



TO: Audit Committee and Business Board

SPONSOR: Sheila Brown

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

DATE: May 30 for June 15, 2011.

AGENDA ITEM: Audit Committee Item 4
Business Board Item 3

ITEM IDENTIFICATION: Audited Financial Statements – April 30, 2011

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 10, 2011.

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 \$2.32 billion, expenses were \$2.31 billion and net income was \$7.2 million. Although revenues have grown by 101.5% since 2002, 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 \$1.1 billion in employee future benefits liabilities and future obligations of \$448 million for deferred and pending maintenance that are not included in the financial results.

The net assets of the University increased from \$1.80 billion to \$1.90 billion. The changes for the year were as follows

- the net income of \$7.2 million
- the receipt of \$21.4 million of endowed donations,
- the receipt of \$3.6 million of endowed grants,
- net gain on externally restricted endowments of \$64.2 million,

Net assets were made up of the following:

- \$1.54 billion of endowments,
- \$530.9 million of internally restricted net assets and
- (\$173.9) million in unrestricted deficit.

The \$530.9 million in internally restricted net assets mainly reflects \$440.3 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 \$531.4 million of reserves partially offset by the net unfunded liability associated with employee future benefits of \$440.8 million.

The \$173.9 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 surplus for the year was \$5.4 million compared to a projected cumulative deficit of \$35.7 million. The difference between the planned deficit and the actual surplus represents net positive variances of \$41.1 million that will be provided to academic divisions in 2011-12 in accordance with the budget model. After this adjustment, the opening cumulative operating deficit for 2011-12 will be \$35.7 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, 2015.

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, 2011.