Consolidated Financial Statements of

CARLETON UNIVERSITY

Year ended April 30, 2005

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AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the consolidated statement of financial position of Carleton University as at April 30, 2005 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Chartered Accountants

Ottawa, Canada

July 29, 2005

CARLETON UNIVERSITY

Consolidated Statement of Financial Position

April 30, 2005, with comparative figures for 2004
(in thousands of dollars)

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	$ 87,504	$ 85,773
Accounts receivable	22,003	15,603
Prepaid expenses	1,511	1,661
Current portion of net investment in lease (note 4)	327	306
	111,345	103,343
Investments (note 3)	152,640	134,043
Net investment in lease (note 4)	15,311	15,638
Capital assets (notes 5 and 6)	276,586	248,378
	$ 555,882	$ 501,402
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 28,464	$ 22,521
Deferred revenue (note 7)	47,513	42,773
Accrued vacation pay	6,290	5,545
Current portion of long-term debt (note 8)	1,663	1,745
	83,930	72,584
Long-term debt (note 8)	71,988	73,680
Deferred capital contributions (note 9)	110,584	110,496
Employee future benefits liability (note 13)	63,315	58,217
Net assets:		
Unrestricted	(85,675)	(81,439)
Internally restricted (note 10)	81,038	76,758
Investment in capital assets (note 11)	84,607	64,221
Endowments (note 12)	146,095	126,885
	226,065	186,425
Contingent liabilities and commitments (notes 15 and 19)		
	$ 555,882	$ 501,402

See accompanying notes to consolidated financial statements.

CARLETON UNIVERSITY

Consolidated Statement of Operations

Year ended April 30, 2005, with comparative figures for 2004
(in thousands of dollars)

	2005	2004
Revenue:		
Government grants for general operations	$ 118,010	$ 114,237
Fees	127,182	121,376
Research grants and contracts	61,088	52,232
Sales and services	5,838	6,402
Donations	6,785	5,759
Investment income (note 3(c))	11,151	7,821
Amortization of deferred capital contributions (note 9)	9,436	7,163
Other	22,347	22,721
	361,837	337,711
Expenses:		
Salaries	169,990	160,685
Benefits	27,966	25,557
Supplies	9,771	10,758
Minor equipment and furnishings	8,025	9,299
Externally contracted services and fees	13,919	13,849
Scholarships and bursaries	22,187	22,819
Utilities	8,826	8,370
Travel	7,496	7,224
Renovations	21,609	11,446
Interest	5,124	4,739
Amortization of capital assets	19,472	17,777
Employee future benefits	7,650	7,165
Other expenses	19,489	16,017
	341,524	315,705
Excess of revenue over expenses	$ 20,313	$ 22,006

See accompanying notes to consolidated financial statements.

CARLETON UNIVERSITY

Consolidated Statement of Changes in Net Assets

Year ended April 30, 2005, with comparative figures for 2004
(in thousands of dollars)

	Unrestricted	Internally restricted (note 10)	Investment in capital assets (note 11)	Endow-ments (note 12)	Total 2005	Total 2004
Net assets, beginning of year	$ (81,439)	$ 76,758	$ 64,221	$ 126,885	$ 186,425	$ 142,233
Excess of revenue over expenses	20,313	–	–	–	20,313	22,006
Internally imposed restrictions	(4,349)	4,280	–	69	–	–
Net change in investment in capital assets (note 11)	(20,200)	–	20,200	–	–	–
Contributions to art collection (note 6)	–	–	186	–	186	413
Endowment contributions and investment income (note 12)	–	–	–	19,141	19,141	21,773
Net assets, end of year	$ (85,675)	$ 81,038	$ 84,607	$ 146,095	$ 226,065	$ 186,425
Details of year-end balance:						
Operating	$ (14,964)	$ –	$ –	$ –	$ (14,964)	$ (16,969)
Plant	(153)	–	–	–	(153)	(133)
Ancillary (see schedule 1)	(953)	–	–	–	(953)	(575)
Provision for vacation pay	(6,290)	–	–	–	(6,290)	(5,545)
Provision for employee future benefits obligation	(63,315)	–	–	–	(63,315)	(58,217)
Appropriations	–	67,153	–	–	67,153	63,206
Research	–	10,215	–	–	10,215	9,992
Enterprise	–	3,634	–	–	3,634	3,529
Scholarships	–	36	–	–	36	31
Capital assets	–	–	84,607	–	84,607	64,221
Endowment	–	–	–	146,095	146,095	126,885
	$ (85,675)	$ 81,038	$ 84,607	$ 146,095	$ 226,065	$ 186,425

See accompanying notes to consolidated financial statements.

