DRAFT

UNIVERSITY OF TORONTO

FINANCIAL REPORT

April 30, 2011

Communication, Culture and Technology Building, UTM   Scott Norsworthy

59679

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HIGHLIGHTS

Year Ended April 30, 2011

(with comparative figures at April 30, 2010)
(millions of dollars)

	2011	2010	% Change
Income Statement			
Revenues	$ 2,321.1	$ 2,210.9	5.0%
Expenses	$ 2,313.9	$ 2,165.5	6.9%
Net Income	$ 7.2	$ 45.4	-84.1%
Balance Sheet			
Assets	$ 4,640.5	$ 4,292.9	8.1%
Liabilities	$ 2,744.1	$ 2,492.9	10.1%
Net Assets	$ 1,896.4	$ 1,800.0	5.4%
Net Assets Composed of:			
Endowments	$ 1,539.4	$ 1,437.2	7.1%
Internally Restricted Net Assets	$ 530.9	$ 549.6	-3.4%
Unrestricted Deficit	$ (173.9)	$ (186.8)	6.9%
	$ 1,896.4	$ 1,800.0	
Long-term Debt	$ 524.1	$ 525.9	-0.3%
Long-term Debt as % of Net Assets	27.6%	29.2%	
Student FTEs (November 1)	66,611	65,402	1.8%
Total Number of Students (November 1)	77,288	76,108	1.6%

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HIGHLIGHTS

The University of Toronto (the "University") was established in 1827 and is Canada's largest and most comprehensive university.

Enrolment at the University is more than 77,200 full-time and part-time students (66,611 full-time equivalents), making the University of Toronto one of the largest universities in North America in terms of enrolment.

The University's size and academic resources provide its students with a wide range of academic programmes and courses, while its unique college system offers students learning experiences enriched by individual cultures in a smaller community. The University is located on three campuses: St. George (downtown Toronto), Scarborough and Mississauga.

This financial report does not include the assets, liabilities and operations of Victoria University, The University of Trinity College, University of St. Michael's College, Sunnybrook Health Sciences Centre ("Sunnybrook") and the affiliated colleges under the memorandum of agreement with the Toronto School of Theology, each of which is a separate, non-controlled corporate body.

Key drivers of financial performance are:

1) **Growth in student enrolment** has generated both additional revenues and additional expenses and has fuelled the need for additional space for teaching, for office space, for student activity, and for residence accommodations.

2) **Growth in research activity** has generated additional direct expenses which are offset by additional revenues. Growth in research results in the need for additional space and renovated space for conducting research as well as an increase in indirect costs which are not fully recovered by the University.

3) **Growth in salaries and benefits** has increased both expenses and liabilities due to growth in staffing and the cost of providing pensions and other employee future benefits.

4) **Growth in space** has required long-term borrowing to augment capital grants and donations, which increases liabilities and interest expense. Capital grants received increase liabilities (deferred capital contributions) which are recorded as revenue over time to match the amortization expense.

5) **Donations:** Expendable donations provide additional revenue in support of designated activities. Endowed donations are added directly to the endowment.

6) **Growth in endowments** over time provides additional investment income in support of designated activities, mostly endowed chairs and student aid, and enhances the balance sheet by increasing the University's net assets. During 2010-11, financial markets continued to improve increasing both endowment values and investment earnings.

7) **Investment earnings** are variable, even with investment policies with modest risk profiles. Investment returns in any given year may dictate whether the University experiences net income or a net loss for the year.

The Income Statement

The following are the key drivers of financial performance of the income statement:

- Growth in student enrolment increases student fee revenues, government grants for general purposes, sales, services and sundry income (which include residence fees), salaries and benefits expense and materials and supplies expense.
- Growth in research activity affects research revenues, salaries and benefits and materials and supplies expense.
- Growth in space affects building renovations, operating, interest and amortization expense.

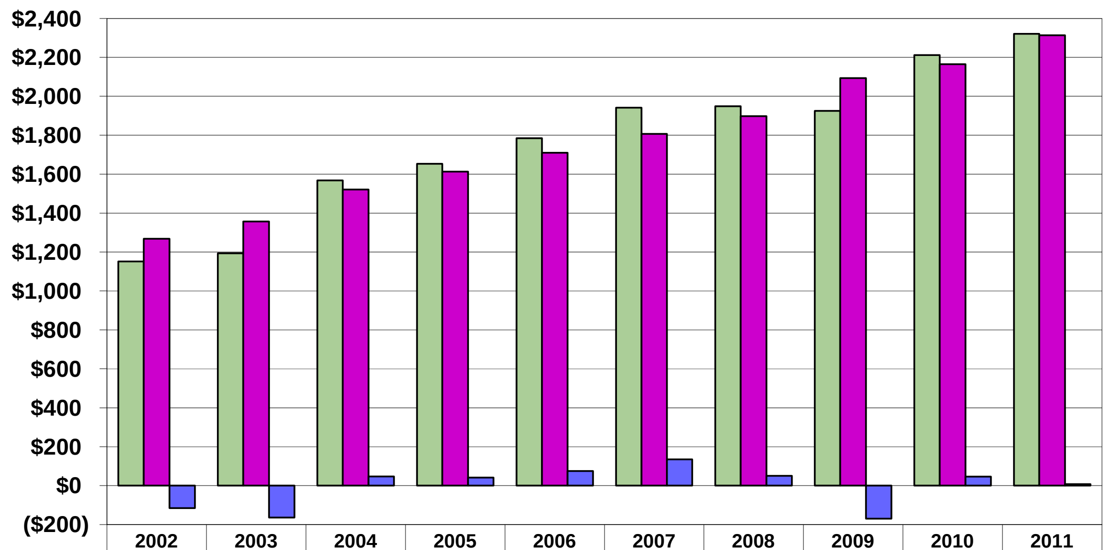
- Receipt of donations.
- Investment performance.

Revenues for the year ended April 30, 2011 were $2.32 billion, expenses were $2.31 billion and net income was $7.2 million. This income was primarily due to investment income of $135.6 million offset by a $122.0 million increase in unfunded employee future benefits which flowed through the statement of operations. The $135.6 million investment income reported in the statement of operations was made up of the following: $91.7 million on endowments and $43.9 million on other investments.

Total investment earnings for the year amounted to $199.8 million. The remaining $64.2 million ($199.8M-$135.6M), which was earned with respect to externally restricted endowments, was reported directly on the balance sheet as an increase to endowments, as required by generally accepted accounting principles ("GAAP") (see the "Balance Sheet" section of this document for further details).

These financial results demonstrate that the University essentially operated on budget and in a break-even mode in 2010-11.

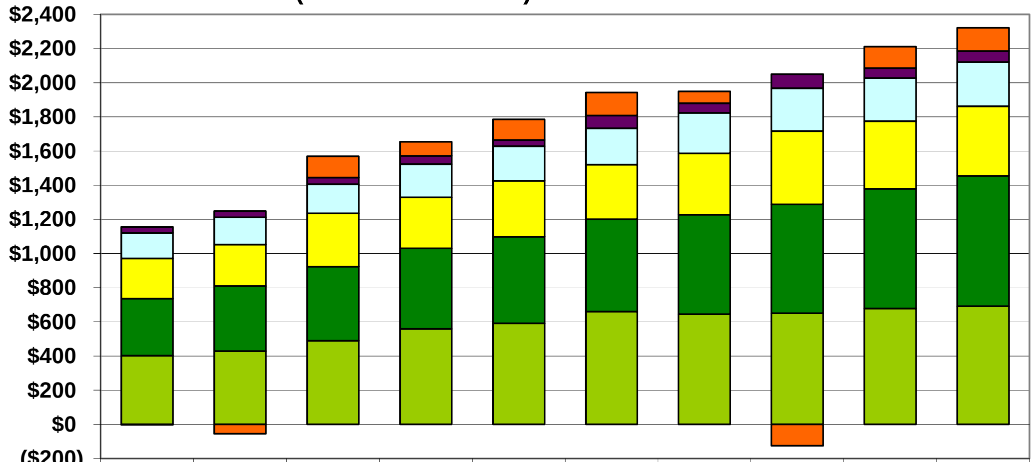
Revenues and Expenses
for the year ended April 30
(millions of dollars)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues	1,152.1	1,192.7	1,568.1	1,653.8	1,784.3	1,942.0	1,948.9	1,924.7	2,210.9	2,321.1
Expenses	1,268.4	1,357.1	1,521.5	1,612.6	1,709.3	1,807.5	1,898.3	2,093.9	2,165.5	2,313.9
Net income (loss)	(116.3)	(164.4)	46.6	41.2	75.0	134.5	50.6	(169.2)	45.4	7.2

In 2011, $1.46 billion or 62.7% of revenues were from student fees and government grants provided in support of student enrolments. An additional $406.4 million represented government and other grants and contracts for restricted purposes. Together these three sources accounted for 80.2% of revenues for the year.

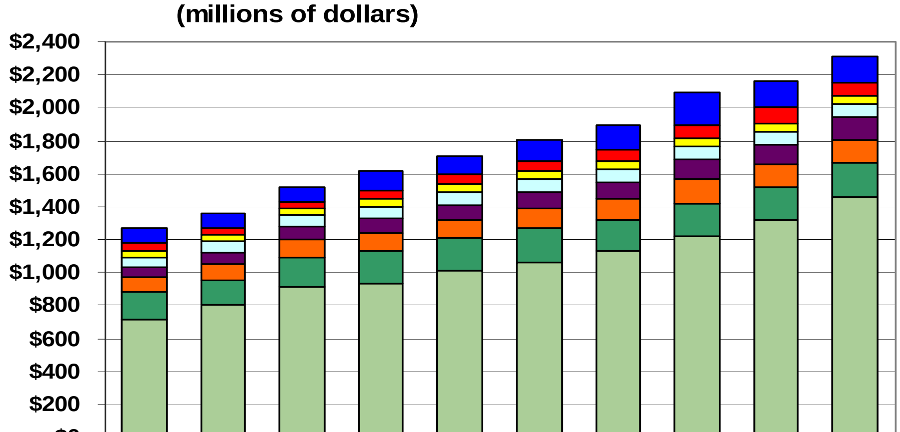
Revenues by Category
for the year ended April 30
(millions of dollars)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total revenues	1,152.1	1,192.7	1,568.1	1,653.8	1,784.3	1,942.0	1,948.9	1,924.7	2,210.9	2,321.1
Investment income (losses)	(3.4)	(55.6)	123.9	82.8	120.0	134.4	69.9	(125.3)	124.9	135.6
Expendable donations	34.3	36.6	39.4	48.0	37.0	74.8	56.2	82.1	57.7	63.7
Other sales and services	149.6	159.4	170.2	194.8	202.2	212.9	237.4	251.0	253.1	260.1
Restricted grants and contracts	235.1	243.0	312.0	297.7	327.5	319.7	358.3	429.9	395.9	406.4
Student fees	333.7	380.9	433.1	472.3	505.7	538.9	583.6	636.4	701.3	764.3
Government grants	402.8	428.4	489.5	558.2	591.9	661.3	643.5	650.6	678.0	691.0

In 2011, expenses for the year amounted to $2.31 billion, of which $1.46 billion, or 63.1%, was for salaries and benefits.

Expenses by Category
for the year ended April 30
(millions of dollars)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total expenses	1,268.4	1,357.1	1,521.5	1,612.6	1,709.3	1,807.5	1,898.3	2,093.9	2,165.5	2,313.9
Other	84.1	87.7	96.7	116.3	114.7	127.3	153.4	198.3	165.5	163.0
Repairs and maintenance	57.3	38.8	38.3	48.8	54.2	61.4	65.2	82.5	92.1	79.8
Utilities	35.1	39.1	38.2	44.5	51.1	52.5	53.0	51.0	51.3	51.0
Cost of sales and services	63.0	67.4	70.7	77.6	79.1	77.7	76.5	80.5	80.5	80.4
Amortization of capital assets	61.4	71.1	76.8	83.5	91.4	99.1	104.1	117.2	124.1	132.1
Scholarships, fellowships, bursaries	86.7	98.8	108.8	110.9	106.5	115.9	125.0	144.6	132.1	141.4
Materials and supplies	166.1	153.4	184.2	194.7	200.0	211.7	193.7	195.8	200.4	206.3
Salaries and benefits	714.7	800.8	907.8	936.3	1,012.3	1,061.9	1,127.4	1,224.0	1,319.5	1,459.9

It is important to note that faculty and staff salaries and benefits relating to teaching, research and administrative activities are predominantly funded from University operating funds (mostly student fees and government grants). Additional details are provided in the “Salaries and Benefits” section of this document. Materials and supplies amounted to $206.3 million, or 8.9% of total expenses. Scholarships, fellowships and bursaries were $141.4 million, or 6.1%. Utilities expense amounted to $51.0 million, or 2.2%. Repairs and maintenance amounted to $79.8 million or 3.4%. Most renovations to buildings are not expensed but are capitalized during the year as capital assets in accordance with the University’s accounting policies.

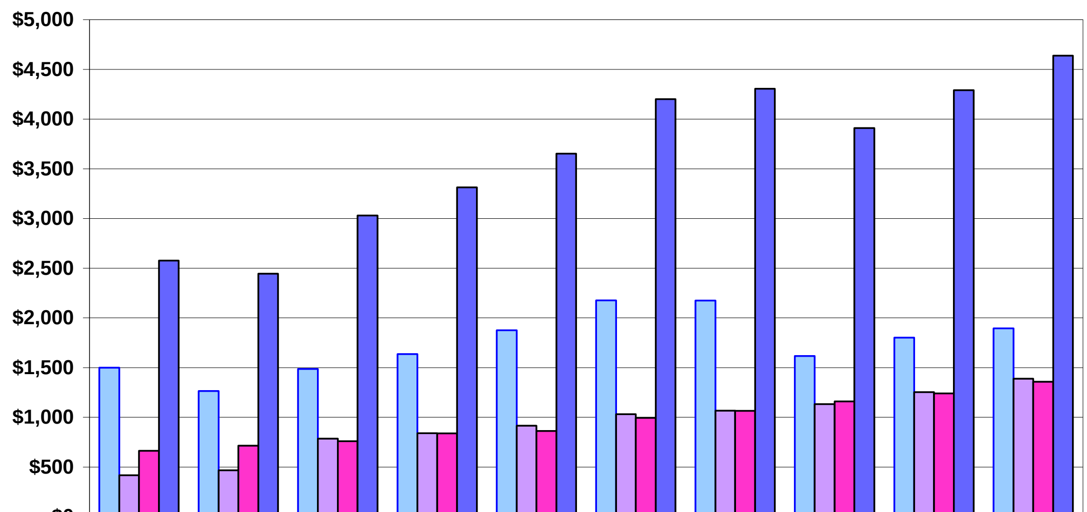
The Balance Sheet

The following are the key factors affecting the balance sheet:

- Growth in pension and benefit cost affects liabilities and, where such liabilities are unfunded, reduces internally restricted net assets.
- Growth in space to support enrolment and research growth affects capital assets and long-term debt. Capital assets are accounted for in the financial statements at cost and not at fair value.
- Growth in endowments is derived from endowed donations and grants, and investment returns which are added to endowments for capital preservation.

At April 30, 2011, assets were $4.64 billion, liabilities were $2.74 billion and net assets were $1.90 billion. Assets and liabilities have grown since 2002 due to the construction of additional space to accommodate the increased number of students and increased research activities and due to growth in endowments. The University has obligations not recorded in the financial statements of $1.1 billion related to employee future benefits that will be recorded in the financial statements over time in accordance with GAAP.

Assets, Liabilities and Net Assets
at April 30
(millions of dollars)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net assets	1,500.5	1,264.2	1,487.0	1,636.1	1,876.4	2,176.5	2,174.3	1,617.1	1,800.0	1,896.4
Liabilities	415.4	465.7	784.6	840.0	913.9	1,030.6	1,066.8	1,132.5	1,253.3	1,387.5
Deferred contributions	661.7	715.3	758.9	837.7	861.9	993.7	1,064.2	1,159.4	1,239.6	1,356.6
Assets	2,577.6	2,445.2	3,030.5	3,313.8	3,652.2	4,200.8	4,305.3	3,909.0	4,292.9	4,640.5

Net assets reflect the University’s net worth. Net assets change over time only through:

- the net income or net loss for the year,

- the change in endowments derived from 1) endowed donations and grants, and 2) from investment income on externally restricted endowments (which is not made available for spending) which do not flow through the income statement but rather are added directly to the endowment balance in accordance with GAAP, and

- the change in the fair value of interest rate swap contracts in accordance with GAAP.

