Consolidated Financial Statements of

CARLETON UNIVERSITY

Year ended April 30, 2003

CARLETON UNIVERSITY

Consolidated Financial Statements

Year ended April 30, 2003

KPMG LLP
Chartered Accountants
Suite 1000
45 O'Connor St.
Ottawa, ON K1P 1A4
Canada

Telephone (613) 560-0011
Telefax (613) 560-2896
www.kpmg.ca

AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the consolidated statement of financial position of Carleton University as at April 30, 2003 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

KPMG LLP

Chartered Accountants

Ottawa, Canada

July 25, 2003

CARLETON UNIVERSITY

Consolidated Statement of Financial Position

April 30, 2003, with comparative figures for 2002
(in thousands of dollars)

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	$ 38,666	$ 62,915
Accounts receivable	14,901	15,277
Prepaid expenses	1,194	1,083
Current portion of net investment in lease (note 4)	287	–
	55,048	79,275
Investments (note 3)	113,669	97,777
Net investment in lease (note 4)	15,944	–
Long-term receivable	–	628
Capital assets (notes 5 and 6)	240,583	212,469
	$ 425,244	$ 390,149
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 20,399	$ 25,226
Deferred revenue (note 7)	38,508	47,636
Accrued severance	923	364
Accrued vacation pay	5,116	4,935
Current portion of long-term debt (note 8)	1,848	2,025
	66,794	80,186
Long-term debt (note 8)	56,255	41,833
Long-term deferred revenue (note 7)	–	14,358
Deferred capital contributions (note 9)	110,977	104,359
Future employee benefits liability (note 13)	53,288	49,206
Net assets:		
Unrestricted	(80,389)	(79,015)
Internally restricted (note 10)	53,167	31,849
Investment in capital assets (note 11)	60,625	58,209
Endowments (note 12)	104,527	89,164
	137,930	100,207
Contingent liabilities and commitments (notes 15 and 19)		
	$ 425,244	$ 390,149

See accompanying notes to consolidated financial statements.

CARLETON UNIVERSITY

Consolidated Statement of Operations

Year ended April 30, 2003, with comparative figures for 2002
(in thousands of dollars)

	2003	2002
Revenues:		
Government grants	$ 101,674	$ 92,889
Fees	89,219	76,580
Research	60,785	52,646
Ancillary enterprises (see schedule 1)	27,224	24,677
Amortization of deferred capital contributions (note 9)	10,785	9,457
Investment income (note 3)	5,935	6,296
Departmental income	2,190	2,283
Salary recoveries	2,870	2,154
Miscellaneous	7,606	1,223
Donations and bequests	1,709	2,142
Net sales revenue (note 4)	1,243	–
Financing revenue (note 4)	1,031	–
Pension plan surplus (note 14)	–	1,009
	312,271	271,356
Expenses:		
Academic	104,828	99,228
Research	58,156	52,062
Ancillary enterprises (see schedule 1)	25,986	23,078
Amortization of capital assets	18,451	16,804
Scholarships and bursaries	19,266	16,950
Operation and maintenance of property	15,476	14,001
Administration	13,481	10,010
Library	9,695	8,645
Computer and communication services	7,344	5,118
Future employee benefits	6,306	5,218
Plant renovations and repairs	2,030	6,779
Student services	2,712	2,248
Miscellaneous	3,188	2,369
Development and alumni	2,078	1,933
Municipal taxes	1,097	1,014
Vacation pay and retiring allowances	181	491
Transitional and restructuring separations	218	87
	290,493	266,035
Excess of revenues over expenses	$ 21,778	$ 5,321

See accompanying notes to consolidated financial statements.

CARLETON UNIVERSITY
Consolidated Statement of Changes in Net Assets

Year ended April 30, 2003, with comparative figures for 2002
(in thousands of dollars)