CARLETON UNIVERSITY

Consolidated Statement of Cash Flows

Year ended April 30, 2005, with comparative figures for 2004
(in thousands of dollars)

	2005	2004
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 20,313	$ 22,006
Add (deduct) non-cash items:		
Employee future benefits liability	5,098	4,929
Amortization of capital assets	19,472	17,777
Amortization of deferred capital contributions	(9,436)	(7,163)
Net change in other non-cash operating working capital (note 17)	5,178	9,027
Net cash provided by operating activities	40,625	46,576
Financing activities:		
Decrease in mortgages payable	(165)	(155)
Increase (decrease) in loans payable	(1,442)	17,634
Decrease in obligations under capital leases	(167)	(157)
Net cash provided by financing activities	(1,774)	17,322
Investing activities:		
Increase in investments	(18,597)	(20,374)
Decrease in net investment in lease	306	287
Capital asset additions	(47,680)	(25,572)
Capital contributions received (note 9)	9,524	6,682
Contributions to art collection	186	413
Endowment contributions and investment income	19,141	21,773
Net cash used in investing activities	(37,120)	(16,791)
Increase in cash and cash equivalents	1,731	47,107
Cash and cash equivalents, beginning of year	85,773	38,666
Cash and cash equivalents, end of year	$ 87,504	$ 85,773

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 subsidiary and joint ventures as follows:

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

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

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

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

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

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
Building improvements	20 years
Equipment and furniture	10 years
Computer equipment	4 years
Software	4 years
Automobiles	5 years
Leasehold improvements	5 years
Library holdings	10 years

(c) Deferred capital contributions:

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

(d) Art collection:

Purchases of items to be included in the collection are expensed. Donations of items to be included in the collection are recorded as direct increases in net assets at an appraised value established by independent appraisal in the period 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 these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

(Tabular amounts in thousands of dollars)

2. Summary of significant accounting policies (continued):

(j) Derivative financial instruments:

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

3. Investments:

(a) Carrying and market values:

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

	2005		2004	
	Carrying value	Market value	Carrying value	Market value
Bonds	$ 3,936	$ 5,000	$ 3,597	$ 7,041
Marketable securities	148,704	164,392	130,446	138,440
	$ 152,640	$ 169,392	$ 134,043	$ 145,481

(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:

	2005		2004	
	Carrying value	Market value	Carrying value	Market value
Endowments	$ 147,107	$ 162,707	$ 126,141	$ 134,090
Centre for Research in Particle Physics	602	617	775	798
Residence sinking fund	3,936	5,000	6,160	9,603
Parker loans for students	995	1,068	967	990
	$ 152,640	$ 169,392	$ 134,043	$ 145,481

(Tabular amounts in thousands of dollars)

3. Investments (continued):

(c) Investment income:

Investment income earned is reported as follows:

	2005	2004
Income earned on endowments	$ 1,601	$ 2,140
Income earned on restricted investments	54	56
Income earned on unrestricted investments	6,692	4,090
Income earned on residence sinking fund investments	339	497
Total investment income earned	8,686	6,783
Less restricted amounts recognized	(1,364)	(1,177)
Add amounts distributed from endowment in excess of annual income earned on endowments	3,829	2,215
Total investment income recognized as revenue	$ 11,151	$ 7,821

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:

	2005	2004
Minimum lease payments receivable	$ 28,600	$ 29,900
Unearned financing revenue	(12,962)	(13,956)
	15,638	15,944
Current portion of net investment in lease	327	306
Net investment in lease	$ 15,311	$ 15,638

At April 30, 2005, future minimum lease payments receivable under the direct financing lease are as follows:

2006	$ 1,300
2007	1,300
2008	1,300
2009	1,300
2010	1,300
Thereafter	22,100
	$ 28,600

(Tabular amounts in thousands of dollars)

4. Net investment in lease (continued):

Financing revenue of $993,623 (2004 - $1,013,090) from this direct financing lease is included in other revenue.

