

# **University of Toronto Forecast to April 30, 2005**

(at January 3, 2005)



**University of Toronto**  
**Forecast 2004-2005**

**Table of Contents**

	<b><u>Page</u></b>
Forecasted Statement of Changes in Operations	1
Forecasted Statement of Changes in Capital	1
Forecasted Statement of Operations and Changes in Deficit	2
Operating fund forecast of results as compared to Operating Budget Report	3
Operating committed capital	7
Endowment forecast	8
Divisional carryforward forecast - (TBA December 2004)	-
Appendix A: Operating Budget Report excerpt (Table 1 and Table 2)	9

**UNIVERSITY OF TORONTO**  
**FORECASTED STATEMENT OF CHANGES IN OPERATIONS**  
**For the fiscal year ending April 30, 2005**  
(with comparative actual figures at April 30, 2004)  
(millions of dollars)

	<b>Forecasted Actuals 2005</b>	<b>Actuals 2004</b>
	<u>\$</u>	<u>\$</u>
<b>Revenues</b>	1,567.5	1,568.1
<b>Expenses</b>	<u>1,585.3</u>	<u>1,521.5</u>
<b>Net income (loss)</b>	<b>(17.8)</b>	46.6
<b>Investment income on externally restricted endowments for preservation of capital</b>	20.7	137.5
<b>Externally endowed contributions (page 8)</b>	56.3	38.7
<b>Capital, beginning of year</b>	<u>1,487.0</u>	<u>1,264.2</u>
<b>Capital, end of year</b>	<u><b>1,546.2</b></u>	<u><b>1,487.0</b></u>

**FORECASTED STATEMENT OF CHANGES IN CAPITAL**

Endowments	1,394.7	1,287.7
Equity in capital assets	251.4	187.9
Committed capital	50.3	59.1
Unrestricted capital (deficit)	<u>(150.2)</u>	<u>(47.7)</u>
<b>Capital, end of year</b>	<u><b>1,546.2</b></u>	<u><b>1,487.0</b></u>

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**Changes made up of:**

Net loss	(17.8)
Investment income on externally restricted endowments for preservation of capital	20.7
Externally endowed donations and grants	<u>56.3</u>
	<u><b>59.2</b></u>

**UNIVERSITY OF TORONTO**  
**FORECASTED STATEMENT OF OPERATIONS AND CHANGES IN DEFICIT**  
**For the fiscal year ending April 30, 2005**  
(with comparative figures at April 30, 2004; millions of dollars)

	<b>Forecast</b>					
	Operating fund	Ancillary Operations	Capital fund	Restricted funds	2005 Total	2004 Total
<b>REVENUES</b>						
Government grants for operations	540.9				540.9	479.8
Student fees	443.8	5.3	1.0		450.1	433.1
Donations		3.0	9.0	30.0	42.0	39.4
Government grants for restricted purposes		(3.0)	27.2	246.4	270.6	295.2
Contract research	10.8			14.0	24.8	22.0
Investment Income: Endowment	35.9			19.7	55.6	79.7
Other	12.9	(12.6)		10.3	10.6	44.2
Sales, services and sundry income	49.3	122.4	1.2		172.9	174.7
	<u>1,093.6</u>	<u>115.1</u>	<u>38.4</u>	<u>320.4</u>	<u>1,567.5</u>	<u>1,568.1</u>
<b>EXPENSES</b>						
Salaries and benefits	771.8	10.5		157.8	940.1	907.8
Materials and supplies	64.5	3.8		117.2	185.5	184.2
Scholarships, fellowships and bursaries	115.8				115.8	108.8
Amortization of capital assets	4.1	7.8	67.4		79.3	76.8
Cost of sales and services		78.3			78.3	70.7
Utilities	33.9	6.3			40.2	38.2
Repairs and maintenance	23.6	9.0	4.8	4.8	42.2	38.3
Travel and conferences	11.0			17.6	28.6	27.7
Interest	24.6	3.8			28.4	19.8
External contracted services	13.4			2.7	16.1	15.9
Telecommunications	9.2			1.2	10.4	10.2
Other	12.7		2.4	5.3	20.4	23.1
	<u>1,084.6</u>	<u>119.5</u>	<u>74.6</u>	<u>306.6</u>	<u>1,585.3</u>	<u>1,521.5</u>
<b>Net income (loss)</b>	9.0	(4.4)	(36.2)	13.8	(17.8)	46.6
Net transfer between funds	(24.9)	1.3	3.0	20.6		
Transfer of capital assets	(32.1)		32.1			
Change in committed capital	16.3	(0.5)	(2.6)	(4.4)	8.8	20.4
Change in equity in capital assets		(45.4)	(18.1)		(63.5)	1.7
Transfers of donations to endowments				(25.0)	(25.0)	(16.0)
Transfer from internally and externally restricted endowments				(5.0)	(5.0)	(33.2)
<b>Net change in deficit for the year</b>	(31.7)	(49.0)	(21.8)		(102.5)	19.5
Deficit, beginning of year	(10.5)	(16.4)	(20.8)		(47.7)	(67.2)
<b>Deficit, end of year</b>	(42.2)	(65.4)	(42.6)		(150.2)	(47.7)
<b>Committed capital</b>	(146.5)	7.5	(5.6)	194.9	50.3	59.1
<b>Equity in capital assets</b>		82.6	168.8		251.4	187.9
<b>Endowments</b>				1,394.7	1,394.7	1,287.7
<b>Capital, end of year</b>	<u>(188.7)</u>	<u>24.7</u>	<u>120.7</u>	<u>1,589.6</u>	<u>1,546.2</u>	<u>1,487.0</u>

