	83	56
Alumni and external contributions	2,696	2,591	105
General sales	457	340	117
Other	912	632	280
Total Department Income	10,758	10,115	643



2.2 Operating Expenditures, Transfers, and Appropriations

Operating fund expenditures and transfers, before appropriations, totalled \$479,074,000 in 2018-2019, and were \$29,638,000 (5.8%) lower than budget, and \$43,946,000 (8.4%) lower than the previous year. Including the additional appropriations of \$50,180,000, charges against the operating results were \$20,542,000 more than the budget.

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

2.2.1 Operating Expenditures and Transfers

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

	\$000
Actual operating expenditures and transfers	479,074
Opening budget	508,712
Expenditures below budget	(29,638)

The items making up the \$29,638,000 decrease in expenditures and transfers were:

	\$000	\$000
a) Salary Increases		
2018-2019 cost	17,291	
Less: Contingency in opening budget	20,241	
Additional cost/(savings)		(2,950)
b) Mid-Year Allocations		
Total allocations	3,136	
Less: Opening contingency	2,636	
Additional cost/(savings)		500
c) Enrolment Incentive		
2018-2019 cost	16,325	
Less: Opening contingency	20,252	
Additional cost/(savings)		(3,927)
d) Other Contingencies		
2018-2019 cost	33,180	
Less: Opening contingency	33,133	
Net		47
Total additional contingency costs/(savings)		(6,330)

	\$000	\$000
Overspent (unspent) balances not appropriated:		
e) Utilities	(4,051)	
f) Benefits	(1,120)	
g) Other minor balances	550	
Subtotal		(4,621)
Expenditures funded by additional income:		
Government grant (section 2.1.1)	3,547	
Tuition income (section 2.1.2)	-	
Miscellaneous fees & income (section 2.1.3)	103	
Departmental income (section 2.1.5)	643	
		4,293
Expenditures funded by returned appropriations	130,212	
Total appropriations in 2018-2019	180,392	
Net appropriations (section 2.2.2)	(50,180)	
Add: New appropriations (section 2.2.2)	27,200	
		(22,980)
Total expenditures and transfers below budget		(29,638)

Notes:

- a) Salary Increases: The cost of salary and benefit increases for 2018-2019 was \$2,950,000 less than budget.
- b) Mid-Year Allocations: Allocations from the mid-year contingency fund totalled \$3,136,000 in 2018 2019 as compared to a budget of \$2,636,000. The allocations includes:

Allocations from the Mid-Year Contingency Fund:

	\$000
International PhD Fee Bursary	1,000
Animal care facility	600
Undergraduate and international recruitment	900
Advancement relocation	234
Reputational survey	100
Campus transportation study	100
Other	202
Total allocations	3,136
Opening contingency	(2,636)
Additional costs	500

The Mid-Year Contingency Fund is managed by the Provost’s Budget Working Group, chaired by the Provost.

- 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. As enrolment was less than planned in 2018-2019, \$3,927,000 of the total \$20,252,000 set aside for this purpose was not required.

d) Other Contingencies: The allocations of \$33,180,000 for 2018-2019 include the following:

	<u>\$000</u>
Pension deficit	10,000
Capital projects	22,375
Pending positions and allocations	805
Total	<u>33,180</u>

e) Utilities: Savings continue to be achieved as the budget remains conservatively set, pending the full implementation of the Co-generation plant. As the university provides residences for its students, it has also benefited from a temporary residential hydro rebate.

f) Staff benefits: The staff benefit budget was underspent by \$1,120,000 (2%). Half of this amount relates to larger than anticipated benefit recoveries from external funding, such as endowed chairs and WSIB rebates, with the balance being due to the conservative estimates being used.

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 2018-2019	180,392
Returned from 2017-2018 fund balance	130,212
Increase in appropriated fund balance	<u>50,180</u>

Details of the returned and new appropriations are as follows:

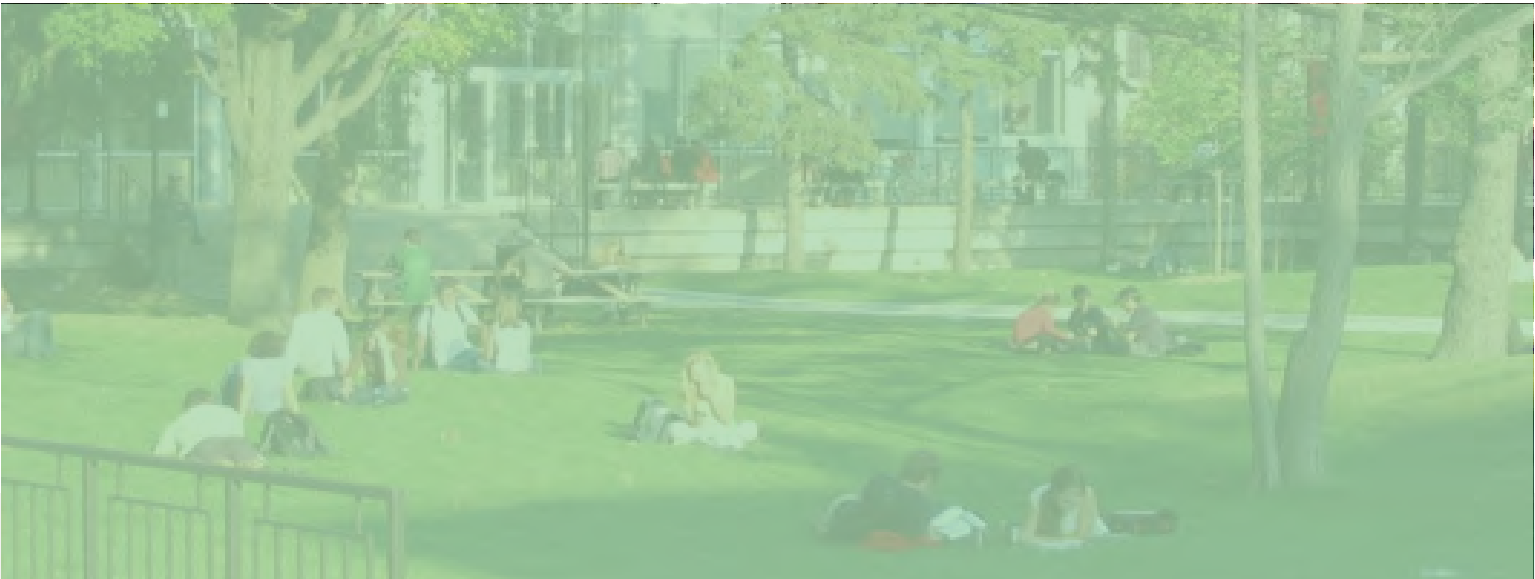
	<u>Returned</u>	<u>Appropriated</u>	<u>Difference</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
<u>RPC</u>			
Faculties	63,724	76,972	13,248
Academic Administration	952	1,337	385
Students and Enrolment	2,545	3,560	1,015
Library	1,236	1,409	173
President	2,172	1,369	(803)
Research and International	2,935	4,546	1,611
Finance and Administration	7,048	8,526	1,478
Computing infrastructure	1,366	2,655	1,289
Renovations	14,210	19,620	5,410
Advancement	16,333	15,596	(737)
Student Support	1,482	3,498	2,016
Pending commitments	273	229	(44)
Self-insurance fund	95	-	(95)
Capital reserves	12,700	13,875	1,175
Endowed student aid matching funds	3,141	-	(3,141)
Subtotal	130,212	153,192	22,980
New allocations	-	27,200	27,200
Total	130,212	180,392	50,180

New allocations represent appropriations of unspent funds over and above those included in the original budget. For 2018-2019, new allocations total \$27,200,000 as detailed below:

	<u>\$000</u>
Capital reserves	11,161
Campus safety remediation	700
Investment income equalization fund (see section 2.1.4)	15,339
	<u>27,200</u>

In addition, \$238,991,000 in prior year appropriated funds were not returned during 2018-2019, as the planned expenditures will occur in future fiscal years.

	<u>\$000</u>
Pension liability reserve	128,941
Capital reserves	79,280
Investment income equalization fund	25,354
Strategic Initiatives fund	3,158
Endowed chair matching funds	1,800
Future program commitment	233
Self-insurance fund	225
Total appropriations not returned	<u>238,991</u>



The \$238,991,000 consists of:
Current commitments against the capital reserve include \$39 million for the Nicol business building, \$7 million for the Health Sciences building, \$2 million for the Co-generation plant, and \$10 million for the campus transportation strategy.

The status of the pension plan remains a financial liability for the university. The Province has introduced new pension plan funding rules, which will required that a “Provision for Adverse Deviations” (PfAD) be fully funded. The July 1, 2019 pension plan valuation is expected to result in a PfAD calculation in the \$130 million range, for which the university currently has \$129 million reserved.

2.2.3 Operating Results

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 as part of the mid-year forecast.

Changes in Accumulated Surplus vs Projection			
	<i>Actual</i>	<i>Projected</i>	
	<i>Incr/Decr</i>	<i>Incr/Decr</i>	<i>Variance</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<u>Income Variations</u>			
Government grants (section 2.1.1)	669	(254)	923
Tuition fees (section 2.1.2)	(2,508)	(2,700)	192
Miscellaneous income (section 2.1.3)	2,749	666	2,083
Investment income (section 2.1.4)	15,339	-	15,339
Departmental income (section 2.1.5)	-	-	-
Total income variations	16,249	(2,288)	18,537
<u>Expenditure Variations</u>			
Expenditures less than contingencies (sec 2.2.1)	6,330	7,006	(676)
Expenditures less than allocations (sec 2.2.1)	4,621	3,182	1,439
Total expenditure variations	10,951	10,188	763
Change in results	27,200	7,900	19,300
New appropriations (section 2.2.2)	(27,200)	(7,900)	(19,300)
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, 2019.

	<i>2018-19</i>	<i>2018-19</i>	<i>2017-18</i>
	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Revenue and internal recoveries	69,769	70,312	69,633
Expenses and transfers	45,910	45,468	40,382
Surplus from operating activity	23,859	24,844	29,251
Major renovations and capital debt	19,147	19,952	21,502
Surplus for the year	4,712	4,892	7,749

2.3 Ancillary Operations - Operating Result and Fund Balance

Schedule 2 of this report, details the 2018-2019 operations of the ancillaries as compared to the approved budget. Overall the ancillary results can be summarized as follows:

- Ancillary operations ended the year with a combined actual surplus of \$4.7 million compared to a budgeted surplus of \$4.9 million. Each ancillary finished the year with an operating surplus, with the exception of Ancillary Property Rentals and Health and Counselling Services.
- The Ancillary Property Rentals incurred additional costs of \$3.2 million for renovations, resulting in a draw on accumulated reserves of \$2.4 million, while Health and Counselling Services incurred a planned deficit of \$0.3 million to cover upgrades to the clinic’s space and equipment.

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</i>	<i>Balance at</i>	
	<i>April 2019</i>	<i>April 2018</i>	<i>Variance</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Accumulated Surplus - Unrestricted	744	1,695	(951)
Accumulated Surplus - Internally Restricted	38,180	32,517	5,663
	38,924	34,212	4,712

Ancillaries are expected to break even over time after covering both direct and indirect expenses.

2.4 Other Income and Expenditures

As explained in section 2 above, the 2018-2019 audited financial statements include all the activities of the university which used to be segregated into separate funds. The following sections highlights the more significant non-operating activities from the Consolidated Statement of Operations.

2.4.1 Capital Investments, Plant Income and Expenses

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

Since 2008, in order to accommodate enrolment growth, the university has invested over \$440 million in major capital projects, including several new buildings. In addition to investing in new facilities, the university has had to address a considerable backlog of deferred maintenance projects to maintain existing buildings in acceptable condition. To date, \$48 million has been spent on building modernization projects. Of the \$14.2 million spent in 2018-2019, over \$7 million related to projects to improve the indoor environment and energy conservation, resulting in considerable savings in utility costs and carbon emission reductions.

The Plant income and expenses included here represent non-capital and renovation projects, which are specifically funded from external sources, as well as those non-capital expenditures being funded from operations (e.g. general, ancillary, research) over a period of time.

The following summarizes the Plant income and expenses for 2018-2019: The accumulated deficit of \$427,000 represents expenditures incurred in advance of funding for non-capital projects.

	2018-2019 Actual \$000	2017-2018 Actual \$000	Increase (Decrease) \$000
<u>Income and Transfers</u>			
Government grants, other income	2,560	495	2,065
Transfers to/from operating & ancillary	1,365	2,255	(890)
Net income	3,925	2,750	1,175
<u>Expenses</u>			
Additions	2,851	3,568	(717)
Surplus (deficit)	1,074	(818)	1,892
Opening fund balance	(1,501)	(683)	(818)
Closing fund balance	(427)	(1,501)	1,074

2.4.2 Research Funding and Expenditures

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

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

	Balance April 30, 2018 \$000	2018-2019 Funding \$000	2018-2019 Expenditure \$000	Balance April 30, 2019 \$000
<u>Canadian Government Departments and Agencies</u>				
Citizenship	-	5	1	4
National Defence	55	608	297	366
Natural Resources Canada	177	6,081	6,109	149
Environment and Climate Change Canada	(6)	398	404	(12)
HRDC	14	209	66	157
Indigenous and Northern Affairs	77	153	142	88
ISED	27	117	115	29
IDRC	-	1,095	31	1,064
Health Canada	66	162	163	65
NRC	108	241	157	192
Federal Econ. Dev. Agency	-	275	285	(10)
Other Federal	204	1,287	1,208	283
<u>Tri-Agency Sponsored Research</u>				
CIHR	1,374	1,863	1,741	1,496
NSERC	7,842	17,066	15,755	9,153
SSHRC	5,230	7,712	6,208	6,734
Canada Research Chairs	(183)	2,607	2,538	(114)
Research Support Fund	-	4,856	4,856	-
<u>Other Sponsored Research</u>				
COE	380	171	509	42
Provincial, Municipal Governments	925	4,065	3,586	1,404
CFI / Ontario Research Fund	7,099	7,991	7,327	7,763
Ontario ERAP	71	433	279	225
Businesses and Foundations	6,122	17,166	15,725	7,563
Foreign Governments	354	122	284	192
Research Partnership Agreements	1,515	2,663	2,513	1,665
SNO and TRIUMF	-	8,256	8,256	-
Total Sponsored Research	31,451	85,602	78,555	38,498



Funding Source – continued

	Balance	2018-2019	2018-2019	Balance
	April 30, 2018	Funding	Expenditure	April 30, 2019
	-			-
Internally Restricted Research	39,371	9,948	7,059	42,260
<u>Total Research</u>	<u>70,822</u>	<u>95,550</u>	<u>85,614</u>	<u>80,758</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

Sponsored research funding received during the year increased by \$13,738,000 (19%) from \$71,864,000 in 2017-2018 to \$85,602,000 in 2018-2019. Corresponding expenditures on these projects increased by \$14,612,000 from \$63,943,000 to \$78,555,000. The sponsored research fund balance increased by \$7,047,000 from \$31,451,000 to \$38,498,000 as at April 30, 2019. This balance is included in deferred revenue.

Funding of internally restricted research projects returned to a more normalized annual level of \$9,948,000 in 2018-2019, compared to \$20,149,000 in 2017-2018. Related expenditures were relatively consistent at \$7,059,000, compared to \$7,383,000 in the prior year. As a result, the internally funded research balance increased from \$39,971,000 to \$42,260,000.

2.5 Reconciliation of Operating Results

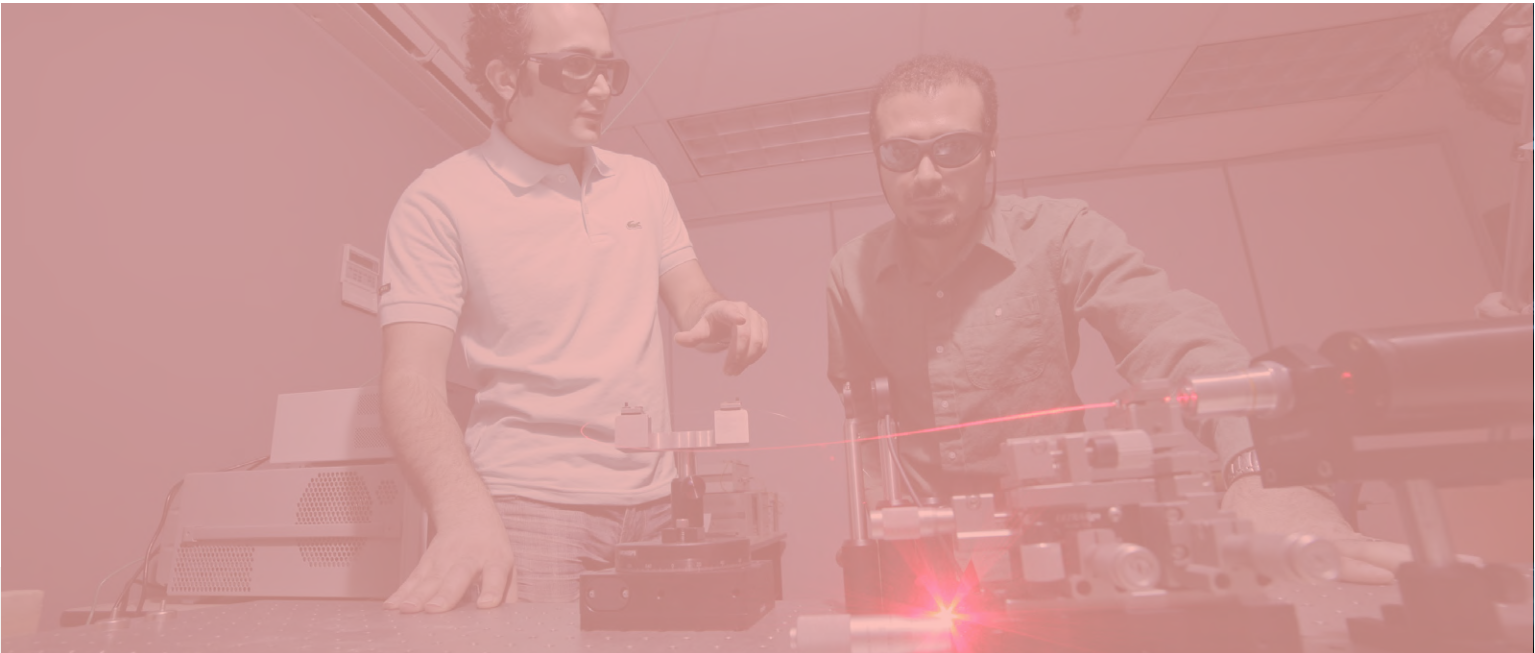
The accumulated balances for the operating, ancillary and plant funds described in the above sections match those shown on the Consolidated Statement of Changes in Net Assets. The operating results discussed above do not, however, match those shown on the Consolidated Statement of Operations. The following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