5. Capital assets:

Capital assets consist of the following:

	Cost	Accumulated amortization	2005 Net book value	2004 Net book value
Land	$ 6,430	$ –	$ 6,430	$ 6,430
Buildings	278,670	96,103	182,567	161,693
Building improvements	4,297	66	4,231	613
Equipment and furniture	65,190	28,663	36,527	30,341
Computer equipment	22,294	17,601	4,693	5,937
Software	27,720	20,648	7,072	8,770
Automobiles	375	184	191	112
Leasehold improvements	92	92	–	–
Library holdings	43,579	29,997	13,582	13,375
Art collection	21,293	–	21,293	21,107
	$ 469,940	$ 193,354	$ 276,586	$ 248,378

Included in buildings is $16,932,000 (2004 - $5,667,000) of construction in progress. As construction in progress in not yet in use, these assets are not amortized.

Cost and accumulated amortization at April 30, 2004 amounted to $422,260,000 and $173,882,000 respectively.

6. Art collection:

The University has an art collection comprising approximately 27,000 pieces of art. In 2005, there were additions of donated pieces of art at an appraised value of $186,000 (2004 - $413,000).

(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:

	2005	2004
Current:		
Research	$ 23,083	$ 28,603
Grants	7,732	1,998
Student aid	6,447	5,204
Donations	2,777	2,409
Other	7,474	4,559
	$ 47,513	$ 42,773

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

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

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

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

Other includes deposits and prepayments on contracts.

(Tabular amounts in thousands of dollars)

8. Long-term debt:

As at April 30, 2005, the University has principal outstanding of $73,651,000 (2004 - $75,425,000) 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	$ 548
Grenville and Russell Residences	2017	5.375%	79	675
Glengarry Residence	2020	6.375%	176	1,680
Stormont-Dundas Residence	2010	10.36%	1,222	11,800
				14,703
Loans payable:				
Foodcourt renovation loan	2006	Prime	199	32
CTTC loan	2022	5.20%	563	6,314
Leeds loan	2027	6.724%	1,607	18,239
NWRC loan	2028	6.46%	1,331	15,648
Prescott loan	2028	6.299%	1,520	18,583
				58,816
Obligations under capital leases:				
Scotiabank:				
Residence telephone switch	2006	6.25%	180	132
				73,651
Current portion of long-term debt				1,663
				$ 71,988

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:

2006	$ 1,665
2007	1,597
2008	1,697
2009	1,805
2010	1,921
Thereafter	64,966
	$ 73,651

(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. The full amount has been set aside in Money Market funds and in guaranteed investment certificates, so that, together with interest, there will be sufficient funds necessary to extinguish the mortgage liability on maturity.

(Tabular amounts in thousands of dollars)

8. Long-term debt (continued):

(e) Interest rate derivative agreements:

The University has entered into interest rate derivative agreements to manage the volatility of interest rates. The University converted a net notional $55,008,000 of floating rate debt for fixed rate debt ranging from 6.299% to 6.74%. The related derivative agreements are in place until the maturity of the debts in 2026, 2027 and 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:

	2005	2004
Balance, beginning of year	$ 110,496	$ 110,977
Less amortization of deferred capital contributions	(9,436)	(7,163)
Add capital contributions received:		
Grants for equipment and buildings	9,240	6,410
Donated assets	284	272
	9,524	6,682
Balance, end of year	$ 110,584	$ 110,496

10. Internally restricted net assets:

	Balance, beginning of year	Change in year	Balance, end of year
Appropriations	$ 63,206	$ 3,947	$ 67,153
Research	9,992	223	10,215
Enterprise	3,529	105	3,634
Scholarships	31	5	36
	$ 76,758	$ 4,280	$ 81,038

(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 revenue from the University's research activities and are available for future research expenditures.

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

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

11. Investment in capital assets:

The investment in capital assets consists of the following:

	2005	2004
Capital assets	$ 276,586	$ 248,378
Less amounts financed by:		
Deferred capital contributions	(110,584)	(110,496)
Mortgages payable (net of residence sinking fund)	(4,828)	(8,708)
Leases payable	(132)	(298)
Loans payable (CTTC, Leeds, Prescott buildings)	(43,136)	(44,070)
Other short-term financing	(33,299)	(20,585)
	$ 84,607	$ 64,221

(Tabular amounts in thousands of dollars)

