

University of Toronto
Forecast
to April 30, 2006
(at January 9, 2005)



**University of Toronto
Forecast 2005-2006**

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UNIVERSITY OF TORONTO
FORECASTED STATEMENT OF CHANGES IN OPERATIONS
For the fiscal year ending April 30, 2006
(with comparative actual figures at April 30, 2005)
(millions of dollars)

	Forecasted Actuals 2006	Actuals 2005
	<u>\$</u>	<u>\$</u>
Revenues	1,699.3	1,653.8
Expenses	<u>1,716.7</u>	<u>1,612.6</u>
Net income (loss)	(17.4)	41.2
Investment income on externally restricted endowments for preservation of capital	35.6	35.2
Externally endowed contributions (page 7)	40.6	72.7
Net Assets, beginning of year	<u>1,636.1</u>	<u>1,487.0</u>
Net Assets, end of year	<u>1,694.9</u>	<u>1,636.1</u>

FORECASTED STATEMENT OF CHANGES IN NET ASSETS

Unrestricted deficit	(204.5)	(144.8)
Internally restricted	74.8	91.7
Investment in capital assets	304.6	266.4
Endowments	<u>1,520.0</u>	<u>1,422.8</u>
Net Assets, end of year	<u>1,694.9</u>	<u>1,636.1</u>
	└── 58.8 ─┘	
<u>Changes made up of:</u>		
Net loss	(17.4)	
Investment income on externally restricted endowments for preservation of capital	35.6	
Externally endowed donations and grants	<u>40.6</u>	
	<u>58.8</u>	

UNIVERSITY OF TORONTO
FORECASTED STATEMENT OF OPERATIONS AND CHANGES IN DEFICIT
For the fiscal year ending April 30, 2006

(with comparative figures at April 30, 2005; millions of dollars)

	Forecast					2005 Total
	Operating fund	Ancillary Operations	Capital fund	Restricted funds	2006 Total	
REVENUES						
Government grants for operations	576.8				576.8	553.5
Student fees	474.7	5.8	1.0		481.5	472.3
Donations		0.3	4.0	26.7	31.0	48.0
Government grants for restricted purposes		(0.3)	29.0	276.3	305.0	280.2
Contract research	10.8			14.9	25.7	22.2
Investment Income: Endowment	37.5			26.2	63.7	58.6
Other	18.7	0.8	0.7	13.5	33.7	24.2
Sales, services and sundry income	52.8	128.1	1.0		181.9	194.8
	<u>1,171.3</u>	<u>134.7</u>	<u>35.7</u>	<u>357.6</u>	<u>1,699.3</u>	<u>1,653.8</u>
EXPENSES						
Salaries and benefits	820.1	11.1		180.0	1,011.2	936.3
Materials and supplies	77.2	3.2		123.5	203.9	194.7
Scholarships, fellowships and bursaries	115.9				115.9	110.9
Amortization of capital assets	7.0	9.7	69.4		86.1	83.5
Cost of sales and services		85.0			85.0	77.6
Utilities	43.5	8.0			51.5	44.5
Repairs and maintenance	35.6	10.4	7.0	1.9	54.9	48.8
Travel and conferences	14.9			17.4	32.3	31.3
Interest	9.6	18.0	0.5		28.1	26.6
External contracted services	11.9			5.3	17.2	17.7
Telecommunications	9.0			1.2	10.2	9.6
Other	15.3		0.5	4.6	20.4	31.1
	<u>1,160.0</u>	<u>145.4</u>	<u>77.4</u>	<u>333.9</u>	<u>1,716.7</u>	<u>1,612.6</u>
Net income (loss)	11.3	(10.7)	(41.7)	23.7	(17.4)	41.2
Net transfer between funds	(24.9)	0.9	15.0	9.0		
Transfer of capital assets	(33.3)		33.3			
Change in internally restricted	23.7	1.1	9.6	(17.5)	16.9	(32.6)
Change in investment in capital assets		(1.8)	(36.4)		(38.2)	(78.5)
Transfers of donations to endowments				(13.1)	(13.1)	(18.0)
Transfer from internally restricted endowments				(7.9)	(7.9)	(9.2)
Net change in deficit for the year	(23.2)	(10.5)	(20.2)		(59.7)	(97.1)
Deficit, beginning of year	(37.9)	(73.0)	(33.9)		(144.8)	(47.7)
Deficit, end of year	(61.1)	(83.5)	(54.1)		(204.5)	(144.8)
Internally restricted	(125.4)	9.2	(34.1)	225.1	74.8	91.7
Investment in capital assets		83.2	221.4		304.6	266.4
Endowments				1,520.0	1,520.0	1,422.8
Net assets, end of year	<u>(186.5)</u>	<u>8.9</u>	<u>133.3</u>	<u>1,745.1</u>	<u>1,694.9</u>	<u>1,636.1</u>