Net assets increased from $1.80 billion in 2010 to $1.90 billion in 2011 mainly as a result of a net income of $7.2 million, a $64.2 million gain on externally restricted endowments and endowed donations and grants of $25.0 million.

Net assets consisted of the following:

- $1,539.4 million of endowments, representing 81.2% of net assets.

- $530.9 million of internally restricted net assets of which $440.3 million represents investment in capital assets

- ($173.9 million) of unrestricted deficit.

The $173.9 million unrestricted deficit is largely due to the internal financing of capital construction in accordance with the University's debt strategy (see the "Space" section of this document).

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 $1.54 billion in endowments represent over 5,270 individual endowment funds, which are restricted in nature based on the direction of donors or Governing Council.

The Role of the Government of Ontario

In fiscal 2011, $1.46 billion or 62.7% of revenues comprised student fees and government grants provided in support of student enrolments. The provincial government provides operating grants and regulates tuition fees for domestic students in publicly-funded programmes.

The Ontario Budget of May 11, 2005 announced a major funding allocation of $6.2 billion for universities and colleges over the period from 2004 to 2010, including funding for graduate expansion, for additional undergraduate medical students, for tuition freeze compensation, for additional quality enhancement funds and increased financial aid for low and middle income students. This announcement included a targeted increase in graduate enrolment of 14,000 students by 2009 for the Ontario system. In 2005, the University made a submission for 4,470 additional graduate students over 2004-05 levels (2,330 in Phase 1 by 2007-08 and 2,140 in Phase 2) and submitted a plan for this expansion, which was approved by Governing Council. Phase 2 was announced in February 2009 and the University was allocated 2,722 spaces relative to 2004-05, comprised 1,709 Masters and 1,013 PhDs. It was also announced that funding will be phased-in to 2011-12 with an additional two years, if necessary, to achieve the end-state targets. Subsequent to the Phase 2 allocations and in response to increased demand for Masters degrees, especially Professional Masters, the University continued to advocate to the Ministry for increased flexibility or "fungibility" between the Masters and PhD pools. After a mid-program review of the graduate expansion initiative, the Ministry announced in December 2009 that it would provide a one-time opportunity for institutions to convert up to 50% of their remaining spaces that had yet to be realized as of 2007-08 between the two pools on a grant-neutral basis. The University of Toronto received permission to convert 261 PhD spaces to 500 additional Masters spaces. End-state targets are now 7,031 Masters and 3,854 PhDs. Operating funding for these spaces is accompanied by capital funding which will be provided in the form of a stream of payments over 20 years.

Tuition fees for domestic students are regulated in Ontario universities. On March 8, 2006, the Government of Ontario announced a new tuition framework for the Province which was extended on March 29, 2010 for another two years (2011-12 and 2012-13). Universities may increase tuition fees by up to 4.5% for domestic students entering most programmes and by no more than 4% for in-programme students. Tuition fees may increase by a maximum of 8% in professional programmes such as Law, Medicine and Engineering and in graduate programmes, provided that the average increase across the University does not exceed 5%. The tuition schedule adopted by the University reflected this framework. At the same time, the government also introduced a student access guarantee to ensure that no student is denied access to higher education for financial reasons, which is in line with the long-established policy of the University. This guarantee has also been incorporated in the University's multi-year agreement with the Province. Universities were also required to contribute 10% of additional revenue from tuition fee increases to bursaries and other student assistance programs that provide financial aid to students in need. The University remains committed to the goal of accessibility and to working with the provincial and federal governments to achieve this goal. In 2011, the University spent $141.4 million on student aid, a significant increase from $86.7 million in 2002.

On March 25, 2008, the Government of Ontario released its 2008-09 budget that pledged a range of investments for post-secondary education and research. The Ontario Budget included an investment of an additional $200 million under the University Campus Renewal funding program for the maintenance and renewal of university facilities. In 2008-09, the University received $37.7 million as its share of funding under this program. The funds were used to improve energy efficiency, for campus safety and security, and to renew aging infrastructure. In 2008-09, the University also received another $25.0 million in capital funding to lever other funds for the new School of Global Affairs to build on its existing strengths to educate Ontarians at a graduate level in the various disciplines required for effective globalization. The Ontario Budget also included a commitment to invest $250 million over the next five years in the Ontario Research Fund for research infrastructure, providing matching funds for awards from the Canada Foundation for Innovation to help recruit top researchers from around the world and retain them in light of growing competition from universities in other jurisdictions.

On March 26, 2009, the Government of Ontario released its 2009-10 budget centered on helping the Province weather the economic downturn and preparing for its recovery by moving to a more innovative, high-value, and green economy. To that end, the Ontario Budget made a large-scale capital investment in Ontario's colleges and universities by earmarking the following funding related to post-secondary education:

- $780 million in funding for universities and colleges over two years, to be matched with Federal funding through its Knowledge Infrastructure Program in support of campus renewal and new infrastructure. The University was allocated $151 million to build instructional and laboratory complexes at its Mississauga and Scarborough campus as well as an Innovation Centre for the Canadian Mining Industry at its St. George campus. Of this amount, $91.3 million was received by the University in fiscal 2011 and $59.3 million was received in fiscal 2010.

- $150 million in one-time-only operating relief for colleges and universities in support of enrolment growth and fiscal pressures, of which the University received $16.0 million at April 30, 2009.

- $10 million to expand graduate fellowship endowments, of which the University received $2.4 million at April 30, 2009.

- $715 million aimed at supporting innovation in Ontario including $300 million over six years for research infrastructure funding through the Ontario Research Fund to be used to match $300 million in Canada Foundation for Innovation funds; $100 million over four years for additional operating funds for biomedical research and $250 million over five years for a new Emerging Technologies Fund.

On March 29, 2010, the Government of Ontario released its 2010-11 budget which presented its Open Ontario Plan to drive economic growth, create jobs, and increase the educational advantage of Ontario citizens. The budget included the following investments for postsecondary education:

- $248 million operating funding to accommodate 11,000 university students in an effort to ensure that 70% of the population attains higher learning. The impact of this is that all undergraduate students were fully funded and not subject to discounted funding as originally anticipated.
- A commitment to encourage the brightest students world-wide to study in Ontario by committing to increase international enrolment by 50% over the next five years while still ensuring that all qualified domestic students are able to attend university.
- The addition of 1,000 new Ontario Graduate Scholarships in support of the innovative and creative graduate students as an essential component of Ontario's future.

On March 29, 2011, the Government of Ontario released its 2011-12 budget which indicated that access and affordability is a continued priority over the next five years. It provides $64 million in 2011-12, growing to $309 million in 2013-14 in operating funding to accommodate 41,000 new university spaces and 19,000 new college spaces by 2015-2016.

Financial Planning

Revenues are expected to increase modestly over the next several years as a result of continuing growth at the Scarborough and Mississauga campuses and the government announcements outlined above, although the University's capacity to take more students is impacted by physical space limitations. With the potential for new revenues tied primarily to enrolment growth and without an increase in per-student funding from the government and continued restrictions on tuition levels, revenues at the University are severely constrained. On the other hand, expenses are expected to continue to increase. This will require ongoing expense containment measures including productivity improvements.

As a result of the 2008 economic crisis, the 2009-10 operating budget was structured to enable individual academic divisions to run deficits, where necessary, to ensure that their commitments were met. Under this structure, $17.8 million in divisional deficits will be repaid by 2014-2015, of which $3.6 million was repaid in 2010-11. The long-range academic and budget plan for 2011-12 to 2015-2016 assumes the current provincial tuition framework and pension deficit payment plans will continue, as well as other updated assumptions. The provincial government announcement of 60,000 new spaces for post-secondary education (41,000 in the university sector) was made after the budget plan for 2011-12 to 2015-16 was finalized. The University will be reviewing its enrolment plans in light of the announcement of funding for new spaces and the budget plans for next year will incorporate revised enrolment plans.

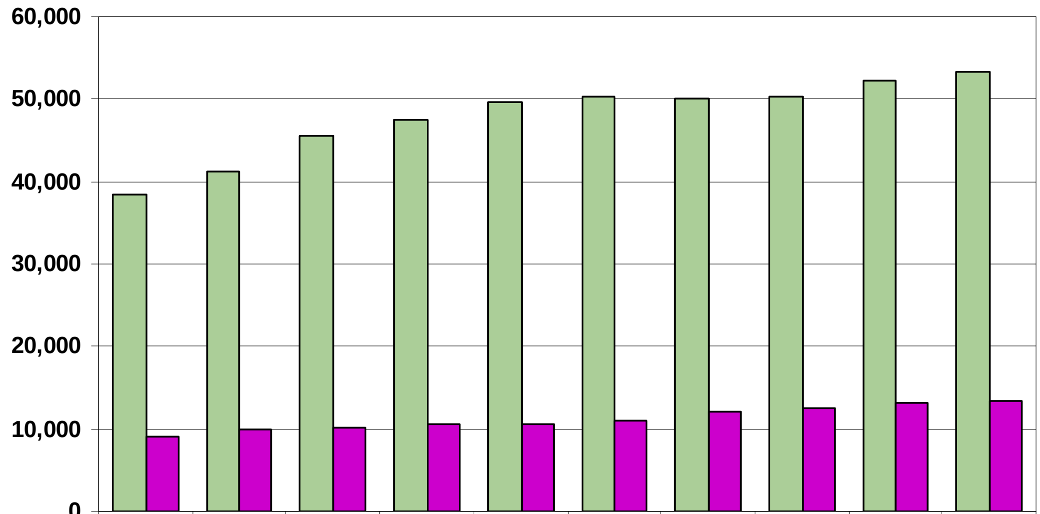
Student Enrolment

The demand for student spaces has increased significantly as a result of increased population growth and participation rates since 2002. More than 72% of the direct entry undergraduate student body is drawn from the greater Toronto area.

The University has increased enrolment to accommodate this additional student demand and student full-time equivalent enrolment increased from 47,446 in 2002 to 66,611 in 2011, an increase of 40.4%.

Government grants for general operations increased to $691.0 million for 2011 from $678.0 million for 2010, an increase of 1.9% due primarily to an increase in undergraduate accessibility, graduate expansion and enhanced medical funding.

Number of Undergraduate and Graduate Student FTEs
as at November 1



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Undergraduate	38,339	41,184	45,533	47,402	49,669	50,220	50,159	50,336	52,286	53,226
Graduate	9,107	9,824	10,230	10,485	10,534	10,990	12,142	12,598	13,116	13,385

Tuition fees for domestic students increased in accordance with the tuition framework set by the provincial government. Student fees revenue increased to $764.3 million for 2011 from $701.3 million for 2010 as a result of student fee increases and enrolment growth.

Although the University has received full average funding for additional students, neither on-going government grants nor regulated tuition fees have dealt adequately with the issue of inflation, which has resulted in the need for continuing cost containment through productivity improvements to maintain financial health.

Since 2002, student aid (scholarships, fellowships and bursaries) increased by 63.1% to $141.4 million. This amount excluded student aid provided by the federated universities since 2002. The University of Toronto has a commitment under our policy on student financial aid which ensures that no qualified student will be prevented from beginning or completing his or her education due to financial need.

Research and Capital Infrastructure

Enabling research is a strategic objective of the University. Research, scholarship, and research training constitute integral elements of the academic programme. The University's long-standing strategic approach to research planning has been to highlight research strengths in six broad academic areas:

- the Humanities;
- the Social Sciences;
- Advanced Science and Technologies;
- Biomedical, Health and Life Sciences;
- Physical, Environmental, Earth and Space Science Related Studies; and
- Mathematical and Computational Science Related Studies.

The focus on research strength and excellence across the spectrum of academic disciplines has positioned the University well to mobilize research clusters and respond to the research funding opportunities and university-government-private sector partnership opportunities arising out of the Federal government's Science and Technology Strategy priorities and the research and innovation priorities set out in the provincial government's Ontario Innovation Agenda. The 2010 Federal Budget added $32 million a year to the Granting Councils in 2010 and 2011, along with a proportional increase in funding for indirect costs. In addition, the federal government will fund $45 million to support 140 new postdoctoral positions over five years.

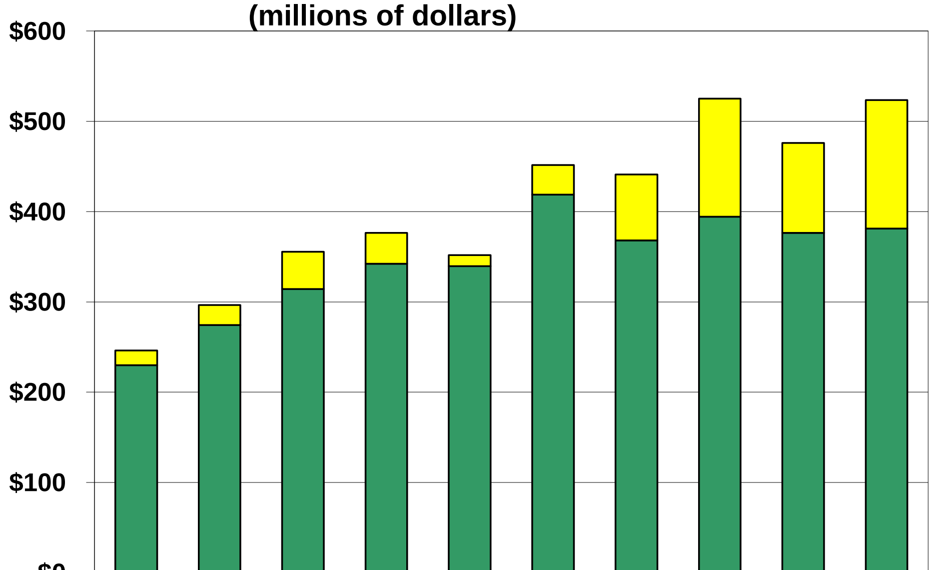
From digital media and regenerative medicine to alternative energy technologies and clean technologies, the University is working with and facilitating collaborative work in its research community to take best advantage of research and related industry partnership and commercialization funding opportunities resulting from these new government strategies. The University is allocating resources as necessary to take advantage of funding related to the federal and provincial priority sectors and also to seek to advance research in these areas, joining with other universities, and drawing on the support of government programmes and private sector partners in Canada and around the world.

In recent years, both the federal and provincial governments have invested heavily in research infrastructure as well as in their more traditional area of direct support for research. The University has been successful in a number of competitions for research funding and research infrastructure (see the "Space" section of this document for further details).

Funding received for research is accounted for as follows:

- Research grants and contracts are recorded as revenue when spent.
- Unspent research grants and contracts are recorded as deferred contributions.

Government and Other Grants and Contracts Received for Restricted Purposes for the year ended April 30
(millions of dollars)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Capital infrastructure and other	16.2	22.1	41.5	34.3	12.2	32.7	73.1	130.7	99.7	142.2
Research	229.8	274.5	314.1	342.2	339.5	418.8	368.1	394.4	376.4	381.2

Government and other grants and contracts received in 2011 for restricted purposes totalled $523.4 million and comprised $381.2 million for research and $142.2 million mostly for capital infrastructure.

These were reported as follows: $406.4 million as revenue from grants and contracts for restricted purposes and $117.0 million as deferred contributions and deferred capital contributions.

Research grant funding has increased by 65.9% since 2002. The increase in research funding is mainly due to increased funding made available from the federal and provincial governments and to the success of University of Toronto researchers in attracting research awards.