**UNIVERSITY OF TORONTO**  
**Operating Fund Forecast**  
**For the year ending April 30, 2005**  
**(millions of dollars)**

	<b>Budget</b>	<b>Forecasted</b>	<b>Variance</b>
	<b>\$</b>	<b>Actuals</b>	<b>to Budget</b>
		<b>\$</b>	<b>fav/(unfav)</b>
			<b>\$</b>
Revenue (page 5 )	1,082.6 <sup>1</sup>		
Amortization of Investment Losses	<u>10.6</u>	1,093.2	<u>1,093.6</u> <sup>3</sup>
			0.4
Expense (page 6)	(1,106.9) <sup>1</sup>	<u>(1,116.7)</u> <sup>3</sup>	(9.8)
<b>Annual Deficit</b>	(13.7)	(23.1)	(9.4)
Net transfers from operating fund		(24.9)	(24.9)
Change in committed capital	(10.6)	16.3	26.9
<b>Net Change in Deficit</b>	(24.3)	(31.7)	(7.4)
Deficit, beginning of year	(14.3) <sup>1</sup>	<u>(10.5)</u> <sup>2</sup>	3.8
<b>CUMULATIVE DEFICIT</b>	<u>(38.6)</u>	<u>(42.2)</u>	<u>(3.6)</u>

<sup>1</sup> As per the Budget Report for 2004-2005 (see pages 9 & 10)

<sup>2</sup> This is the actual deficit for fiscal year ending April 30, 2004

<sup>3</sup> 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 7 for more details)

**University of Toronto**  
**Forecast 2004-2005 (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 committed capital (see page 7)

Name	Budgeted	Projected	Variance	Explanation
	(\$ amounts in millions of dollars)			
<b><u>OPERATING REVENUES</u></b>				
GU: Provincial Grants	484.4	478.8	(5.6)	<p>The unfavourable variance of \$5.6 million in government grants is due to:</p> <p>a) an unfavourable variance of \$5.2 million resulting from an \$8.5 million reduction in the Quality Assurance Fund which was unexpectedly reduced in the May 2004 Provincial Budget and partially replaced with \$3.3 million in Tuition Freeze Compensation.</p> <p>b) an unfavourable \$1.9 million in the UG Nursing Compression Grant due to the Ministry's decision to fund strictly the incremental enrolment increase (\$0.3 million) for fiscal 2005.</p> <p>c) an unfavourable \$1.3 million in the ATOP Grant was unexpectedly reduced by 12.5% for fiscal 2005 by the Ministry.</p> <p>d) a favourable \$2.0 million in the Medical Expansion Post Graduate Fund due to the unanticipated funding.</p> <p>e) a favourable \$0.6 million in the Research Overhead/Infrastructure Fund. This is a results of an unanticipated Canadian Institute for Health Research funding being included in the granting council's three-year moving average.</p> <p>f) a favourable \$0.2 million in the MD Undergraduate Grant due to lower than budget funding in the Budget Report 2004-05.</p>
GU: Student Fees	361.1	362.9	1.8	<p>The university provides an enrolment count to the Ministry of Training, Colleges and Universities as at November 1, 2004. Prior to this date, tuition fee variances are estimates. At this time a favourable \$1.8 million variance is estimated due to a higher proportional enrolment of international students.</p>

