



TO: Audit Committee and Business Board

SPONSOR: Sheila Brown
CONTACT INFO: 416-978-2065, sheila.brown@utoronto.ca

DATE: May 31 for June 16, 2010.

AGENDA ITEM: Audit Committee, Item 4 (a)
Business Board, Item 3

ITEM IDENTIFICATION: Audited financial statements – April 30, 2010

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 highlights and supplementary report are provided for information.

PREVIOUS ACTION TAKEN:

The review of the draft notes was conducted on May 12, 2010.

HIGHLIGHTS:

The following documents are included for your review:

- Draft financial report including the audited financial statements, highlights and supplementary report,
- Ernst & Young's audit results.

Revenues for the year were \$2.21 billion, expenses were \$2.17 billion and net income was \$45.4 million. Although revenues have grown by 112.3% since 2001, this growth is primarily due to increased numbers of students and increased research activities. Expenses have risen mainly due to the increased numbers of faculty and staff to accommodate these increased levels of activities. It is important to remember that the University also has obligations of \$1.02 billion in employee future benefits liabilities and future obligations of \$380.0 million for deferred and pending maintenance that are not included in the financial results.

The recent economic turmoil has posed significant fiscal pressures for the University and its students. The University has been fortunate to face this deep recessionary period with some important advantages. Foremost among those advantages are the creativity and commitment of

our faculty and staff, the inspiration that we derive from our outstanding students, and the continued support that so many alumni and friends have given the University over the years. The University has therefore been able to sustain its trajectory of excellence, unique to Canada, rare in any public university, and increasingly relevant to Canada's international aspirations.

The net assets of the University increased from \$1.62 billion to \$1.8 billion. The changes for the year were as follows

- the net income of \$45.4 million
- the receipt of \$19.5 million of endowed donations,
- the receipt of \$4.2 million of endowed grants,
- net gain on externally restricted endowments of \$106.7 million,
- Unrealized gain on swap contracts of \$7.1 million

Net assets were made up of the following:

- \$1.44 billion of endowments,
- \$549.6 million of internally restricted net assets and
- (\$186.8) million in unrestricted deficit.

The \$549.6 million in internally restricted net assets mainly reflects \$413.2 million of investment in capital assets representing internal monies previously spent by the University for capital projects which will be reduced over time as the assets are amortized. Internally restricted net assets also include \$438.9 million of reserves partially offset by the net unfunded liability associated with employee future benefits of \$302.5 million.

The \$186.8 million in unrestricted deficit is largely due to internal financing of some capital construction in accordance with the University's debt strategy.

The operating fund cumulative deficit for the year was \$2.1 million compared to a projected cumulative deficit of \$50.5 million. The difference between the planned deficit and the actual deficit represents net positive variances of \$48.4 million that will be provided to academic divisions in 2010-11 in accordance with the budget model. After this adjustment, the opening cumulative operating deficit for 2010-11 will be \$50.5 million as planned. The long-range budget plan for the operating fund provides for the reduction of the deficit to meet the requirement for a balanced budget by April 30, 2014.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

None

RECOMMENDATION:

That the Audit Committee recommends for approval the University of Toronto audited financial statements for the year ended April 30, 2010.