	Unrestricted	Internally restricted (note 10)	Investment in capital assets (note 11)	Endow-ment (note 12)	Total 2003	Total 2002
Net assets, beginning of year	$ (79,015)	$ 31,849	$ 58,209	$ 89,164	$ 100,207	$ 59,079
Excess of revenues over expenses	21,778	–	–	–	21,778	5,321
Internally imposed restrictions	(21,424)	21,318	–	106	–	–
Net change in investment in capital assets (note 11)	(1,728)	–	1,728	–	–	–
Contributions to art collection (note 6)	–	–	688	–	688	378
Endowment contributions and investment income (note 12)	–	–	–	15,257	15,257	35,429
Net assets, end of year	$ (80,389)	$ 53,167	$ 60,625	$104,527	$ 137,930	$ 100,207
Details of year-end balance:						
Operating	$ (19,969)	$ –	$ –	$ –	$ (19,969)	$ (21,569)
Plant	(502)	–	–	–	(502)	(253)
NWRC	1,444	–	–	–	1,444	–
Ancillary (see schedule 1)	(2,958)	–	–	–	(2,958)	(3,052)
Provision for vacation pay	(5,116)	–	–	–	(5,116)	(4,935)
Provision for employee future benefits obligation	(53,288)	–	–	–	(53,288)	(49,206)
Appropriations	–	44,198	–	–	44,198	25,509
Research	–	8,944	–	–	8,944	6,314
Scholarships	–	25	–	–	25	26
Capital assets	–	–	60,625	–	60,625	58,209
Endowment	–	–	–	104,527	104,527	89,164
	$ (80,389)	$ 53,167	$ 60,625	$104,527	$ 137,930	$ 100,207

See accompanying notes to consolidated financial statements.

CARLETON UNIVERSITY

Consolidated Statement of Cash Flows

Year ended April 30, 2003, with comparative figures for 2002
(in thousands of dollars)

	2003	2002
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ 21,778	$ 5,321
Add (deduct) non-cash items:		
Employee future benefits	4,082	3,536
Amortization of capital assets	18,451	16,804
Amortization of deferred capital contributions	(10,785)	(9,457)
Prior year deferred capital contribution (note 4)	(3,005)	–
Amortization of deferred energy retrofit expenditures	–	1,000
Net change in other non-cash operating working capital (note 17)	(12,950)	14,255
Net cash provided by operating activities	17,571	31,459
Financing activities:		
Decrease in long-term deferred revenue	(14,358)	(23,279)
Decrease in mortgages payable	(147)	(139)
Increase in loans payable	14,539	20,936
Decrease in obligations under capital leases	(147)	(198)
Net cash provided by financing activities	(113)	(2,680)
Investing activities:		
Increase in investments	(15,892)	(37,748)
Increase in net investment in lease	(16,231)	–
Decrease (increase) in long-term receivable	628	(113)
Capital asset additions	(46,565)	(58,408)
Capital contributions received (note 9)	20,408	36,326
Contributions to art collection	688	378
Endowment contributions and investment income	15,257	35,429
Net cash used in investing activities	(41,707)	(24,136)
Increase (decrease) in cash and cash equivalents	(24,249)	4,643
Cash and cash equivalents, beginning of year	62,915	58,272
Cash and cash equivalents, end of year	$ 38,666	$ 62,915

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

See accompanying notes to consolidated financial statements.

1. Description:

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

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

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

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

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

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

Carleton University Foundation is a Crown-controlled foundation and therefore is not included in these consolidated financial statements. The Foundation was incorporated without share capital on November 19, 1993 by Regulation 731/93 under the University Foundations Act, 1992 and is an agent of Her Majesty in Right of Ontario. The objectives of the Foundation are to solicit, receive, manage and distribute money and other property to support education and research at the University. The Foundation had minimal activity in the year.

Carleton University Foundation (U.S.) was incorporated without share capital on February 12, 1996 under the District of Columbia Non-Profit Corporation Act. The Foundation is not included in these consolidated financial statements. The objects of the Foundation, as established by the Internal Revenue Code of 1986, are to accept, receive, manage and distribute money and other property to support education and research at the University. The Foundation had minimal activity in the year.

2. Summary of significant accounting policies:

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

(a) Investments:

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

(b) Capital assets:

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

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

Asset	Useful life
Buildings	40 years
Equipment and furniture	10 years
Computer equipment	4 years
Software	4 years
Automobiles	3 years
Leasehold improvements	5 years
Library holdings	10 years

(c) Deferred capital contributions:

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

(d) Art collection:

Purchases of items to be included in the collection are expensed. Donations of items to be included in the collection are recorded as direct increases in net assets at an appraised value established by independent appraisal in the period receipted by the University.

2. Summary of significant accounting policies (continued):

(e) Recognition of revenue and other contributions:

The University follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenses are recognized. Endowment contributions and restricted investment revenue earned for re-endowment are recognized as direct increases in net assets in the period in which they are received.

