



University of Toronto

Vice-President, Business Affairs

Business Board Item 5

TO: Audit Committee

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DATE: June 3 for June 16 meeting.

AGENDA ITEM: 3

ITEM IDENTIFICATION:

Audited financial statements – April 30, 2004

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 19, 2004.

HIGHLIGHTS:

The following documents are included for your review:

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

Key challenges going forward continue to be student enrolment growth, program quality enhancements and research growth and their associated capital requirements in an environment where growth in revenues is lagging growth in expenses. Over the past six years, expenses have grown at a compound growth rate of 9.5% while revenues have grown only at 7.9%.

Revenues for the year were \$1.57 billion, expenses were \$1.52 billion and net income was \$46.6 million. The key factor which generated this year's net income was \$123.9 million of investment income compared to last year's investment loss of \$55.6 million.

The capital of the University increased to \$1.49 billion from \$1.26 billion, an increase of \$222.8 million. This increase was made up of the net income of \$46.6 million, investment income of \$137.5 million on externally restricted endowments and the receipt of \$38.7 million of endowed donations and grants.

The University's operating fund cumulative deficit was \$10.5 million compared to a \$14.6 million budgeted deficit. The operating fund's maximum deficit permissible by policy was \$14.7 million.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

None

RECOMMENDATION:

Receipt of the draft financial statements and notes for 2004 and recommendation to the Business Board.