Name	Budgeted	Projected	Variance	Explanation
	(\$ amounts in millions of dollars)			
GU/DIV: Endowment Income	28.8	35.9	7.1	The endowment income budget of \$28.8 million is comprised of \$19.7 million in general university income and \$9.6 million in divisional revenue. The \$19.7 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 actual income and expense amount will be \$7.1 million higher than budgeted. The \$9.6 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: Federal Grants	32.3	32.3	0.0	Composed of: Canada Research Chairs \$32.3 million. The \$32.3 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 Federal Research Grants	29.8	29.8	0.0	This represents Federal government funding of the indirect costs of federally funded research. At this time there is no forecasted variance.
GU: Endowment Administration and Investment Management Fees	6.0	6.0	0.0	These fees represent costs associated with endowment stewardship of \$5.4 million and indirect costs of investment management of \$0.6 million which are incurred within the University. These fees are recovered from the long-term capital appreciation pool, the expendable funds investment pool, and in the case of the latter fee, from pension funds. The intent is to recover these funds as planned.
GU: Investment Income	15.8	12.9	(2.9)	The unfavourable investment income variance of \$2.9 million is due to an expected overall investment income return of 3.06%, which is lower than the budgeted return of 4.44% resulting in a negative variance of 1.38%. This was partially offset by higher than budgeted capital caused by realizing government grants earlier than expected combined with lower than anticipated distributions to EFIP participants.
GU: Other Income	8.1	8.1	0.0	This budget item is composed of: application fees (\$5.2 million), overhead charged to academic programs (\$2.1 million), overhead charged to ancillary operations (\$0.3 million) and other minor items (\$0.5 million).
DIV - Divisional Income	126.9	126.9	0.0	This category is comprised of revenue items which are budgeted in divisions and include \$80.9 million in student fees for self-funded programs (i.e.executive MBA) or student ancillary fees, \$41.6 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 committed capital and thereby does not have an economic impact on the surplus or deficit position.
Total Revenues	1,093.2	1,093.6	0.4	
As a % of Budget	100.0%	100.0%	0.0%	

Name	Budgeted	Projected	Variance	Explanation
	(\$ amounts in millions of dollars)			
<b>OPERATING EXPENDITURES</b>				
GU: Staff Benefits	0.0	(3.6)	3.6	Staff benefits are budgeted centrally and that projected cost is budgeted to be recovered from divisions using a standard costing method. The favourable variance of \$3.6 million in the benefit budget is a result of higher budgeted costs that will not materialize.
GU: Enrolment Growth Fund	41.1	48.4	(7.3)	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 \$7.3 million is due to a combination of increase in allocations of: a) \$2.0 million to Medicine associated with the Medical Expansion Postgraduate Fund that was not included in the Budget Report 2004-05.  b) \$2.0 million to division for enrolment growth.  c) \$3.3 million in provincial tuition compensation funds that had not been included in the Budget Report 2004-05.
GU: COPC Contingency	3.9	3.9	0.0	The COPC Contingency utilizes a pooled approach to address possible variances. There are no variances being forecasted at this time.
GU: Utilities	35.1	36.2	(1.1)	The utilities budget comprises the costs for steam, oil, gas, power, water, and chilled water, as well as the costs of operating the central steam plant, electrical distribution and cogeneration facilities. The unfavourable \$1.1 million is primarily due to the malfunctioning of the cogeneration equipment resulting in external electricity purchases (\$0.4 million), maintenance costs (\$0.8 million) offset by other favourable variances.
GU: Legal Expenses	2.8	2.8	0.0	At this time there is no forecasted variance for this item.
Canada Research Chair Expense	33.5	33.5	0.0	At this time there is no forecasted variance for this item.
GU/DIV: Other General and Divisional Expenses	990.5	995.5	(5.0)	Divisional differences, whether positive or negative, are carried forward to next year as committed capital. General university variances impact the the surplus or deficit position. Included in this amount is (a) the additional \$7.1 million book entry for student aid which offsets the favourable endowment income variance noted above (under Endowment Income) and (b) one-time-only funding from the Academic Transitional Fund of \$2.1 million to support the increase in operating expenses.
<b>Total Expenses</b>	<b>1,106.9</b>	<b>1,116.7</b>	<b>(9.8)</b>	
<b>As a % of Budget</b>	<b>100.0%</b>	<b>100.9%</b>	<b>-0.9%</b>	