UNIVERSITY OF TORONTO
Operating Fund Forecast
For the year ending April 30, 2006
(millions of dollars)

	<u>Budget</u>	<u>Forecasted</u>	<u>Variance</u>
	\$	\$	to Budget fav/(unfav)
	\$	\$	\$
Revenue (page 4)	1,151.6 ¹		
Amortization of Investment Losses	<u>10.6</u>	1,162.2	1,171.3 ³
			9.1
Expense (page 5)	(1,168.3) ¹	<u>(1,193.3)</u> ³	(25.0)
Annual Deficit	(6.1)	(22.0)	(15.9)
Net transfers from operating fund		(24.9)	(24.9)
Change in internally restricted	(10.6)	23.7	34.3
Net Change in Deficit	(16.7)	(23.2)	(6.5)
Deficit, beginning of year	(38.6) ¹	<u>(37.9)</u> ²	0.7
CUMULATIVE DEFICIT	<u>(55.3)</u>	<u>(61.1)</u>	<u>(5.8)</u>

¹ As per the Budget Report for 2005-2006 (see page 8)

² This is the actual deficit for fiscal year ending April 30, 2005

³ Actual revenues and expenses as reported in the financial statements will differ from these figures by the difference in faculties and divisions, between budgeted and actual allocations. These differences, whether positive or negative, are carried forward to next year as "funds committed". (See page 6 for more details)

University of Toronto
Forecast 2005-2006 (Operating Fund)
Explanation of Major General University Operating Revenue and Expense Variances

GU - General University items that have an economic impact on the surplus or deficit position

DIV - Divisional items whether positive or negative, are carried forward to the next year as internally restricted net assets (see page 8)

Name	Budgeted	Projected	Variance	Explanation
	(\$ amounts in millions of dollars)			
OPERATING REVENUES				
GU: Provincial Operating Grants	511.3	511.3	0.0	There are no variances being forecasted at this time.
GU: Tuition Fees	385.3	393.8	8.5	The university provides an enrolment count to the Ministry of Training, Colleges and Universities as at November 1, 2005. This count forms the basis for this forecast of student fees, which are expected to be over budget by \$8.5 million. The increase is due to: a) an increase in domestic enrolment of \$5.0 million and b) an increase in international enrolment of \$3.5 million.
GU/DIV: Endowment Income	38.3	37.5	(0.8)	The endowment income budget of \$38.3 million is comprised of \$25.6 million in general university income and \$12.7 million in divisional revenue. The \$25.6 million is related to a book entry made to report student aid paid from restricted funds in the operating fund. This income budget is offset by an expense budget in the same amount, and any variance will be offset by an opposite variance in the expense budget, resulting in no impact to the deficit position. The projected income and expense amount will be \$0.8 million lower than budgeted. The \$12.7 million is related to the Endowed Chair Program and Ontario Graduate Scholarships (OGS & OGSST). The variance for this item will be part of the divisional carryforward with no impact to the deficit position.
GU: Canada Research Chairs	34.5	34.5	0.0	Composed of: Canada Research Chairs \$34.5 million. The \$34.5 million is related to a book entry made to report federal grants paid from restricted funds to the operating fund. At this time there is no forecasted variance.
GU: Indirect Cost Recovery on Research Grants & Contracts	29.6	31.0	1.4	This primarily represents Federal and Provincial government funding for the indirect costs of research. The favourable variance of \$1.4 million is due primarily to (a) an increase in Federal Granting Council Indirect Cost program funding envelope of \$15.0 million in 2005-06 (b) an off cycle adjustment of \$0.8 million from the Ontario Research Development Challenge Fund acknowledging the increased level of prior year's research funding.
GU: Endowment Administration and Investment Management Fees	6.0	6.0	0.0	These fees represent costs associated with the stewardship of endowments (\$5.4 million) which are recovered from the long-term capital appreciation pool and fees from the indirect costs of investment management (\$0.6 million) which are recovered from the long-term capital appreciation pool, the expendable funds investment pool and from pension funds. The intent is to recover these funds as planned.
GU: Investment Income	18.7	18.7	0.0	No investment income variance is anticipated at this time. The overall investment return of 3.6% is lower than the budgeted rate of return of 4.39%, but it is offset by higher than anticipated capital available for investment mainly due to unexpected government and research grants received at the end of the last fiscal year.
GU: Other Income	9.1	9.1	0.0	This budget item is composed of: application fees (\$6.3 million), overhead charged to academic programs (\$2.0 million), overhead charged to ancillary operations (\$0.4 million) and other minor items (\$0.4 million).
DIV - Divisional Income	129.4	129.4	0.0	This category is comprised of revenue items which are budgeted in divisions and include \$82.6 million in student fees for self-funded programs (e.g. executive MBA) or student ancillary fees, \$42.4 million for revenue from services, and \$4.4 million in government grants received directly by divisions. Any variances in this category are carried forward to the following year as internally restricted net assets and thereby does not have an economic impact on the unrestricted surplus or deficit position.

