



University of Toronto

Vice-President, Business Affairs

TO: Audit Committee

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DATE: June 10 for June 22 meeting.

AGENDA ITEM: Audit Committee, item 3
Business Board, item 3

ITEM IDENTIFICATION:

Audited financial statements and notes – April 30, 2005

JURISDICTIONAL INFORMATION:

The Audit Committee is responsible for reviewing the annual audited financial statements and recommending them for approval to the Business Board. The committee is responsible for assessing the adequacy of public disclosure of financial information. The supplementary financial report is provided for information.

PREVIOUS ACTION TAKEN:

The review of the draft notes was conducted on May 17, 2005.

HIGHLIGHTS:

The following documents are included for your review:

- Draft financial statements and notes
- Draft supplementary financial report
- Ernst & Young's audit results

Key opportunities and challenges are the need to accommodate increased numbers of students, program quality enhancements and research growth and their associated capital requirements.

Revenues for the year were \$1.65 billion, expenses were \$1.61 billion and net income was \$41.2 million. Although revenues have grown by 55.1% since 2000, this growth is primarily due to increased numbers of students and increased research activities. Expenses have nevertheless, continued to increase due both to inflation and increased numbers of faculty and staff to accommodate these increased levels of activities. It is important to remember that the University also faces liabilities of \$347 million for deferred maintenance and \$264.0 million in employee future benefits that are not included in the financial results.

The net assets of the University increased to \$1.64 billion from \$1.49 billion, an increase of \$149.1 million. This increase was made up of

- the net income of \$41.2 million,
- investment income of \$35.2 million on externally restricted endowments,
- the receipt of \$34.9 million of endowed donations, and
- the receipt of \$37.8 million of endowed grants.

Net assets were made up of the following:

- \$1.42 billion of endowments
- \$266.4 million in investment in capital assets
- \$91.7 million of internally restricted net assets and
- (\$144.8) million in unrestricted net assets

The negative \$144.8 million in unrestricted net assets is due largely to internal financing of some capital construction.

The operating fund cumulative deficit was \$37.9 million compared to a budgeted cumulative deficit of \$38.6 million. The maximum deficit permissible for the operating fund at the end of any six year planning period is 1.5% of operating revenues. At April 30, 2005, 1.5% of operating revenues was \$16.2 million. The long-range budget plan for the operating fund provides for the reduction of its cumulative deficit to meet this requirement by April 30, 2010 as required.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

None

RECOMMENDATION:

Receipt of the draft financial statements and notes for 2005 and recommendation to the Business Board.