**University of Toronto**  
**Forecast 2004-2005**  
**Operating Committed Capital**

Description		Planned April 30, 2004	Forecast April 30, 2005	Variance
	Divisional appropriations carried forward *	84.8	82.7	(2.1)
1	Research overhead	9.4	9.4	-
2	Other	11.9	11.9	-
	Funding sub-total	106.1	104.0	(2.1)
3	Employee future benefits other than pensions	(93.5)	(119.1)	(25.6)
4	Vacation pay liability	(10.6)	(11.5)	(0.9)
5	VEARP repayments	(4.5)	(3.0)	1.5
6	Pension liability	(101.8)	(101.6)	0.2
7	EFIP investment losses deferred	(25.9)	(15.3)	10.6
	Non-funding sub-total	(236.3)	(250.5)	(14.2)
		(130.2)	(146.5)	(16.3)

\* includes purchase orders

- 1) Research overhead: Research overhead recoveries from customers in the calendar year are appropriated and available for spending in the following fiscal year.
- 2) 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.
- 3) 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. The amount shown above, which has been determined by the university's actuary, is recorded as a reduction to funds committed since this cost will be paid by divisions in future years. This amount is estimated to increase to \$212 million in the future.
- 4) 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.
- 5) 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.
- 6) 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.
- 7) 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. Minimal losses are expected after April 30, 2003 due to a planned change to the long-term investment strategy.

**University of Toronto**  
**Forecast 2004-2005**  
**Endowment Forecast**

	<u><b>Forecasted</b></u> <u><b>Fiscal Year</b></u> <u><b>2005</b></u>	<u><b>Fiscal Year</b></u> <u><b>2004</b></u>
Opening Balance, May 1	1,287.7	1,062.3
Investment income		
Preservation of capital for externally restricted endowments	20.7	137.5
Preservation of capital for internally restricted endowments	5.0	33.2
Available for payout	50.6	46.5
Less: endowment payout	(50.6)	(46.5)
Externally endowed donations and grants	56.3	38.7
Transfer of donations and operating matching funds to endowment	25.0	16.0
Balance	<u><u>1,394.7</u></u>	<u><u>1,287.7</u></u>

University of Toronto  
Forecast 2004-2005  
Excerpt from Budget Report 2004-2005