Name	Budgeted	Projected	Variance	Explanation
	(\$ amounts in millions of dollars)			
Total Revenues	1,162.2	1,171.3	9.1	
As a % of Budget	100.0%	100.8%	0.8%	

Name	Budgeted	Projected	Variance	Explanation
	(\$ amounts in millions of dollars)			
OPERATING EXPENDITURES				
GU: Staff Benefits	0.0	0.0	0.0	Staff benefits are budgeted centrally and recovered from divisions using a standard costing method. The 2005/06 benefits budget is \$161.4 million. Approximately 50% of the benefits budget relates to pension benefits. The variability within the budget is attributed to the remaining 50% which encompasses legislative, medical, and other University provided benefits. There is no variances being forecasted at this time.
GU: Enrolment Growth Fund	51.5	60.0	(8.5)	The budget report includes a strategy that provides funding for academic divisions whose enrolment is greater than the target enrolment assumed in the budget. An unfavourable variance of \$8.5 million is due to a combination of increase allocations of: a) \$6.4 million immediately to divisions as negotiated for enrolment growth and b) \$2.1 million to be reserved for further needs resulting from increased enrolment.
GU: COPC Contingency	2.8	3.7	(0.9)	The COPC Contingency utilizes a pooled approach to address possible variances. The unfavourable variance of \$0.9 million is comprised primarily of: (a) \$0.4 million from the recent revision of the funding formula of the Block Grant's Memorandum of Agreement and (b) \$0.2 million in the Library Book Fund (c) \$0.2 million in forgivable loan and (d) \$0.1 million in projects costs for the VP of Human Resources.
GU: Salary Increase Provision	14.1	15.1	(1.0)	The unfavourable variance of \$1.0 million is a result of an unexpected increase in across the board increase rates budgeted at 2% compared to actual rates of 2.5% for management and 3% for the administrative union.
GU: Progression Through the Ranks	(4.3)	(3.3)	(1.0)	The Progression Through the Ranks (PTR) recovery program is for faculty and librarians. The recovery is budgeted based on the difference between an existing salary of a retiree and the lower salary of new hires. However, should the faculty decide to delay their retirement the anticipated recovery will not materialize. Due to the number of retirees that have elected to stay as of June 2005 an unfavourable variance of \$1.0 million has resulted in the PTR which reflects 20% of their exit salary plus related benefits.
GU: Utilities	32.3	37.3	(5.0)	The utilities budget comprises the costs for steam, oil, gas, power, water, and chilled water, and to a lesser extent, the cost of operating the cogeneration facility offset by external recoveries of \$5.2 million. The unfavourable variance of \$5.0 million is due to: a) \$4.0 million in higher than anticipated (or unexpected increase in) costs for hydro and steam due to a combination of increased pricing and usage resulting from record temperatures and the budget adjustment for prior year rate increases and b) \$1.0 million first installment payment towards the new buildings connection fee for the Toronto Hydro Grid.
GU: Legal Expenses	3.3	3.3	0.0	At this time there is no forecasted variance for this item.
GU/DIV: Other General and Divisional Expenses	1,068.6	1,077.2	(8.6)	Divisional variances, whether positive or negative, are carried forward to next year as internally restricted. Conversely, general university variances impact the surplus or deficit position. The negative variance of \$8.6 million is comprised of a net \$9.4 million unfavourable divisional variance from budget offset by a positive variance of \$0.8 million from the book entry for student aid.
Total Expenses	1,168.3	1,193.3	(25.0)	
As a % of Budget	100.0%	102.1%	-2.1%	