	\$000
Operating result per Consolidated Statement of Operations	102,742
Adjustments:	
a) Net change in investment in capital assets	(31,499)
b) Increase in operating appropriations (2.2.2)	(50,180)
c) Research surplus (internally restricted) increase (2.4.2)	(2,889)
d) Enterprise surplus (internally restricted) increase	(350)
e) Scholarship surplus (internally restricted) increase	(2)
f) Professional Development (internally restricted) increase	(310)
g) Increase in unrestricted endowment	(641)
h) Employee future benefit expense net of cash payment	(7,932)
i) Internal contributions to restricted endowments	(3,153)
j) Ancillary surplus (section 2.3)	(4,712)
k) Plant surplus (section 2.4.1)	(1,074)
Operating budget result	-

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 accounting standards, the receipts and costs must be amortized over the life of asset (i.e.10 to 40 years). The result of this is that expenditures incurred during the year for capital assets are removed from those shown in the statements of operations and a calculated amount for amortization expenditure is recognized. Similarly, any restricted funds received during the year for capital purchases are removed from revenues and brought into income over the life of the asset. During 2018-2019 the following entries were made:

	\$000
Current year capital assets expenditures removed from expenses	(74,787)
Addback donated artwork	18
Current year funding received for capital assets removed from revenues	17,615
Current year change in capital asset financing removed from expenses	4,132
	(53,022)
Addback calculated amounts:	
Amortization of capital asset expense	34,709
Amortization of capital asset funding	(13,186)
Difference	(31,499)



The \$31,499,000 difference represents the excess of net cash outlays (i.e. actual cash expenditures less the actual cash received) over the prescribed 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 accounting standards, 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 \$2,889,000 during 2018-2019. As these funds are earmarked for the continuation of the research activity being funded, this \$2,889,000 (\$42,260,000 - \$39,371,000) 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 increased by \$350,000 (\$4,734,000 - \$4,384,000) during 2018-2019. As these funds are earmarked for continuation of specific projects, 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 \$2,000 during 2018-2019. 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 become available for spending in the current year, it is not included in the operating fund results 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 2018-2019 the following entries were made:

		<u>\$000</u>
Employee future benefits, non-pension	13,167	
Employee future pension benefits	12,246	
Less: 2018-2019 contributions removed from expenditure	(33,345)	
Difference	(7,932)	

- 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 \$4,712,000 in 2018-2019.
- k) Plant surplus: As presented in section 2.4.1, the plant fund for non-capital and renovation projects resulted in a surplus of \$1,074,000 in 2018-2019.

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

The following notes highlight items from the Consolidated Statement of Financial Position of potential interest to the reader of the Financial Report.

3.1 Source and Application of University Resources

The source and application of university resources at April 30, 2019 were as follows:

	<u>2019</u> <u>Actual</u> <u>\$000</u>	<u>2018</u> <u>Actual</u> <u>\$000</u>	<u>Increase</u> <u>(Decrease)</u> <u>\$000</u>
<u>Sources</u>			
Short-term liabilities:			
Accounts payable	45,136	50,790	(5,654)
Deferred revenue	96,363	102,533	(6,170)
Accrued leave	13,012	11,939	1,073
Current portion of long-term debt	3,966	3,798	168
Long-term liabilities:			
Employee future benefits	110,647	106,539	4,108
Long-term debt	63,386	67,352	(3,966)
Net assets:			
General operating fund	498	498	-
Ancillary and plant funds	317	194	123
Endowment fund	295,410	269,386	26,024
Internally restricted funds	506,986	447,592	59,394
	<u>803,211</u>	<u>717,670</u>	<u>85,541</u>
Total – Sources	<u>1,135,721</u>	<u>1,060,621</u>	<u>75,100</u>
<u>Applications</u>			
Short-term assets:			
Cash, equivalents and marketable securities	599,800	552,539	47,261
Accounts receivable	32,315	32,969	(654)
Prepaid expenses	13,366	19,826	(6,460)
Current portion of net investment in lease	820	768	52
Long-term assets:			
Net investment in lease	7,552	8,372	(820)
Investments	297,232	269,751	27,481
Capital assets:	684,928	644,850	40,078
Less: Investment in capital assets	(410,454)	(378,937)	(31,517)
Deferred capital contributions	(200,485)	(196,056)	(4,429)
Net assets:			
Provision for employee future benefits	110,647	106,539	4,108
Total - Applications	<u>1,135,721</u>	<u>1,060,621</u>	<u>75,100</u>

3.2 Source of University Resources

3.2.1 Accounts Payable - \$45,136,000

The accounts payable as at April 30, 2019 comprised:

	2019 \$000	2018 \$000	Increase (Decrease) \$000
Due to suppliers	6,375	5,904	471
Construction accruals and holdbacks	14,283	12,905	1,378
Payroll taxes and pension	11,736	18,373	(6,637)
Amounts held on deposit	3,149	4,110	(961)
Other taxes payable	630	606	24
Other payables and accrued liabilities	8,963	8,892	71
Total	45,136	50,790	(5,654)

Amounts payable at April 30 remained relatively consistent year-over-year. The fluctuation in payroll amounts is due to the timing of remittance payments.

3.2.2 Deferred Revenue - \$96,363,000

Deferred revenue as at April 30, 2019 comprised:

	2019 \$000	2018 \$000	Increase (Decrease) \$000
a) Government grants	3,259	10,513	(7,254)
b) Research	38,498	31,451	7,047
c) Scholarships	4,606	4,093	513
d) Parker loans	1,097	1,035	62
e) Special purpose	16,502	13,310	3,192
f) Donated software	9,596	16,223	(6,627)
g) Summer student fees	12,771	12,693	78
h) Other items	10,034	13,215	(3,181)
Total	96,363	102,533	(6,170)

Notes:

- a) The \$7,200,000 decrease in deferred grant revenue relates to \$5,000,000 held at April 30, 2018 for the purchase of the Dominion Chalmers Church, and \$2,100,000 held for the graduate capital expansion grant. The amounts remaining in deferred revenue relates mainly to unspent student aid grants (\$1,000,000) and performance funding (\$1,100,000).
- b) Research funds are the unexpended restricted grants and contracts to be spent in future years. 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) During the prior year, the Earth Sciences department received a significant gift-in-kind of software licenses for the period of September 2017 to August 2020. The value of \$9,596,000 represents the remaining balance of the restricted donation to be recognized in future years.
- g) Summer student fees represent payments received prior to April 30th for courses held in the summer term.
- h) 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 - \$3,966,000

The current portion of long-term debt is defined as the amount coming due within the next fiscal year. This totalled \$3,966,000 as at April 30, 2019, an increase of \$168,000 over last year.

3.2.4 Accrued Leave - \$13,012,000

The \$13,012,000 compares to \$11,939,000 last year for an increase of \$1,073,000. Canadian accounting standards 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 - \$110,647,000

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 ongoing 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 11 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, which can lead to large swings in the liability or asset amount each year. Additional details are provided in note 11 of the audited financial statements. This note shows that, on an accounting basis, the pension plan is in a surplus position of \$28,759,000. 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 this actuarial determination relates more closely to actual and potential fund flows, the university uses this as its guide. Given these deficits, and the new pension rules that require the funding of a “Provision for Adverse Deviations” (PfAD), the university has reserved funds in an attempt to deal with the expected liability (see section 2.2.2).

In 2018-2019, the non-pension employee future benefit obligation increased by \$7,293,000, while the pension asset increased by \$3,185,000. For the non-pension benefits, the growing, unfunded obligation is mainly due to increased plan membership. Meanwhile, the increase in pension asset relates to actuarial gains on the obligation and higher employer contributions.

3.2.6 Long-Term Debt - \$63,386,000

The loans and mortgages payable are described in note 9 of the audited financial statements.

3.2.7 Net Assets, providing a source of resources - \$803,211,000

The net assets that constitute a source of resources are:

	2019	2018	Increase
	\$000	\$000	(Decrease)
			\$000
Operating fund	498	498	-
Ancillary and plant funds	317	194	123
Internally restricted funds	506,986	447,592	59,394
Endowment fund	295,410	269,386	26,024
Total	803,211	717,670	85,541

Notes:

a) The internally restricted net assets as at April 30, 2019, consist of the following:

	\$000
Appropriated operating funds (section 2.2.2)	419,383
Appropriated ancillary funds (section 2.3)	38,180
Internally restricted research balances (section 2.4.2)	42,260
Enterprise funds	4,734
Scholarship funds	14
Professional Development	2,415
	506,986

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

	\$000
Market Value at April 30, 2019	295,410
Market Value at April 30, 2018	269,386
	26,024

The \$26,024,000 increase is calculated as follows:

	\$000
Unrealized gain (loss) on investment	7,243
Gifts, bequests and other additions (per below)	14,180
Gain (loss) on sale of investments	11,671
Investment income	7,471
	40,565
Less: Distributed for endowed spending	(10,670)
Direct and indirect operating costs	(2,668)
Investment management fees	(1,203)
Change in nominal value	26,024

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

	\$000
Carleton University transfers and matching contributions	3,153
Douglas Arthur de Pencier Leadership Bursaries	2,350
The Clayton H. Riddell Political Management Endowment Fund	1,900
President's Endowment Fund (Singhal Family Foundation)	1,600
Renato Galliani Scholarship in French	400
Rea, Robert, Norm Patterson Bursary	400
Law Scholarship in Architectural Studies	250
Thomas Jeyes Bursary	250
CU Engineering Students Equipment Fund	213
Helmut Kallmann Chair in Canadian Music	200
Dr. Paul Mandl Bursary	174
Jaskula-Dondlinger Sports Analytics Internship	100
Other additions (<\$100,000)	3,190
Total additions	14,180

The realized investment returns for the year, including gains on sale and direct investment income, totalling \$19,142,000. The amount distributed towards endowed spending in 2018-2019 was \$10,670,000. This represents a distribution of \$3.709 per unit held in the investment pool. In addition, \$1,203,000 was paid to investment managers during the year and \$2,668,000 in direct and indirect expenditures were charged to the fund in 2018-2019.

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 - \$599,800,000

The cash and short term investment balance is as follows:

	2019	2018	Increase
	\$000	\$000	(Decrease)
			\$000
Cash balance	6	(3,553)	3,559
Cash equivalent investments	488,447	456,377	32,070
Marketable securities	111,347	99,715	11,632
Total	599,800	552,539	47,261

With a view to increase longer-term average returns on investments, the Investment Committee made a decision in the 2015-2016 fiscal year to invest a portion of the university’s cash balances in marketable securities. Using historical sending patterns as a guide, the Committee decided to invest \$100,000,000, as this amount would most likely not be required to meet short-term liquidity needs. The current market value of the marketable securities was \$111,347,000 (2018 - \$99,715,000) at April 30th, 2019.

3.3.2 Accounts Receivable - \$32,315,000

	2019	2018	Increase
	\$000	\$000	(Decrease)
			\$000
a) Student accounts	9,270	11,251	(1,981)
b) Student associations	441	242	199
c) General accounts receivable	8,648	5,811	2,837
d) Staff computer loans	122	90	32
e) HST/GST receivable	664	1,323	(659)
f) Bookstore	34	32	2
g) Union groups	218	81	137
h) Research funds	9,159	8,178	981
i) Student loans	1	1	-
j) Food service provider	1,727	1,729	(2)
k) MTCU grants	2,455	-	2,455
l) Deposit pending sale	-	5,000	(5,000)
Other receivables	1,084	569	515
Sub-total	33,823	34,307	(484)
l) Less: Allowance for doubtful accounts	(1,508)	(1,338)	(170)
Total	32,315	32,969	(654)

Notes:

- a) Student accounts: These accounts record activity relating to tuition fees, residence fees and other miscellaneous charges. The \$9,270,000 represents 2.8% (2018 – 3.65%) of the total 2018-2019 tuition and residence fee assessments.
- b) Student associations: Amounts outstanding for university services provided to various student groups.
- 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 is due mostly to a large Hydro Ottawa contribution for the Co-generation plant received in May rather than April. The receivables are generally current.
- 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 reco ered 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 2018-2019 amount receivable is due from Follett Books and represents commission income related to 2018-2019 operations.
- g) Union groups: The various union groups use the university services on a recovery basis. The a counts 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 2018-2019 amount receivable from Aramark represents commission and profit share income related to the 2018-2019 operations.
- k) MTCU grants: This amount relates to the 2018-2019 portion of David C. Onley Employment Development Initiative, which was received in May 2019.
- l) Deposit pending sale: In March 2018, the university received \$5,000,000 from the Ministry for the pending purchase of the Dominion Chalmers Church. These funds were forwarded to the trustee in charge of the sale, as a deposit. As the sale did not close until a later date, the balance is shown was a receivable as of April 30, 2018, and was discharged on June 25, 2018.
- m) Allowance for doubtful accounts: The allowance includes \$1,250,000 for student fees, while the balance is for other overdue items.

3.3.3 Prepaid Expenses - \$13,366,000

Prepaid Expenses as at April 30, 2019 comprised:

	2019 \$000	2018 \$000	Increase (Decrease) \$000
Insurance	749	619	130
Licences	12,015	18,615	(6,600)
Physical Plant supplies	367	379	(12)
Other	235	213	22
Total	13,366	19,826	(6,460)

Prepaid expenses represent payments to third parties for services to be provided in future periods (e.g. insurance, licences), 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 the drawdown of a three-year software licence received in 2018.

3.3.4 Current Portion of Net Investment in Lease - \$820,000

The current portion of net investment in lease is defined as the amount collectible within the next fiscal year. This totalled \$820,000 at April 30, 2019 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 - \$7,552,000

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 - \$297,232,000

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

	2019 \$000	2018 \$000	Increase (Decrease) \$000
Investments held for:			
Endowment	293,912	266,732	27,180
Parker Loan fund	1,265	1,207	58
NWRC capital reserve	871	799	72
Sprott Student fund	1,184	1,013	171
Total	297,232	269,751	27,481

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: \$684,928,000
Investment in Capital Assets: \$410,454,000
Deferred Capital Contributions: \$200,485,000

The net value of capital assets as at April 30, 2019 comprised:

	2019 \$000	2018 \$000	Increase (Decrease) \$000
Capital Assets:			
Land and buildings	715,910	672,377	43,533
Building improvements	171,084	156,438	14,646
Equipment and furnishings	99,113	98,904	209
Computers and software	6,445	6,268	177
Automobile	259	225	34
Library and art collections	47,568	45,183	2,385
	1,040,379	979,395	60,984
Less: Accumulated depreciation	(355,451)	(334,545)	(20,906)
Net capital assets	684,928	644,850	40,078
Funding:			
Investment in capital assets	410,454	378,937	31,517
Deferred capital contributions	200,485	196,056	4,429
Total funding	610,939	574,993	35,946
Unfunded assets	73,989	69,857	4,132
Financed by:			
Mortgages payable	114	277	(163)
Loans payable	58,868	61,739	(2,871)
Other short-term borrowing	15,007	7,841	7,166
Total	73,989	69,857	4,132



The specific capital assets funded through financing are as follows:

	2019 \$000	2018 \$000	Increase (Decrease) \$000
<u>Mortgage financing:</u>			
Glengarry residence	114	277	(163)
<u>External loan financing:</u>			
Prescott residence	10,773	11,586	(813)
Leeds residence	9,279	10,226	(947)
Frontenac residence	12,180	12,499	(319)
Lennox & Addington residence	26,636	27,428	(792)
	58,868	61,739	(2,871)
<u>Internal loan financing:</u>			
P6/P7 Parking Garage	22,915	23,375	(460)
Housing and Food Services renovations	8,022	8,430	(408)
Ice Arena	4,144	4,693	(549)
Alumni Hall and Sports Centre	2,188	2,337	(149)
Field Bleachers	924	996	(72)
Nicol Building (funding in advance of expense)	(10,517)	(19,139)	8,622
Building Fit-ups (funding in advance of expense)	(12,164)	(12,463)	299
Other (funding in advance of expense)	(505)	(388)	(117)
	15,007	7,841	7,166
Financed assets	73,989	69,857	4,132

3.3.8 Net Assets, requiring an application of resources - \$110,647,000

The net assets classified as an application of resources include:

	2019 \$000	2018 \$000	Increase (Decrease) \$000
Provision for employee future benefits	110,647	106,539	4,108
Total	110,647	106,539	4,108

As discussed in section 3.2.5, this represents the unfunded balance of employee future benefits as at April 30, 2019.

General Operating Fund 2018-2019
Income, Expenses and Accumulated Surplus
Comparison To Budget (May 2018) and 2017-18 Actual

	2018-19 Actual \$000's	2018-19 Budget \$000's	Actual to Budget		2017-18 Actual \$000's	Actual to Prior Year	
			\$000's	%		\$000's	%
<u>INCOME</u>							
Government Grant	176,822	172,606	4,216	2.4	182,592	(5,770)	(3.2)
Tuition Fees	304,492	307,000	(2,508)	(0.8)	286,430	18,062	6.3
Miscellaneous Income	13,593	10,741	2,852	26.6	11,893	1,700	14.3
Investment Income	23,589	8,250	15,339	185.9	12,610	10,979	87.1
Departmental Income	10,758	10,115	643	6.4	12,924	(2,166)	(16.8)
Total Operating Income	529,254	508,712	20,542	4.0	506,449	22,805	4.5
<u>EXPENSES</u>							
Faculty of Arts & Social Sciences	58,901	58,275	626	1.1	51,468	7,433	14.4
Faculty of Public Affairs	36,747	38,089	(1,342)	(3.5)	32,831	3,916	11.9
Sprott School of Business	14,236	13,469	767	5.7	12,529	1,707	13.6
Faculty of Science	40,869	45,460	(4,591)	(10.1)	39,667	1,202	3.0
Faculty of Engineering and Design	37,735	46,096	(8,361)	(18.1)	32,646	5,089	15.6
Provost and Vice-President (Academic)	11,639	12,098	(459)	(3.8)	11,266	373	3.3
Vice-President (Students and Enrolment)	24,496	25,348	(852)	(3.4)	21,506	2,990	13.9
Library	18,484	18,493	(9)	(0.0)	16,232	2,252	13.9
Vice-President (Research and International)	3,891	5,465	(1,574)	(28.8)	3,804	87	2.3
Vice-President (Finance & Administration)	35,554	42,475	(6,921)	(16.3)	37,546	(1,992)	(5.3)
Advancement	5,661	5,320	341	6.4	5,063	598	11.8
President	4,706	4,639	67	1.4	4,181	525	12.6
University Budgets and Provisions	147,903	156,826	(8,923)	(5.7)	154,879	(6,976)	(4.5)
Interfund Transfers (net)	38,252	36,659	1,593	4.3	99,402	(61,150)	(61.5)
Sub-Total Operating Expenses	479,074	508,712	(29,638)	(5.8)	523,020	(43,946)	(8.4)
Net Appropriations	50,180	-	50,180		(16,571)	66,751	
Total Expenses	529,254	508,712	20,542	4.0	506,449	22,805	4.5
Increase in Surplus for the Year	-	-	-		-	-	
Opening Accumulated Surplus/(Deficit)	498	498	-		498	-	
Closing Accumulated Surplus/(Deficit)	498	498	-		498	-	

Note: 2018-2019 budget figures reflect the opening May 1, 2018 budget, with reallocations made to assist in comparison.