11. Investment in capital assets (continued):

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

	2005	2004
Capital assets additions:		
Total additions	$ 47,680	$ 25,572
Less:		
Contributions to art collection	(186)	(413)
Donated assets	(284)	(272)
Additions financed with grants	(9,240)	(6,410)
	37,970	18,477
Financing:		
Mortgage payable	165	155
Increase in residence sinking fund	578	701
Gain on residence sinking fund investment	3,137	–
Leases payable	166	157
Loans payable	934	(18,373)
Other short-term financing	(12,714)	12,931
	(7,734)	(4,429)
Amortization of deferred capital contributions	9,436	7,163
Amortization of capital assets	(19,472)	(17,777)
	(10,036)	(10,614)
Net change in investment in capital assets	$ 20,200	$ 3,434

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% (2004 - 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 2005	Total 2004
Donations and bequests	$ 11,120	$ –	$ 11,120	$ 3,089
Gain on sale of investments	11,849	255	12,104	21,595
Investment income	1,601	48	1,649	2,221
Income distributed	(5,429)	(234)	(5,663)	(4,547)
Net change in year	19,141	69	19,210	22,358
Fund balance, beginning of year	125,281	1,604	126,885	104,527
Fund balance, end of year	$ 144,422	$ 1,673	$ 146,095	$ 126,885

13. Employee future benefits:

The University has defined post-retirement benefit plans (other than pensions) and defined post-employment benefit plans covering substantially all of its employees. These plans provide health, dental and severance benefits to eligible employees. The most recent actuarial evaluation of employee future benefits was completed as at May 1, 2003.

At April 30, 2005, the University's future employee benefits liability and accrued benefit obligation are as follows:

	2005	2004
Accrued benefit obligation	$ 84,855	$ 69,336
Unamortized past service costs	(817)	(881)
Unamortized net actuarial loss	(20,723)	(10,238)
Employee future benefits liability	$ 63,315	$ 58,217

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

(Tabular amounts in thousands of dollars)

13. Employee future benefits (continued):

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

	Post-retirement benefits plan	Post-employment benefits plan
Discount rate	5.75%	5.25%
Salary escalation	5.0%	0.00%
Dental benefits escalation	4.5%	4.5%
Drugs benefits escalation	5.0% to 10.0%	5.0 to 10.0%
Hospital benefits escalation	4.50% to 9.0%	4.50% to 9.0%

Included in the consolidated statement of revenue and expense is an annual expense in the amount of $7,650 (2004 - $7,185) regarding employee future benefits. The annual expense includes the current service cost of employee benefits for the year and the interest cost for the unfunded accrued benefit obligation. During 2005, the University contributed $2,552 (2004 - $2,236) to cover pay-as-you-go disbursements incurred during the year for these employee future benefits.

Health care sensitivity analysis:

Assumed health care cost trend rates have a significant effect on the amounts reported for the health-care plans. A 1% change in assumed health care trend rates would have the following effects for 2005.

	Increase	Decrease
Net benefit cost	$ 1,238	$ 939
Accrued benefit obligation	13,012	10,183

14. Pension plan and pension plan liability:

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

An actuarial valuation of the Carleton University Retirement Plan as of July 1, 2004 determined that the plan had an $8,200,000 unfunded liability at July 1, 2004. The amount is to be repaid over a period not to exceed 15 years as required under the Pension Benefits Act of Ontario. Amortization of the unfunded liability is expected to require special payments of $843,000, per year. At April 30, 2005, the University has appropriated $5,000,000 in their internally restricted assets relating to the unfunded liability. The University plans to appropriate an additional $3,000,000 in the 2005-06 fiscal year for this liability.

14. Pension plan and pension plan liability (continued):

The University contributed $9,062,000 to the pension plan during fiscal 2004-05 and this contribution is included in the consolidated statement of revenue and expense.

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 $80,585 (2004 - $113,460). These guarantees are secured by second mortgages on the properties.

(b) Commitments:

At April 30, 2005, commitments for future acquisitions, construction and renovations amounted to approximately $25,679,000 (2004 - $18,752,000).

Letters of credit totaling $5,064,000 (2004 - $4,218,000) were issued on behalf of the University at year-end.