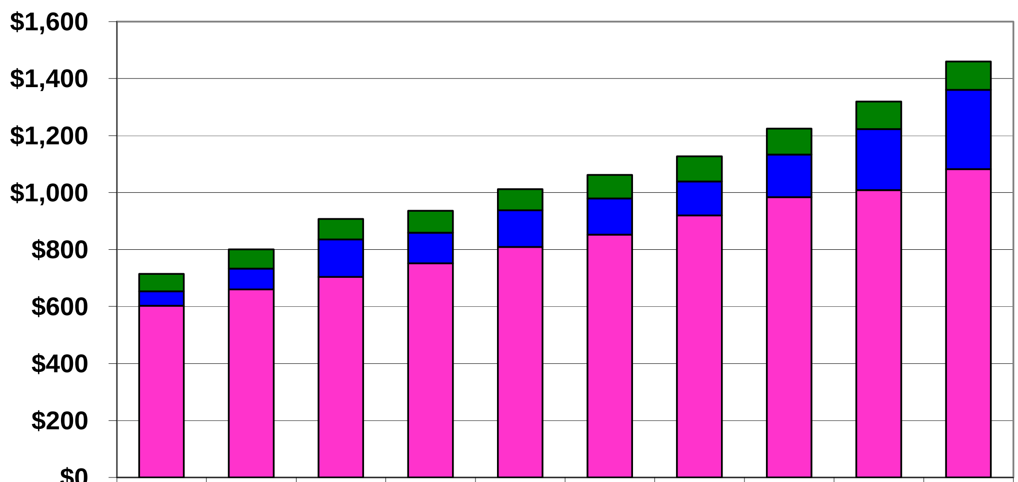
It is important to note that research revenues can only be spent on research activities, but the amounts received do not adequately cover the full direct and indirect costs of research activities.

Capital infrastructure funding increased from last year as a result of receiving $33.0 million more in Knowledge Infrastructure Program funding combined with an increase in capital donations.

Salaries and Benefits

Salaries and benefits increased from $714.7 million in 2002 to $1.46 billion in 2011 due to negotiated salary increases for employee groups and due to the additional number of faculty and staff (an increase of 34%) to deal with the growth in students and research activity. In 2011, the University had 10,453 active faculty with teaching/research responsibilities, 150 librarians, 5,663 administrative staff and 4,198 teaching and graduate assistants.

Salaries and Benefits
for the year ended April 30
(millions of dollars)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other Benefits	61.8	67.5	72.7	77.4	74.4	83.0	88.7	90.8	97.2	99.6
Employee future benefits	50.3	73.3	131.0	107.3	128.4	126.7	118.8	149.6	214.4	278.3
Salaries	602.6	660.0	704.1	751.6	809.5	852.2	919.9	983.6	1,007.9	1,082.0

The University has entered into the following settlements:

- A two year arbitrated award with its faculty and librarians for the period July 1, 2009 to June 30, 2011 with across-the-board salary increase of 1.25% (or minimum flat dollar amount) on July 1, 2009 and July 1, 2010 and 1.0% (or minimum flat dollar amount) on January 1, 2010 and January 1, 2011.

- Three year agreement with administrative staff represented by the United Steelworkers for salary increases of effectively 3% per year starting July 1, 2008 to July 1, 2010 and 0.5% effective January 1, 2009.

Normal PTR/Merit programs also apply.

- Three year agreement with sessional lecturers and instructional assistants (non-student) and writing instructors starting September 1, 2009 to August 31, 2012.

- Three year agreement with teaching assistants starting May 1, 2008 to April 30, 2011 for salary increases of effectively 3% per year starting September 1, 2008 to September 1, 2010 and 0.5% effective January 1, 2009.

Benefits expense for the year was $377.9 million is made up of employee future benefits expense of $278.3 million and other benefits expense of $99.6 million. The increase in benefits from last fiscal year is mainly due to a $44.1 million increase in pension expense. It should be noted that salaries and benefits represent 75.5% of operating fund expenses.

Other benefits expense includes for example, the cost of legislative benefits (e.g. Canada Pension Plan and Employment Insurance), medical benefits, vacation, educational support, life insurance and several types of leaves.

Employee future benefits represent benefits to be provided to employees in the future based on service in the current year. They include pensions, long-term disability insurance, cost of living adjustments for survivor income, and medical benefits for pensioners. These are accounted for on an accrual basis of accounting and therefore reflect the cost of providing these benefits irrespective of the amount of funding provided in support of these benefits. Since 2002, the cost of employee future benefits has increased by $228.0 million, mainly as a result of an increasing number of staff, as well as improved retiree pension benefits and accounting for these benefits on an accrual basis in accordance with GAAP instead of on a pay as you go (funding) basis. Liabilities are required to be valued using current long-term bond rates instead of using long-term asset return assumptions for funding purposes. This requirement gives rise to both current and past service liabilities which are being added to the liabilities recorded on the financial statements over 14 years. The addition over time of unfunded employee future benefits liabilities is increasing the liabilities section of the balance sheet without a corresponding increase in assets. It is therefore also reducing the net assets section of the balance sheet and constraining our ability to grow and our capacity to borrow.

The University's pension plan deficit calculated using accounting assumptions at April 30, 2011, stands at $1.39 billion. Similar to other defined benefit plans within the broader public sector in Canada and in the United States, the university is not the only institution facing a pension problem regardless of the unique history of decision-making within each organization. While the financial markets have rebounded, interest rates have remained at historically low levels – a factor that sharply increases the calculated deficit in the pension plan and other employee future benefits. Again this year, the decrease in the discount rate to 5.6% from 6.0% last year increased the deficit by approximately $199 million. The University has developed plans to deal with the pension deficit and to enhance the long-term sustainability of the plans.

Provincial regulations normally require that any solvency deficit must be eliminated over a five year period. The Ontario government has not agreed to exempt universities from these solvency payments but has recently agreed that universities should be given some flexibility through a temporary solvency relief program. If the University meets certain metrics and therefore provides some evidence to the provincial government that the long-term sustainability of the pension plans has been enhanced, the solvency deficit can be amortized over a longer period than five years. This longer term horizon ensures that the University may benefit from improvements in investment returns and increases in interest rates. A 2% increase in interest rates cuts the solvency deficit more or less in half.

A number of strategies have been identified that will enable the University to address the deficit while mitigating the impact of increased payments into the pension plans on the core operating budget. The University has already transferred last year's pension reserve in the amount of $24.8 million plus an additional $12.4 million already set aside in its operating budget into the pension plans and has received approval to internally borrow up to $150 million to be transferred into the pension plans as required. The University is also considering the transfer of some or all of the Supplemental Retirement Arrangement assets into the pension plans, the issuance of letters of credit and the sale or lease of University assets that are not critical to the current operations of the University. The University projects that it will have to increase its ongoing special payments into the plans from their current level of $27.2 million per year to $63 million per year for the next three years and by another $9 million per year beginning in 2014-2015.

The Ontario Government would like to see the long-term sustainability of the pension plans achieved by employees and the University more closely sharing the cost of providing the pension benefit. Currently, for each $1 contributed by an employee with respect to current service towards his or her pension, the University contributes $2 with respect to current service.

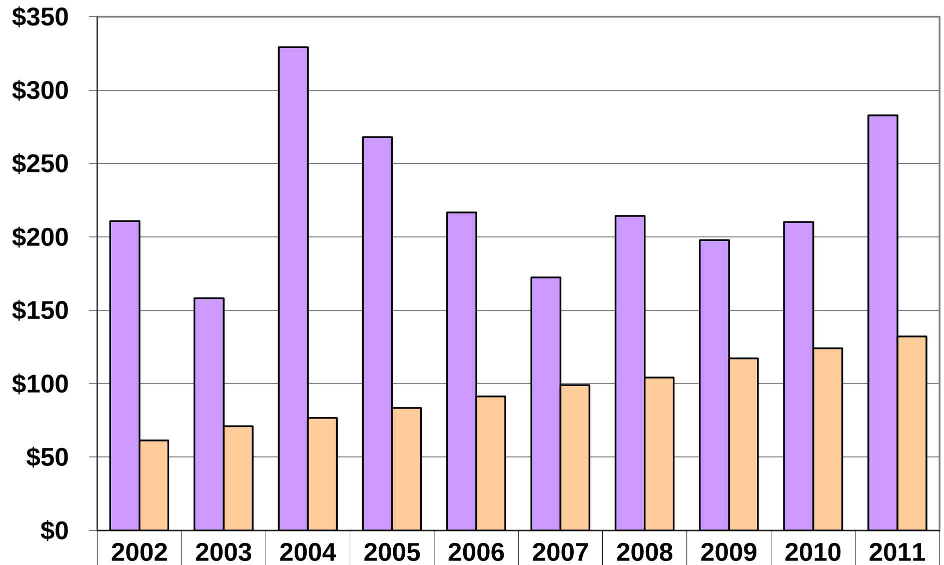
If contribution increases are implemented and the government is satisfied with the measures taken, then the University will have close to 15 years to deal with the solvency deficit. The University is confident that the deficit problem can and will be resolved by a rational amortization plan. However, if the levels and ratios of contributions under normal solvency rules were required, then the accelerated payment of about $200 million per year (over 5 years) would do major damage to the fabric of the University.

April 30, 2011	**Pension plans**	**Other benefit plans**
Plan status:		
Assets	**$2.45 billion**	**$41.8 million**
Obligations	**$3.84 billion**	**$496.5 million**
Deficit	**$1.39 billion**	**$454.7 million**
Recorded in financial statements:		
Liability	**$233.5 million**	**$379.2 million**
Expense	**$212.2 million**	**$66.1 million**
April 30, 2010	**Pension plans**	**Other benefit plans**
Plan status:		
Assets	$2.22 billion	$36.2 million
Obligations	$3.49 billion	$436.5 million
Deficit	$1.27 billion	$400.3 million
Recorded in financial statements:		
Liability	$161.0 million	$329.7 million
Expense	$168.1 million	$46.3 million

Space

The University has undertaken an ambitious capital construction program to significantly expand space capacity to accommodate increased numbers of students and to expand and update research infrastructure. This program began in 1999 and included a significant expansion of the Mississauga and Scarborough campuses and considerable expansion and renovation on the St. George campus. Space capacity is being further expanded due to the additional space requirements arising from graduate student expansion and undergraduate medical student expansion.

Capital Investment in Infrastructure
for the year ended April 30
(millions of dollars)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Additions to capital assets	210.9	158.3	329.3	268.0	216.7	172.4	214.3	197.8	210.1	282.8
Amortization	61.4	71.1	76.8	83.5	91.4	99.1	104.1	117.2	124.1	132.1

Additionally, the University has future obligations for deferred and pending maintenance, which are currently estimated at $448 million, including asbestos containment and removal. The University has integrated its capital programs by pooling the various funds available and prioritizing maintenance and renewal requests. The University is participating with all other Ontario universities in a continuing study that is analyzing, in some detail and on a uniform basis, the deferred and pending maintenance obligations of every university in the Province. The long-range academic and budget plan for 2011-12 through 2015-16 includes funding to arrest further deterioration of the physical infrastructure.

Governments have also provided funding over the years to assist the University. The 2009 Federal Budget announced $2 billion for university and college infrastructure refurbishment and new construction initiatives to advance research and development in universities and pledged $750 million over three years to the Canada Foundation for Innovation to support leading edge research infrastructure. During the year, the University also received $3.3 million from the Province of Ontario's Facilities Renewal Program, a reduction from the $5.0 million received in fiscal 2010 due to the decrease in program funding from the Province.

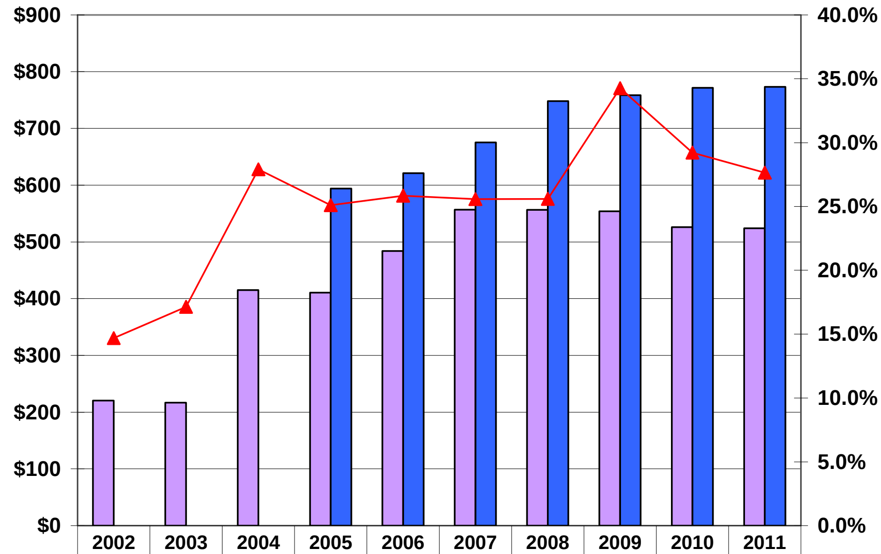
In 2011, the University spent $91.3 million of the $151 million allocated from the Knowledge Infrastructure Program towards the construction of instructional and laboratory facilities at its Mississauga and Scarborough campus as well as an Innovation Centre for the Canadian Mining Industry at its St. George campus. To date, the University has spent a total of $150.6 million of the $151 million allocated.

Borrowing

The approved borrowing strategy provides for a maximum borrowing amount of $973.1 million at April 30, 2011, made up of external borrowing of $773.1 million (40% of net assets averaged over 5 years) plus $200.0 million in internal financing. During the year, the University established a $150 million internal pension borrowing capacity, separate and apart from its maximum borrowing capacity. In 2011, the outstanding external borrowing is made up of $510.0 million (gross of $2.9 million of issue costs) of debentures and $14.1 million (net of fair value impact of $5.8 million of interest rate swaps less $0.2

million due to an interest-free loan) of other long-term debt. At April 30, 2011, outstanding external borrowing represented 27.1% of net assets averaged over 5 years.

External Borrowing Outstanding
for the year ended April 30
(millions of dollars)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total external borrowing	220.5	216.7	415.1	410.6	483.7	556.7	556.3	554.0	525.9	524.1
Maximum external borrowing capacity				593.9	621.1	675.2	748.0	758.4	771.5	773.1
External borrowing as a % of net assets	14.7%	17.1%	27.9%	25.1%	25.8%	25.6%	25.6%	34.3%	29.2%	27.6%

The University's credit ratings are Aa1 (Moody's), AA (Standard and Poor's) and AA (Dominion Bond Rating Service), which ranks the University as a strong investment-grade credit and above the Province of Ontario by two credit rating agencies.

Donations

Academic priorities that cannot be completely funded through internal resources become approved priorities for fundraising. Priorities are assessed on an annual basis and revised as necessary. The Provost must approve all initiatives before they become priorities for fundraising.

The decision to hold fundraising as servant to the academic plans of its faculties, colleges, schools, and divisions, overseen by the Provost with the involvement of principals, deans and faculty, continues to play a critical role in the success of all advancement programs at the University. The clear link with institutional planning enables the University to assure donors that the priorities they are being asked to support are critical to the achievement of teaching and research objectives. As it has in the past, this link will be an essential element in the success of the University's next comprehensive campaign currently under development.

The financial contributions of our generous donors has for decades supported the University's institutional independence and academic freedom. In more practical terms, the financial support of our donors has lifted the student experience, created jobs and improved the working lives for our dedicated staff, and augmented the opportunities for our faculty to exercise their independence of thought and their innate creativity.

