



University of Toronto

OFFICE OF THE VICE-PRESIDENT, BUSINESS AFFAIRS - FINANCE

TO: Business Board

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DATE: September 1, 2011 for September 26, 2011

AGENDA ITEM: 7

ITEM IDENTIFICATION:

Endowment Annual Financial Report for the year ended April 30, 2011

JURISDICTIONAL INFORMATION:

The Business Board receives regular reports on financial matters.

PREVIOUS ACTION TAKEN:

The 2010 annual financial report on endowments was presented to the Business Board on September 27, 2010.

HIGHLIGHTS:

Endowments provide a strong base of funding for student aid, for endowed chairs, for research and for academic programs in support of the academic vision. Endowments are restricted funds which must be used in accordance with purposes specified by donors or by Governing Council. Endowments are not available for use in support of general operating activities. At April 30, 2011, there were over 5,270 individual endowment funds totaling \$1.539 billion market value, an increase of \$102.2 million from April 30, 2010, made up of:

\$ 21.4 million	endowed donations
\$ 3.6 million	endowed government grants and other
\$ 2.1 million	transfers from the University's unrestricted funds
\$ 155.9 million	investment income
(\$ 15.0 million)	fees and expenses
<u>(\$ 65.8 million)</u>	allocation for spending

\$ 102.2 million

The 2008-09 year was very challenging in the investment markets and all major markets experienced significant losses due to the severe global financial and economic crisis. The University, like other organizations, was not immune to the shockwaves. The endowment reserve, so carefully and responsibly built up, did its job by absorbing the brunt of the external volatility and was eliminated by the end of 2009. As a result, the University suspended the endowment distribution for 2008-09 on a one-time-only basis to preserve the endowment's underlying value so the baseline for future growth could be maintained.

However, in recognition of the importance of the initiatives funded by endowments, faculties and divisions reached into other reserves and went to extraordinary lengths to ensure that critical commitments such as endowment professorships and chairs, as well as endowed support for needs-based student aid, normally funded from endowment distributions, were met. In addition, the University's 2009-10 operating budget was structured to enable individual faculties and divisions to run deficits, where necessary, to be repaid over the next five years, to ensure that these commitments were met. Together, these actions reflect our commitment to preserve the underlying value of these legacies and to sustain the important purposes for which they were established. They also signal our collective respect for all those who have supported the institution with endowed gifts.

In 2009-10, that preservation strategy has enabled the University to reinstate the endowment spending allocation and to rebuild the endowment reserve to \$124.5 million. In 2010-11, investment returns enabled the endowment reserve to continue to grow and it now stands at \$199.6 million at April 30, 2011.

Please consult the full report for a comprehensive discussion of the endowments.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

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RECOMMENDATION:

For information.