16. Financial instruments:

(a) Concentration of credit risk:

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

(b) Fair values:

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

(Tabular amounts in thousands of dollars)

16. Financial instruments (continued):

(b) Fair values (continued):

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

	2005		2004	
	Carrying value	Fair value	Carrying value	Fair value
Investments	$ 152,640	$ 169,392	$ 134,043	$ 144,921
Obligations under capital leases	132	134	298	300
Loans payable	58,816	65,796	60,259	64,651
Mortgages payable	14,703	16,419	14,868	17,362

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

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

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

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

	2005	2004
Increase in accounts receivable	$ (6,400)	$ (702)
Decrease (increase) in prepaid expenses	150	(467)
Increase in accounts payable and accrued liabilities	5,943	615
Increase in deferred revenue	4,740	9,152
Increase in accrued vacation pay	745	429
	$ 5,178	$ 9,027

(Tabular amounts in thousands of dollars)

18. Ontario Student Opportunity Trust Fund I:

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

The University has recorded the following amounts under the program:

	2005	2004
Fund balance, beginning of year	$ 17,897	$ 17,812
Donations	–	85
Prior year adjustments	(74)	–
Fund balance, end of year	$ 17,823	$ 17,897
Expendable funds available for awards, beginning of year	$ 1,805	$ 1,488
Investment income	2,116	1,743
Bursaries awarded during year (2,153 awards)	(1,611)	(1,426)
Expendable funds available for awards, end of year	$ 2,310	$ 1,805

The market value of the endowment as at April 30, 2005 was $51,701,000 (2004 - $46,212,000).

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.

CARLETON UNIVERSITY
Schedule 1 - Consolidated Schedule of Changes in Ancillary Net Assets

Year ended April 30, 2005
(in thousands of dollars)

Unrestricted	Athletics	Bookstore	Carleton Technology and Training Centre	Graphic Services	Health Services
Revenues	$ 5,201	$ 1,417	$ 1,605	$ 1,762	$ 2,199
Expenses	5,644	1,202	1,432	1,543	2,266
Excess (deficiency) of revenues over expenses	(443)	215	173	219	(67)
Net assets, beginning of year	(63)	–	(2,217)	–	–
Transfer from (to) non-ancillary unrestricted net assets	(89)	–	(30)	(179)	116
Appropriated to internally restricted net assets	–	(215)	–	(40)	(49)
Net assets, end of year	$ (595)	$ –	$ (2,074)	$ –	$ –

Internally restricted					
Net assets, beginning of year	$ –	$ 57	$ –	$ 89	$ 114
Appropriated from unrestricted net assets	–	215	–	40	49
Net assets, end of year	$ –	$ 272	$ –	$ 129	$ 163

	NWRC	Parking	Residence and Food Services	University Centre	Ancillary Capital Fund	Total 2005	Total 2004
	$ 1,026	$ 3,148	$ 15,916	$ 612	$ 134	$ 33,020	$ 31,705
	1,022	1,951	15,136	254	–	30,450	28,988
	4	1,197	780	358	134	2,570	2,717
	1,712	–	–	–	(7)	(575)	(1,246)
	–	(1,178)	(384)	–	94	(1,650)	(1,151)
	–	(19)	(396)	(358)	(221)	(1,298)	(895)
	$ 1,716	$ –	$ –	$ –	$ –	$ (953)	(575)
	$ –	$ 795	$ 1,436	$ 489	$ –	$ 2,980	$ 2,085
	–	19	396	358	221	1,298	895
	$ –	$ 814	$ 1,832	$ 847	$ 221	$ 4,278	$ 2,980

The externally restricted endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund II matching program for the fiscal year ending March 31, 2005 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:

		2005
Schedule of Donations Received between April 1, 2004 and March 31, 2005:		
Cash donations matched between March 27, 2004 and March 31, 2005	$	1,640,753
Cash donations received between March 27, 2003 and March 31, 2004 that were matched in 2003-04		586,615
		2,227,368
Unmatched cash donations received between March 27, 2003 and March 31, 2005		255,129
Outstanding pledges (net of pledges converted to cash) received between January 1, 2004 and March 31, 2005		9,274,630
Total	$	11,757,127
Schedule of Changes in Endowment Fund Balance for the period May 1, 2004 to April 30, 2005:		
Fund balance, beginning of year	$	1,656,170
Eligible cash donations received between April 1, 2004 and March 31, 2005 in compliance with July 2003 program guidelines and reporting requirements		1,412,942
Matching funds received from Ministry of Training, Colleges and Universities		1,640,753
Unmatched cash donations		111,119
Fund balance, end of year	$	4,820,984
Expendable funds available for awards, beginning of year	$	1,618
Investment income, net of direct investment-related expenses and preservation of capital contributions		79,837
Bursaries awarded during year (10 awards)		(8,830)
Expendable funds available for awards, end of year	$	72,625

The market value of the endowment fund investments as at April 30, 2005 was $5,787,000 (2004 - $1,707,000).