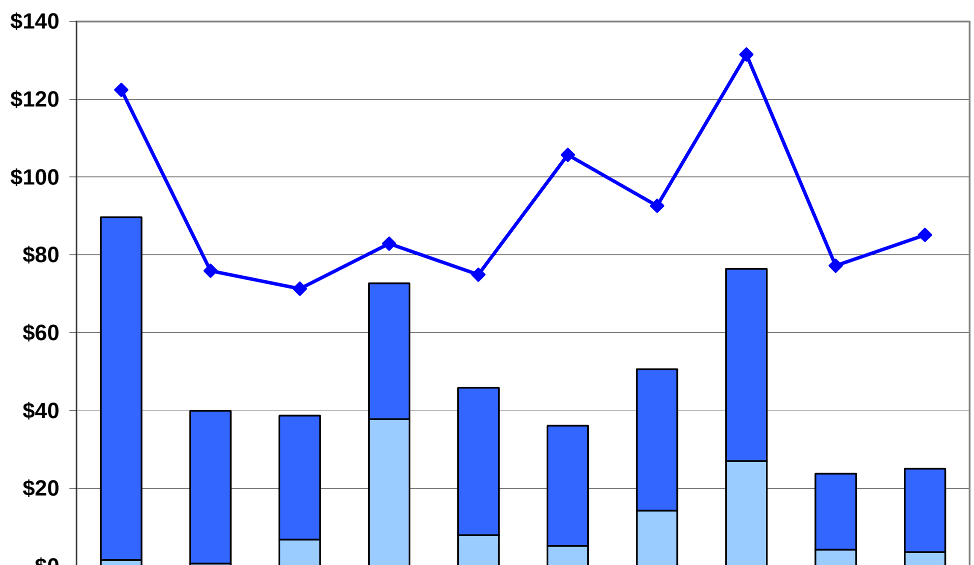
The total of new pledges raised for the University (including federated universities and other affiliated institutions) for the year ending April 30, 2011, was approximately $100.0 million compared to $120.0 million in 2010. The decline in new pledges and gifts from the levels recorded in the 2007 and 2008 fiscal years is attributed to the economic downturn which particularly affected the acquisition of major gifts, typically driven by appreciated securities.

Donations revenue recorded in the University's financial statements does not include donations to the federated universities – Victoria University, University of St. Michael's College, and The University of Trinity College. Donations are recorded in the financial statements as follows:

- Unrestricted expendable donations are recorded as revenue when received;
- Restricted expendable donations are recorded as revenue when spent;
- Unspent restricted expendable donations are recorded as liabilities (deferred contributions or deferred capital contributions); and
- Endowed donations are not recorded as revenue. They are added directly to endowments, as additions to net assets.

In 2011, donations received by the University (excluding receipts by the federated universities and other affiliated organizations) totalled $85.1 million and were reported as follows: $63.7 million in expendable donations was reported as revenue and $21.4 million was added directly to endowments. Government grants and other endowed contributions totalled $3.6 million. These were added directly to endowments and were provided in support of scholarships for Ontario-resident students with financial need. It should be noted that the graph below tracks the cash received by fiscal year. There is usually a lag between the growth in pledges and related commitments, and the actual cash receipt of funds.

Endowed Contributions and Total Donations Received
for the year ended April 30
(millions of dollars)

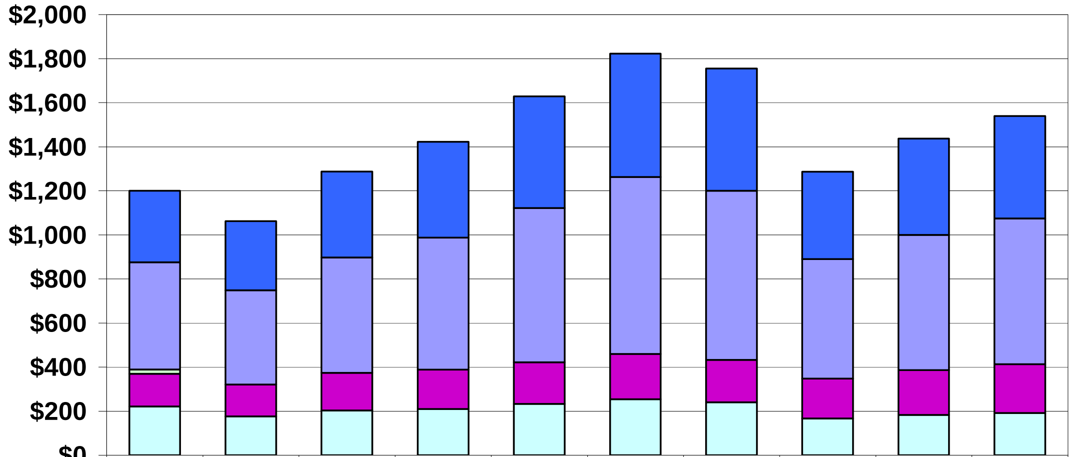


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Endowed donations	88.1	39.3	31.9	34.9	37.9	30.9	36.4	49.4	19.5	21.4
Endowed grants	1.6	0.6	6.8	37.8	7.9	5.2	14.2	27.0	4.2	3.6
Total donations	122.4	75.9	71.3	82.9	74.9	105.7	92.6	131.5	77.2	85.1

Endowments

Endowments are restricted funds which must be used in accordance with purposes agreed between the University and donors, or determined by Governing Council. Endowments are not available for use in support of general operating activities.

Endowments at Fair Value
at April 30
(millions of dollars)

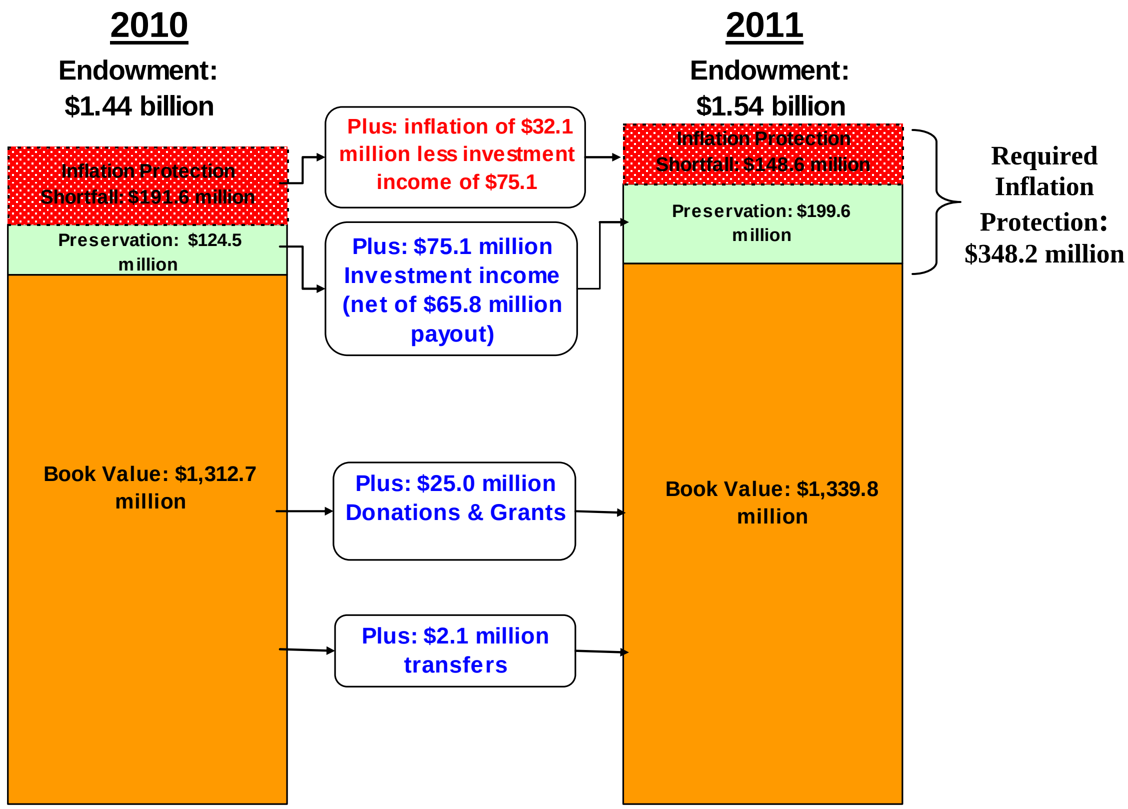


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total endowments	1,199.7	1,062.3	1,287.7	1,422.8	1,628.8	1,822.7	1,754.8	1,286.3	1,437.2	1,539.4
Chairs and professorships	324.5	314.4	390.7	434.8	507.6	560.5	554.4	395.5	437.4	464.6
Student aid	486.4	427.3	522.8	599.7	699.4	802.4	768.1	543.9	614.1	662.0
Matching funds	19.2									
Academic programs	148.0	143.8	170.3	179.0	189.0	205.9	191.8	180.3	203.1	220.8
Research	221.6	176.8	203.9	209.3	232.8	253.9	240.5	166.6	182.6	192.0

Endowments are managed in a unitized pool with an annual spending rate. The University's endowment spending objective is to provide a predictable amount for spending (payout) each year that increases with inflation. To do this, the University preserves capital by constraining the annual spending rate and setting funds aside when investment returns are good. This strategy protects against inflation and creates a cushion from which funds can be released to maintain spending when there is a moderate downturn in the financial markets. The annual spending rate is expected to be within a corridor of 3% to 5% of opening market value of endowments.

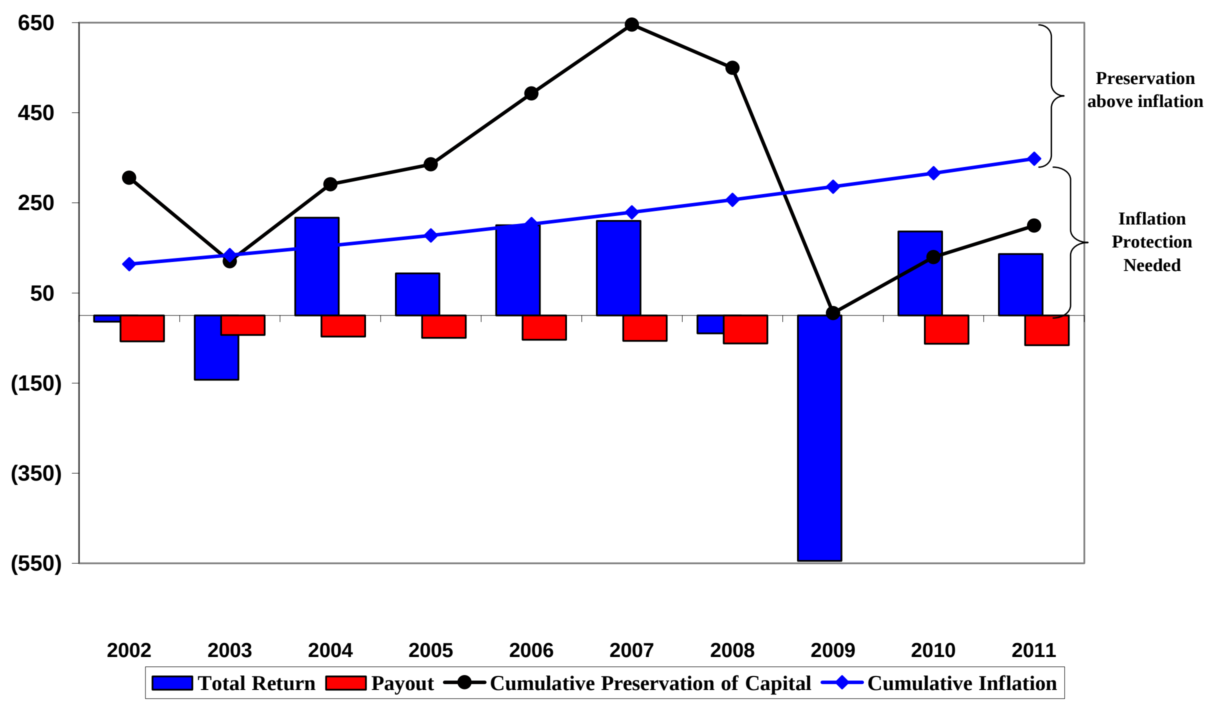
In 2009, as a result of severe financial market losses, the University suspended the endowment distribution in order to preserve the underlying value of its endowments. The endowment reserve, so carefully and responsibly built up as a protective cushion, did its job by absorbing the brunt of the extreme volatility in the financial markets. The University decided not to erode the endowment capital further by suspending the endowment spending allocation so as not to change the baseline for future growth in our endowed funds. Without this suspension, the University could have impeded its ability to return to the usual endowment distribution levels as the investments supporting the endowments recover their value. Meanwhile, critical commitments such as endowed professorships and chairs, as well as endowed support for needs-based student aid were met from other sources of funds.

In 2010, with an improvement in the financial markets, the endowment value increased to \$1.44 billion. The University reinstated its annual endowment distribution in 2010 and was also able to set aside funds to increase its endowment reserve to \$124.5 million. With continued improvement in its investment returns in 2011, the University's endowment value increased to \$1.54 billion and its endowment reserve increased to \$199.6 million.



The following diagram shows the preservation of capital and payout over a ten year period starting in 2002.

Endowment cumulative preservation of capital compared to cumulative inflation with total return and payout for the year ended April 30 (in millions)



At April 30, 2011, there were over 5,270 individual endowment funds, usually supported by an agreement between the University and a donor, or reflecting a collection of small donations with common restrictions. The total fair value of endowments increased by $102.2 million comprises:

- $64.2 million investment gain on externally restricted endowments;
- $10.9 million investment gain on internally restricted endowments;
- $21.4 million of externally endowed donations;
- $3.6 million of endowed government grants; and
- $2.1 million transfer from unrestricted deficit.

Investment Earnings

In 2011, the University reported investment income of $135.6 million (2010 – $124.9 million) consisting of $91.7 million gain on endowments and $43.9 million gain on investments other than those held for endowments. The gain on endowments consisted of $10.9 million earned on internally restricted endowments, $65.8 million made available for spending and $15.0 million used to cover investment management fees and expenses.

Almost all of the University's investments are invested in the long-term capital appreciation pool (LTCAP) or the expendable funds investment pool (EFIP). The University establishes the investment risk and return objective for each of these pools, reflecting the liability requirements, and with the aim of producing steady, predictable returns for the University. It is important to note that, while the aim of the risk and return objectives is to produce steady, predictable investment returns for the University, there is nonetheless variability in investment returns on an annual basis. The actual investment return is a key determinant of whether the University records a net income or net loss for the fiscal year.

The University of Toronto Asset Management Corporation (UTAM) is a wholly owned investment management subsidiary of the University, governed by its own Board of Directors. UTAM develops and executes appropriate investment strategies and determines the policy asset mix, based on the risk and return objectives established by the University. A detailed review of investment performance, which is managed and measured on a calendar year basis by UTAM, is available on the UTAM web site at www.utam.utoronto.ca.

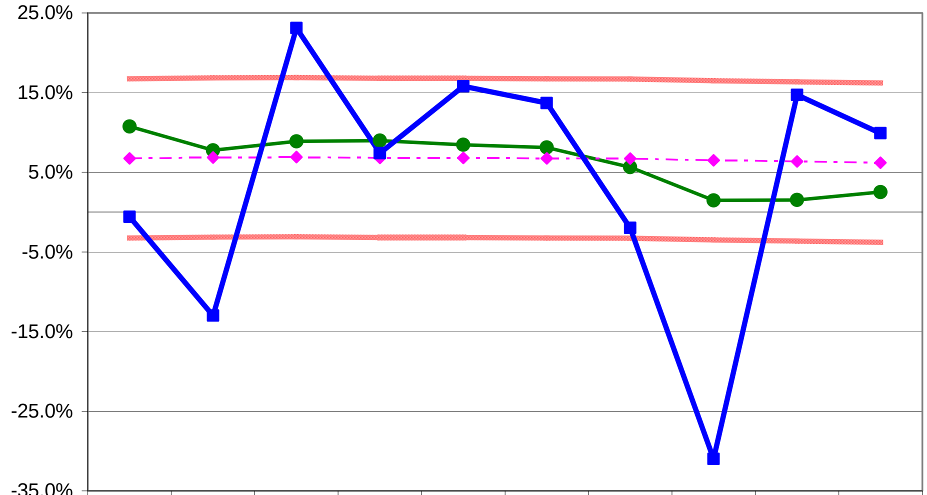
During 2009-10, the University conducted a wide-ranging review of investment oversight and governance that resulted in recommendations for closer alignment of management and governance with the University; clearer accountability and stronger risk management. These recommendations were implemented in 2010-11 with the establishment of an Investment Advisory Committee to provide investment advice to the President, the repositioning of the UTAM Board to provide oversight to the operation of the corporation, stronger focus by UTAM management on risk management, and reversion to the University (for university funds) and to a newly-created Pension Committee of Governing Council (for pension funds) of the authority for approval of investment strategy, including asset allocation.