INCOME

EXPENSES

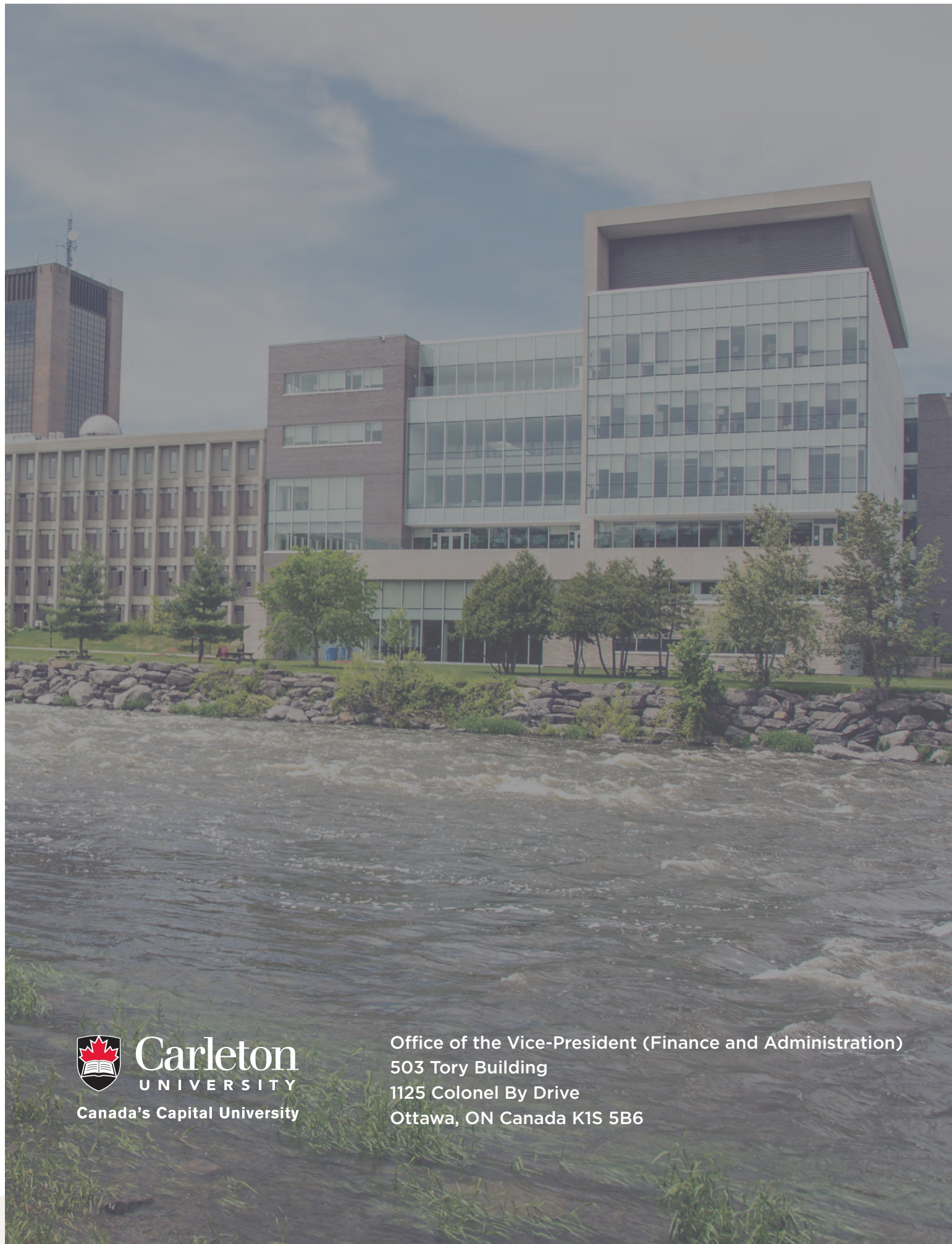
Increase in Surplus for the Year

Note: The 2018-2019 Projected amounts were those presented to the Board, with net appropriations now distributed to the relevant unit to ease comparison

2018-19 Actual

2018-19 BudgetActual as Compared to Budget

Unappropriated fund balance
Appropriated fund balance



Carleton
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Canada's Capital University

Office of the Vice-President (Finance and Administration)
503 Tory Building
1125 Colonel By Drive
Ottawa, ON Canada K1S 5B6

AGENDA ITEM

6.2

BOARD OF GOVERNORS REPORT

To:	Board of Governors	Date of Report: 8/26/2019
From:	Chair, Building Program Committee and Chair, Finance Committee	Date of Meeting: 9/30/2019
Subject:	Item 6.2 New Student Residence Project	
Responsible Portfolio:	Vice-President (Finance and Administration)	

1.0 PURPOSE

☒ For Approval ☐ For Information ☐ For Discussion

2.0 MOTION

To proceed with the design, method of construction, and detailed estimates of a new student residence to be located on Carleton campus for a budget not to exceed \$60 million. A Capital Proposal Form is provided as per Carleton's Capital Project Planning Policy.

3.0 EXECUTIVE SUMMARY

Back in 2013, Carleton presented a proposal to build 500 additional beds made-up of four-bedroom and two-bedroom apartment style units, at a cost of \$45 million. At that time, the University had 3,600 residence beds serving an enrolment base of 22,000. Because of uncertainty in future enrollment growth, the project was then put on hold. Six years later, the University with its 3,600 beds now serves an enrollment base of 31,000. Based on latest demographics (see Appendix A), we expect that 2020-21 will see resuming enrolment growth for first-year 18 years old's - the primary market for on-campus residence accommodation.

Overall demand for residence beds has remained constant at Carleton over the years, ranging from 4,384 applications in 2016 to 4,559 in 2017. The waiting list has also increased going from 249 students in 2016 to 443 in 2019.

In order to address the increasing demand for residence beds and growing waiting list, the University proposes to build a new 450 beds residence for occupancy in August 2022. The building would be a traditional-style residence with living and social spaces that support a safe and productive first-year experience.

The new residence will address increased demand for first-year students and provide more upper year residence space in the housing portfolio. It is expected that the project be self-funding through residence fees and meal plan revenues. The ongoing financial strength of the Housing System would also provide backstop support for any financial shortcomings. The plan is to start design following approval by the Board, with construction to follow in the spring of 2020 and completion in August 2022.

4.0 INPUT FROM OTHER SOURCES

The project business plan was prepared by the University Services Team along with Facility Management Planning and Financial Services. Information from the previous student residence project was considered and, in 2018, the University commissioned a study to update the Housing and Residence Life Services master plan. That study helped inform preparation of the business plan.

5.0 ANALYSIS AND STRATEGIC ALIGNMENT

The 450 beds building would consist of 150 single-rooms and 150 double-rooms. Currently, Housing, Conferences, and Dining generates an annual surplus of between \$1.5 - \$2.0 million, with an accumulated surplus of \$12.1 million available at the end of April 2019. It is expected that \$10 million of the accumulated surplus will be used

to fund the capital cost of the project, with the remaining \$50 million funded through debt financing. Details on this financing will be formalized during the design phase. For pro-forma planning purposes, we assume an annual interest rate of 2.71%, a 25-year term, and annual debt servicing costs of \$2.7 million annually (data provided by Financial Services). Any change of 0.5% to the interest rate would impact the debt servicing costs by \$155,000 per year.

A new residence building is expected to generate \$3.6M of revenue annually in the form of residence and meal plan fees. Meal plans are compulsory in a traditional-style building and the University used its existing contractual arrangement with the on-campus dining services partner as a basis to determine projected meal plan revenue. Operating costs for such a building, including staffing, utilities, and building maintenance, would be approximately \$565K per year.

Building a new student residence that reflects the needs of students is very much in line with the goals of the University to providing students an environment that support personal growth and academic development while promoting a safe and inclusive living space. Students living in residence in their first year have demonstrated higher retention rates than those living in off campus housing.

The Business Plan attached provides further details on the project.

6.0 FINANCIAL IMPLICATIONS

The new student residence is expected to cost approximately \$60 million and will be self-funded on a going concern basis, including debt repayment. An initial payment of \$10 million will come from accumulated surplus and financing of \$50 million will need to be obtained. The University is exploring several financing methods that will be most advantageous to Carleton (including internal financing). With current rates of 2.71% for a 25-year term, the University anticipates annual debt servicing costs of \$2.7 million. In the coming years, both the Leeds and Prescott residences mortgages will be fully paid (\$1.6 million in 2026-27 and \$1.5 million in 2028-29) reducing the ongoing financial risks to the University.

7.0 RISK, LEGAL AND COMPLIANCE ASSESSMENT

The risks identified as part of this project are preliminarily focused around procurement and construction. Procurement risks include the potential for cost over runs and risk of delayed completion due to potential challenges with site condition or construction schedule. The University will retain a scheduling consultant to draft a specification for the contract relating to schedule. This consultant will also monitor the schedule and advise on changes should issues occur. A quantity surveyor will be engaged to monitor and advise on budget risk as the projection progresses. In order to further reduce the risk to schedule and budget, the University will be delivering this contract through construction management as opposed to stipulated sum. The university also plans to mitigate its hazard liability risk and liability risk by providing an owner controlled course of construction insurance program.

Another risk relates to having insufficient demand for student housing. Fortunately, the University has consistently had a strong demand for housing, as evidenced by application demand trends and consistently strong waitlists. In addition, the University has implemented policies related to residence applications that serve to manage demand. Should these policies be amended, it is expected that applications would continue to rise. Demographic data for Carleton's key market area also suggest increasing demand starting in 2020-2021. In the unlikely event of a shortfall in resident applications, the overall Housing system generates sufficient operating surplus to cover the increased bed capacity.

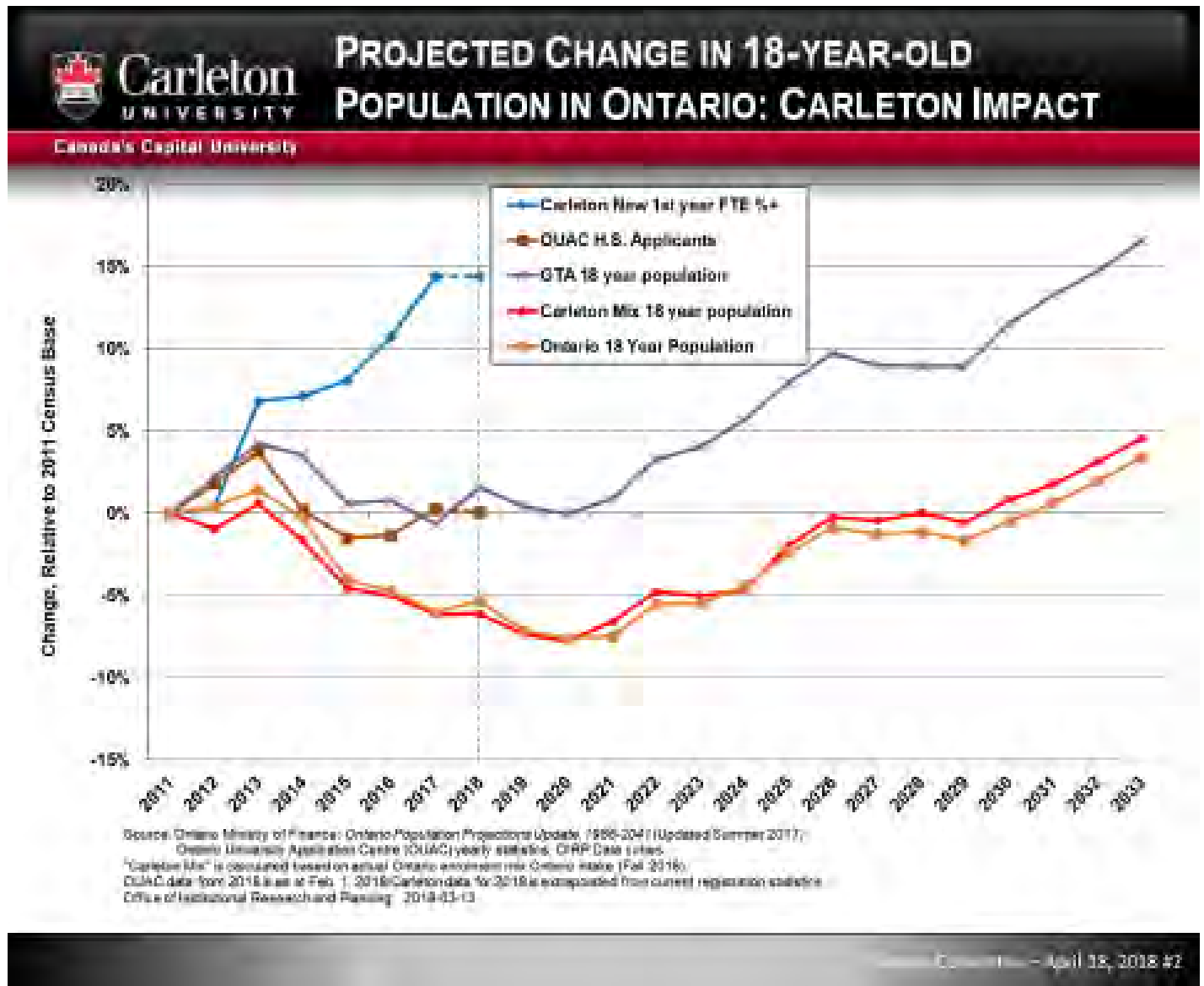
8.0 REPUTATIONAL IMPLICATIONS AND COMMUNICATIONS STRATEGY

Delays in completing the construction of the new residence could have a reputational impact affecting recruitment of incoming students and additional financial costs to the University. This risk will be mitigated by the construction method employed (e.g. construction management) and ongoing communications with key stakeholders.

9.0 OVERALL RISK MANAGEMENT ANALYSIS

	LOW	MINOR	MODERATE	SERIOUS	VERY SERIOUS	
STRATEGIC	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
LEGAL	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
OPERATIONAL	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
TECHNOLOGICAL	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
FINANCIAL	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
REPUTATIONAL	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Appendix A





Carleton
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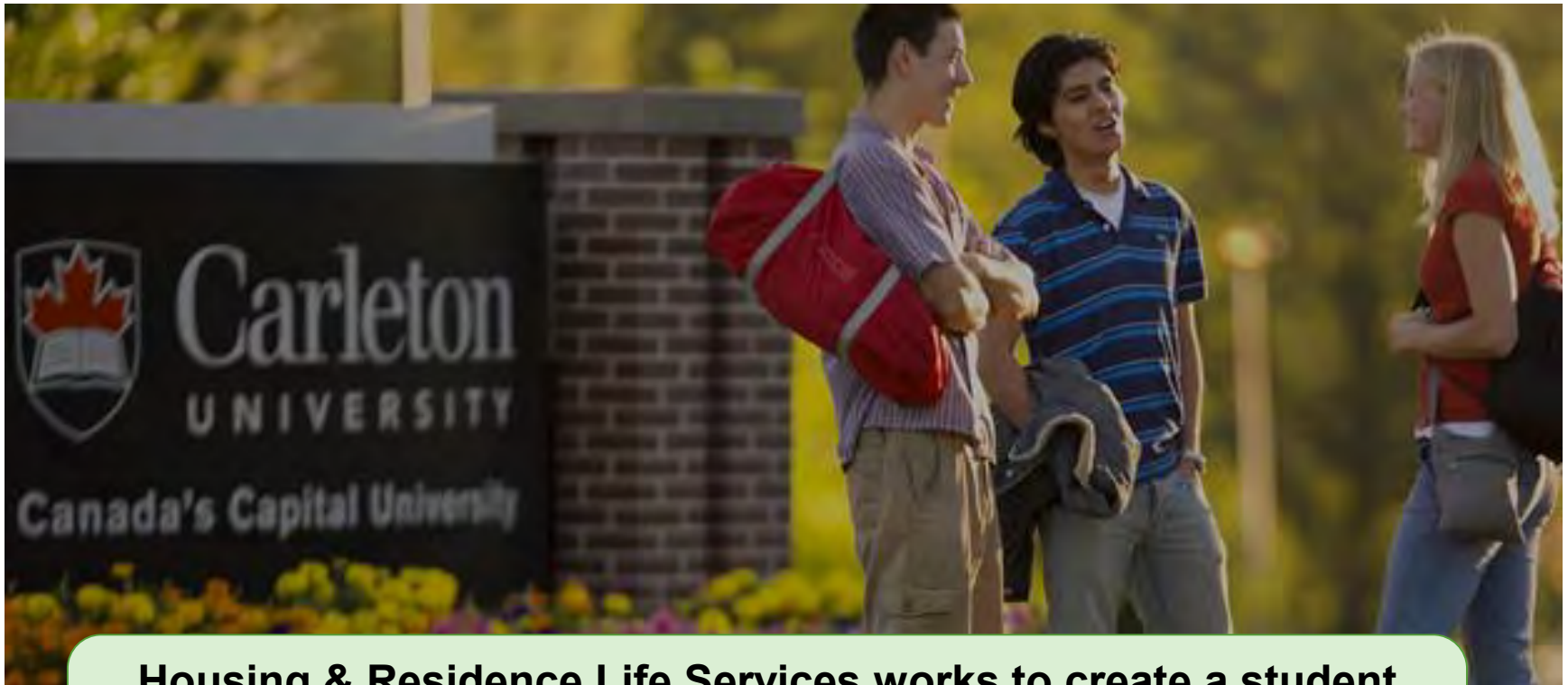
Canada's Capital University