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

(f) Internally imposed restrictions on net assets:

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

(g) Contributed services:

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

(h) Employee benefit plans:

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

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

(Tabular amounts in thousands of dollars)

3. Investments:

(a) Carrying and market values:

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

	2003		2002	
	Carrying value	Market value	Carrying value	Market value
Bonds	$ 3,288	$ 6,102	$ 3,318	$ 4,747
Marketable securities	110,381	105,040	94,459	111,039
	$ 113,669	$ 111,142	$ 97,777	$ 115,786

(b) Purpose:

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

	2003		2002	
	Carrying value	Market value	Carrying value	Market value
Endowments	$ 106,540	$ 101,287	$ 90,902	$ 107,202
Centre for Research in Particle Physics	730	749	824	833
Residence sinking fund	5,459	8,273	4,829	6,571
Parker loans for students	940	833	1,222	1,180
	$ 113,669	$ 111,142	$ 97,777	$ 115,786

(Tabular amounts in thousands of dollars)

3. Investments (continued):

(c) Investment income:

Investment income earned is reported as follows:

	2003	2002
Income earned on endowments	$ 3,808	$ 4,104
Income earned on restricted investments	636	445
Income earned on unrestricted investments	1,486	1,980
Income earned on residence sinking fund investments	426	367
Total investment income earned	6,356	6,896
Add (less) restricted amounts recognized	(45)	775
Less amounts not distributed from restricted endowments	(376)	(1,375)
Total investment income recognized as revenue	$ 5,935	$ 6,296

4. Net investment in lease:

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

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

Minimum lease payments receivable	$ 31,200
Unearned financing revenue	(14,969)
	16,231
Current portion of net investment in lease	287
Net investment in lease	$ 15,944

At April 30, 2003, future minimum lease payments receivable under the direct financing lease are as follows:

2004	$ 1,300
2005	1,300
2006	1,300
2007	1,300
2008	1,300
Thereafter	24,700
	$ 31,200

(Tabular amounts in thousands of dollars)

4. Net investment in lease (continued):

Income from direct financing lease recognized during the year includes financing revenue of $1,031,000 and net sales revenue of $1,243,000.

Construction costs of $3,005,000 were capitalized as buildings and recorded as a deferred capital contribution in 2001-2002. This was reclassified as net investment in lease in 2002-2003.

5. Capital assets:

Capital assets consist of the following:

	Cost	Accumulated amortization	2003 Net book value	2002 Net book value
Land	$ 6,430	$ –	$ 6,430	$ 6,430
Buildings	242,377	83,766	158,611	136,770
Equipment and furniture	44,624	19,468	25,156	17,432
Computer equipment	19,238	12,983	6,255	7,237
Software	24,666	15,500	9,166	9,873
Automobiles	161	89	72	19
Leasehold improvements	439	335	104	173
Library holdings	38,573	24,478	14,095	14,529
Art collection	20,694	–	20,694	20,006
	$ 397,202	$ 156,619	$ 240,583	$ 212,469

Cost and accumulated amortization at April 30, 2002 amounted to $350,635,000 and $138,166,000 respectively.

6. Art collection:

The University has an art collection comprising approximately 27,000 pieces of art. In 2003, there were additions of donated pieces of art at an appraised value of $688,000 (2002 - $378,000).

(Tabular amounts in thousands of dollars)

7. Deferred revenue:

Deferred revenue includes deposits, prepayments on contracts and deferred contributions received by the University. Deferred contributions are unspent externally restricted grants and donations received in the current and prior years for expenditures in a future year.

Details of the year-end balances are as follows:

	2003	2002
Current:		
Research	$ 24,215	$ 28,586
Grants	3,014	7,467
Student aid	6,534	6,805
Donations	3,641	3,683
Other	1,104	1,095
	$ 38,508	$ 47,636
Long-term:		
Grants	$ –	$ 14,358

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. Long-term grants are restricted for future capital projects.

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

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

Other includes deposits and prepayments on contracts.

(Tabular amounts in thousands of dollars)

8. Long-term debt:

As at April 30, 2003, the University has principal outstanding of $58,103,000 (2002 - $43,858,000) on long-term debt and obligations under capital leases.

(a) Details of long-term debt:

	Maturity	Interest rate	Annual payment	Principal outstanding
Mortgages payable:				
Lanark and Renfrew Residences and University Commons	2013	5.375%	$ 86	$ 657
Grenville and Russell Residences	2017	5.375%	79	755
Glengarry Residence	2020	6.375%	176	1,811
Stormont-Dundas Residence	2010	10.36%	1,222	11,800
				15,023
Loans payable:				
Foodcourt renovation loan	2004	Prime	428	428
Energy savings term credit loan	2004	Prime less ¼%	500	125
Energy savings fixed rate loan	2004	8.13%	500	125
CTTC loan	2022	5.20%	563	6,741
Leeds loan	2027	6.724%	1,607	18,956
NWRC loan	2028	6.46%	1,331	16,250
				42,625
Obligations under capital leases:				
Scotiabank:				
Residence telephone switch	2006	6.25%	180	455
				58,103
Current portion of long-term debt				1,848
				$ 56,255

Annual payment includes principal and interest except for loans payable for which it includes only principal.