LTCAP

The fair value of LTCAP was $1.77 billion at April 30, 2011, of which $1.51 billion was for endowments, representing 85.3% of the balance invested in LTCAP.

The investment risk and return targets for LTCAP are a 4.0% real investment return after investment fees and expenses and inflation, and a 10.0% return volatility risk target (representing one standard deviation), over a ten year period. This means that the actual return is expected to be within 10.0% of the nominal target return (4.0% plus inflation), two thirds of the time over a ten year period. The University's overriding objective with respect to investment performance is the achievement of this return target within the specified risk target.

Long Term Capital Appreciation Pool Fund (LTCAP)
Ten-Year Rolling Average Returns with Annual Returns



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ten-Year rolling average return	10.7%	7.8%	8.9%	9.0%	8.4%	8.1%	5.6%	1.5%	1.5%	2.5%
Ten-Year rolling target return +10%	16.7%	16.9%	16.9%	16.8%	16.8%	16.7%	16.7%	16.5%	16.4%	16.2%
Ten-Year rolling target return*	6.7%	6.9%	6.9%	6.8%	6.8%	6.7%	6.7%	6.5%	6.4%	6.2%
Ten-Year rolling target return -10%	-3.3%	-3.1%	-3.1%	-3.2%	-3.2%	-3.3%	-3.3%	-3.5%	-3.6%	-3.8%
Annual investment return	-0.6%	-13.0%	23.1%	7.4%	15.8%	13.7%	-2.0%	-31.0%	14.7%	9.9%

*** The target return for 2002 was 5% plus CPI and after 2002, it was set at 4% plus CPI with a 10% standard deviation.**
The ten-year rolling returns are geometric average returns

EFIP

The investment policy for EFIP reflects its three categories of funds: very short-term investments managed by the University, funds loaned internally to support capital projects and funds managed by UTAM. The return objective and risk tolerance for each category of EFIP funds is as follows:

	Risk Tolerance	**Return Objective**
Investments managed by U of T in a money market fund	Minimal risk	30-day Treasury bill return
Internal loans	Minimal risk	Appropriate spread over Government of Canada bond of similar duration
Funds managed by UTAM	Minimal risk (standard deviation measure is not appropriate for short-term durations)	1-year Treasury bill return + 50 basis points within minimal risk targets

The returns for the 2011 fiscal year were as follows:

	Fair Value at April 30, 2011	Total Return for Year Ended April 30, 2011
Investments managed by U of T mainly in a money market fund	**$84.8 million**	**0.77%**
Internal loans	**$211.4 million**	**6.15%**
Funds managed by UTAM	**$868.7 million**	**2.44%**

The returns for the 2010 fiscal year were as follows:

	Fair Value at April 30, 2010	Total Return for Year Ended April 30, 2010
Investments managed by U of T mainly in a money market fund	$119.8 million	0.44%
Internal loans	$210.2 million	6.08%
Funds managed by UTAM	$773.7 million	1.62%

Catherine J. Riggall
Vice-President, Business Affairs

Sheila Brown
Chief Financial Officer

Audited Financial Statements

April 30, 2011

STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

The administration of the University of Toronto is responsible for the preparation of the financial statements, the notes thereto and all other financial information contained in this Financial Report.

The administration has prepared the financial statements in accordance with Canadian generally accepted accounting principles developed by The Canadian Institute of Chartered Accountants. The administration believes the financial statements present fairly the University's financial position as at April 30, 2011 and the results of its operations and its cash flows for the year then ended. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and judgments were employed. Additionally, management has ensured that financial information presented elsewhere in this Financial Report has been prepared in a manner consistent with that in the financial statements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from permanent loss and that the accounting records are a reliable basis for the preparation of financial statements.

Hewitt Associates Corp. has been retained by the University in order to provide an estimate of the University's current year position for pension and other employee future benefits. Management has provided the valuation actuary with the information necessary for the completion of the University's report and retains ultimate responsibility for the determination and estimation of the pension and other employee future benefits liabilities reported.

Governing Council carries out its responsibility for review of the financial statements and this Financial Report principally through the Business Board and its Audit Committee. The majority of the members of the Audit Committee are not officers or employees of the University. The Audit Committee meets regularly with the administration, as well as the internal auditors and the external auditors, to discuss the results of audit examinations and financial reporting matters, and to satisfy itself that each party is properly discharging its responsibilities. The auditors have full access to the Audit Committee with and without the presence of the administration.

The financial statements for the year ended April 30, 2011 have been reported on by Ernst & Young LLP, Chartered Accountants, the auditors appointed by Governing Council. The independent auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

Catherine J. Riggall	David Naylor
Vice-President, Business Affairs	President

INDEPENDENT AUDITORS' REPORT

To the Members of Governing Council of the University of Toronto:

We have audited the accompanying financial statements of the University of Toronto, which comprise the balance sheet as at April 30, 2011 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
June 23, 2011.

Chartered Accountants
Licensed Public Accountants

Statement 1

UNIVERSITY OF TORONTO
BALANCE SHEET
April 30, 2011
(with comparative figures as at April 30, 2010)
(millions of dollars)

	2011	2010
ASSETS		
Current		
Cash and cash equivalents	**99.3**	133.1
Short-term investments (note 5)	**535.1**	426.9
Accounts receivable (note 5)	**104.8**	105.8
Inventories and prepaid expenses	**16.9**	11.2
	756.1	677.0
Long-term accounts receivable	**36.8**	32.4
Investments (note 5)	**2,078.4**	1,965.0
Capital assets, net (note 6)	**1,769.2**	1,618.5
	4,640.5	4,292.9
LIABILITIES		
Current		
Accounts payable and accrued liabilities (notes 5 and 11)	**248.0**	234.4
Deferred contributions (note 12)	**370.3**	357.9
	618.3	592.3
Accrued pension liability (note 4)	**233.5**	161.0
Employee future benefit obligation other than pension (note 4)	**379.2**	329.7
Series A senior unsecured debenture (note 7)	**158.9**	158.8
Series B senior unsecured debenture (note 8)	**199.1**	199.1
Series C senior unsecured debenture (note 9)	**74.7**	74.7
Series D senior unsecured debenture (note 10)	**74.4**	74.4
Other long-term debt (note 11)	**19.7**	21.2
Deferred capital contributions (note 13)	**986.3**	881.7
	2,744.1	2,492.9
NET ASSETS (Statement 3)		
Unrestricted deficit	**(173.9)**	(186.8)
Internally restricted (note 14)	**530.9**	549.6
Endowments (notes 15, 16 and 17)	**1,539.4**	1,437.2
	1,896.4	1,800.0
	4,640.5	4,292.9

Contingencies and commitments (notes 22 and 23)

(See accompanying notes)

On behalf of Governing Council:

John F. Petch
Chair

David Naylor
President

59679

Statement 2

UNIVERSITY OF TORONTO
STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED APRIL 30, 2011

(with comparative figures for the year ended April 30, 2010)
(millions of dollars)

	2011	2010
REVENUES		
Government grants for general operations	**691.0**	678.0
Student fees	**764.3**	701.3
Government and other grants and contracts for restricted purposes (note 20)	**406.4**	395.9
Sales, services and sundry income	**260.1**	253.1
Investment income (notes 5 and 15)	**135.6**	124.9
Donations (note 19)	**63.7**	57.7
	2,321.1	2,210.9
EXPENSES		
Salaries and benefits (note 4)	**1,459.9**	1,319.5
Materials and supplies	**206.3**	200.4
Scholarships, fellowships and bursaries	**141.4**	132.1
Amortization of capital assets	**132.1**	124.1
Cost of sales and services	**80.4**	80.5
Utilities	**51.0**	51.3
Repairs and maintenance	**79.8**	92.1
Travel and conferences	**40.9**	38.6
Interest on long-term debt	**32.6**	32.4
External contracted services	**49.6**	43.2
Telecommunications	**11.2**	12.1
Other	**28.7**	39.2
	2,313.9	2,165.5
NET INCOME	**7.2**	45.4

(See accompanying notes)

Statement 3

UNIVERSITY OF TORONTO
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED APRIL 30, 2011

(with comparative figures for the year ended April 30, 2010)
(millions of dollars)

	Unrestricted deficit	Internally restricted (note 14)	Endowments (note 15)	2011 Total	2010 Total
Net assets, beginning of year	**(186.8)**	**549.6**	**1,437.2**	**1,800.0**	1,617.1
Net income	**7.2**			**7.2**	45.4
Net change in internally restricted (note 14)	**18.7**	**(18.7)**			
Investment gain on externally restricted endowments (note 15)			**64.2**	**64.2**	106.7
Externally endowed contributions					
- donations (note 19)			**21.4**	**21.4**	19.5
- grants and other			**3.6**	**3.6**	4.2
Transfer to internally restricted endowments (note 15)					
- investment income	**(10.9)**		**10.9**		
Transfer to endowments					
- donations	**(2.1)**		**2.1**		
Unrealized gain on swap contracts (note 5)					7.1
Net assets, end of year	**(173.9)**	**530.9**	**1,539.4**	**1,896.4**	1,800.0

(See accompanying notes)

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Statement 4

UNIVERSITY OF TORONTO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED APRIL 30, 2011

(with comparative figures for the year ended April 30, 2010)
(millions of dollars)

	2011	2010
OPERATING ACTIVITIES		
Net income	**7.2**	45.4
Add (deduct) non-cash items:		
Amortization of capital assets	**132.1**	124.1
Amortization of bond issue costs	**0.1**	
Amortization of deferred capital contributions	**(65.1)**	(61.1)
Net capital gains from investments	**(58.1)**	(83.8)
Net change in accrued pension liability	**72.5**	70.3
Net change in employee future benefit obligation other than pension	**49.5**	29.6
Net change in other non-cash items (note 18)	**16.9**	96.8
	155.1	221.3
INVESTING ACTIVITIES		
Net sale (purchase) of short-term investments	**(108.2)**	84.7
Net sale (purchase) of investments	**8.9**	(137.0)
Purchase of capital assets	**(282.8)**	(210.1)
	(382.1)	(262.4)
FINANCING ACTIVITIES		
Contributions for capital asset purchases	**169.7**	111.8
Other long-term debt repayments	**(1.5)**	(28.1)
Endowment contributions		
- donations	**21.4**	19.5
- grants and other	**3.6**	4.2
	193.2	107.4
Net increase (decrease) in cash and cash equivalents during the year	**(33.8)**	66.3
Cash and cash equivalents, beginning of year	**133.1**	66.8
Cash and cash equivalents, end of year	**99.3**	133.1
Supplemental cash flow information		
Interest paid	**32.6**	32.5

(See accompanying notes)

UNIVERSITY OF TORONTO
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2011

1. Description

The Governing Council of the University of Toronto, which operates under the name University of Toronto (the "University"), is a corporation under the University of Toronto Act, a statute of the Legislative Assembly of Ontario. The University is an institution dedicated to providing post-secondary education and to conducting research. The University's vision is to be a leader among the world's best public universities in its discovery, preservation and sharing of knowledge through its teaching and research and its commitment to excellence and equity.

These financial statements include the assets, liabilities, revenues, expenses and other transactions of all of the operations and organizations, including wholly owned subsidiaries, under the jurisdiction of the Governing Council. These financial statements do not include the assets, liabilities and operations of Victoria University, The University of Trinity College, University of St. Michael's College, Sunnybrook Health Sciences Centre ("Sunnybrook") and the affiliated colleges under the memorandum of agreement with the Toronto School of Theology, each of which is a separate, non-controlled corporate body with separate financial statements.

The University holds title to the land and original buildings of Sunnybrook. The land and original buildings were acquired for the sum of one dollar and are used for hospital purposes and for related medical research and teaching purposes. The property is leased to the Board of Directors of Sunnybrook, a separate corporation, under a ground lease, which is perpetually renewable every 21 years at the option of the Board of Directors of Sunnybrook.

The University is a registered charitable organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. Summary of significant accounting policies and reporting practices

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

a) Investments and investment income -

Investments are carried at fair value except for the real estate directly held by the University. Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act. It is best evidenced by a quoted market price, if one exists. The calculation of estimated fair value is based upon market conditions at a specific point in time and may not be reflective of future fair values.

The value of investments recorded in the financial statements is determined as follows:

1. Short-term notes and treasury bills are valued based on cost plus accrued income, which approximates fair value.
2. Bonds and publicly traded equities are determined based on the latest bid prices.
3. Investments in pooled funds are valued at their reported net asset value per unit.
4. Infrequently traded securities are based on quoted market yields or prices of comparable securities, as appropriate.
5. Real estate directly held by the University is valued at cost and, when donated, at the value determined through an appraisal process at the date of donation.

6. Private investment interests, which comprise private externally managed pooled funds with underlying investments in equities, debt, real estate assets and commodities, are determined based on the latest valuations provided by the external investment managers of the fund (typically December 31), adjusted for subsequent cash receipts and distributions from the fund, and cash disbursements to the fund through April 30. The University believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because alternative investments are not readily traded, their estimated values are subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income, which consists of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, is recorded as revenue in the statement of operations except for investment income earned on deferred contributions and the amount in excess of what is made available for spending and gains (losses) on externally restricted endowments, which are recorded as a direct increase (decrease) to endowments.

b) Derivative financial instruments -

Derivative financial instruments are used to manage particular market and currency exposures for risk management purposes primarily with respect to the University’s investments and as a substitute for more traditional investments. Derivative financial instruments and synthetic products that may be employed include debt, equity and currency futures, options, swaps and forward contracts. These contracts are generally supported by liquid assets with a fair value approximately equal to the fair value of the instruments underlying the derivative contract. Investment dealer quotes or quotes from a bank are available for substantially all of the University's derivative financial instruments.

The University accounts for interest rate swap contracts as hedges when they qualify for hedge accounting. Hedges are documented at inception, detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the liability being hedged, the type of derivative used and how effectiveness is measured. The derivative must be highly effective in accomplishing the objective of offsetting changes in cash flows attributable to the risk being hedged both at inception and over the life of the hedge. For derivatives in hedging relationships, the effective portion of the gain or loss is recorded as a direct increase (decrease) in net assets, and the ineffective portion, if any, is recognized in the statement of operations. Derivative financial instruments that do not qualify for hedge accounting are carried at fair value, with changes in fair value during the year recorded in the statement of operations. When a derivative financial instrument no longer qualifies as an effective hedge, hedge accounting is discontinued prospectively and the cumulative gain or loss recognized previously in net assets in respect of the hedging relationship is recognized in the statement of operations over the remaining useful life of the hedged item using the effective interest rate method. When the derivative financial instrument or the hedged item is terminated or sold, hedge accounting is discontinued and the cumulative gain or loss recognized previously in net assets in respect of the hedging relationship is immediately recognized in the statement of operations under investment income.

c) Cash and cash equivalents -

Cash and cash equivalents consist of balances with banks and investments in money market funds. Cash and investments meeting the definition of cash and cash equivalents held for investing rather than liquidity purposes are classified as investments.

d) Inventory valuation -

Retail inventories are carried at the lower of cost, determined using the first-in, first-out method, and net realizable value.

e) Employee benefit plans -

The University maintains defined benefit plans providing pension, other retirement and post-employment benefits for substantially all of its employees.