New Residence Building

Building Program & Finance Committee

September 12, 2019

Our Mission



Housing & Residence Life Services works to create a student focused residence community and strives to continuously provide quality service to support our residents

Current Housing Portfolio



11 Residence
Buildings

8 traditional
style
buildings

3 suite-style
buildings

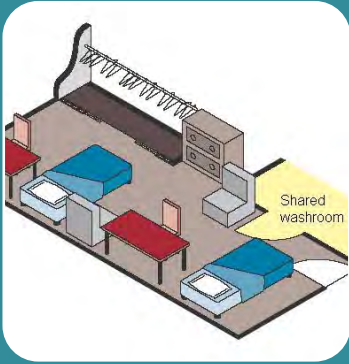


3600 Beds

2700 for 1st-
Years

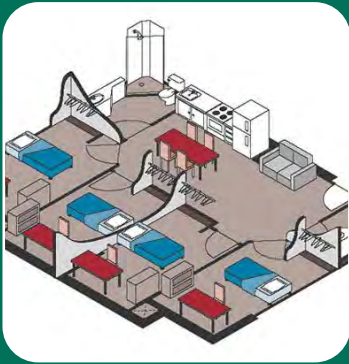
900 for
Upper-Year

Residence Building Styles



Traditional

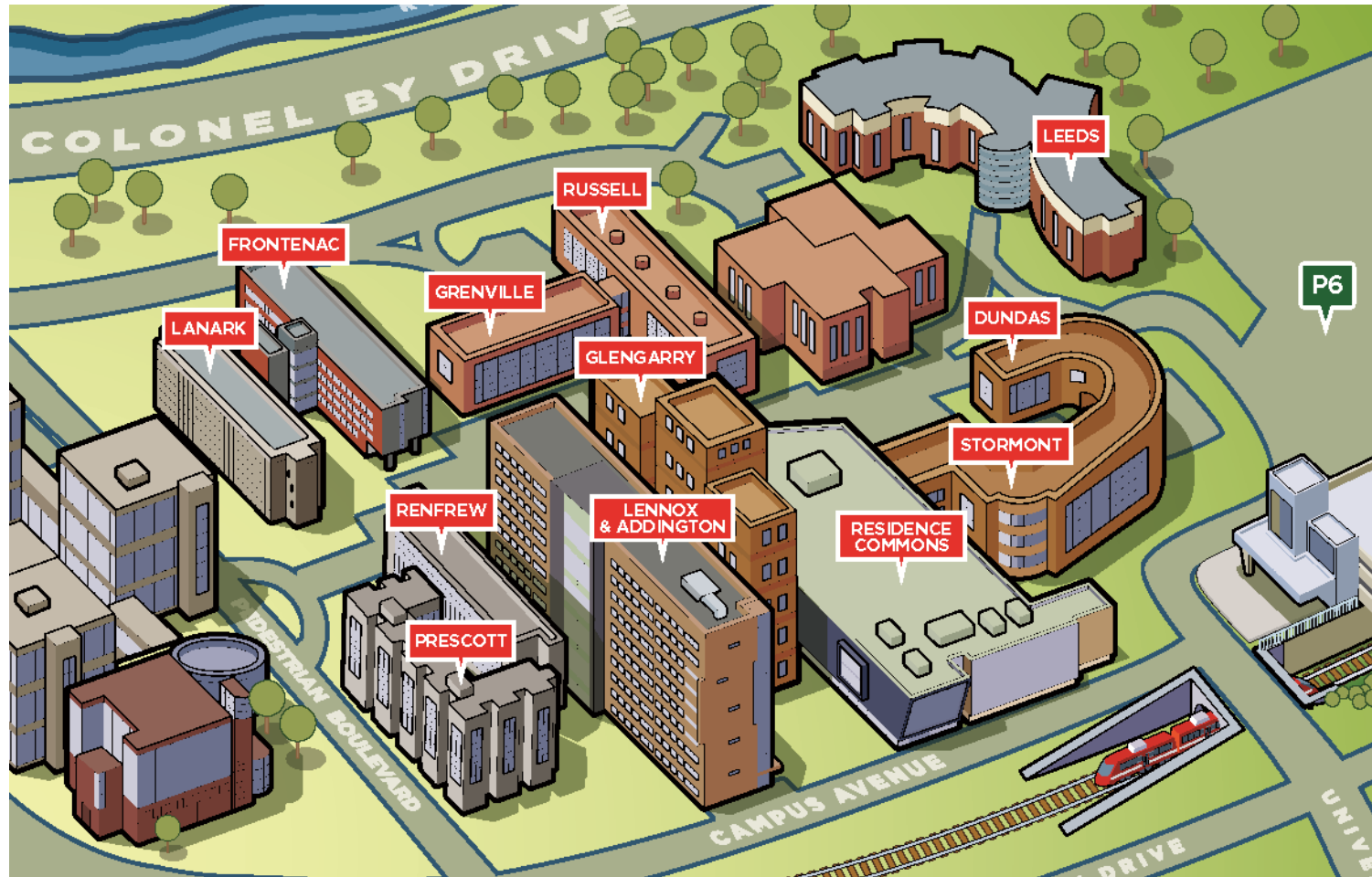
- Double room consists of two beds, two desks, each with a desk chair, connected to a washroom shared with another double room, no kitchen area, bedroom access directly from hallway
- Lennox-Addington, Glengarry, Russell-Grenville, Lanark, Renfrew, Stormont-Dundas



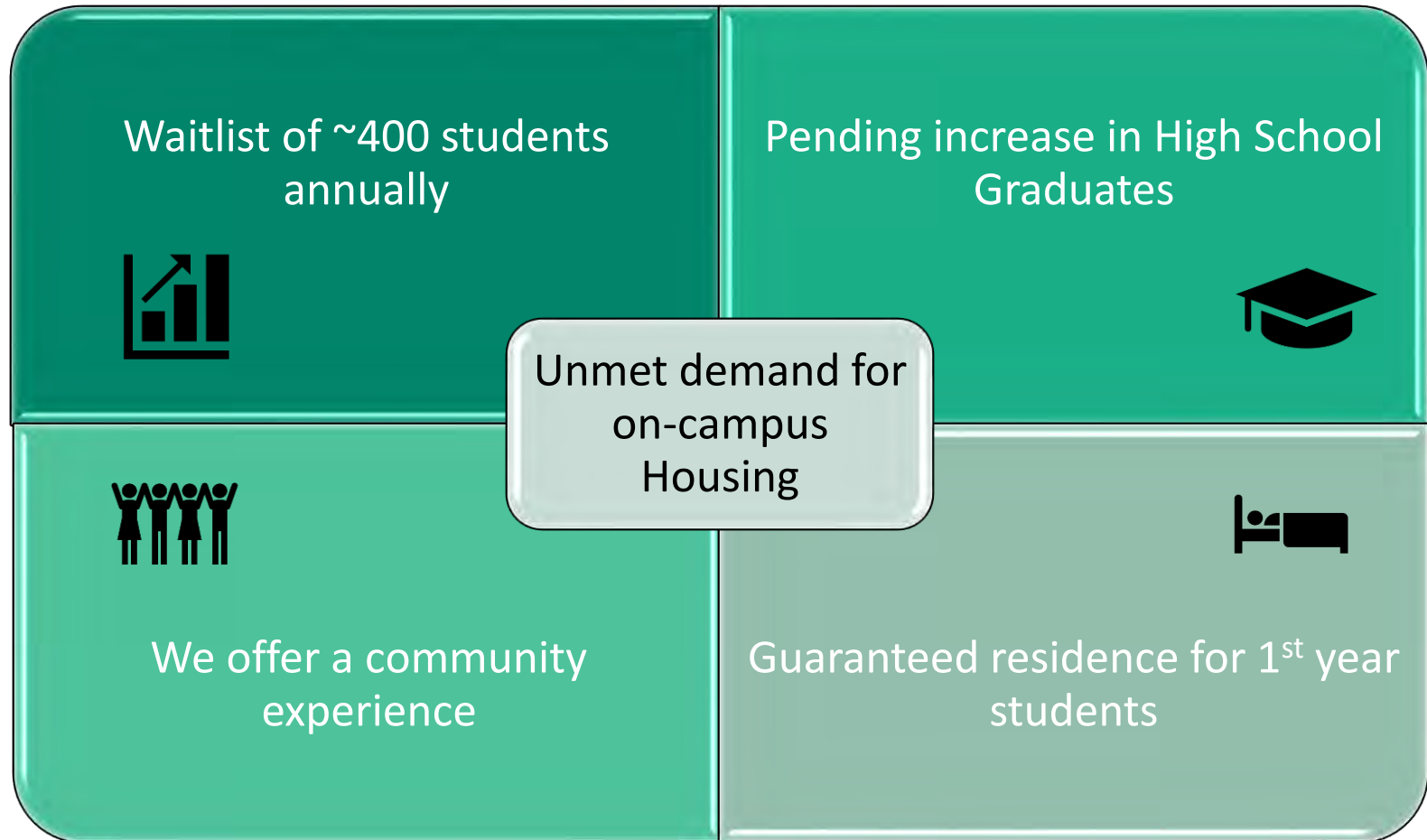
Suite

- A mixture of double rooms and single rooms consisting of beds, desks with chair, shared washroom, small kitchenette area.
- Prescott, Leeds, Frontenac

Current Housing Map



Rationale for a New Building



New Residence Amenity Spaces

Supporting
first-year
experience

Housing 450
students

Combination of
single & double
bedrooms

Semi-private
bathrooms



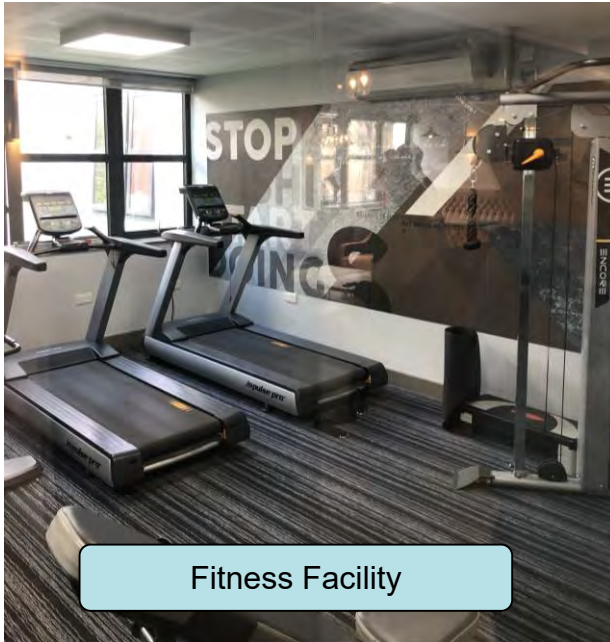
Welcoming Entry



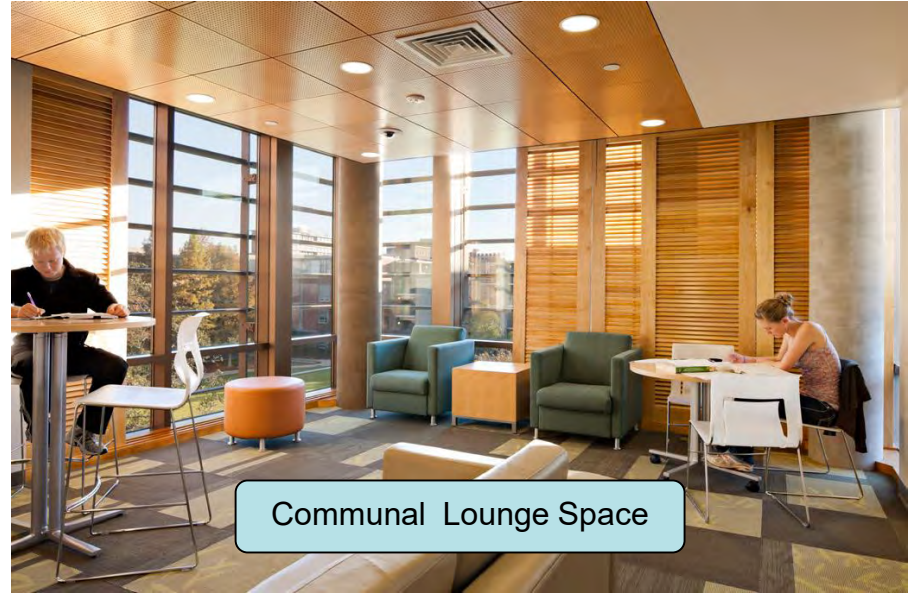
Study Space



New Residence Amenity Spaces



Fitness Facility



Communal Lounge Space



Laundry Facilities

Visible Lounge Space

Passive House

Tunnel Connection

Community Kitchen

Hotel Space

Financial Assumptions



300 Residence Rooms with 450 Beds to open Fall 2022



150 Single Rooms (150 Beds) & 150 Double Rooms (300 Beds)



Estimated \$60M Project Cost



Projected \$10M Down Payment



\$50M Debt, 25 Year-Term, 2.71% Financing Rate

New Residence Project Financial Projection

Year	1	5	10	15	20	25
Fee Revenue	\$3.6M	\$3.8M	\$4.1M	\$4.4M	\$4.8M	\$5.2M
Expenses	\$13.3M	\$3.4M	\$3.4M	\$3.5M	\$3.6M	\$3.7M
Surplus/(Deficit)	(\$9.7M)	\$0.4M	\$0.7M	\$0.9M	\$1.2M	\$1.5M
Accumulated Surplus/(Deficit)	(\$9.7M)	(\$8.3M)	(\$5.4M)	(\$1.2M)	\$4.4M	\$11.5M

Analysis

- Summary of cash-flow of project
- Project generates revenue from residence fees & meal plans
- Year 1 – Expenses includes \$10M down payment

Findings

- Project generates \$11.5M in cash flow over a 25-year period
- Project generates a positive cash flow in year 17

Projected Operating Costs

	Year 1 Cost Breakdown
Staffing	\$185K
Utilities	\$185K
Contracted Services	\$195K
Debt Servicing	\$2,756K
Total Projected Cost	\$3,321K

Operating Costs

- Projected costs were prepared based on current contractual agreements and rates of pay and escalate by 2% per year

Planning

- System sets aside \$6M annually to address deferred maintenance and renovations.

Maintenance

- New Residence future deferred maintenance costs would be funded by the Housing System.

Housing System Financial Projection

Year	1	2	3	4	5
Fee Revenue	\$28.1M	\$28.5M	\$28.9M	\$29.4M	\$29.8M
Expenses	\$36.6M	\$27.0M	\$27.4M	\$27.8M	\$27.1M
Surplus/(Deficit)	(\$8.5M)	\$1.5M	\$1.5M	\$1.6M	\$2.7M
Accumulated Surplus/(Deficit)	\$3.9M	\$5.4M	\$6.9M	\$8.5M	\$11.2M

Analysis

- Impact of project on Housing System
- Assumed fees increase by 1.5%; costs increase by 2.0%
- Set aside \$6M annually to fund deferred maintenance & renovations
- Year 1 – Expenses includes \$10M down payment

Findings

- Adequate funding in Housing System to support building of new residence
- Adequate revenue exists to address future building projects & renovations not covered by \$6M earmarked in projection

Debt Summary FY19/20

Building	Expiration Date	Annual Payment	Outstanding balance
Glengarry	FY19/20	\$0.1M	-
Leeds	FY26/27	\$1.6M	\$8.3M
Prescott	FY28/29	\$1.5M	\$9.9M
Frontenac	FY38/39	\$0.9M	\$11.8M
Lennox & Addington	FY41/42	\$1.6M	\$25.8M
Total		\$5.7M	\$55.8M

Findings

Housing System has adequate funds to support building of new residence

Project generates \$11.5M in cash-flows over a 25-year period

Strong financial position mitigates potential economic uncertainties

Adequate surpluses exist to fund deferred maintenance projects

Financial Considerations

Expiring Mortgages

- Leeds Mortgage complete in 2027
- Prescott Mortgage complete in 2029
- Freeing up cash flow of \$1.6M & \$1.5M respectively

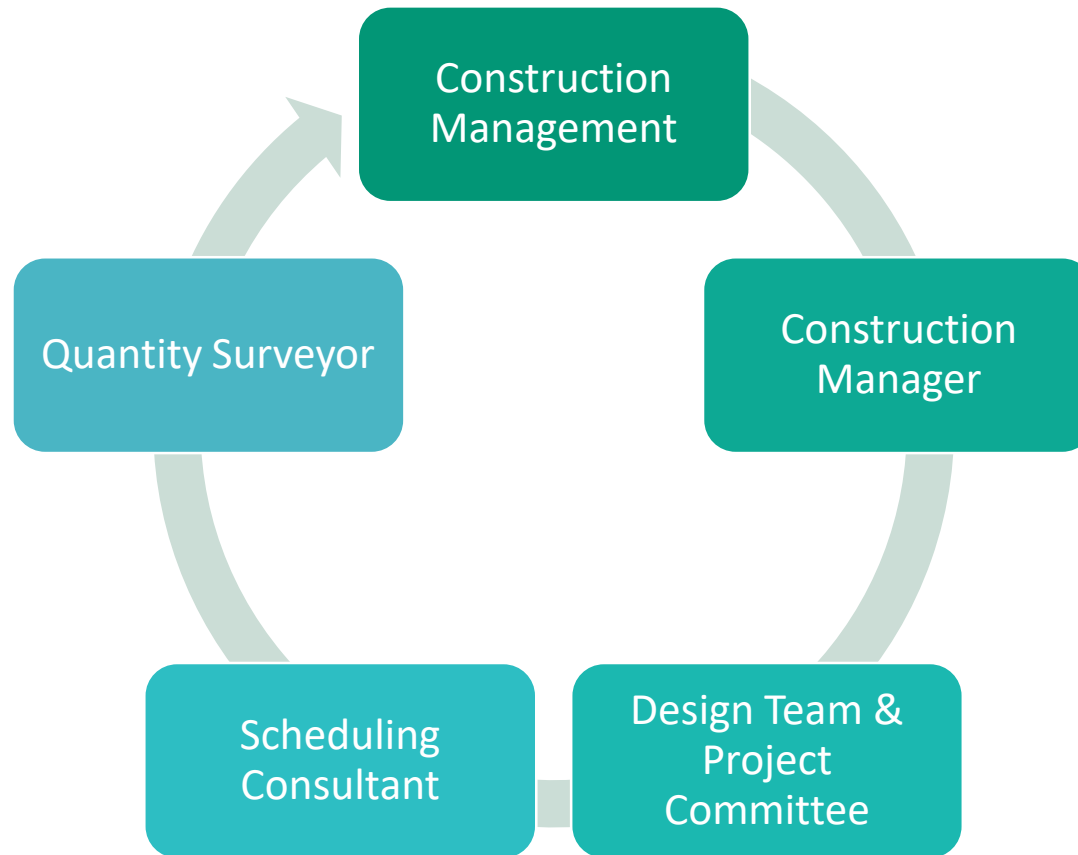
Economic Uncertainties

- An increase of 0.5% in debt cost translates to increased cost of \$155K per annum
- A decrease in 100 students would decrease residence fees by ~\$400K

Conference Services Contribution

- Housing receives approximately ~\$200K of revenue from Conference Services activities
- Conference Services contribution would likely be positively affected by the construction of new residence facilities

Method of Construction



Risk Mitigation

Insufficient Demand for Student Housing

Strong wait list & low vacancy rate

Significantly more applications than beds

Housing system can support downturn

Site Conditions

Geotechnical investigations planned

Timeline allows for appropriate foundation design

University will engage construction manager to oversee project life-cycle

Building not delivered on time

Retaining scheduling consultant

Monitoring of schedule

Quantity surveyor to manage budget considerations

Conclusion



There is unmet demand for Housing

Housing System is in a strong financial position

A new building offers flexibility to Housing portfolio

Construction management to be used to deliver a successful project

Decision Required



To proceed with the design, method of construction, and detailed estimates of a new student residence to be located on Carleton campus for a budget not to exceed \$60 million.