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

(Tabular amounts in thousands of dollars)

8. Long-term debt (continued):

(b) Long-term obligations under capital leases:

The University has entered into certain lease agreements for which title to the related assets will vest in the University on the termination of the leases. The cost of these assets is reflected as equipment and furnishings while the outstanding lease obligations represent the total present value of the future lease payments on equipment discounted at the interest rates implicit in the leases.

(c) Long-term debt repayments:

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

2004	$	1,848
2005		1,210
2006		1,274
2007		1,215
Thereafter		52,556
	$	58,103

(d) Residence sinking fund:

A sinking fund was established for the purpose of accumulating funds to retire the $11,800,000 mortgage on the Stormont-Dundas Residence maturing April 1, 2010. Annual principal payments to the sinking fund of $204,000 (2002 - $204,000) are invested within the endowment fund portfolio and in guaranteed investment certificates, so that, together with interest, there will be sufficient funds necessary to extinguish the mortgage liability on maturity.

(e) Interest on long-term debt:

Interest on long-term debt is included in the following expenses:

		2003		2002
Administration	$	1,066	$	123
Ancillary enterprises		3,109		2,632
	$	4,175	$	2,755

(Tabular amounts in thousands of dollars)

8. Long-term debt (continued):

(f) Interest rate derivative agreements:

The University has entered into interest rate derivative agreements to manage the volatility of interest rates. The University converted a net notional $35,900,000 of floating rate debt for fixed rate debt ranging from 6.46% to 6.74%. The related derivative agreements are in place until the maturity of the debts in 2026 and 2027. The University has also converted a net notional $19,108,000 of floating rate debt for fixed rate debt of 6.299% related to the construction of the Prescott Residence. This derivative agreement is effective September 2003 and matures in 2029.

9. Deferred capital contributions:

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

	2003	2002
Balance, beginning of year	$ 104,359	$ 77,490
Less prior year deferred capital contribution (note 4)	(3,005)	–
Less amortization of deferred capital contributions	(10,785)	(9,457)
Add capital contributions received:		
Grants for equipment and buildings	19,982	35,712
Donated assets	426	614
	20,408	36,326
Balance, end of year	$ 110,977	$ 104,359

10. Internally restricted net assets:

	Balance, beginning of year	Change in year	Balance, end of year
Appropriations	$ 25,509	$ 18,689	$ 44,198
Research	6,314	2,630	8,944
Scholarships	26	(1)	25
	$ 31,849	$ 21,318	$ 53,167

(Tabular amounts in thousands of dollars)

10. Internally restricted net assets (continued):

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

Appropriations represent commitments by the University of current year unspent budgetary funds for capital and other expenditures which will be incurred in the following year. The commitment can either be to an outside supplier or an internal commitment to a departmental manager that budgetary balances available in the current year can be used for specific projects in the future.

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

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

11. Investment in capital assets:

The investment in capital assets consists of the following:

	2003	2002
Capital assets	$ 240,583	$ 212,469
Less amounts financed by:		
Deferred capital contributions	(110,977)	(104,359)
Mortgages payable (net of residence sinking fund)	(9,564)	(10,341)
Leases payable	(455)	(601)
CTTC loan	(6,741)	(6,948)
Leeds loan	(18,956)	(19,261)
Other short-term financing	(33,265)	(12,750)
	$ 60,625	$ 58,209

Other short-term financing includes approximately $14,500,000 relating to the construction of the Prescott Residence, which will be permanently funded through an interest rate derivative agreement effective September 2003 (note 8(f)).