Pension plan assets are valued at fair value for purposes of calculating expected return on plan assets. The cost of pension and other post-employment benefits (primarily medical benefits and dental care) related to the employees' current service is charged to income annually. The cost is computed on an actuarial basis using the projected benefits prorated on service method, and using estimates of the usage frequency and cost of services covered and management's best estimates of investment yields, salary changes, withdrawals, mortality rates and expected health care costs. The University's actuarial gains or losses (resulting from factors such as changes in actuarial assumptions and experience gains or losses), past service costs arising from plan amendments and transitional assets/obligations are amortized over the average remaining service life of active employees, currently 14 years (2010 – 14 years). A valuation allowance is recorded against an accrued benefit asset if the asset, less unamortized past service costs and unamortized actuarial losses, exceeds the present value of future service costs of the current active employees. Liabilities are discounted using current interest rates on long-term bonds.

f) Capital assets -

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis using the following annual rates:

Buildings	2.5%
Equipment and furnishings	5% - 20%
Library books	20%

Contributed rare books and other collections are expensed in the year received.

g) Senior unsecured debentures and other long-term debt -

Senior unsecured debentures and other long-term debt are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Unsecured debentures and other long-term debt are reported net of related premiums, discounts and transaction issue costs.

h) Revenue recognition -

The University follows the deferral method of accounting for contributions, which include donations and government grants. Contributions externally restricted for purposes other than endowment are recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for amortizable capital assets are deferred and amortized over the lives of the related capital assets. Deferred contributions and amortization of deferred capital contributions recognized as revenue in the current year are first presented in the statement of operations as donations and investment income to the extent that restricted amounts have been received in the current year, excluding amounts recorded as a direct increase to endowments. Any difference is recorded as government and other grants for restricted purposes. Endowment contributions and contributions of non-amortizable capital assets are recognized as direct increases in net assets in the year in which they are received. The University actively fundraises and unrestricted donations, contributed rare books and other collections are recorded in the statement of operations when received since pledges are not legally enforceable claims. Student fees are recognized as revenue when courses and seminars are held. Sales and services revenues are recognized at point of sale for goods or when the service has been provided.

i) Foreign currency translation -

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at year end. Operating revenues and expenses are translated at exchange rates in effect on the date of the transaction. Gains or losses arising from these translations are included in income except to the extent they relate to investments, in which case they are recognized in the same manner as investment income.

j) Accounting estimates -

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates relate to the assumptions used in the determination of the fair value of financial instruments and the valuation of pension and other retirement benefit obligations. Actual results could differ from those estimates.

k) Contributed services and materials -

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed services and materials are not recognized in the financial statements.

l) Financial instruments -

The University has chosen to apply CICA 3861: Financial Instruments – Disclosure and Presentation in place of CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation.

m) Allocation of costs -

The University allocates salary and benefit costs related to personnel who work directly on managing capital projects to construction in progress and also allocates a project management fee based on 3.5% of construction, furnishings and equipment and landscaping costs.

n) Future accounting policy changes -

In November 2010, the Accounting Standards Board of the CICA issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. The University is currently evaluating the impact of these standards.

3. Capital management

In managing capital, the University focuses on liquid resources available for operations. Its liquid resources are managed through the University's expendable funds investment pool ("EFIP"). The University's objective is to have sufficient liquid resources to continue operating even if adverse financial events were to occur and to provide it with the flexibility to take advantage of opportunities that will advance its mission. The need for sufficient liquid resources is considered in the preparation of its annual operating and capital budgets with actual operating results compared to the budgets on a regular basis and by the monitoring and forecasting of cash flows on a daily basis. The University attempts to minimize the use of its line of credit of $25 million which can be used in the event that sufficient cash flow is not available to cover operating and capital expenditures. In addition, the University can issue unsecured debentures or enter into other long-term debt to assist with the financing of capital assets and annually sets its maximum external borrowing capacity to 40% of net assets averaged over 5 years. As at April 30, 2011, the University has met its objective of having sufficient liquid resources to meet its current obligations and external borrowing was at 27.1% of net assets averaged over 5 years.

4. Employee benefit plans

The University has a number of funded and unfunded defined benefit plans that provide pension, other retirement and post-employment benefits to most of its employees. Its defined benefit pension plans (including the supplemental retirement arrangement) are based on years of service and the highest average salary received in any 36 months. Pension benefits will increase annually by 75% of the increase in the Consumer Price Index ("CPI") to a maximum CPI increase of 8%, plus 60% of the increase in CPI in excess of 8%.

Other retirement benefit plans are contributory health care plans with retiree contributions adjusted annually, such as extended health, semi-private and dental care. A plan also provides for long-term disability income benefits after employment, but before retirement.

The latest actuarial valuation for the pension plans and for other retirement benefit plans was performed as of July 1, 2010. The next required actuarial valuations for the registered plans will be July 1, 2011. The University measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at April 30 of each year. The employee benefits expense for the year includes pension expense of $212.2 million (2010 - $168.1 million) and other retirement benefits expense of $66.1 million (2010 - $46.3 million).

Information about the University's benefit plans which are mainly defined benefit plans as at April 30 is as follows:

(millions of dollars)

	2011		2010	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
Accrued benefit obligation	**3,845.8**	**496.5**	3,489.0	436.5
Fair value of plan assets	**2,453.2**	**41.8**	2,222.1	36.2
Plan deficit	**(1,392.6)**	**(454.7)**	(1,266.9)	(400.3)
Amount recorded as a liability	**(233.5)**	**(379.2)**	(161.0)	(329.7)
Unamortized net actuarial loss	**(1,184.1)**	**(84.8)**	(1,150.2)	(63.3)
Unamortized transitional asset (obligation)	**97.8**	**(30.6)**	127.6	(41.1)
Unamortized past service cost	**(72.8)**	**(1.9)**	(83.3)	(2.4)
Plan assets recorded as investments		**41.8**		36.2
Plan deficit	**(1,392.6)**	**(454.7)**	(1,266.9)	(400.3)

In addition to the plan assets, the University has set aside $130.1 million (2010 - $152.0 million) as internally restricted net assets at April 30, 2011 related to its pension and supplemental retirement arrangement obligations (note 14).

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation and benefit cost are as follows:

	2011		2010	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
Accrued benefit obligation:				
Discount rate	**5.60%**	**5.60%**	6.00%	6.00%
Rate of compensation increase	**4.25%**	**4.25%**	4.25%	4.25%
Rate of inflation	**2.25%**	**2.25%**	2.25%	2.25%
Benefit cost:				
Discount rate	**6.00%**	**6.00%**	7.75%	7.75%
Expected long-term rate of return on plan assets	**6.25%**	**N/A**	6.25%	N/A
Rate of compensation increase	**4.25%**	**4.25%**	4.25%	4.25%
Rate of inflation	**2.25%**	**2.25%**	2.25%	2.25%

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2011. The rate of increase was assumed to decrease gradually to 5.0% by 2017 and remain at that level thereafter.

The pension benefit plans' assets are invested as follows:

	2011	2010
Equity securities	**51.5%**	52.5%
Debt securities	**20.2%**	24.4%
Pooled funds - equity	**27.4%**	22.8%
Other	**0.9%**	0.3%
Total	**100.0%**	100.0%

The table below outlines the funding provided by the University and its employees and the benefits paid under the University's defined benefit plans:

(millions of dollars)

	2011		2010	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
Funding by employer	**140.1**	**20.4**	97.9	19.9
Funding by employees	**38.1**	**4.9**	36.3	4.5
Benefits paid	**170.3**	**18.4**	160.4	18.5

5. Investments

Direct investments are classified by asset-mix category based on the intent of the investment strategies of the underlying portfolio. This classification required $639.4 million (2010 - $436.4 million) of pooled funds, $61.6 million (2010 - $55.5 million) in hedge funds and $240.4 million (2010 - $264.7 million) of cash, money market funds, short-term notes and treasury bills set aside related to derivative contracts to be reclassified to their appropriate investment category. The fair values of investments are as follows:

	(millions of dollars) 2011	2010
Cash, money market funds, short-term notes and treasury bills	**535.1**	426.9
Government and corporate bonds	**658.5**	628.0
Canadian equities	**261.8**	233.6
United States equities	**246.2**	229.2
Other international equities	**309.5**	270.0
Hedge funds	**268.5**	280.6
Private equity and debt interests	**237.8**	239.7
Real asset interests	**96.1**	83.9
	2,613.5	2,391.9
Less amounts reported as:		
Short-term investments	**535.1**	426.9
	2,078.4	1,965.0

The University's investments are managed using two pools. The long-term capital appreciation pool ("LTCAP") mainly includes endowment funds, and all other funds including cash and cash equivalents of $99.3 million (2010 - $133.1 million) reported in current assets are managed in EFIP. The asset mix for each pool is as follows:

	(millions of dollars) 2011		2010	
	EFIP	**LTCAP**	EFIP	LTCAP
Cash, money market funds, short-term notes and treasury bills	**630.9**	**3.5**	556.3	3.7
Government and corporate bonds	**291.5**	**367.0**	302.4	325.6
Canadian equities	**0.2**	**261.6**	0.2	233.4
United States equities		**246.2**		229.2
Other international equities		**309.5**		270.0
Hedge funds	**30.9**	**237.6**	34.6	246.0
Private equity and debt interests		**237.8**		239.7
Real asset interests		**96.1**		83.9
	953.5	**1,759.3**	893.5	1,631.5

In 2011, the University's investment income of $135.6 million (2010 - $124.9 million) recorded in the statement of operations consists of income related to investments held for endowments of $91.7 million (2010 - $96.2 million) (note 15) and income of $43.9 million (2010 - $28.7 million) on investments other than those held for endowments.

During the year, the University recognized an investment gain of $20.2 million (2010 – loss of $6.6 million) as a change in fair value that was estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates for certain of its investments. Management believes there are no other reasonable assumptions for these investments which would generate any material changes in investment income.

Risk management

Risk management relates to the understanding and active management of the risks associated with all areas of the University's investments. Investments are primarily exposed to market risk which encompasses a variety of financial risks, such as foreign currency risk, interest rate risk, price risk, and credit risk. Significant volatility in interest rates, equity values and the value of the Canadian dollar against the currencies in which the University's investments are held can significantly impact the value of these investments. To manage these risks within reasonable risk tolerances, the University has formal policies in place governing asset mix among equity, fixed income and alternative assets, requiring diversification within categories, and setting limits on the size of exposure to individual investments and counterparties. In addition, derivative instruments are used in the management of these risks (see below). To manage foreign currency risk, a 50% hedging policy has been implemented for the University's investments beginning on January 1, 2009. Previous to this date, the University had a 100% hedging policy for its foreign currency risk. Credit risk of financial instruments is the risk of loss arising from the potential failure of a counterparty, debtor or issuer to honour its contractual obligations. At April 30, 2011, $422.5 million (2010 – $418.0 million) or 64.2% (2010 – 66.6%) of government and corporate bonds have AAA or AA credit ratings.

Derivative financial instruments

Description

The University has entered into equity index futures contracts which oblige it to pay the difference between a predetermined amount and the market value of certain equities when the market value is less than the predetermined amount, or receive the difference when the market value is more than the predetermined amount.

The University has entered into foreign currency forward contracts to minimize exchange rate fluctuations and the resulting uncertainty on future financial results. All outstanding contracts have a remaining term to maturity of less than one year. The University has significant contracts outstanding held in the U.S. dollar, Euro, Japanese yen and British pound, among others.

The University has entered into interest rate swap contracts in order to manage the interest rate cash flow exposure associated with certain long-term debt obligations. The contracts have the effect of converting the floating rate of interest on certain long-term debt to a fixed rate. These contracts are accounted for as hedges.

The notional amounts of the derivative financial instruments do not represent amounts exchanged between parties and are not a measure of the University's exposure resulting from the use of financial instrument contracts. The amounts exchanged are based on the applicable rates applied to the notional amounts.

Risks

The University is exposed to credit-related losses in the event of non-performance by counterparties to these financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings.

Terms and conditions

The notional and fair values of the financial instruments are as follows:

	(millions of dollars)			
	2011		2010	
	Notional value	**Fair value**	Notional value	Fair value
Foreign currency forward contracts				
- U.S. dollars	**329.2**	**10.3**	441.7	(1.0)
- Other international	**116.3**		70.5	1.5
		10.3		0.5
Equity and commodity index futures contracts				
- United States	**309.5**	**11.0**	317.7	(4.1)
		11.0		(4.1)
Interest rate swap contracts (note 11)				
- Designated as hedges	**7.6**	**(1.2)**	8.7	(1.2)
- Not designated as hedges	**20.0**	**(4.6)**	20.8	(4.4)
		(5.8)		(5.6)

The fair value of the foreign currency forward and equity and commodity index futures contracts of $21.3 million (2010 – negative $3.6 million) is reported as $22.7 million (2010 - $1.7 million) in accounts receivable and $1.4 million (2010 - $5.3 million) in accounts payable and accrued liabilities.

Certain interest rate swap agreements are designated as hedges for accounting purposes, which results in interest expense related to certain long-term debt to be recorded in the financial statements at the hedged rates rather than at the contractual interest rates. These interest rate swap contracts result in the University fixing a weighted average long-term interest rate of 6.67% (2010 - 6.71%) on certain debt obligations instead of paying a weighted average short-term floating interest rate of 1.01% (2010 – 0.52%). These long-term contracts were entered into during those years when interest rates were higher than current rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The cash settlement is the difference between the contractual rate of interest and the current market rate, based on a notional amount. The fair value of the interest rate swap contracts of $1.2 million (2010 - $1.2 million) is included in other long-term debt (note 11). In 2010, the decrease in the negative fair value of these interest rate swap contracts designated as hedges of $0.8 million was recorded as a decrease in unrestricted deficit in the statement of changes in net assets.

During 2010, interest rate swap contracts with a notional value of $20.8 million were no longer designated as a hedge due to the settlement of the related loans. The fair value of $6.3 million previously recognized as a direct decrease in net assets together with the change in fair value of $1.9 million (net loss of $4.4 million) was included in investment income in the statement of operations.

Uncalled commitments

As at April 30, 2011, approximately 11.9% (2010 – 12.9%) of the University's investment portfolio is invested in private funds managed by third-party managers. These private funds typically take the form of limited partnerships managed by a General Partner. The legal terms and conditions of these private investment funds, which cover various areas of private equity investments and real assets investments (e.g., real estate, infrastructure) require that investors initially make an unfunded commitment and then remit funds over time (cumulatively up to a maximum of the total committed amount) in response to a series of capital calls issued to the investors by the manager. As at April 30, 2011, the University had uncalled commitments of approximately $103.2 million (2010 - $146.1 million). The capital committed is called by the manager over a pre-defined investment period, which varies by fund, but is generally about three to five years from the date the private fund closes. In practice, for a variety of reasons, the total amount committed to a private fund is very rarely all called.

6. Capital assets

	2011		2010	
	Total cost	**Accumulated amortization**	Total cost	Accumulated amortization
	(millions of dollars)			
Land	**76.6**		72.2	
Buildings (note 11)	**2,146.5**	**771.6**	1,956.0	725.4
Equipment and furnishings	**1,195.7**	**932.9**	1,134.6	875.9
Library books	**502.3**	**447.4**	475.5	418.5
	3,921.1	**2,151.9**	3,638.3	2,019.8
Less accumulated amortization	**(2,151.9)**		(2,019.8)	
Net book value	**1,769.2**		1,618.5	

The University develops replacement property values of buildings and contents for insurance purposes using various sources and valuation methods which conform to insurance industry practice and standards. Fine art and rare book collections are valued by the appropriate University officers. The insured replacement value of buildings is approximately $4.1 billion and contents is approximately $2.1 billion, which includes library books of approximately $0.8 billion.

As at April 30, 2011, the University had $147.2 million (2010 - $126.5 million) in construction in progress that was included in buildings.

7. Series A senior unsecured debenture

On July 18, 2001, the University issued Series A senior unsecured debenture in the aggregate principal amount of $160.0 million at a price of $999.62 for proceeds of $159.9 million. The debenture bears interest at 6.78%, which is payable semi-annually on January 18 and July 18 with the principal amount to be repaid on July 18, 2031. The proceeds of the issuance have been primarily used to finance capital projects including real estate acquisitions and the construction of student residences and parking facilities. The University has spent all of the proceeds of the debenture. The fair value of the debenture at April 30, 2011 was $199.4 million (2010 - $193.4 million) compared to a carrying value of $158.9 million (2010 - $158.8 million).

8. Series B senior unsecured debenture

On December 15, 2003, the University issued Series B senior unsecured debenture in the aggregate principal amount of $200.0 million at a price of $1,000 for proceeds of $200.0 million. The debenture bears interest at 5.841%, which is payable semi-annually on June 15 and December 15 with the principal amount to be repaid on December 15, 2043. The proceeds of the issuance have been primarily used to finance capital projects. The University has spent all of the proceeds of the debenture. The fair value of the debenture at April 30, 2011 was $231.8 million (2010 - $221.8 million) compared to a carrying value of $199.1 million (2010 - $199.1 million).