New Student Residence Building

BUSINESS PLAN

**PRESENTED TO:
BUILDING PROGRAM & FINANCE COMMITTEE**

**PRESENTED BY:
HOUSING AND RESIDENCE LIFE & UNIVERSITY SERVICES**

September 12, 2019

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Preamble

A new residence would address additional first-year demand and to allow the residence community to offer more upper year residence space in its existing housing portfolio. As evidenced by the included financial analysis, the overall value proposition of residence fees and meal plan revenues are sufficient to cover the costs of servicing building debt and operating costs. In addition, there are sufficient funds within the Housing system as a whole to cover future operating, deferred maintenance and programming.

Background

Housing & Residence Life Services works to create a student-focused residence community and strives to continuously provide quality service to support our residents. We are committed to providing opportunities for personal growth and academic development while promoting a safe and inclusive living environment.

Eleven buildings make up the 3,600 beds on Carleton's campus. The residence community is situated within a distinct quadrant of campus which houses these eleven buildings as well as a central common building housing the residence dining hall. Approximately 2,700 of the beds each year are assigned to first-year students in a variety of programs; the remaining beds are assigned to upper year, graduate, and exchange students.

Of the buildings, Lennox and Addington, Glengarry, Lanark, Renfrew, Russell, Grenville, Stormont and Dundas Houses are traditional style buildings with many rooms being double occupancy spaces and the remaining being single occupancy. Most of these rooms have adjoining bathrooms between the bedrooms. Prescott, Leeds and Frontenac Houses are suite-style accommodations; Prescott for first-year students, Frontenac for second-year students and Leeds House for upper-year and graduate students.

New Residence Building – Rationale

In 2018, the University commissioned Hanbury Inc., a firm specializing in higher education housing planning, architecture, and interior design to develop a master plan for the University's residence community. This master plan concluded that:

"[T]here is still un-met demand for on-campus housing. HRLS...has a great opportunity to not only address housing demand but also to help the institution achieve its goals to increase first year international student and graduate student enrolment. The desire for new buildings with units that appeal to upper year and single graduate students may help meet demand but must be considered in context with Carleton's overall goals for on-campus housing: a focus on first year students."

Admissions offers guaranteed residence to all first-year students who apply to the University prior to May 15th of each year and come directly from high school. Due to limited available inventory of beds, the University is unable to offer guaranteed beds to those applying after May 15th or to first-year students who are not entering University directly from high school, and exchange students, and some elite athletes.

Housing & Residence Life Services maintains a waitlist of students who are not guaranteed residence or those applying after the deadline. Over the last six years, this waitlist has consistently been strong:

Total Waitlisted			
Year	June	July	August
2015	79	413	343
2016	159	329	249
2017	166	443	436
2018	120	396	399
2019	316	530	443

Beyond a strong waitlist, the total number of applications for housing at the University have consistently been higher than the available inventory of beds for students:

Total Applications					
Year	June	July	August	Sept	Total Beds
2015	4047	4380	4448	4488	3621
2016	3914	4218	4333	4384	3616
2017	4094	4448	4589	4559	3613
2018	3931	4313	4474	4510	3610
2019	3856	4573	4700	N/A	3610

Given the number of applications to residence and the strong waitlist the University feels that there is demand to fill a new residence building at this time.

The current inventory of rooms in residence has an adequate supply of double rooms for first-year students; however, a new building would allow the University to offer more diversity of choice between double and single rooms for first-year students.

In addition, there is a demand for upper-year student accommodations. Upper year students typically select to stay in suite-style accommodations. Of the University's three suite-style residences, two are reserved for upper-year students (Leeds & Frontenac) while the third is a mix of first year and upper year students (Prescott). In order to better serve the residence community, Prescott House would be used to support the upper year residence population.

Building Concept

As a result of Housing & Residence Life's work in developing a residence master plan, a new residence building will incorporate design and amenities that support student success, foster a sense of community, and are in line with current higher education building trends. A new residence building would include a variety of elements that will differentiate the building from existing housing inventory at the University and compliment the strengths of what is already considered to be a top-tier residence community.

The new residence building is targeted at 450 beds both to address the known demand for additional beds at the University and to ensure optimal use of the building land. This building would be a traditional-style residence building with living and social spaces that support the first-year experience.

The final project will also include:

- A combination of single and double style bedrooms with semi-private bathrooms;

- Significant consideration for students with exceptional needs living in our community and amenities and spaces required;
- A main floor that provides amenity space for students including (but not limited to):
 - Welcoming entry;
 - Study space;
 - Communal lounge space;
 - Communal kitchen
 - Social space (such as maker space, games room, etc.);
 - Laundry facilities;
 - Fitness space (such as work out room, yoga area, etc.);
- In addition to bedrooms, individual floors must include:
 - Common lounge space;
- Connection to the Carleton University tunnel system;
- Staff offices and staff living space;

In addition, the University will explore “Passive House” design for feasibility. Passive House design supports energy efficiency through building design, reducing building operating costs, and ecological footprint.

Financial Analysis

The proposal for a new residence building is for a 450 bed traditional style residence. This planned 450 bed building would be made up of 150 single-rooms and 150 double-rooms. Currently, the Department of Housing generates an annual surplus which is expected to grow to \$14M by 2023. The Department anticipates using \$10M of this accumulated surplus as a down payment to reduce the overall debt load required to finance a new residence. The remaining \$4M would remain in reserves to fund future deferred maintenance projects and as a contingency against unforeseen financial constraints.

The assumed total budget including furniture and consultant costs for a new residence building is estimated at \$60M. After a down payment of \$10M, the remaining \$50M would be paid through debt. The form of this debt is yet to be determined however for analysis purposes the University has assumed an annual interest rate of 2.71%. This assumed interest rate was obtained through discussion with the University’s lenders. As a consequence, the University anticipates annual debt servicing costs of \$2.7M annually. It is also assumed the University would service this debt over a 25-year term. An increase in the assumed interest rate of 0.5% would increase the annual debit servicing cost by approximately \$155K.

A new residence building is expected to generate \$3.6M of revenue annually in the form of fees. Housing fees for a new residence building are expected to remain at the same level as other traditional style buildings, as has been the past practice of the University when introducing new residence buildings. A new building would also generate income for the University in the form of meal plan revenue. Meal plans are compulsory in a traditional-style building and the University used its existing contractual arrangement with the on-campus dining services partner as a basis to determine projected meal plan revenue. Operating costs for such a building, including staffing, utilities, and building maintenance, would be approximately \$565K per year.

Scenario Analysis

The University examined the long-term financial viability of a new residence building both as a stand-alone project and as part of the *Housing System*. The University modelled modest annual increases to residence fees of 1.5% and 2.0% per annum. Other student fees related to Housing were maintained at 1.5%. In reviewing building costs and existing contracts with suppliers, it was determined that a 2.0% annual increase in costs should be used for scenario modeling.

Scenario A – 1.5% Increase in Residence Fees per annum

	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25
Fee Revenue	\$3,566,037	\$3,798,709	\$4,111,447	\$4,450,455	\$4,817,982	\$5,216,473
Expenses	13,320,680	3,367,262	3,430,924	3,501,213	3,578,817	3,664,499
Surplus/(Deficit)	(9,754,643)	431,447	680,523	949,242	1,293,165	1,551,974
Accumulated Surplus/(Deficit)	(9,754,643)	(8,311,518)	(5,414,616)	(1,214,006)	4,393,162	11,517,906

N.B. - A \$10M down-payment towards building construction is included in Year 1 expenses

As a stand-alone project and given the assumption of 1.5% fee growth per annum, a new residence building would contribute a surplus to the University over a 25-year period, the assumed life of the debt instrument funding the project. The down-payment of \$10M would be repaid after seventeen years.

When we examine the Housing system as a whole, the projected surplus is sufficient to cover the planned down-payment for a new building.

Housing System	Year 1	Year 2	Year 3	Year 4	Year 5
Fee Revenue	\$28,069,869	\$28,490,918	\$28,918,281	\$29,352,055	\$29,792,336
Expenses	36,642,599	27,021,444	27,396,271	27,779,259	27,104,401
Surplus/(Deficit)	(8,572,730)	1,469,474	1,522,010	1,572,796	2,687,935
Accumulated Surplus/(Deficit)	3,922,091	5,391,565	6,913,575	8,486,371	11,174,306

N.B. - A \$10M down-payment towards building construction is included in Year 1 expenses

It should be noted that the above 5-year projection for the Housing system includes \$6M per annum earmarked for deferred maintenance and renovation projects. In addition, two significant mortgages of \$1.6M (Leeds Residence) and \$1.5M (Prescott Residence) will be paid off in years 5 and 7 respectively. These completed mortgages will increase annual surpluses significantly.

In the unlikely event of a shortfall in resident applications, the overall Housing system generates sufficient revenue and would have existing surpluses to address the economic impact. For illustration purposes, a shortfall of 100 students would result in a reduction of student fees of approximately \$406K which would be funded by the Housing system as a whole (the system's projected annual surplus is approximately \$1.5M per annum)

As a result of this analysis, it can be concluded that the operation of a new residence building is financially viable and that there is adequate funds within the Housing system to support a down-payment and assist with economic uncertainties.

Scenario B – 2.0% Increase in Residence Fees per annum

	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25
Fee Revenue	\$3,580,860	\$3,835,781	\$4,180,763	\$4,557,566	4,969,184	5,418,902
Expenses	13,320,680	3,367,261	3,430,924	3,501,213	3,578,817	3,664,499
Surplus/(Deficit)	(9,739,820)	468,520	749,839	1,056,353	1,390,367	1,754,403
Accumulated Surplus/(Deficit)	(9,739,820)	(8,182,708)	(5,005,793)	(347,580)	5,924,739	13,956,140

N.B. - A \$10M down-payment towards building construction is included in Year 1 expenses

As a stand-alone project and given the assumption of 2.0% fee growth per annum, a new residence building would contribute a surplus to the University over a 25-year period, the assumed life of the debt instrument funding the project. The down-payment of \$10M would be repaid after sixteen years.

When we examine the Housing system as a whole, the projected surplus is sufficient to cover the planned down-payment for a new building.

	Year 1	Year 2	Year 3	Year 4	Year 5
Fee Revenue	\$28,426,856	\$28,426,856	\$28,975,231	\$29,534,272	\$30,104,186
Expenses	36,642,599	27,021,444	27,396,271	27,779,259	27,104,401
Surplus/(Deficit)	(8,215,743)	1,405,412	1,578,960	1,755,012	2,999,784
Accumulated Surplus/(Deficit)	4,279,078	5,684,490	7,263,450	9,018,462	12,018,247

N.B. - A \$10M down-payment towards building construction is included in Year 1 expenses

Similar to Scenario A, the above 5-year projection for the Housing system includes \$6M per annum earmarked for deferred maintenance and renovation projects. In addition, two significant mortgages of \$1.6M (Leeds Residence) and \$1.5M (Prescott Residence) will be paid off in years 5 and 7 respectively. These completed mortgages will increase annual surpluses significantly.

In the unlikely event of a shortfall in resident applications, the overall Housing system generates sufficient revenue and would have existing surpluses to address the economic impact. For illustration purposes, a shortfall of 100 students would result in a reduction of student fees of approximately \$406K which would be funded by the Housing system as a whole (the system's projected annual surplus is approximately \$1.5M per annum)

As a result of this analysis, it can be concluded that the operation of a new residence building is financially viable and that there is adequate funds within the Housing system to support a down-payment and assist with economic uncertainties.

During the summer term, when many students have left residence, the University converts its residence buildings into hotel style accommodations for groups and individual users. This generates approximately \$200K of revenue for the Department of Housing & Residence Life, and in peak years this number have been over \$500K. A new residence would also offer potential new revenue generation opportunities for the University's summer operation.

Risk Analysis

The key project risks identified for this project are as follows:

Risk: Insufficient Demand for Student Housing
Magnitude: Medium
Likelihood: Low
Mitigation: The University has consistently had a strong demand for Housing, as evidenced by application demand trends and consistently strong waitlists. In addition, the University has implemented policies related to residence applications that serve to manage demand. Should these policies be amended, it is expected that applications would continue to rise. There is no demographic data available to the University which suggest there will be a reduction in overall student populations in either the short or long-term. In the unlikely event of a shortfall in resident applications, the overall Housing system generates sufficient revenue and would have existing surpluses to address the economic impact. For illustration purposes, a shortfall of 100 students would result in a reduction of student fees of approximately \$406K which would be funded by the Housing system as a whole (the system's projected annual surplus is approximately \$1.4M per annum).

Risk: Site Conditions
Magnitude: Low
Likelihood: Medium
Mitigation: Site condition require further study to determine appropriate foundation design. Geotechnical investigations will be performed to ensure that building design and project plan reflect the appropriate foundation design.

Risk: Building not delivered on time or on budget
Magnitude: Medium
Likelihood: Medium
Mitigation: The University will retain a scheduling consultant to draft a specification for the contract relating to schedule. This consultant will also monitor the schedule and advise on tactical changes should issues occur. A quantity surveyor will be engaged to monitor and advise on budget risk as the projection progresses. In order to further reduce the risk to schedule and budget, the University will be delivering this contract through construction management as opposed to stipulated sum. Once the design team has been confirmed, the University will issue an RFP for a construction manager (CM) who will work with the design team and project committee throughout the lifecycle of the project. The CM will provide input on schedule, costing, design, and implementation and will be a key member of the project team.

Conclusion

Housing and Residence Life Services is invested in creating a student-focused residence community that supports academic success. Retention rates for students living in residence their first year have consistently been shown to be higher than those living off-campus their first year. Since 2011, when the University built the Lennox & Addington residence, we continue to see an unmet demand for student Housing has developed at Carleton University. A new residence would serve to both help address this demand and to allow the residence community to offer more upper year residence space in its existing housing portfolio. As evidenced by financial analysis, the overall value proposition of residence fees and meal plan revenues are sufficient to cover the costs of servicing building debt and operating costs. In addition, there are sufficient funds within the Housing System as a whole to cover any deficits incurred in the medium-term, fund future deferred maintenance projects, and guard against any unforeseen economic changes.

Decision Required

- To approve the recommendation the University proceed with the design of a new student residence to be open for September 2022.
- To approve method of design and construction

Appendix A – Debt Summary FY19/20

Building	Expiration Date	Annual Payment	Outstanding Balance
Glengarry	FY19/20	117,118	-
Leeds	FY26/27	1,607,267	8,266,428
Prescott	FY28/29	1,519,547	9,907,002
Frontenac	FY38/39	928,905	11,841,000
Lennox & Addington	FY41/42	1,590,729	25,817,000
Total		5,763,566	55,831,430

Appendix B – Projected Future Debt Servicing Costs

Fiscal Year	Glengarry (19/20)	Leeds (26/27)	Prescott (28/29)	Frontenac (38-39)	Lennox & Addington (41/42)	New Residence (46/47)	Total Debt Payments	Outstanding Debt Balance
FY19/20	117,118	1,607,267	1,519,547	928,905	1,590,729	-	5,763,566	56,414,575
FY20/21	-	1,607,267	1,519,547	934,322	1,586,116	-	5,647,251	52,621,610
FY21/22	-	1,607,267	1,519,547	938,974	1,590,972	-	5,656,760	49,225,705
FY22/23	-	1,607,267	1,519,547	943,474	1,593,949	2,755,595	8,419,833	94,214,477
FY23/24	-	1,607,267	1,519,547	952,867	1,598,946	2,755,595	8,434,223	88,954,407
FY24/25	-	1,607,267	1,519,547	952,201	1,602,696	2,755,595	8,437,306	83,433,041
FY25/26	-	1,607,267	1,519,547	958,863	1,599,842	2,755,595	8,441,115	77,634,199
FY26/27	-	535,755	1,519,547	965,231	1,603,365	2,755,595	7,379,494	72,635,732
FY27/28	-	-	1,519,547	973,845	1,609,859	2,755,595	6,858,846	67,967,081
FY28/29	-	-	633,146	978,504	1,611,824	2,755,595	5,979,069	63,992,569
FY29/30	-	-	-	988,390	1,614,168	2,755,595	5,358,153	60,522,585
FY30/31	-	-	-	992,607	1,620,826	2,755,595	5,369,028	56,928,570
FY31/32	-	-	-	1,002,628	1,620,394	2,755,595	5,378,618	53,205,235
FY32/33	-	-	-	1,010,649	1,624,686	2,755,595	5,390,931	49,349,253
FY33/34	-	-	-	1,020,343	1,628,559	2,755,595	5,404,498	45,353,262
FY34/35	-	-	-	1,030,537	1,633,238	2,755,595	5,419,370	41,210,863
FY35/36	-	-	-	1,040,838	1,638,627	2,755,595	5,435,061	36,918,617
FY36/37	-	-	-	1,051,788	1,639,925	2,755,595	5,447,308	32,468,047
FY37/38	-	-	-	1,064,064	1,644,879	2,755,595	5,464,538	27,852,635
FY38/39	-	-	-	357,224	1,649,777	2,755,595	4,762,596	23,798,821
FY39/40	-	-	-	-	1,653,954	2,755,595	4,409,550	19,991,003
FY40/41	-	-	-	-	1,659,160	2,755,595	4,414,755	16,069,534
FY41/42	-	-	-	-	831,134	2,755,595	3,586,729	12,871,723
FY42/43	-	-	-	-	-	2,755,595	2,755,595	10,434,831
FY43/44	-	-	-	-	-	2,755,595	2,755,595	7,931,073
FY44/45	-	-	-	-	-	2,755,595	2,755,595	5,358,613
FY45/46	-	-	-	-	-	2,755,595	2,755,595	2,715,568
FY46/47	-	-	-	-	-	2,755,595	2,755,595	-
Total	117,118	11,786,624	14,309,069	19,086,253	36,447,627	68,889,883	150,636,573	-

CARLETON UNIVERSITY
CAPITAL PROPOSAL FORM

Project Name: New Residence - 2022

Department: Housing and Residence Life Services

Last Updated: August 8, 2019

Author: Laura Storey, Director, Housing and Residence Life

Project Manager(s):

Executive Sponsors: Michel Piché, Vice President, Finance and Administration; Suzanne Blanchard, Vice President, Students and Enrolment

Project Business Case

Project Overview

Building a new first-year student residence.