(Tabular amounts in thousands of dollars)

11. Investment in capital assets (continued):

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

	2003	2002
Capital assets additions:		
Total additions	$ 46,565	$ 58,408
Less:		
Contributions to art collection	(688)	(378)
Donated assets	(426)	(614)
Additions financed with grants	(19,982)	(35,712)
	25,469	21,704
Financing:		
Mortgage payable	147	139
Increase in residence sinking fund	630	571
Leases payable	147	198
Loans payable	511	(26,209)
Residence bankers' acceptance	–	4,386
Other short-term financing	(20,515)	8,719
	(19,080)	(12,196)
Amortization of deferred capital contributions	10,785	9,457
Transfer to net investment in lease (note 4)	3,005	–
Amortization of capital assets	(18,451)	(16,804)
	(4,661)	(7,347)
Net change in investment in capital assets	$ 1,728	$ 2,161

12. Endowments:

Contributions restricted for endowment consist of monies received primarily as benefactions and which either the donor or the Board of Governors has designated as endowment. The annual income earned from funds designated as endowment by the donor may be expended only for the purpose designated. If no purpose is designated by the donor then the income is expended at the direction of the Board. Monies designated as endowment by the Board are unrestricted and the principal and annual income may be expended at its direction.

(Tabular amounts in thousands of dollars)

12. Endowments (continued):

Investment income earned is distributed at a rate of 5% (2002 - 5%) of the moving average market value over four years of the endowment fund investments. Actual investment income earned in excess of the distributed amount is held in the fund to maintain capital.

	Externally endowed	Board designated	Total 2003	Total 2002
Donations and bequests	$ 3,521	$ –	$ 3,521	$ 18,723
Gain on sale of investments	11,230	130	11,360	15,331
Investment income	3,781	170	3,951	4,212
Income distributed	(3,275)	(194)	(3,469)	(2,650)
Net change in year	15,257	106	15,363	35,616
Fund balance, beginning of year	88,251	913	89,164	53,548
Fund balance, end of year	$ 103,508	$ 1,019	$ 104,527	$ 89,164

13. Future employee benefits:

The University has defined post-retirement benefit plans (other than pensions) and defined post-employment benefit plans covering substantially all of its employees. These plans provide health, dental and severance benefits to eligible employees.

At April 30, 2003, the University's accrued benefit obligation relating to post-retirement and post-employment benefit plans is $61,421,000. The significant actuarial assumptions adopted in estimating the University's accrued benefit obligation are as follows:

	Post-retirement benefits plan	Post-employment benefits plan
Discount rate	6.75%	6.25%
Salary escalation	5.0%	0.00%
Dental benefits escalation	4.5% to 7.0%	5.3%
Drugs benefits escalation	5.0% to 10.0%	5.9%
Hospital benefits escalation	4.50% to 9.0%	5.9%

During the year, the University contributed $2,217,000 for employee future benefits.

14. Pension plan and pension plan liability:

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

An actuarial valuation of the Carleton University Retirement Plan as of July 1, 2001 reflected a surplus of assets over liabilities. Since the Plan has excess surplus pursuant to the excess surplus restrictions under Section 147.2 of the Income Tax Act, no Minimum Guarantee current service cost contributions are permitted to be made by the University. Instead, these contributions are made through a distribution of surplus.

In 2003 a liability of $1,200,000 was established to account for the potential deficit at the time of the next actuarial valuation. This amount has been included in accounts payable and accrued liabilities.

15. Contingent liabilities and commitments:

(a) Bank loans to staff members:

The University has guaranteed bank loans to staff members for the purchase of residences in the amount of $105,436 (2002 - $138,000). These guarantees are secured by second mortgages on the properties.

(b) Commitments:

At April 30, 2003 commitments for future acquisitions, construction and renovations amounted to approximately $5,816,000 (2002 - $35,438,000).

Letters of credit totaling $2,549,040 (2002 - $1,686,939) were issued on behalf of the University at year-end.

16. Financial instruments:

(a) Concentration of credit risk:

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

(Tabular amounts in thousands of dollars)

16. Financial instruments (continued):

(b) Fair values:

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

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

	2003		2002	
	Carrying value	Fair value	Carrying value	Fair value
Investments	$ 113,669	$ 111,142	$ 97,777	$ 115,786
Long-term receivable	–	–	628	628
Obligations under capital leases	455	455	601	598
Loans payable	42,626	43,434	28,087	28,230
Mortgages payable	15,023	17,461	15,170	17,692

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

1) Investments: at the quoted market value on April 30.

2) Leases payable, loans payable and mortgages payable: at the present value of contractual future payments of principal and interest discounted at the current market rates of interest available to the University for the same or similar debt instruments.