**Table 1A**

**Long Range Budget Guidelines**

<b>Budget Model Summary (\$ millions)</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-9</b>	<b>2009-10</b>
<b><u>Projection of Operating Revenue</u></b>							
Provincial Operating Grants	\$ 412.9	\$ 484.4	\$ 513.0	\$ 528.0	\$ 529.7	\$ 533.9	\$ 538.2
Tuition Fees	320.2	361.1	382.4	396.5	401.9	408.9	413.3
Total Grants plus Fees	733.1	845.5	895.4	924.5	931.6	942.8	951.5
Endowment Revenue for Chairs and Student Aid	28.7	28.8	30.0	31.3	32.6	33.1	33.5
Canada Research Chairs	29.3	32.3	34.5	37.2	40.2	40.2	40.2
Indirect Cost Recovery on Research Grants and Contracts	32.7	29.8	31.1	30.4	30.0	29.6	30.0
Endowment Administration and Investment Management Fees	7.6	6.0	6.2	6.5	6.7	7.0	7.3
Investment Income	11.3	15.8	15.1	17.2	18.2	17.9	17.3
Amortization of Investment Losses		(10.6)	(10.6)	(10.6)	-	-	-
Other Income	10.5	8.1	8.3	8.5	8.6	8.7	8.8
Divisional Income - Government Grants	4.3	4.3	4.4	4.5	4.6	4.7	4.8
Divisional Income - Student Fees	50.0	51.0	52.0	53.1	54.1	55.2	56.3
Divisional Income - Ancillary Fees	29.3	29.9	30.5	31.1	31.8	32.4	33.0
Divisional Income - External Revenue	40.8	41.6	42.4	43.3	44.1	45.0	45.9
<b>Total Operating Revenue</b>	<b>\$ 977.5</b>	<b>\$ 1,082.6</b>	<b>\$ 1,139.4</b>	<b>\$ 1,176.9</b>	<b>\$ 1,202.6</b>	<b>\$ 1,216.7</b>	<b>\$ 1,228.8</b>

Excerpt from Budget Report 2004-2005

Table 1A

Long Range Budget Guidelines

Budget Model Summary (\$ millions)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-9	2009-10
<b><u>Projection of Operating Expenditures</u></b>							
Academic	\$ 626.7	\$ 733.0	\$ 771.5	\$ 796.7	\$ 796.7	\$ 805.9	\$ 816.9
Academic Services	39.9	43.8	45.0	45.3	43.2	43.2	43.3
Library Acquisitions	22.2	23.1	24.1	25.1	26.1	27.2	28.3
Campus & Student Services	16.2	17.4	18.2	18.9	19.6	20.2	20.3
Student Assistance	89.7	96.6	100.2	104.4	107.2	109.4	111.4
Maintenance & Services	38.1	46.1	52.4	53.4	54.4	55.4	56.6
Utilities	36.3	38.9	39.5	41.0	42.6	44.3	45.2
Adminstration	65.9	73.9	76.4	77.9	77.7	79.3	80.9
General University Expense	30.8	29.9	30.3	30.1	29.2	28.9	28.8
Operating Fund Transfer to Capital Fund	11.8	14.5	15.7	15.7	15.7	15.7	15.7
Base Budget Reduction		(10.5)	(11.7)	(30.8)	(12.2)	(12.3)	(18.5)
<b>Operating Expenditure Budget for the year</b>	<b>977.5</b>	<b>1,106.9</b>	<b>1,161.6</b>	<b>1,177.6</b>	<b>1,200.2</b>	<b>1,217.1</b>	<b>1,228.8</b>
<b>Operating Surplus/(Deficit) for the year</b>	<b>\$ 0.0</b>	<b>\$ (24.3)</b>	<b>\$ (22.2)</b>	<b>\$ (0.6)</b>	<b>\$ 2.4</b>	<b>\$ (0.5)</b>	<b>\$ (0.0)</b>
<b>Accumulated Surplus/(Deficit), beginning of year</b>	<b>\$ (34.0)</b>	<b>\$ (14.3)</b>	<b>\$ (38.6)</b>	<b>\$ (60.8)</b>	<b>\$ (61.4)</b>	<b>\$ (43.8)</b>	<b>\$ (28.9)</b>
<b>Transfer of UIIF Debt to Capital Fund</b>	<b>19.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>One Time Only Deficit Control Measures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15.3</b>	<b>15.4</b>	<b>10.5</b>
<b>Accumulated Surplus/(Deficit), end of year</b>	<b>\$ (14.3)</b>	<b>\$ (38.6)</b>	<b>\$ (60.8)</b>	<b>\$ (61.4)</b>	<b>\$ (43.8)</b>	<b>\$ (28.9)</b>	<b>\$ (18.4)</b>
<b>Maximum Deficit Permissable by Policy (1.5% of Revenue)</b>	<b>\$ (14.7)</b>	<b>\$ (16.2)</b>	<b>\$ (17.1)</b>	<b>\$ (17.7)</b>	<b>\$ (18.0)</b>	<b>\$ (18.3)</b>	<b>\$ (18.4)</b>