9. Series C senior unsecured debenture

On November 16, 2005, the University issued Series C senior unsecured debenture in the aggregate principal amount of $75.0 million at a price of $1,000 for proceeds of $75.0 million. The debenture bears interest at 4.937%, which is payable semi-annually on May 16 and November 16 with the principal amount to be repaid on November 16, 2045. The proceeds of the issuance have been primarily used to finance capital projects. The University has spent all of the proceeds of the debenture. The fair value of the debenture at April 30, 2011 was $76.1 million (2010 - $72.5 million) compared to a carrying value of $74.7 million (2010 - $74.7 million).

10. Series D senior unsecured debenture

On December 13, 2006, the University issued Series D senior unsecured debenture in the aggregate principal amount of $75.0 million at a price of $1,000 for proceeds of $75.0 million. The debenture bears interest at 4.493%, which is payable semi-annually on June 13 and December 13 with the principal amount to be repaid on December 13, 2046. The proceeds of the issuance have been primarily used to finance capital projects. The University has spent all of the proceeds of the debenture. The fair value of the debenture at April 30, 2011 was $70.1 million (2010 - $66.7 million) compared to a carrying value of $74.4 million (2010 - $74.4 million).

11. Other long-term debt

The fair value of other long-term debt at April 30, 2011 was $21.1 million (2010 - $28.4 million) compared to a carrying amount of $21.1 million (2010 - $28.4 million) of which the current portion of $1.4 million (2010 - $7.2 million) is included in accounts payable and accrued liabilities. Other long-term debt consists of mortgages of $6.6 million (2010 - $12.8 million) maturing in 2019 and 2020 against which the related properties are pledged as security, term loans of $8.7 million (2010 - $10.0 million) maturing from 2012 to 2020 and the fair value of all interest rate swap contracts of $5.8 million (2010 - $5.6 million) (note 5). The weighted average effective interest rate of the mortgages and term loans, after giving effect to the interest rate swap contracts, was 5.6% (2010 - 7.24%) and 6.34% (2010 - 6.21%), respectively. Anticipated requirements to meet the principal portion of the other long-term debt repayments over the next five years are as follows: 2012 - $1.5 million, 2013 - $1.5 million, 2014 - $1.6 million, 2015 - $1.7 million, 2016 - $1.8 million.

12. Deferred contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balance are as follows:

	(millions of dollars)	
	2011	2010
Balance, beginning of year	**357.9**	328.4
Grants, donations and investment income	**454.1**	467.1
Recognized as revenue during the year	**(441.7)**	(437.6)
Balance, end of year	**370.3**	357.9

The deferred contributions will be spent as follows:

	(millions of dollars)	
	2011	2010
Research	**200.3**	194.4
Student aid	**58.0**	54.3
Other restricted purposes	**112.0**	109.2
	370.3	357.9

13. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations as government and other grants and contracts for restricted purposes. The changes in the deferred capital contributions balance for the year are as follows:

	(millions of dollars)	
	2011	2010
Balance, beginning of year	**881.7**	831.0
Less amortization of deferred capital contributions	**(65.1)**	(61.1)
Add contributions received for capital asset purchases	**169.7**	111.8
Balance, end of year	**986.3**	881.7

This balance represents:

	(millions of dollars)	
	2011	2010
Amount used for the purchase of capital assets	**935.3**	789.6
Amount to be spent on capital assets	**51.0**	92.1
	986.3	881.7

14. Internally restricted net assets

	(millions of dollars)	
	2011	2010
Investment in capital assets	**440.3**	413.2
Operating fund reserves		
Net divisional reserves carried forward	**360.7**	283.6
Employee benefits		
Pensions	**(233.5)**	(161.0)
Other plans	**(337.4)**	(293.5)
Supplemental retirement arrangement (note 4)	**130.1**	127.2
Pension plan reserve (note 4)		24.8
Departmental trust funds	**69.8**	68.9
Alterations and renovations	**82.7**	67.1
Research overhead	**16.9**	14.0
Other funds	**1.3**	5.3
	530.9	549.6

Internally restricted net assets are funds set aside that reflect the application of Governing Council policy as follows:

a) Investment in capital assets -

Investment in capital assets represents the amount of net assets that are not available for other purposes because they have been invested in capital assets. It consists of unamortized capital assets purchased with unrestricted resources (net of debt) plus the carrying amount of capital assets purchased with unrestricted resources (net of debt) that will not be amortized.

b) Operating fund reserves -

Divisions are permitted to carry forward unspent funds at the end of each year. These amounts include reserves for operating contingencies, reserves for future commitments and other employee future benefit costs and unfilled purchase orders that have been committed for goods or services to be received in the following year. These reserves have been reduced by the vacation pay accrual, representing the unfunded cost of vacation credits earned but not taken by administrative employee groups at year end, and by the voluntary early retirement liability for faculty and librarians, representing the unfunded liability of voluntary early retirement incentive costs paid to or committed to specific faculty members. This category has also been reduced by the unfunded portion of employee future benefits obligations offset by funds set aside to meet the future obligations of the supplemental retirement arrangement.

c) Departmental trust funds -

These funds represent departmental trust funds available for spending by divisions with no external restrictions.

d) Alterations and renovations -

These represent unspent funds in respect of approved alterations and renovations projects in progress at the end of the fiscal year less amounts spent without funding on hand.

e) Research overhead -

Research overhead recoveries from customers in calendar year 2010 are appropriated and available for spending in the following fiscal year.

f) Other funds -

These funds are primarily to support various initiatives to enhance the quality, structure and organization of programs and activities as well as the restructuring needed to adapt to the long-range budget plan and to improve the productivity of physical assets.

15. Endowments

Endowments consist of externally restricted donations received by the University and internal resources transferred by Governing Council, in the exercise of its discretion. With respect to the latter case, Governing Council may have the right to subsequently decide to remove the designation. The endowment principal is required to be maintained intact over time subject to the University's preservation of capital policy. The investment income generated from endowments must be used in accordance with the various purposes established by donors or Governing Council. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Investment income on endowments, which comprises interest, dividend income and realized and unrealized gains and losses, is recorded in the statement of operations when this income is available for spending at the discretion of the University or is available for spending as conditions have been met. University policy has been established with the objective of protecting the real value of the endowments by limiting the amount of income made available for spending and requiring the reinvestment of income not made available. The investment policy has set the real rate of return objective at 4% with the aim of providing steady, predictable investment returns. The amount made available for spending must normally fall between a range of 3% to 5% of the fair value per unit of the endowment pool. In any particular year, should net investment income be insufficient to fund the amount to be made available for spending or if the investment return is negative, the amount that is made available for spending is funded by the accumulated reinvested income. However, for individual endowment funds without sufficient accumulated reinvestment income, endowment capital is used in the current year. This amount is expected to be recovered by future net investment income. In fiscal 2011, $7.41 (2010 - $7.26) per unit of LTCAP was made available for spending, representing 4.65% (2010 - 5.0%) of the opening fair value per unit of the endowment pool.

In 2011, investment earnings of $140.9 million (2010 - $188.2 million) (net of fees and expenses of $15.0 million (2010 - $14.7 million)) was earned on endowments, of which $65.8 million (2010 - $62.4 million) was made available for spending and recorded as investment income, $10.9 million (2010 - $19.1 million) was the preservation of capital on internally restricted endowments, which was recorded as investment income and then transferred from unrestricted net assets to endowments, and the balance of $64.2 million (2010 - $106.7 million) was the preservation of capital on externally restricted endowments which was recorded as a direct increase to endowments.

Net assets restricted for endowments consist of the following:

	(millions of dollars)	
	2011	2010
Externally restricted endowments	**1,301.7**	1,212.0
Internally restricted endowments	**237.7**	225.2
	1,539.4	1,437.2

16. Ontario Student Opportunity Trust Fund

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund matching program to award student aid as a result of raising an equal amount of endowed donations. The University also matched certain of these endowed donations.

Phase 1:	(thousands of dollars)	
	2011	2010
Endowments at book value, beginning of year	**294,396**	286,116
Transfer from (to) expendable funds	**(2,920)**	8,280
Endowments at book value, end of year	**291,476**	294,396
Cumulative unrealized losses	**(15,464)**	(31,959)
Endowments at fair value, end of year	**276,012**	262,437
Expendable funds available for awards, beginning of year	**19,210**	12,322
Realized investment income	**9,299**	20,244
Transfer from (to) endowment balance	**2,920**	(8,280)
University contribution	**57**	2,073
Bursaries awarded	**(10,528)**	(7,149)
Expendable funds available for awards, end of year	**20,958**	19,210
Number of award recipients	**4,073**	2,871

Phase 2:

	(thousands of dollars)			
	2011		2010	
	University of Toronto	**Affiliates**	University of Toronto	Affiliates
Endowments at book value, beginning of year	**39,573**	**4,979**	38,579	4,624
Transfer from (to) expendable funds	**(109)**	**(7)**	994	355
Endowments at book value, end of year	**39,464**	**4,972**	39,573	4,979
Cumulative unrealized losses	**(6,268)**		(8,059)	
Endowments at fair value, end of year	**33,196**		31,514	
Expendable funds available for awards, beginning of year	**2,159**	**181**	1,002	168
Realized investment income	**1,317**	**231**	2,431	497
Transfer from (to) endowment balance	**109**	**7**	(994)	(355)
University contribution	**18**		508	
Bursaries awarded	**(976)**	**(163)**	(788)	(129)
Expendable funds available for awards, end of year	**2,627**	**256**	2,159	181
Number of award recipients	**578**	**93**	371	75

Book value in this note represents contributions received plus a portion of realized investment income.

The expendable funds available for awards are included in deferred contributions (note 12) on the balance sheet.

The endowments and expendable fund balances of the affiliates (Victoria University, The University of Trinity College, University of St. Michael’s College and the Toronto School of Theology) are not included in these financial statements.

17. Ontario Trust for Student Support

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Trust for Student Support matching program to award student aid as a result of raising an equal amount of endowed donations. The University also matched certain of these endowed donations.

(for the year ended March 31)*	2011 University Toronto	2011 Affiliates	2010 University of Toronto	2010 Affiliates
	(thousands of dollars)			
Endowments at book value, beginning of year	**54,900**	**9,555**	46,177	8,104
Donations received	**2,760**	**807**	3,087	366
Government matching received	**3,590**	**1,158**	4,071	545
University matching	**49**		160	76
Transfer from (to) expendable funds	**(320)**	**21**	1,405	464
Endowments at book value, end of year	**60,979**	**11,541**	54,900	9,555
Cumulative unrealized losses	**(7,617)**		(10,087)	
Endowments at fair value, end of year	**53,362**		44,813	
Expendable funds available for awards, beginning of year	**2,007**	**200**	501	(143)
Realized investment income	**1,751**	**506**	3,027	937
Donations received	**11**	**3**	18	3
University matching and contribution	**139**		972	
Transfer from (to) endowment balance	**320**	**(21)**	(1,405)	(464)
Bursaries awarded	**(1,605)**	**(252)**	(1,106)	(133)
Expendable funds available for awards, end of year	**2,623**	**436**	2,007	200
Number of award recipients	**795**	**124**	413	73

*As per Ministry of Training, Colleges and Universities guidelines.

Book value in this note represents contributions received plus a portion of realized investment income. The expendable funds available for awards are included in deferred contributions (note 12) on the balance sheet. The endowments and expendable fund balances of the affiliates (Victoria University, The University of Trinity College, University of St. Michael's College and the Toronto School of Theology) are not included in these financial statements.

18. Net change in other non-cash items

The net change in other non-cash items is as follows:

	(millions of dollars) 2011	2010
Accounts receivable	**(3.4)**	12.5
Inventories and prepaid expenses	**(5.7)**	3.2
Deferred contributions	**12.4**	29.5
Accounts payable and accrued liabilities	**13.6**	51.6
	16.9	96.8

19. Donations

During the year, the University received donations of $85.1 million (2010 - $77.2 million). Of that amount, $21.4 million (2010 - $19.5 million) is recorded as a direct addition to endowments in accordance with the accounting policy and is not recorded as donations revenue.

20. Government and other grants and contracts for restricted purposes

During the year, the University received $381.2 million (2010 - $376.4 million) of government and other grants and contracts for research and $142.2 million (2010 - $99.7 million) for capital infrastructure, of which $406.4 million (2010 - $395.9 million) was recorded as revenue and $117.0 million (2010 - $80.2 million) was deferred.

21. Related entity

The University is a member, with ten other universities, of a joint venture called TRIUMF, Canada's national laboratory for particle and nuclear physics located on the University of British Columbia ("UBC") campus. TRIUMF is an unincorporated registered charity and each university has an undivided 1/11 interest in its assets, liabilities and obligations. The land and buildings it occupies are owned by UBC. The facilities and its operations are funded by Federal government grants and the University has made no direct financial contribution to date. TRIUMF's net assets are not contemplated to be and are not readily realizable by the University. The University's interest in the assets, liabilities and results of operations are not included in these financial statements (see also note 23(b)).

The following financial information at March 31 for TRIUMF was prepared in accordance with Canadian generally accepted accounting principles except that all capital assets and related provisions for decommissioning costs, if any, are expensed in the year in which the costs are incurred.

	(millions of dollars)	
	2011 (unaudited)	2010
Total assets	**24.3**	18.5
Total liabilities	**16.3**	14.1
Total fund balances	**8.0**	4.4
Revenues	**69.2**	65.0
Expenses	**65.6**	64.5
Excess of revenues over expenses	**3.6**	0.5

22. Other commitments

a) The estimated cost to complete construction and renovation projects in progress at April 30, 2011, which will be funded by government grants, donations and operations, is approximately $101.8 million (2010 - $275.6 million).

b) The annual payments under various operating leases are approximately $15.0 million.

23. Contingencies

a) The University has a program under which it guarantees bank loans to faculty and staff members to assist in the purchase or refinancing of their homes. The University holds mortgages as collateral security against such guarantees. At April 30, 2011, the amount of loans guaranteed was $7.9 million (2010 - $7.9 million). The University's estimated exposure under these guarantees is not material.

b) The members of the TRIUMF joint venture and the Canadian Nuclear Safety Commission ("CNSC") approved a decommissioning plan which requires all members to be severally responsible for their share of the decommissioning costs, which were estimated at $44.0 million as of November 2007, as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions of decommissioning the facilities, the University's share was estimated at $4.0 million at April 30, 2011. TRIUMF has put in place a plan for funding the cost of decommissioning which does not require any payments from the joint venture partners.

c) The nature of the University's activities is such that there are usually claims or potential claims in prospect at any one time. At April 30, 2011, the University believes it has valid defenses and appropriate insurance coverage in place on certain claims which are not expected to have a material impact on the University's financial position. There also exist other claims or potential claims where the ultimate outcome cannot be determined at this time. Any additional losses related to claims would be recorded in the year during which the amount of the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

d) The University was formerly a member of a reciprocal exchange of insurance risks in association with 56 other Canadian universities. This self-insurance co-operative is named the Canadian Universities Reciprocal Insurance Exchange ("CURIE") and involves a contractual agreement to share the insurable property and liability risks of member universities arising during the period of membership. Effective January 1, 2008, the University terminated its membership in CURIE and obtained insurance coverage in the commercial market.

   As a consequence, the University is no longer eligible to receive its 8.5% pro-rata share of any potential future surplus distribution and will continue to share in any deficits generated by claims arising during the University's period of membership in CURIE. As at December 31, 2010, the date of the latest financial statements available, CURIE had a surplus of $43.3 million (2009 - $32.0 million). The University believes it will not have to make any payments to CURIE.

24. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2011 financial statements.