University of Toronto
Forecast 2005-2006
Operating Internally Restricted Net Assets

Description		Planned April 30, 2005	Forecast April 30, 2006	Variance
1	Divisional appropriations carried forward *	108.8	108.8	-
2	Research overhead	5.9	5.9	-
3	Other	37.0	37.0	-
	Funding sub-total	151.7	151.7	-
4	Employee future benefits other than pensions	(120.6)	(151.5)	(30.9)
5	Pension liability	(102.3)	(103.8)	(1.5)
6	Vacation pay liability	(11.2)	(11.8)	(0.6)
7	VEARP repayments	(3.9)	(5.2)	(1.3)
8	EFIP investment losses deferred	(15.4)	(4.8)	10.6
	Non-funding sub-total	(253.4)	(277.1)	(23.7)
		(101.7)	(125.4)	(23.7)

* includes purchase orders

- 1) Divisional appropriation carried forward: No changes to report pending information to be received in December 2005.
- 2) Research overhead: Research overhead recoveries from customers in the calendar year are appropriated and available for spending in the following fiscal year.
- 3) Other: These represent unspent funds in respect of approved capital projects in progress at the end of the fiscal year and various initiatives to enhance the quality, structure and organization of programs and activities.
- 4) Employee future benefits other than pensions: these benefits include medical plans for pensioners, long-term disability and survivor income benefits. The future cost of these benefits must be recorded as an expense when earned instead of being expensed when premiums are paid and are recorded as a reduction to internally restricted assets since this cost will be paid by divisions in future years. This amount is estimated to increase to \$271.3 million in the future.
- 5) Pension liability: The pension plan liability is recorded as a reduction in funds committed since the cost will be paid by divisions in future years.
- 6) Vacation pay liability: a vacation pay expense and a corresponding liability must be recorded to show the cost of vacation earned but not taken by non-academic employees. In the future, the divisions will incur these accrued vacation pay expenses.
- 7) VEARP repayments: the cost incurred under the voluntary early academic retirement program (VEARP) must be recorded as an expense when an individual decides to retire and the university agrees, not when the actual retirement occurs. Certain faculties pay the cost of early retirements over a maximum of three years.
- 8) EFIP investment losses deferred to future years: prior year's investment losses incurred by the expendable funds investment pool for the period to April 30, 2003 are being written-off against operations over 5 years from 2002-2003 to 2006-2007. The improving position of the fund is due to favourable investment returns thereby allowing for a further write-off than planned. Effective in April 2003, the investment strategy for EFIP was changed to reduce the financial risk. Therefore, there is a low risk of investment losses from that date.