- Approximately 450 new beds
- 1st floor amenity space for all students in the residence precinct
- Considering a sustainable build

Issue/Opportunity

Building a new residence will add to the compliment of housing offered to students at Carleton University. This new build will offer more single rooms and allow for changes to current space to allow for more first-year and upper-year student beds in other spaces.

- Reduce current waitlist for residence (>400 on waitlist)
- Allow for creation of more single rooms in current residences

Project Goal

The goal of this project is to provide Housing and Residence Life Services and Carleton University with more bed spaces.

- Students living in residence in their first year have demonstrated higher retention rates than those living in off campus housing.
- At present, many students desiring residence are on a waitlist.
- Adding a new building, would essentially double our first-year single room offerings for students. With rising mental health and exceptional needs, single rooms will better support our population.

Project Duration Estimates

Project Milestone	Date Estimate	Confidence Level
Project Start Date	May 2020	High
RFP – Architectural Complete	15/09/19	High
Architectural Drawings Complete	01/03/20	High
Breaking Ground	01/5/20	Medium
Building Open	08/01/22	Medium

Project Conditions

Project Assumptions
<ul style="list-style-type: none">This project will be a traditional style 450 bed residence with a projected maximum budget of \$60M. Passive house design will be explored during the design phase and may become part of the overall design. The project will be delivered using construction management.
Project Risks
<ul style="list-style-type: none">The main risk at this time are site conditions however geotechnical investigations will provide sufficient information to allow for appropriate foundation design.The risk to schedule will be mitigated by retaining a scheduling consultant who will draft a specification for the contract relating to schedule and monitoring of the schedule.Risk to budget will be mitigated through the hiring of a quantity surveyor.
Project Constraints
<ul style="list-style-type: none">There are no project constraints identified at this time.
Environmental Considerations
<ul style="list-style-type: none">There are no environmental issues identified at this time.

Project Financing

Project Costs
<ul style="list-style-type: none">• The architectural costs will likely be between 2 million and 2.5 million on a \$60 million dollar build project.• Housing and Residence Life Services will assume all costs associated with the project.
Project Funding
<p>Housing & Residence Life Services anticipates to fund \$10 Million of the project with the remaining balance to be funded internally or by an external lender (To be determined by Vice-President (Finance & Administration))</p> <p>Estimated Project costs - \$60M Funding from RLS - \$10M Internal or External Funding - \$50M Fall 2022 Interest Rates – 2.71% (Current lending rate as per AVP – Financial Services)</p>
Project Operating Impact
<p>The New Residences is expected to generate \$3.6M - \$4.1M in revenue annually over the first 10 years of operations. Operating costs will range from \$565K - \$675K during the same period. Financing of the \$50 million new residence will render an annual mortgage payment of approximately \$2.8M</p>
Financial Assumptions
<ul style="list-style-type: none">• Overall project costs - \$60M• Project down payment - \$10M• Interest rate – 2.71%
Financial Resources Signoff:

Project Critical Success Factors (Key Performance Indicators)

Project Critical Success Factors
<ul style="list-style-type: none">• Hire architect for design• Complete working drawings for winter/spring 2020• Issue documents for bid – Spring2020• Start construction in spring of 2020 for August 2022 occupancy

APPROVALS

Project Manager: _____ Date: _____

[Name]

[Title]

Executive Sponsor: _____ Date: _____

[Name]

[Title]

AVP Facilities
Management
Planning:

_____ Date: _____

[Name]

Vice-President
Finance & Adm.:

_____ Date: _____

[Name]

President: _____ Date: _____

[Name]

[Title]

AGENDA ITEM

7.2

PRESIDENT'S REPORT TO THE BOARD OF GOVERNORS

September 30, 2019



REPUTATION AND COMMUNITY HIGHLIGHTS

Celebrating Convocation

June Convocation included nine ceremonies and approximately 5,000 graduates — 3,983 undergraduates and 967 graduate students. Honorary doctorates were conferred on Diana Beresford-Kroeger, Robert Slater, Christina Louise Logue, Laurie Beachell, Robert Thirsk, Yazmine Laroche and The Right Honourable Paul Martin. A wonderful highlight was the formal installation of new Chancellor Yaprak Baltacioğlu. “For countless immigrants before and after me, Canada has been a love story — a place of refuge,” she said in her address. “A place of welcome. A place of opportunity. And not only did I get to live in one of the most wonderful countries on Earth, I also got to work in Canada’s extraordinary public service. And the public service has been the entity through which I reciprocated my love for Canada for more than a generation. And I am hoping to reciprocate to Carleton through my role as its Chancellor.”



Smart Environments (ARISE) Building Preview

Impactful partnerships and advances in sustainability were front and centre on Aug. 27 as a group of government, technology and higher education leaders came together at Carleton for a preview of the new Smart Environments building — a hub specifically designed for multidisciplinary research partnerships with government and the private sector. The morning reception in the 70,000-square-foot, five-floor building, in a room overlooking the Rideau River, was an opportunity for the university to celebrate the importance of collaboration and thank partners who have contributed to both the \$29.5-million building and a \$20.7-million upgrade for Carleton’s nearby co-generation facility. “This is a very exciting day for the university,” said Carleton President Benoît-Antoine Bacon. “We are showcasing two projects that demonstrate the importance of partnerships, of how we can work together for good. This beautiful building that we’re in would not have been possible without the generous \$13.45 million we received from the Government of Canada’s Strategic Investment Fund.”



Carleton Hosts Indigenous Youth Gathering

Young people from across Nishnawbe Aski Nation (NAN) territory in northwestern Ontario gathered at Carleton for the NAN Youth Leadership Development Initiative in late July. The weeklong series of workshops and sessions was a partnership between NAN, Carleton and the federal Department of Crown-Indigenous Relations and Northern Affairs. The initiative’s curriculum was jointly developed by the university and NAN’s education unit, and focused on leadership skills using approaches that align with the traditional teachings and values of the Nishnawbe-Aski.



Strategic Planning Process Begins

A campus-wide event on Sept. 5 marked the official launch of Carleton’s strategic planning process. About 250 people attended “Carleton’s Strategy: The Next Chapter,” where the four co-chairs of the Strategic Integrated Plan (SIP) Task Force — Deputy Provost Lorraine Dyke (Academic Operations and Planning), Clerk of Senate Betina Appel Kuzmarov, Faculty of Graduate and Postdoctoral Affairs Dean Patrice Smith and Cindy Taylor, the Assistant Vice-President of Human Resources — introduced the process that Carleton will undertake over the next year. Together, they will lead a task force of faculty, staff and students who are representative of Carleton’s faculties as well as research, student support and administrative units. The task force is hosting a guest speaker series to prompt members of the Carleton community to think strategically about significant topics related to higher education. Open consultation sessions have been scheduled and are available for registration. Later in the fall, themed consultation sessions will be scheduled based on feedback received through the open consultation events. The launch event featured a keynote by higher education expert and futurist Ken Steele.



ACADEMICS

Strategic Indigenous Initiatives Committee

The work of the Carleton University Strategic Indigenous Initiatives Committee (CUIISIC) is continuing. The committee co-chairs have continued to consult with Indigenous communities, which included a recent visit to Iqaluit, Nunavut. The Carleton community will be consulted on the draft calls to action during the fall term.



Minister McKenna Roundtable with Engineering Students

Federal Environment and Climate Change Minister Catherine McKenna sat down with a couple dozen students from Carleton's Faculty of Engineering and Design on Sept. 5 for an informal conversation about the value of equity, diversity and inclusion. "Inclusiveness is really important, and it requires thought — it doesn't happen by accident," said McKenna, whose Ottawa Centre riding includes the Carleton campus. "These conversations matter, but it matters more that we act on them." The gathering, motivated by a desire to encourage more women to enter science, technology, engineering and math (STEM) fields, was moderated by Mechanical and Aerospace Engineering Prof. Cynthia Cruickshank.



New Deans on Campus

Three new deans began five-year mandates at Carleton on July 1. Dana Brown joined the Sprott School of Business after serving at De Montfort University and Oxford in the U.K. Larry Kostiuik, previously at the University of Alberta, is overseeing the Faculty of Engineering and Design. Finally, Patrice Smith — an accomplished neuroscientist who previously served as an associate dean in Carleton's Faculty of Science — is the new dean of the Faculty of Graduate and Postdoctoral Affairs.



Welcoming New Academic Staff

Teaching and Learning Services hosted orientation sessions for new faculty, instructors, librarians and contract instructors. To see the full list of faculty, instructors and librarians who were appointed to full-time preliminary or tenure-track positions between July 2, 2018, and July 1, 2019, please go to <https://carleton.ca/provost/2019/appointments/>.



Promotion and Meritorious Appointments

Promotions and meritorious appointments, effective July 1, 2019, have been announced. Please join us in congratulating our colleagues and thanking them for the important contributions they have made to Carleton and will continue to make in the years ahead. To see the full list, please go to: <https://carleton.ca/provost/2019/promotion-meritorious-appointments-july-2019/>.

Chancellor's Professor Appointments

Carleton Profs. Lenore Fahrig (Biology) and Shikharesh Majumdar (Systems and Computer Engineering) were appointed as Chancellor's Professors, a rank reserved for highly esteemed faculty members whose research activities have been, and continue to be, of outstanding merit with substantial international impact.



Teaching Awards

- Profs. John Stead (Neuroscience), Anne Trépanier (Indigenous and Canadian Studies) and Winnie Ye (Department of Electronics) received the Provost's Fellowship in Teaching Award for their leadership and commitment to teaching and learning. They have also been designated as Carleton University teaching fellows.
- Profs. Achim Hurrelmann (Political Science; European, Russian and Eurasian Studies) and Danielle Kinsey (History) received the Excellence in Blended and Online Teaching Award for their exceptional impact on student learning in blended and online environments.
- Profs. Sonia Gulati (Health Sciences), Rishad Irani (Mechanical and Aerospace Engineering), Omair Shafiq (Information Technology) and Ai Taniguchi (Linguistics and Language Studies) received the New Faculty Excellence in Teaching Award.
- Profs. Melanie Adrian (Law and Legal Studies) and Mira Sucharov (Political Science) received the inaugural Discovery Centre Fellowship, which recognizes a significant contribution to reflective and research-informed teaching.
- Scholarship of Teaching and Learning (SoTL) Grants were awarded to: Mustafa Bahran and Alain Bellerive (Physics); Samuel McCreedy (History); Sophie Tamas (Geography and Environmental Studies/Indigenous and Canadian Studies); Kim Hellemans, Kim Matheson and Hymie Anisman (Neuroscience); Robyn McQuaid (Royal Ottawa Hospital) and Larry McCloskey (Paul Menton Centre); Paulo Garcia (Systems and Computer Engineering). Deanna C. Whelan (Psychology) and Shermeen Nizami (Health Science) also received funding for teaching development projects in their courses.



Provost Scholar Awards

Provost Scholar Awards were presented to undergraduate students Zaynab Al-Hemed, Alaa Azan, MacKenzie Brannen, Rebecca Butler, Allysa Czerwinsky, Julianne Dumont, Gemma Rod and Kayla Schumacker at an event hosted by the Discovery Centre in April. The inaugural Peter J. Ricketts Outstanding Provost Scholar Award was presented to Mohamed Hozayen.

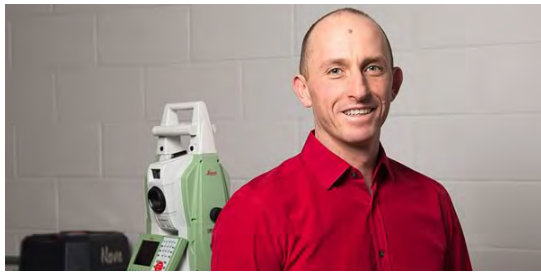
Experiential Learning and Employability

In the Fall 2018 term, the new **International Internship Program** was opened to students university-wide, with a targeted recruitment of students in the Faculty of Public Affairs. Through this high-impact experiential learning program, 72 students successfully participated in the program and interned around the world in 27 different countries this past summer. Placements included Canada's Permanent Mission to the UN in New York City, interning as a Gender Officer with a local NGO in Peru and working with the Screen Directors Guild of Ireland.

The **Carleton University Accessible Experiential Learning Project (CUAEL)** is wrapping up a highly successful program that was funded by the Government of Ontario's Career Ready Fund. Over the past 16 months, we have filled 225 experiential learning placements for students with disabilities, in addition to providing accommodation and disclosure supports to students and employers.

The first year of the **David C. Onley Initiative** — an Ontario government funded partnership with uOttawa, Algonquin College and La Cite — was a great success. The initiative continues to develop a transferable model to support skill development and preparation of students with disabilities for employment.





RESEARCH

NSERC Funds the Establishment of PermafrostNet

The Natural Sciences and Engineering Research Council of Canada (NSERC) will provide more than \$5 million over five years to fund PermafrostNet, a Canadian research network of 12 universities and more than 40 partner organizations. This important partnership is led by Carleton's Stephan Gruber, Canada Research Chair in Climate Change Impacts/Adaptation in Northern Canada. The objective of the highly competitive NSERC Strategic Partnership Grants for Networks is to increase research and training in targeted areas, contributing to a better quality of life in Canada. Only two networks were funded this year across Canada.



Cynthia Cruickshank Receives Funding to Reduce Emissions in Building Sector

Prof. Cynthia Cruickshank of the Department of Mechanical and Aerospace Engineering has received \$5.1 million in funding from the Natural Resources Canada (NRCan) Energy Innovation Program and the Ontario Research Fund (ORF) to develop new building envelope technologies that will make Canada's buildings more energy efficient and less greenhouse gas intensive. Environment and Climate Change Minister Catherine McKenna visited the Carleton campus to make the announcement.



Carleton Launches \$2M Project to Improve the Security of Connected e-Health Systems

Carleton and other partners have initiated a project valued at approximately \$2 million through the Department of National Defence's Canadian Safety and Security Program (CSSP) for research on e-health systems security enabled by the Internet of Things (IoT). The research will be led by Systems and Computer Engineering Prof. Mohamed Ibnkahla.

Carleton Announces Four Canada Research Chairs

Two Carleton professors, Robert Barsky and Robin Chhabra, have been announced as new Tier 1 and Tier 2 Canada Research Chairs (CRC) respectively, in addition to the renewal of Rowan Thomson, Canada Research Chair in Radiotherapy Physics, and Merlyna Lim, Canada Research Chair in Digital Media and Global Network Society. Robert Barsky has been named CRC in Law, Narrative and Border Crossing, while Robin Chhabra accepts the CRC in Autonomous Space Robotics and Mechatronics.



Carleton Creates Canadian Accessibility Network

Building on its reputation as Canada's most accessible university, Carleton has launched the Canadian Accessibility Network — the first entity of its kind in the country. By leveraging strengths of individual stakeholders within a national network of partnerships, the Canadian Accessibility Network is creating collective regional and national capacity. Through the network, led by Prof. Adrian Chan, Carleton will work with partners to promote a more accessible and inclusive Canada and build on the goals of the new Accessible Canada Act.

Carleton Researchers Receive Grant to Improve Building Performance and Sustainability

Carleton researchers, led by Gabriel Wainer, a professor in the Department of Systems and Computer Engineering, and industry partner Autodesk, have received an NSERC Strategic Partnership Grant worth \$617,000 to investigate new technologies that will assist in the design of more sustainable buildings.

Michael Weiss Receives Funding to Create Open Source Cyber Fusion Centre

Carleton's Michael Weiss, a professor in the Department of Systems and Computer Engineering, received a \$560,000 grant from the Ontario Centres of Excellence (OCE), PROMPT and NSERC to fund an Open Source Cyber Fusion Centre as part of the Cybersecurity R&D Challenge. The award will be shared with co-principal investigator Mourad Debbabi at Concordia University.

SSHRC Invests \$2.5M to Support Security and Defence Network

Stephen Saideman, Carleton's Paterson Chair in International Affairs, has received a \$2.5 million Partnership Grant from the Social Sciences and Humanities Research Council of Canada (SSHRC) for his work on the Canadian Defence and Security Network (CDSN) to create an inclusive and innovative defence and security community in Canada.

Aerospace Researcher Receives NSERC Funding for Uninhabited Aircraft Training

Carleton's Jeremy Laliberté from the Department of Mechanical and Aerospace Engineering and partners from four other universities (École de technologie supérieure, Université de Sherbrooke, University of Ottawa and Queen's University) have received \$1.65 million in funding from the NSERC Collaborative Research and Training Experience (CREATE) program to address challenges with operating uninhabited aircraft systems (UAS).