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

	2003	2002
Decrease in accounts receivable	$ 376	$ 242
Decrease (increase) in prepaid expenses	(111)	131
Increase (decrease) in accounts payable and accrued liabilities	(4,827)	10,049
Increase (decrease) in deferred revenue	(9,128)	3,786
Increase (decrease) in accrued severance	559	(444)
Increase in accrued vacation pay and retiring allowances	181	491
	$ (12,950)	$ 14,255

(Tabular amounts in thousands of dollars)

18. Ontario Student Opportunity Trust Fund:

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

The University has recorded the following amounts under the program:

	2003	2002
Fund balance, beginning of year	$ 17,745	$ 17,701
Donations	67	44
Fund balance, end of year	$ 17,812	$ 17,745
Expendable funds available for awards, beginning of year	$ 1,250	$ 1,274
Investment income	1,428	1,182
Bursaries awarded during year (1,665 awards)	(1,190)	(1,206)
Expendable funds available for awards, end of year	$ 1,488	$ 1,250

19. Canadian Universities Reciprocal Insurance Exchange:

The University is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE), a self-insurance co-operative comprised of Canadian universities and colleges. CURIE insures property damage, general liability and errors and omissions risks. If premiums collected are insufficient to cover expenses and claims, the University may be requested to pay additional amounts. No such additional payments have been requested to date.

20. Comparative figures:

Certain 2002 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2003.

CARLETON UNIVERSITY

Schedule 1 - Consolidated Schedule of Changes in Ancillary Net Assets

Year ended April 30, 2003
(in thousands of dollars)

Unrestricted	Athletics	Bookstore	Carleton Technology and Training Centre	Graphic Services	Health Services
Revenues	$ 4,489	$ 1,527	$ 1,247	$ 4,198	$ 1,873
Expenses	4,525	1,162	1,818	4,123	1,958
Excess (deficiency) of revenues over expenses	(36)	365	(571)	75	(85)
Net assets, beginning of year	–	(671)	(2,381)	–	–
Transfer of unrestricted net assets	115	–	300	–	135
Appropriations	(79)	–	–	(75)	(50)
Net assets, end of year	$ –	$ (306)	$ (2,652)	$ –	$ –

Internally restricted					
Net assets, beginning of year	$ 355	$ –	$ –	$ 305	$ 85
Appropriated from unrestricted net asset	79	–	–	75	50
Net assets, end of year	$ 434	$ –	$ –	$ 380	$ 135

	Parking	Residence and Food Services	University Centre	Subtotal before Internal Charges	Internal Charges	Total 2003	Total 2002
	$ 2,807	$ 13,066	$ 1,257	$ 30,464	$ (3,240)	$ 27,224	$ 24,677
	1,754	12,889	997	29,226	(3,240)	25,986	23,078
	1,053	177	260	1,238	–	1,238	1,599
	–	–	–	(3,052)	–	(3,052)	(3,580)
	(632)	(561)	–	(643)	–	(643)	(612)
	(421)	384	(260)	(501)	–	(501)	(459)
	$ –	$ –	$ –	$ (2,958)	$ –	$ (2,958)	$ (3,052)
	$ 219	$ 544	$ 76	$ 1,584	$ –	$ 1,584	$ 1,125
	421	(384)	260	501	–	501	459
	$ 640	$ 160	$ 336	$ 2,085	$ –	$ 2,085	$ 1,584

CARLETON UNIVERSITY

Schedule 2 - Salaries under the Public Sector Salary Disclosure Act, 1995

April 30, 2003

Under the Public Sector Salary Disclosure Act, 1995, the University is required to disclose the name, position, salary and taxable benefits of each employee with an annual salary of $100,000 or more.

For the calendar year ending December 31, 2002, the individuals who met the requirements for disclosure are as follows:

Name	Department	Position	Salary	Taxable Benefits
Adam, G.S.	Office of the Vice-President (Academic)	Vice-President (Academic)	$ 158,906	$
Afagh, F.F.	Mechanical & Aerospace Engineering	Faculty member	101,988	
Andrews, D.	Psychology	Faculty member	101,634	
Anisman, H.	Life Sciences	Faculty member	112,204	
Bailetti, A.	School of Business	Faculty member	104,366	
Barber, M.J.	History	Faculty member	106,285	
Beecher, D.	English	Faculty member	100,907	
Beer, D.J.	Classics	Faculty member	101,130	
Bell, K.	Earth Sciences	Faculty member	107,477	
Bibby, M.	Mechanical & Aerospace Engineering	Faculty member	109,815	
Bienfeld, M.	Public Administration	Faculty member	103,418	
Bird, R.	Journalism	Faculty member	104,495	
Blockley, R.	Graduate Studies and Research	Dean	114,002	
Blundell, V.	Sociology & Anthropology	Faculty member	100,452	
Boucher, L.E.	Advancement	Vice-President	152,547	2,646
Boyce, D.	Physical Plant	Director	108,938	
Brook, J.A.	Directed Inter-disciplinary Studies	Faculty member	108,536	
Buchanan, G.W.	Chemistry	Faculty member	109,966	
Callahan, J.	School of Business	Faculty member	108,523	
Cameron, E.A.	Human Resources	Director	114,737	
Cameron, M. I.	English	Faculty member	112,778	
Carmody, G.	Biology	Faculty member	107,370	
Carson, R.	Economics	Faculty member	107,694	
Chen, Z.	Economics	Faculty member	100,604	
Clarke, J.	Geography	Faculty member	100,793	
Clement, W.	Sociology & Anthropology	Faculty member	104,601	
Copley, L.	Physics	Faculty member	114,607	
De Vries, J.	Sociology & Anthropology	Faculty member	113,092	
Dehne, F.	Computer Science	Faculty member	104,442	
Dillon, R.	Psychology	Faculty member	104,103	
Doem, G.B.	School of Public Policy & Administration	Faculty member	107,694	
Egyed, B.	Philosophy	Faculty member	102,623	
Falconer, D.	Systems Engineering	Faculty member	109,450	
Farquhar, R.H.	School of Public Policy & Administration	Faculty member	141,276	
Faulkner, C.G.	School of Studies in Arts & Culture	Faculty member	107,051	
Fitzgerald, E.P.	History	Faculty member	103,686	
Forcese, D.	Sociology & Anthropology	Faculty member	116,758	
Foss, E. M.	Library	University Librarian	110,013	
Freedman, A.	Office of the Dean of Art & Social Sciences	Dean	120,392	
Fried, P.A.	Psychology	Faculty member	106,173	
Frize, M.	Systems Engineering	Faculty member	107,694	
Garner, C.W.L.	Mathematics	Faculty member	112,631	
Gillmor, A.M.	Music	Faculty member	104,952	
Glass, M.	Philosophy	Faculty member	100,663	

CARLETON UNIVERSITY
Schedule 2 - Salaries under the Public Sector Salary Disclosure Act, 1995 (continued)

April 30, 2003

Name	Department	Position	Salary	Taxable Benefits
Goheen, R.	History	Faculty member	$ 107,690	
Goodwin, G.F.	History	Faculty member	104,919	$1,995
Gordon, C.	Sociology & Anthropology	Faculty member	104,211	
Gottheil, S.	Office of the Vice-President	Assistant Vice-President	116,613	
Goubran, R.A.	Systems Engineering	Faculty member	100,198	
Gould, R.	German	Faculty member	105,022	
Hadjisophocleous, G.	Civil & Environmental Engineering	Faculty member	101,486	
Haider, G.	School of Architecture	Faculty member	112,384	
Halsall, A.	French	Faculty member	101,255	640
Hamdullahpur, F.	Research	Vice-President	148,392	
Hart, M.	International Affairs	Faculty member	103,737	
Healy, J.J.	English	Faculty member	104,114	
Heidemann, A.W.	English	Faculty member	101,058	
Herz-Fischler, R.	Mathematics	Faculty member	105,022	
Heslop, L.	School of Business	Faculty member	106,558	
Hillmer, N.	History	Faculty member	101,985	
Hoge, R.D.	Athletics	Faculty member	107,694	
Hogg, R.L.	English	Faculty member	100,925	
Hollebone, B.	Chemistry	Faculty member	102,141	
Humar, J.	Civil and Environmental Engineering	Faculty member	107,694	
Hunt, A.J.	Law	Faculty member	106,137	
Jeffreys, R.	Classics	Faculty member	101,589	
Jog, V.M.	School of Business	Faculty member	101,658	
Kellner, F.J.	Sociology & Anthropology	Faculty member	100,925	
Kelly, J.	Life Sciences	Faculty member	107,323	
Khan, A.M.	Civil & Environmental Engineering	Faculty member	107,694	
Kiggundu, M.	School of Business	Faculty member	104,123	
Kind, R.	Mechanical & Aerospace Engineering	Faculty member	107,694	
Kranakis, E.	Computer Science	Faculty member	108,671	
Kumar, U.	School of Business	Faculty member	105,239	
Kumar, V.	School of Business	Faculty member	116,860	
Lalonde, W.	Computer Science	Faculty member	107,277	
Lawson, W.	School of Business	Faculty member	107,539	393
Librande, L.	College of Humanities	Faculty member	100,282	4,947
Lindgaard, G.	Psychology	Faculty member	108,677	
Mahmoud, S.	Office of the Dean of Engineering	Dean	131,052	2,474
Maslove, A.	Office of the Dean of Public Affairs and Management	Dean	120,333	
McFetridge, D.	Economics	Faculty member	107,273	
McIntyre, D.C.	Life Sciences	Faculty member	103,034	
McKillop, A.B.	History	Faculty member	100,576	
McKnight, G.	School of Studies in Arts & Culture	Faculty member	101,616	
Mehmet, O.	International Affairs	Faculty member	100,194	4,830
Miller, J.D.	Chemistry	Faculty member	104,008	
Moore, M.J.	Mathematics	Faculty member	100,964	
Nakhla, M.	Electronics	Faculty member	111,584	4,899
Norminton, E.J.	Mathematics	Faculty member	107,542	
Ogilvie, M.H.	Law	Faculty member	100,723	