**University of Toronto
Forecast 2005-2006
Endowment Forecast**

	<u>Forecasted</u> <u>Fiscal Year</u> <u>2006</u>	<u>Fiscal Year</u> <u>2005</u>
Opening Balance, May 1	1,422.8	1,287.7
Investment income		
Preservation of capital for externally restricted endowments	35.6	35.2
Preservation of capital for internally restricted endowments	7.9	9.2
Available for payout	53.1	49.4
Less: endowment payout	(53.1)	(49.4)
Externally endowed contributions		
- donations	35.0	34.9
- grants	5.6	37.8
Transfer of donations and operating matching funds to endowment	13.1	18.0
Balance	<u>1,520.0</u>	<u>1,422.8</u>

University of Toronto
Forecast 2005-2006
Excerpt from Budget Report (Table 1A)

Long Range Budget Guidelines

Budget Model Summary (\$ millions)	2004-05	2005-06	2006-07	2007-08	2008-9	2009-10
<u>Projection of Operating Revenue</u>						
Provincial Operating Grants	\$ 484.4	\$ 511.3	\$ 523.4	\$ 526.4	\$ 526.4	\$ 530.6
Tuition Fees	361.1	385.3	404.7	415.1	423.7	429.5
Total Grants plus Fees	845.5	896.6	928.1	941.5	950.1	960.1
Endowment Revenue for Chairs and Student Aid	28.8	38.3	39.0	39.8	40.7	41.6
Canada Research Chairs	32.3	34.5	37.2	40.2	40.2	40.2
Indirect Cost Recovery on Research Grants and Contracts	29.8	29.6	28.6	25.4	25.3	25.8
Endowment Administration and Investment Management Fees	6.0	6.0	6.2	6.3	6.4	6.5
Investment Income	15.8	18.7	19.7	19.1	19.4	19.5
Amortization of Investment Losses	(10.6)	(10.6)	(4.8)	-	-	-
Other Income	8.1	9.0	9.3	9.4	9.5	9.7
Divisional Income - Government Grants	4.3	4.4	4.5	4.6	4.7	4.8
Divisional Income - Student Fees	51.0	52.0	53.1	54.1	55.2	56.3
Divisional Income - Ancillary Fees	29.9	30.5	31.1	31.8	32.4	33.0
Divisional Income - External Revenue	41.6	42.4	43.3	44.1	45.0	45.9
Total Operating Revenue	\$ 1,082.6	\$ 1,151.6	\$ 1,195.1	\$ 1,216.3	\$ 1,228.9	\$ 1,243.5
<u>Projection of Operating Expenditures</u>						
Academic	\$ 733.0	\$ 771.4	\$ 797.1	\$ 798.9	\$ 808.6	\$ 821.2
Academic Services	43.8	44.6	44.9	43.0	43.0	43.1
Library Acquisitions	23.1	24.1	25.1	26.1	27.2	28.3
Campus & Student Services	17.4	18.1	18.8	19.5	20.0	20.1
Student Assistance	96.6	106.6	111.4	114.3	117.5	120.3
Maintenance & Services	46.1	53.9	54.9	56.0	57.2	58.4
Utilities	38.9	40.6	40.7	41.7	44.5	45.5
Administration	73.9	75.8	77.3	77.2	78.7	80.4
General University Expense	29.9	29.5	28.5	27.6	27.4	28.2
Operating Fund Support of Capital Plan	14.5	15.0	15.7	15.7	15.7	15.7
Base Budget Reduction	(10.5)	(11.4)	(29.6)	(11.7)	(11.8)	(17.7)
Operating Expenditure Budget for the year	1,106.9	1,168.3	1,184.7	1,208.3	1,228.0	1,243.5
Operating Surplus/(Deficit) for the year	\$ (24.3)	\$ (16.7)	\$ 10.4	\$ 8.0	\$ 0.9	\$ (0.0)
Accumulated Surplus/(Deficit), beginning of year	\$ (14.3)	\$ (38.6)	\$ (55.3)	\$ (44.8)	\$ (25.1)	\$ (18.4)
One Time Only Deficit Control Measures	-	-	-	11.7	5.9	-
Accumulated Surplus/(Deficit), end of year	\$ (38.6)	\$ (55.3)	\$ (44.8)	\$ (25.1)	\$ (18.4)	\$ (18.4)
Maximum Deficit Permissible by Policy (1.5% of Revenue)	\$ (16.2)	\$ (17.3)	\$ (17.9)	\$ (18.2)	\$ (18.4)	\$ (18.7)