Burak Gunay Receives Funding to Improve Building Efficiency

Environment and Climate Change Minister Catherine McKenna visited the Carleton campus to announce that Department of Civil and Environmental Engineering Prof. Burak Gunay and fellow researchers Liam O'Brien and Scott Bucking have received \$510,000 in funding from the NRCan Green Infrastructure Fund to develop new data-mining tools that will improve building energy efficiency, occupant comfort, health, and workplace productivity.

Carleton Faculty Receive CIHR Funding for Research Focused on the Health of Canadians

Two Carleton researchers have received almost \$700,000 from the Canadian Institutes of Health Research (CIHR). Shawn Hayley, a professor in the Department of Neuroscience, will be using CIHR funding to investigate pesticides associated with Parkinson's disease. Paul Villeneuve, a professor in the School of Mathematics and Statistics, is studying whether changes in air pollution and weather can be associated with suicide.

Researchers Receive CFI Funds to Protect Groundwater and Improve Healthy Behaviour

Carleton researcher Richard Amos from the Department of Earth Sciences and a team led by Department of Psychology Prof. Marina Milyavskaya have received approximately \$204,000 in combined funding from the Canada Foundation for Innovation's (CFI) John R. Evans Leaders Fund for work that will improve the healthy behaviour of Canadians and prevent the contamination of groundwater.

Projects on Global Talent, Youth Homelessness and Rural Communities Receive Support

Three Carleton research projects on recruiting global talent, ending youth homelessness and increasing the well-being of rural communities have been supported at almost \$200,000 each by SSHRC. Carleton's Martin Geiger in the Department of Political Science, Jacqueline Kennelly in the Department of Sociology and Anthropology, and Paul Peters, Department of Health Sciences, received Partnership Development Grants.

Carleton Receives NSERC Funding to Strengthen Research Leadership

Carleton has received more than \$11 million in funding from NSERC in the form of Discovery Grants, scholarships and fellowships to support leading researchers in diverse areas, including public safety and cybersecurity, cognition, biology, physics and income inequality.

Carleton Faculty Awarded \$1.8M in SSHRC Insight Grants

A dozen Carleton researchers have been awarded SSHRC Insight Grants. More than \$1.8 million in funding will support innovative research in diverse areas, including collective nostalgia, immigration and elder care, accurately measuring the risk of investments, and disability in film. In addition, 54 Carleton graduate students have received more than \$2.1 million in the form of fellowships and scholarships from SSHRC.





STUDENT LIFE

Student Success and Student Experience

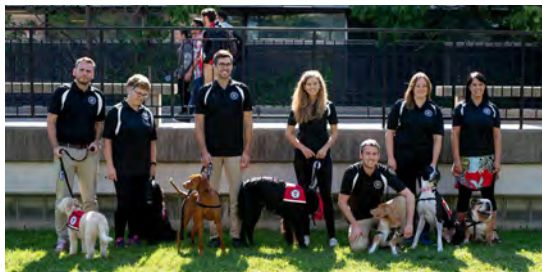
Summer Orientation welcomed more than 900 new students and over 800 parents and guests across six sessions in August 2019, a record turnout. These sessions highlight key campus services and resources, and start the process of adjusting to university studies. They also include campus tours.

Fall Orientation and Academic Orientation was high energy and extremely positive, with more than 4,500 new students participating.



The International Student Services Office (ISSO) offered a robust **orientation for new international students**. This included I-Start Orientation sessions throughout August and September, a welcome event on Aug. 30 with more than 750 people and the Airport Welcome Program.

The **First Year Connections program** has reached a new milestone with more than 800 students registered (a 12% increase). Any first-year student, including international, transfer and first-generation students, who is looking to have a peer mentor during the first six weeks of the academic year will be matched with a mentor to support their transition to post-secondary education, including navigating campus, understanding campus resources availability and how to access them, and making connections with other students in the community.



The **Ask Me Campaign** saw faculty, staff and student leaders wearing red Ask Me buttons during the first couple of weeks of September to help make all students feel part of this supportive community.

A new **satellite fitness centre** in residence was opened this fall. If successful this model can be replicated.

The **Sexual Violence Prevention Strategy** is currently being developed. This strategy is intended to be a living document and provide a three-year roadmap of activities that every member of our community can engage in as we continue to strive to enhance the education about, prevention of and response to sexual violence on our campus.



On Sept. 12 Carleton launched an **expanded Carleton Therapy Dog program**. After receiving permanent funding for a position, this program has expanded to include a total of 13 dogs with Carleton faculty and staff as handlers. This program is part of a campus-wide mental health initiative that fosters a welcoming and supportive environment and will help to facilitate referrals and address mild-to-moderate mental health concerns. Students are encouraged to visit with the dogs and collect their business cards!

Under the guidance of the new Director, Health and Counselling Services, Carleton continues to improve access to services for students. We are moving into the academic year with **four psychiatrists and four GP-psychotherapists**. In collaboration with the newly renamed Department of Equity and Inclusive Communities, we have successfully recruited an **Indigenous Counsellor**.

Health and Counselling Services will be piloting a “**Mindfulness for Emotional Resilience**” group for both the fall and winter terms and a “**Culture Shock**” group in the International Student Services Office this fall.

The **CU Spirit Day** program returned to campus on Sept. 13. Faculty, staff and students are encouraged to purchase a quarter zip sweater (with proceeds going to Carleton's Here for Good campaign). All members of the Carleton community are encouraged to wear this shirt on every Friday to celebrate Ravens spirit.

After considering feedback from the Carleton community, the draft of Carleton's Coordinated **Accessibility Strategy** will be released to the community this fall for further consultations and feedback.

Three former **Carleton Ravens played on Canada's national basketball team** at the FIBA World Cup in China in early September. Congratulations to Phil Scrubb, Thomas Scrubb and Kaza Kajami-Keane. Go Ravens!

ADVANCEMENT

University Advancement begins the new academic term with momentum from the Collaborate campaign and a renewed mandate to build new pathways to partnership for our community. With the guidance of the leadership team and Board of Governors, and in preparation for the new Strategic Integrated Plan, we are renewing a “**Campaign for Good**” — a focused effort to build financial support for five key fundraising priorities. This work will connect with two new initiatives leading from an expanded departmental mandate. These initiatives — Community Liaison and Holistic Partnerships — are being developed with key campus partners and will both lead to new collaboration opportunities on campus and in the community.

Inspired by the generosity and vision of our supporters, we will share our message and commitment to doing good. Throughout the 2019-2020 academic year, we will invite our partners to be “**Together for Good**” — to join us to accomplish good and meaningful things for the entire community.

Fundraising Activity May 1 to August 31, 2019

Annual: \$579,830

Major/Transformational: \$2,569,865

Total: \$3,149,695

Revenue Detail May 1 to August 31, 2019

Charitable Gifts (Non-Research): \$2,257,407

Sponsorships: \$581,938

Research Partnerships: \$310,350

We have been working diligently engaging alumni and donors with transformational-level capacity and interest across Canada and internationally to ensure that we deepen our donor pipeline. The 2018-2019 President’s Report was an opportunity to reach out to our top donors and prospects to instill joint pride in what we have collectively achieved.

In the post-campaign period, we continue to apply their fundraising efforts to Athletics, the Carleton Dominion-Chalmers Centre, student aid and faculty-based opportunities such as the Nicol Building, Women in STEM and student experience funds. Launching and operationalizing the new holistic integrated partnership initiative with Office of the Vice-President (Research and International) has been and continues to be a top priority.

Meanwhile, stewardship of our generous donors continues. Most recently, donors who established endowments received their annual endowment impact report. And this year totals the most number of reports on endowed funds to date at over 900.

Nearly 10,000 members of the Carleton community came back to campus for our **seventh annual Throwback** — Carleton’s homecoming celebration. The week-long festivities included class reunions, guest lectures, socials events and varsity games, including the homecoming football game. Among the 30 events, the Carleton University Art Gallery opened its fall exhibitions, the signature FPA Currents Lecture featured the CEO of Abacus Data David Coletto, a Sprott School of Business alumni panel was held at Shopify, and a Milestone Anniversary Brunch was hosted to honour alumni who were celebrating a special anniversary of their graduation.

Giving Tuesday is our opportunity to come together as staff, faculty, alumni and friends to make a difference and leave a positive mark on the world around us. Mark your calendars for **Tuesday, Dec. 3**, and make an impact by supporting initiatives that are meaningful to our campus community and beyond through FutureFunder. Together, we are a force for good.



ENROLMENT UPDATE

Applicant/Targets — Fall 2019/20			
Ontario University Application Centre Systems Data — First Year			
	2019	2018	% +/-
Applicants	159,593	156,925	1.7%
Confirmations	104,635	101,670	2.9%
Applicants (H.S. – OUAC 101s)	91,900	89,869	2.3%
Confirmations (H.S. – OUAC 101s)	74,441	72,922	2.1%

Carleton University First Year			
	2019	2018	% +/-
Applicants	24,559	24,321	1.0%
Confirmations	6,471	6,382	1.4%
Applicants (H.S. – OUAC 101s)	15,675	15,041	4.4%
Confirmations (H.S. – OUAC 101s)	4,414	4,275	3.3%

Carleton University Target (Full-time, Fall) Projection Using Current Data / (Target)			
	2019	2018	% +/-
First Year (New)	5,397 / (5,498)	5,322	1.4%
Undergraduate	21,635 / (21,625)	21,380	1.2%
Total (FT+PT) Enrolment	31,542 / (31,520)	31,202	1.1%

Carleton data as at Aug. 23, 2019; OUAC data as at Aug. 8, 2019 (with matched dates in 2018).

RECRUITMENT UPDATE

The 2019-20 undergraduate recruitment season has begun. Our recruiters are planning to visit more than 600 high schools across the country to talk to prospective students. In addition, our high school outreach initiatives are continuing to expand with increased partnerships with faculty members and academic departments, collaboration with Ottawa school boards and initiatives targeted to high-achieving high school students.

The international admissions team will visit more than 400 high schools and attend approximately 100 events in 40 countries across the Indian subcontinent, Middle East, Southeast Asia, Africa, the Caribbean, Europe and Latin America. New initiatives include enhanced agent relationships, strengthening our international student ambassador network and enhanced online events and communications.

The Ontario Universities' Fair (OUF) ran from Sept. 27 to 29 and more than 100 Carleton students, staff and faculty attended to speak to prospective students. More than 130,000 students and parents were expected to attend this year's OUF. Additionally, our Fall Open House Days will be held on campus on Oct. 19 (Engineering and Design, Science) and Oct. 26 (Arts and Social Sciences, Public Affairs and Sprott School of Business).

AGENDA ITEM

7.3

DATE: 19 August 2019

TO: Executive Committee of the Board of Governors

FROM: Benoit-Antoine Bacon

COPIES: Amanda Goth

RE: President's Goals 2019-2020

After a successful “transition” year in 2018-19, we must now turn our attention to defining the next chapter of our history (1. Strategy). Of course, as we plan for the future we must continue to further enhance our academic mission and operations (2. Follow Through). Finally, we will lay the foundation for a reputational push (3. Reputation).

1. STRATEGY: Deliver the following Strategies and Plans that will help define a bright future for Carleton:

- Strategic Integrated Plan (SIP)
- Strategic Mandate Agreement (SMA-3)
- Indigenous Initiatives Strategy (CUISIC)
- Comprehensive International Strategy
- Sexual Violence Prevention and Response Strategy
- Accessibility Strategy
- Employability Framework

2. FOLLOW THROUGH: Build on the successes of last year and focus on mission critical deliverables:

- Student Success: towards increasing graduation rates over time, aiming at 1% annually
- Enrolment is Life: another 1-2% increase in applications-offers-confirmations
- Research is the Air we Breathe: Establish \$70M annual funding as the ‘new normal’
- The Campaign for Good: Establish a \$25M (3-year rolling average) as the ‘new normal’
- Deliver on Infrastructure: ARISE, Nicol, Banner 9, Engineering, new Student Spaces
- Revitalize the Human Resources portfolio to better serve our community
- Ongoing professional (scholar, academic leader) and personal (wellbeing) development

3. REPUTATION: So important to understand, sharpen and amplify our story to get the visibility and credit Carleton deserves:

- Complete the analysis of the market research and integrate in SIP
- The Hub for Good: increasing our partnerships and impact in the community
- Establish and develop the Government Relations portfolio at Carleton
- Increase nominations for national/international awards/prizes
- Careful analysis and optimization of national and international rankings
- Initial steps towards a refresh/update of Carleton's brand identity

AGENDA ITEM

7.4

BOARD OF GOVERNORS REPORT

To:	Board of Governors	Date of Report: 19 September 2019
From:	Vice-President (Students and Enrolment)	Date of Meeting: 30 September 2019
Subject:	Student Mental Health Framework 2.0 Implementation Update	
Responsible Portfolio:	Vice-President (Students and Enrolment)	

1.0 PURPOSE

☐ For Approval ☒ For Information ☐ For Discussion

2.0 MOTION

This report is for information only

3.0 EXECUTIVE SUMMARY

An overview of the various initiatives undertaken since October 2016 allowing us to meet 34 out of 38 recommendations in the Student Mental Health Framework 2.0.

4.0 INPUT FROM OTHER SOURCES

The Student Mental Health Framework 2.0 falls under the purview of the OVPSE – Strategic Initiatives Office. However, the implementation of the recommendations could only occur through the many collaborations with faculty, staff and students from across the university.

5.0 ANALYSIS AND STRATEGIC ALIGNMENT

This presentation will provide Board of Governor's members with an overview and understanding of the various initiatives underway to support student mental health and well-being. Our student mental health initiatives align with the previous Strategic Integrated Plan under Theme 3.

6.0 FINANCIAL IMPLICATIONS

The majority of initiatives underway rely on fiscal funding and ongoing financial support.

7.0 RISK, LEGAL AND COMPLIANCE ASSESSMENT

There are no risk or legal implications.

8.0 REPUTATIONAL IMPLICATIONS AND COMMUNICATIONS STRATEGY

Initiatives implemented under the Student Mental Health Framework 2.0 are communicated to students through the appropriate student communication channels including, but not limited to, the student website, the Carleton Mobile App, social media and student engagement. Not having an appropriate array of student mental health initiatives can negatively impact the university's reputation.

9.0 OVERALL RISK MANAGEMENT ANALYSIS

	VERY LOW	LOW	MEDIUM	HIGH	VERY HIGH
STRATEGIC	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

LEGAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OPERATIONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TECHNOLOGICAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FINANCIAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
REPUTATIONAL	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



Student Mental Health Framework 2.0 Implementation Update

Board of Governors
September 30, 2019



OFFICE OF THE VICE-PRESIDENT
STUDENTS AND ENROLMENT

Student Mental Health Framework 2.0

Launched in October 2016 based on the first framework launched in 2009

Purpose

- To continue to foster a university community that proactively promotes mental health and well-being, encourages mental health literacy and which recognizes the need for a holistic approach to mental health.

Vision

- Through our ongoing interactions with students on campus, faculty research, and the delivery of our support services, we will continuously strive for a welcoming, healthy, supportive, and inclusive campus environment at Carleton.
- This framework will serve as a guide to effectively and strategically coordinate our student programs, services and initiatives to build skills and foster resilience and to enhance the personal and academic success of Carleton students.



6 Areas of Focus



Implementation Progress

Strategic Focus:

- Enhancing the Continuum of Mental Health Support
- Increasing Awareness, Training and Education
- Building Thriving Communities

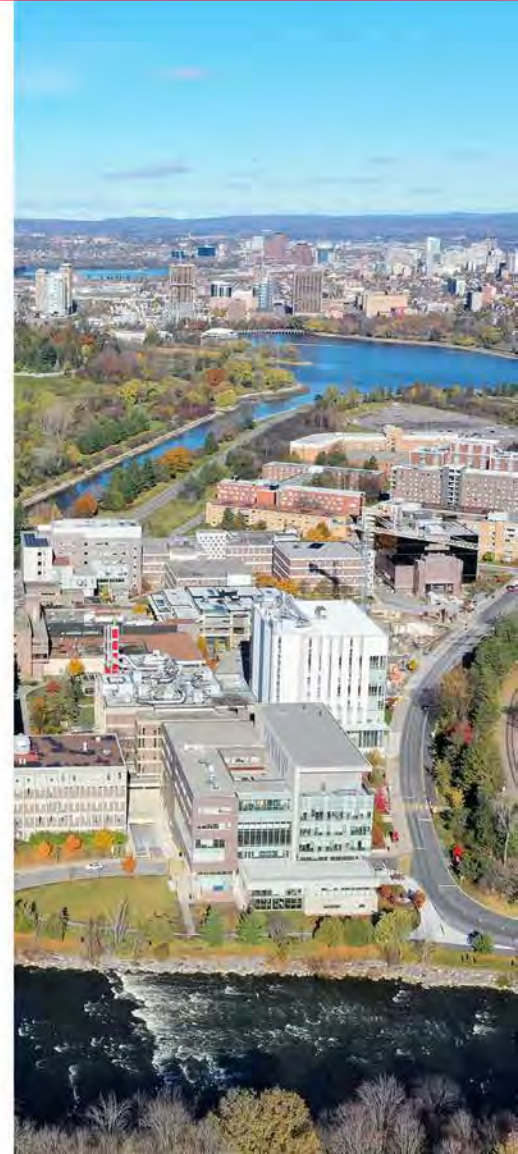
34 out of 38
recommendations have been implemented
or are ongoing



Enhancing the Continuum of Mental Health Support: Goals

Strategic focus on building our capacity to provide the “right kind of support at the right time”:

- Ensuring that we are providing a wide range of accessible services and resources
- Offering a level of mental health support to students that matches the level of need
- Research - lower intensity support can be just as effective for students (skills building, peer support, online programming, information and education)



Enhancing the Continuum of Mental Health Support: Initiatives

- 24/7 mental health service **Empower Me** introduced for undergrad students to provide access to off-campus professional counsellors
- Addition of **3 counsellors** and **4 part-time** psychiatrists
- Continuation of a specialized **Grad Counsellor** for graduate students needs
- Addition of new **Indigenous Student counsellor**
- Access improved with new **Same-Day Counselling** format
- Expansion of **FIT: Action** program with dedicated funding
- Addition of **Director of Student Care and Support, Mental Health and Conduct** in the Office of Student Affairs
- **Online** support through **TAO** to learn coping skills and improve mental health and well-being
- Increased availability of **Koru Mindfulness**
- Leveraging community resources **Good2Talk**, **Big White Wall**, etc.