CARLETON UNIVERSITY

Schedule 2 - Salaries under the Public Sector Salary Disclosure Act, 1995 (continued)

April 30, 2003

Name	Department	Position	Salary	Taxable Benefits
Oommen, J.	Computer Science	Faculty member	$ 110,521	$8,577
Oppacher, F.	Computer Science	Faculty member	107,694	4,899
Pagurek, B.	Systems Engineering	Faculty member	109,450	
Pal, L.A.	Public Administration	Faculty member	107,328	
Papadopoulos, N.	School of Business	Faculty member	101,878	
Pappas, B.A.	Life Sciences	Faculty member	107,256	
Park, S.B.	Economics	Faculty member	103,354	
Petrusic, W.M.	Psychology	Faculty member	107,261	
Pfeiffer, D.R.	Health Services	Director-Health	114,516	2,355
Poland, J.	Mathematics	Faculty member	106,515	
Pressman, I.	Mathematics	Faculty member	107,565	
Pringle, I.	Linguistics & Applied Language Studies	Faculty member	112,655	
Reichstein, I.	Computer Science	Faculty member	100,780	
Resnick, L.	Physics	Faculty member	107,694	
Ritter, A.R.M.	Economics	Faculty member	109,798	400
Rudner, M.	International Affairs	Faculty member	100,035	
Sack, J.R.	Computer Science	Faculty member	117,287	
Salinas-Pacheco, J.	Civil Engineering	Faculty member	100,664	2,035
Sasiadek, J.Z.	Mechanical & Aerospace Engineering	Faculty member	102,092	
Shepherd, J.	Office of the Dean of Arts & Social Sciences	Faculty member	100,117	
Sinclair, J.	Biology	Faculty member	106,644	
Smith, D.	Sociology & Anthropology	Faculty member	104,168	4,430
Smith, D.A.	Economics	Faculty member	100,347	
Smith, M.W.	Office of the Dean of Arts & Social Sciences	Faculty member	106,165	
Sridhar, S.	Civil & Environmental Engineering	Faculty member	107,694	
Staley, D.A.	Mechanical & Aerospace Engineering	Faculty member	107,694	
Storey, K.	Biology	Faculty member	107,694	2,035
Sullivan, J.T.	Finance	Director	111,016	
Sundararajan, P.R.	Chemistry	Faculty member	107,694	
Swimmer, E.	School of Public Policy & Admin	Faculty member	104,007	400
Taylor, F.	Geography	Faculty member	107,694	
Tepper, E.	Political Science	Faculty member	103,743	
Thorngate, W.	Psychology	Faculty member	101,055	
Van Loon, R.	Office of the President	President	203,903	
Van Vlasselaer, J.	French	Faculty member	101,097	4,615
Vickers, J.	Political Science	Faculty member	103,309	
Wang, Z.Y.	Chemistry	Faculty member	106,869	
Watson, P.J.	Office of the Dean of Science	Dean	108,537	
Watt, D.R.	Office of the Vice President (Fin. & Adm.)	Vice President (Fin. & Adm.)	163,212	
Wigfield, D.	Chemistry	Faculty member	109,878	5,299
Wight, J.	Electronics	Faculty member	105,286	
Wilson, S.G.	Religion	Faculty member	110,847	
Winer, S.	Public Administration	Faculty member	103,180	
Winn, C.	Political Science	Faculty member	101,616	
Wright, J.	Chemistry	Faculty member	103,246	

Salary may include amounts for an administrative stipend or overload teaching if applicable.

Benefits include those benefits which are required by the Income Tax Act to be included as income.