



University of Toronto

OFFICE OF THE VICE-PRESIDENT, BUSINESS AFFAIRS – FINANCE

TO: Business Board

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DATE: September 12, 2008 for September 22, 2008

AGENDA ITEM: 5

ITEM IDENTIFICATION:

Endowment Annual Financial Report for the year ended April 30, 2008

JURISDICTIONAL INFORMATION:

The Business Board receives regular reports on financial matters.

PREVIOUS ACTION TAKEN:

The 2007 annual financial report on endowments was presented to the Business Board on October 1, 2007.

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, 2008, there were over 4,850 individual endowment funds totaling \$1.75 billion market value, a decrease of \$67.9 million from April 30, 2007, made up of:

\$ 36.4 million	endowed donations
\$ 14.2 million	endowed government grants
\$ 5.2 million	transfers from the University's other funds
(\$ 21.8 million)	transfer of endowments to UTS.
(\$ 20.3 million)	investment loss
(\$ 19.5 million)	fees and expenses
<u>(\$ 62.1 million)</u>	allocated for spending
(\$ 67.9 million)	

This has been a very challenging year in the investment markets and we experienced a loss of 2.0%. This result was strongly influenced by the difficult market conditions,

particularly in the first quarter of 2008. All major equity markets experienced losses for the fiscal year, except the Canadian stock market, which posted a small increase due to large gains by a very limited number of large cap stocks.

However our reserving strategy has enabled us to continue to preserve the inflation-adjusted capital for the endowment pool. At April 30, 2008, the endowment pool also had a \$287.1 million cushion above inflation. This strategy has also enabled us to increase the spending allocation by 7% this year to \$62.1 million. This increase has funded inflation of about 2%. It has also provided an additional 5% in spending to maintain the position of our spending allocation within our target spending corridor of 3% to 5% of opening balance market value. It should be noted that this strategy also results in amounts available for spending that increase year over year.

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

FINANCIAL AND/OR PLANNING IMPLICATIONS:

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RECOMMENDATION:

For information.