Increasing Awareness, Training and Education: Goals

Strategic focus on continuing to increase mental health awareness and campus capacity to recognize signs and symptoms of distress:

- Improving mental health literacy and awareness of resources and supports
- Building capacity for having supportive conversations that not only assist in connecting students to resources and supports, but that also promote well-being
- Ensuring that tools and resources to support these efforts are clear and available



Increasing Awareness, Training and Education: Initiatives

- 1000+ staff, faculty and students have gained skills and awareness through the one hour **Supporting Students in Distress Workshop**
- SafeTALK delivered to 1000+ students, staff and faculty by 5 certified Carleton staff members build to help build capacity for **suicide prevention** in our community
- **Mental Health and Well-Being Resource Guide** distributed widely across campus
- Mental Health and Well-Being **website** launched *carleton.ca/wellness*
- **Supporting a Friend Resource** developed by students, 8 student leaders trained to deliver **Supporting a Friend Workshop**
- The **Health Promotion Team** delivers **Mental Wellness Workshops** and runs events throughout the year
- Expanded **Mental Health Training for Peer Mentors and Student Leaders** introduced
- 10 minute in-class **Mental Health Resources presentation** delivered by staff or students



Building Thriving Communities: Goals

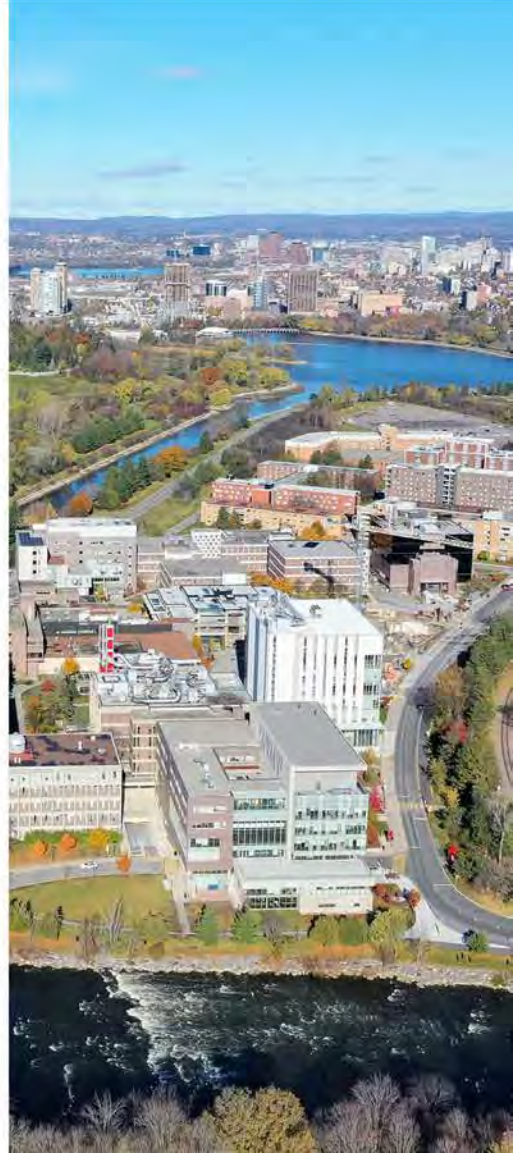
Strategic focus on building a community of care and fostering an environment where students can engage and thrive:

- Creating and promoting formal and informal opportunities for students to connect, develop relationships and feel a sense of belonging
- Providing activities that foster the development of coping skills and resilience, and enhance overall well-being
- Building partnerships with student groups and campus partners to strengthen collaborations and offer support for peer-to-peer programming and initiatives



Building Thriving Communities: Initiatives

- **Mental Health Peer Support** offered across campus with programs for undergraduate and graduate students piloted in 2018-19, **Mental Wellness Mentors in Residence** and **CUSA Wellness Centre** provided group drop-in hours
- The **Student Mental Health Student Engagement Committee** increased awareness of mental health and well-being with **11 Pop-Up Wellness** events held across campus
- **CUSA, Mental Health Champions, GSA** and many other student groups offered programming and initiatives to build awareness and connections



Building Thriving Communities: Carleton Therapy Dogs

- 7 trained therapy dogs and handlers provided care and support through 1643 visits in 2018-19
- 197 students visited Pawsitive Support Sessions in student service offices
- Various requests to visit events and classrooms
- Over \$17,000 raised by community members



Next Steps

- Expanded mental health training for students, staff and faculty
- Resources and best practices for fostering well-being and embedding mental health literacy in the classroom
- Evaluation and assessment of programs and initiatives to ensure accessibility, sustainability and campus coordination
- Exploration of a campus-wide, comprehensive strategy to foster resiliency and develop coping skills
- Collaborations with community organizations to share expertise, resources and programing in order to improve capacity and access to mental health support



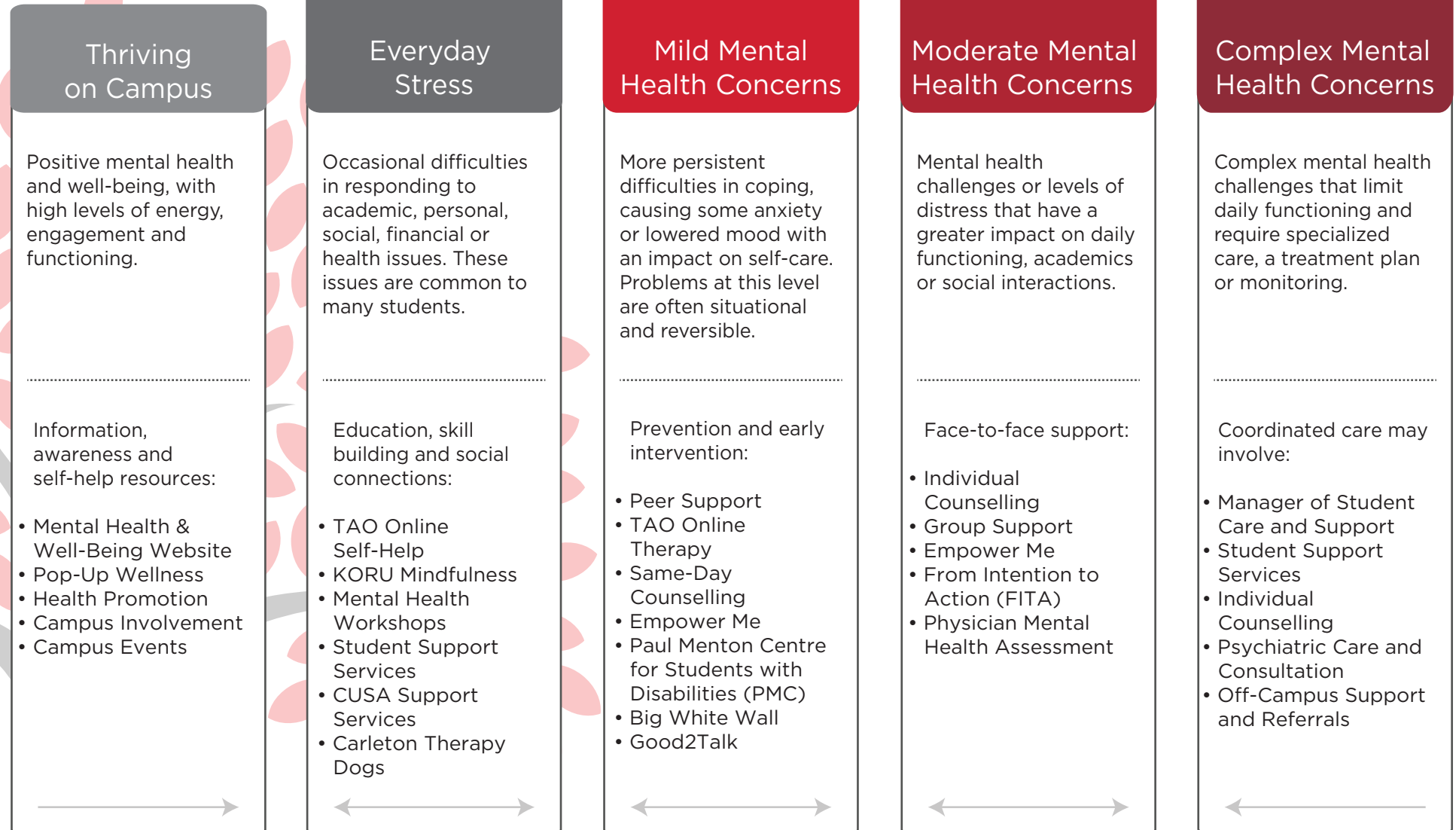
The background image shows a modern building with a glass and wood facade, a train crossing a bridge, and a body of water with reeds in the foreground. A large red semi-transparent rectangle covers the middle portion of the image, serving as a background for the text.

Thank You!

carleton.ca/wellness | students.carleton.ca

Resource Guide for Mental Health and Well-Being

Carleton provides a wide variety of accessible resources and services that allow students to maximize and manage their mental health and well-being. This guide can assist in matching students to the appropriate level of support based on their specific needs.



Detailed descriptions are available on the reverse.

Big White Wall bigwhitewall.ca	<ul style="list-style-type: none"> • 24/7 online mental health and well-being service • Safe and anonymous peer support community • Self-help programs, tools, resources and creative outlets
Campus Events students.carleton.ca/events	<ul style="list-style-type: none"> • Interact and learn through workshops, speakers and activities • Thrive Week, Pop the Stigma, Wellness Wednesdays, and much more
Campus Involvement students.carleton.ca	<ul style="list-style-type: none"> • Clubs and societies • Department of Recreation and Athletics • Volunteer opportunities • Workshops and training
Carleton Therapy Dogs carleton.ca/wellness	<ul style="list-style-type: none"> • Care, comfort and support through animal-assisted therapy • Positive effects for a wide range of stressors • One-on-one and group visits available
CUSA Support Services cusaonline.ca	<ul style="list-style-type: none"> • Student operated spaces to serve diverse campus • Provide support, community and drop in events • Wellness Centre resources and referral service • Peer Support offered through various support services
Empower Me cusaonline.ca	<ul style="list-style-type: none"> • Free 24/7 mental health service available in the community for undergraduate students • Connect in-person, by telephone or videoconferencing with professional counsellors, consultants, life coaches for support • Services are multilingual, culturally sensitive and gender and faith inclusive
From Intention to Action (FIT: Action) carleton.ca/fita	<ul style="list-style-type: none"> • Structured individual counselling for students struggling academically • Combines personal counselling with skills to improve academic performance
Good2Talk good2talk.ca 1-866-925-5454	<ul style="list-style-type: none"> • 24/7 free and confidential helpline • Professional counselling for post-secondary students in Ontario • Information and referrals for mental health, addictions and well-being
Group Support Health and Counselling Services carleton.ca/health	<ul style="list-style-type: none"> • Information, education and support on a variety of topics • Available throughout the year • Learn skills, share resources, connect with others experiencing similar issues
Health Promotion Services Health and Counselling Services carleton.ca/health	<ul style="list-style-type: none"> • Student teams promote specific health-related topics • Information, resources and advocacy for a healthy lifestyle and wellness • On-campus workshops, booths, events, etc.
Individual Counselling Health and Counselling Services carleton.ca/health	<ul style="list-style-type: none"> • Short-term one-on-one counselling • Assistance and support for problems impacting mental health, academics or personal life • Referrals to community or on-campus resources • Counsellors available in Residence for students living on-campus
KORU Mindfulness carleton.ca/wellness	<ul style="list-style-type: none"> • 4-week program • Learn skills that calm and focus the mind • Topics include mindfulness, meditation and stress management
Manager of Student Care and Support Student Affairs carleton.ca/studentaffairs/care-report	<ul style="list-style-type: none"> • Case manager for students with complex needs • Consultation for members of the campus community • Assistance in navigating resources and student services

Mental Health Champions Housing and Residence Life Services housing.carleton.ca	<ul style="list-style-type: none"> • Student volunteers promote positive psychology and resilience within residence community • Activities focus on skill-building and resources for well-being
Mental Health and Well-Being Website carleton.ca/wellness	<ul style="list-style-type: none"> • Information for mental health and well-being • Online self-help, tools and resources • Find support, help others, get involved
Mental Health Workshops carleton.ca/wellness	<ul style="list-style-type: none"> • Variety of workshops scheduled throughout the year • Topics include mindfulness, anxiety, resilience, positive psychology, managing stress, supporting a friend in distress and more
Paul Menton Centre for Students with Disabilities (PMC) carleton.ca/pmc	<ul style="list-style-type: none"> • Support for students with disabilities • Disability advising and faculty development • Disability-related accommodations
Peer Support carleton.ca/wellness	<ul style="list-style-type: none"> • Connect with peers for support, resources and tips to help navigate university • Variety of peer support programs on campus to help with academics, making connections, improving well-being
Physician Mental Health Assessment Health and Counselling Services carleton.ca/health	<ul style="list-style-type: none"> • Assessment and support by general practitioners • Provide diagnoses, complete accommodation forms, prescribe medication and refer to off-campus specialists if needed
Pop-Up Wellness Centre carleton.ca/wellness	<ul style="list-style-type: none"> • Peer-led initiative to increase awareness and engagement on campus • Promotion of resources, tools and skills for well-being, success and resilience • Events listed on the Mental Health and Well-Being website • Get Involved - Find Support - Be Well
Psychiatric Care and Consultation Health and Counselling Services carleton.ca/health	<ul style="list-style-type: none"> • Assessment and consultation with on-campus psychiatrists who are part of the HCS team • Must be referred by a physician
Same-Day Counselling Health and Counselling Services carleton.ca/health	<ul style="list-style-type: none"> • No appointment necessary • Professional counsellors available daily • Focus on problem-solving, crisis intervention and support • Assessment, consultation and referral to ongoing counselling or other resources as needed
Student Support Services students.carleton.ca	<ul style="list-style-type: none"> • Academic and non-academic assistance and support for students • Services committed to enhancing the student experience while at Carleton and after graduation
TAO Online Self-Help carleton.ca/wellness/tao	<ul style="list-style-type: none"> • Learn positive skills for personal growth • Self-directed modules and practice tools • Strategies to cope and bounce back • Available anytime, anywhere, at no cost
TAO Online Therapy carleton.ca/wellness/tao	<ul style="list-style-type: none"> • Free interactive online modules and exercises • Brief weekly check-ins with a TAO counsellor • Assistance to help overcome anxiety, depression, relationship or communication challenges and substance use concerns

For consultation or to facilitate an appointment, contact the following:

Manager of Student Care and Support
613-520-2600 x1312

Department of Equity and Inclusive Communities
613-520-5622

Health and Counselling Services
613-520-6674

Sexual Assault Support Services
613-520-5622

Campus Safety Services
613-520-3612

Submit a Care Report

If you are concerned about a struggling student and are unsure of the best resource or support, you are encouraged to submit a **Care Report**. This will alert the Office of Student Affairs who will get in touch with you to discuss next steps.

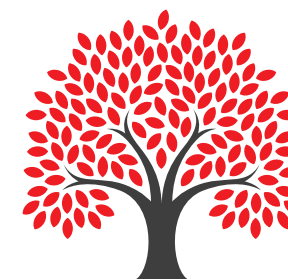
carleton.ca/studentaffairs/care-report

Is the situation an emergency?

On-campus: 613-520-4444
4444 (from any on-campus phone)

Off-campus: 911
(Notify Campus Safety Services)

If uncertain, you can call the Crisis Line at 613-722-6914.



carleton.ca/wellness

In October 2016, Carleton University launched the Student Mental Health Framework 2.0 with the goal of building a holistic, campus-wide approach to mental health and well-being. Over the past two years, students, staff and faculty have been working collaboratively towards implementing the 38 recommendations outlined in the Framework.

34 of the 38 recommendations have been implemented or are ongoing.

Enhancing Mental Health Support

24/7 off-campus professional mental health service

Empower Me introduced in Fall 2018



Online self-help and therapist assisted support offered through **TAO**

Reduced wait times with the addition of **3 counsellors** and **3 part-time psychiatrists** in Fall 2018



Additional teacher trained to increase availability of **Koru Mindfulness** program



Access improved with **Same-Day Counselling** in Fall 2018

Embedded **Grad Student Counsellor** piloted in 2018-19



Increasing Awareness, Training and Education

900+ staff, faculty and students participated in **Supporting Students in Distress Workshops**



safeTALK delivered to **800+** campus members by **5** certified Carleton staff



Mental Health and Well-Being Resource Guide distributed across campus



Supporting a Friend Resource and Workshop developed and delivered by students



19,500+ visits to the **Mental Health and Well-Being Website** since October 2017



The Health Promotion Team delivered **20 Mental Wellness Workshops** to **800+** students and held **22 events**

Building Thriving Communities

Mental Health Peer Support

offered across campus with new programs piloted in 2018-19



The Student Mental Health Engagement Committee increased awareness of mental health and well-being with **11 Pop-Up Wellness** events



Funds available through the **Student Wellness Initiative Fund** to develop well-being initiatives on campus

7 trained **Carleton Therapy Dogs** and handlers provided care and support to **750+ visitors** since Fall 2018



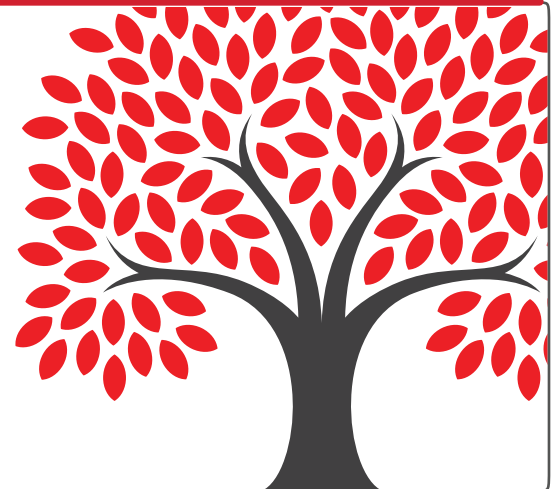
CUSA, GSA, SAMH, Mental Health Champions



and other student groups offered programming and initiatives to **build awareness and connections**

Next Steps

- Expanded mental health training for students, staff and faculty
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- Evaluation and assessment of programs and initiatives to ensure accessibility, sustainability and campus coordination



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carleton.ca/studentaffairs/care-report

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