Appendix

Supplementary Report

By Fund

April 30, 2011

(Unaudited)

HIGHLIGHTS

(Unaudited)

Year Ended April 30, 2011

(millions of dollars)

	Operating Fund	Ancillary Operations	Capital Fund	Restricted Funds	Total
Statement of Operations					
Revenues	$ 1,658.9	$ 146.1	$ 74.2	$ 441.9	$ 2,321.1
Expenses	$ 1,622.1	$ 143.1	$ 117.7	$ 431.0	$ 2,313.9
Net Income (Loss)	$ 36.8	$ 3.0	$ (43.5)	$ 10.9	$ 7.2
Balance Sheet					
Assets	$ 958.5	$ 295.6	$ 1,397.5	$ 1,988.9	$ 4,640.5
Liabilities	$ 979.9	$ 277.9	$ 1,106.6	$ 379.7	$ 2,744.1
Net Assets	$ (21.4)	$ 17.7	$ 290.9	$ 1,609.2	$ 1,896.4
Net Assets composed of:					
Endowments				$ 1,539.4	$ 1,539.4
Investment in Capital Assets		$ 121.6	$ 318.7		$ 440.3
Internally Restricted Net Assets	$ (26.8)	$ 11.5	$ 36.1	$ 69.8	$ 90.6
Unrestricted Surplus (Deficit)	$ 5.4	$ (115.4)	$ (63.9)		$ (173.9)
	$ (21.4)	$ 17.7	$ 290.9	$ 1,609.2	$ 1,896.4

HIGHLIGHTS

(Unaudited)

Year Ended April 30, 2010

(millions of dollars)

	Operating Fund	Ancillary Operations	Capital Fund	Restricted Funds	Total
Statement of Operations					
Revenues	$ 1,549.1	$ 143.2	$ 78.4	$ 440.2	$ 2,210.9
Expenses	$ 1,482.0	$ 144.4	$ 118.2	$ 420.9	$ 2,165.5
Net Income (Loss)	$ 67.1	$ (1.2)	$ (39.8)	$ 19.3	$ 45.4
Balance Sheet					
Assets	$ 875.6	$ 301.3	$ 1,232.7	$ 1,883.3	$ 4,292.9
Liabilities	$ 847.7	$ 289.1	$ 978.9	$ 377.2	$ 2,492.9
Net Assets	$ 27.9	$ 12.2	$ 253.8	$ 1,506.1	$ 1,800.0
Net Assets composed of:					
Endowments				$ 1,437.2	$ 1,437.2
Investment in Capital Assets		$ 116.8	$ 296.4		$ 413.2
Internally Restricted Net Assets	$ 30.0	$ 10.6	$ 26.9	$ 68.9	$ 136.4
Unrestricted Deficit	$ (2.1)	$ (115.2)	$ (69.5)		$ (186.8)
	$ 27.9	$ 12.2	$ 253.8	$ 1,506.1	$ 1,800.0

PURPOSE OF THIS SUPPLEMENTARY REPORT

The University of Toronto's financial statements report the University's assets, liabilities, net assets, revenues and expenses on a single column basis. The purpose of this supplementary report is to show the University's financial statement information by fund in a format consistent with how the University manages its finances, that is, by fund. Schedules 1 and 2 show the balance sheet and statement of operations and changes in unrestricted deficit by fund.

The operating fund includes teaching and administrative activities supported mainly by government operating grants, student fees and sales of supplies and services.

Ancillary operations include residences, food and beverage services, parking, Hart House, Residential Housing and U of T Press. All ancillary assets, liabilities, net assets, revenues and expenses are recorded in this fund.

The capital fund includes all capital assets – land, buildings, furnishings, computers, etc. - except for those of the ancillary operations. Contributions to the University for capital assets other than ancillaries are recorded in this fund.

Restricted funds include donations (including endowments), research grants and contracts. Each donation, usually supported by an agreement between the University and the donor, or a collection of small donations with similar purpose, is recorded in its own fund, and managed according to agreed upon terms and conditions. Each research grant or contract is recorded in its own fund and managed in accordance with the terms and conditions required by the sponsor of the funds. There are several thousand individual restricted funds.

The key drivers of financial performance described in the financial highlights affect the various funds as follows:

- Student enrolment growth is mostly reflected in the operating fund and in ancillary operations.
- Growth in research activity is reflected in restricted funds.
- Salaries and benefits growth is mostly reflected in the operating fund.
- Growth in space is reflected in ancillary operations (residences and parking facilities) and the capital fund (all other facilities, including academic teaching and research facilities).
- Donations are reflected in restricted funds.
- Endowments are reflected in restricted funds.
- Investment earnings are reflected in all funds, but predominantly in the operating fund and in restricted funds.

Schedule 1
(Unaudited)
UNIVERSITY OF TORONTO
BALANCE SHEET
April 30, 2011
(with comparative figures at April 30, 2010)
(millions of dollars)

	Operating fund	Ancillary operations	Capital fund	Restricted funds	2011 Total	2010 Total
ASSETS						
Current						
Cash and short-term investments	882.9	(11.5)	(123.6)	(113.4)	634.4	560.0
Accounts receivable	66.8	14.1		23.9	104.8	105.8
Inventories and prepaid expenses	8.8	8.1			16.9	11.2
Long-term accounts receivable			36.8		36.8	32.4
Investments				2,078.4	2,078.4	1,965.0
Capital assets, net		284.9	1,484.3		1,769.2	1,618.5
	958.5	295.6	1,397.5	1,988.9	4,640.5	4,292.9
LIABILITIES						
Current						
Accounts payable and accrued liabilities	183.3	21.2	34.1	9.4	248.0	234.4
Deferred contributions				370.3	370.3	357.9
Accrued pension liability	233.5				233.5	161.0
Employee future benefit obligation other than pension	379.2				379.2	329.7
Internal loans	179.3	238.5	(417.8)			
Series A - senior unsecured debenture			158.9		158.9	158.8
Series B - senior unsecured debenture			199.1		199.1	199.1
Series C - senior unsecured debenture			74.7		74.7	74.7
Series D - senior unsecured debenture			74.4		74.4	74.4
Other long-term debt	4.6	9.5	5.6		19.7	21.2
Deferred capital contributions		8.7	977.6		986.3	881.7
	979.9	277.9	1,106.6	379.7	2,744.1	2,492.9
NET ASSETS						
Unrestricted surplus (deficit)	5.4	(115.4)	(63.9)		(173.9)	(186.8)
Internally restricted	(26.8)	11.5	36.1	69.8	90.6	136.4
Investment in capital assets		121.6	318.7		440.3	413.2
Endowments				1,539.4	1,539.4	1,437.2
	(21.4)	17.7	290.9	1,609.2	1,896.4	1,800.0
	958.5	295.6	1,397.5	1,988.9	4,640.5	4,292.9

Schedule 2
(Unaudited)
UNIVERSITY OF TORONTO
STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED SURPLUS (DEFICIT)
April 30, 2011
(with comparative figures at April 30, 2010)
(millions of dollars)

	Operating fund	Ancillary operations	Capital fund	Restricted funds	2011 Total	2010 Total
REVENUES						
Government grants for general operations	691.0				691.0	678.0
Student fees	756.9	7.0	0.4		764.3	701.3
Government and other grants and contracts for restricted purposes		0.4	45.7	360.3	406.4	395.9
Sales, services and sundry income	121.5	137.8	0.8		260.1	253.1
Investment Income						
Endowments	48.1			43.6	91.7	96.2
Other	41.4	0.4	0.9	1.2	43.9	28.7
Donations		0.5	26.4	36.8	63.7	57.7
	1,658.9	146.1	74.2	441.9	2,321.1	2,210.9
EXPENSES						
Salaries	866.3	6.1		209.6	1,082.0	1,007.9
Benefits	357.6	1.6		18.7	377.9	311.6
Materials and supplies	64.1	1.6		140.6	206.3	200.4
Scholarships, fellowships and bursaries	141.4				141.4	132.1
Amortization of capital assets	9.9	12.5	109.1	0.6	132.1	124.1
Cost of sales and services		80.4			80.4	80.5
Utilities	42.2	8.8			51.0	51.3
Repairs and maintenance	47.7	15.2	5.8	11.1	79.8	92.1
Travel and conferences	21.2			19.7	40.9	38.6
Interest on long-term debt	14.4	16.9		1.3	32.6	32.4
External contracted services	28.1			21.5	49.6	43.2
Telecommunications	10.1			1.1	11.2	12.1
Other	19.1		2.8	6.8	28.7	39.2
	1,622.1	143.1	117.7	431.0	2,313.9	2,165.5
Net income (loss)	36.8	3.0	(43.5)	10.9	7.2	45.4
Net transfer between funds	(25.1)	2.5	19.6	3.0		
Transfer of capital assets funding	(61.0)		61.0			
Unrealized gain on swap contracts						7.1
Change in internally restricted	56.8	(0.9)	(9.2)	(0.9)	45.8	42.6
Change in investment in capital assets		(4.8)	(22.3)		(27.1)	(29.4)
Transfers of donations to endowments				(2.1)	(2.1)	(1.4)
Transfer to internally restricted endowments				(10.9)	(10.9)	(19.1)
Net change in unrestricted surplus (deficit) for the year	7.5	(0.2)	5.6	(0.0)	12.9	45.2
Unrestricted deficit, beginning of year	(2.1)	(115.2)	(69.5)		(186.8)	(232.0)
Unrestricted surplus (deficit), end of year	5.4	(115.4)	(63.9)	(0.0)	(173.9)	(186.8)

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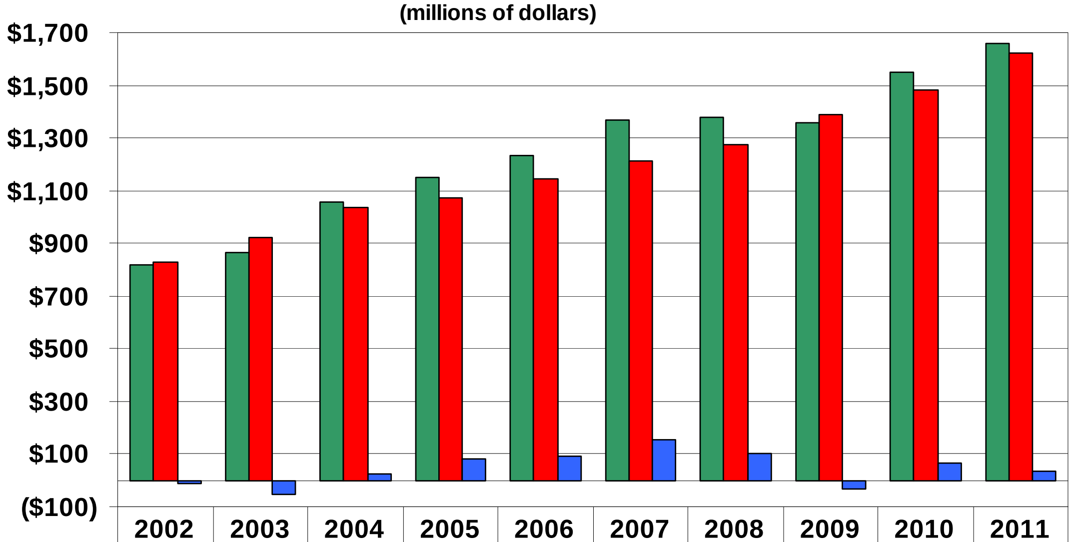
OPERATING FUND

The ***operating fund*** includes teaching and administrative activities supported mainly by government operating grants, student fees and sales of supplies and services.

Operating fund revenues for the year were $1.66 billion, expenses were $1.62 billion resulting in a net income of $36.8 million. Growth in operating fund revenues and expenses primarily reflected planned and expected increases in the number of students.

Operating Fund Revenues and Expenses
for the year ended April 30
(millions of dollars)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues	819.6	866.9	1,057.9	1,152.0	1,235.4	1,367.6	1,379.2	1,356.1	1,549.1	1,658.9
Expenses	830.4	921.8	1,035.1	1,071.0	1,143.8	1,214.4	1,275.9	1,389.6	1,482.0	1,622.1
Net income (loss)	(10.8)	(54.9)	22.8	81.0	91.6	153.2	103.3	(33.5)	67.1	36.8

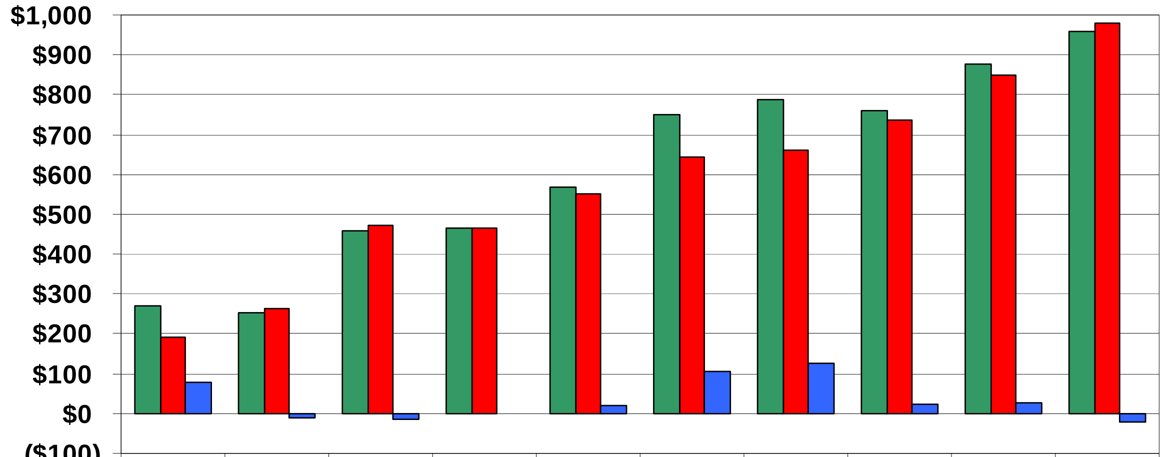
The 2011 net income in the operating fund is a result of:

Capital expenditures not shown as expenses but transferred to the capital fund and added to the balance sheet as capital assets	**61.0**
Net increase in employee future benefit obligations	**(138.4)**
Transfers to other funds not expensed in the operating fund	**25.1**
Reduction in expenses by divisions required to cover the deficit	**11.2**
Last year's general university savings distributed to academic divisions	**(48.4)**
General University savings to be distributed to academic divisions in 2011-12	**41.1**
Academic funding recovered from divisions (4 years remaining)	**3.6**
Unspent divisional funds added to reserves carried forward	**81.6**
	36.8

The cumulative operating surplus at April 30, 2011 is $5.4 million, whereas the long-range operating budget called for a cumulative operating deficit of $35.7 million. Academic divisions will be receiving $41.1 million in 2011-12 to bring the actual cumulative surplus in line with the planned long-range budgeted deficit.

Operating fund assets at April 30, 2011 were $958.5 million, liabilities were $979.9 million, and net assets were negative $21.4 million.

Operating Fund Assets, Liabilities and Net Assets as at April 30
(millions of dollars)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assets	269.4	252.3	458.8	463.8	569.6	751.1	788.5	761.3	875.6	958.5
Liabilities	190.6	264.3	473.9	465.2	550.4	643.8	661.4	736.6	847.7	979.9
Net Assets	78.8	(12.0)	(15.1)	(1.4)	19.2	107.3	127.1	24.7	27.9	(21.4)

The net assets for the year decreased from $27.9 million in 2010 to negative $21.4 million mainly due to the following:

- $36.8 million net income for the year.
- ($86.1 million) net transfers to other funds.

The transfers to other funds were as follows:

- $61.0 million to the capital fund to reflect operating funding of capital asset expenditures recorded as capital assets in the capital fund.
- $2.5 million to restricted funds in support of various matching funds initiatives.
- $19.6 million to the capital fund for various projects.
- $1.5 million to support ancillary operations.
- $1.5 million to ancillary operations to reduce the Innovations Foundation deficit.

There are two categories of net assets for the operating fund as follows:

- $5.4 million unrestricted surplus.
- ($26.8 million) of negative internally restricted net assets.

The $5.4 million unrestricted surplus is the "cumulative surplus" of the operating fund which is referenced in the University's Operating Budget Report. The cumulative surplus has increased from $2.1 million deficit at April 30, 2010 to $5.4 million surplus at April 30, 2011, due to the following:

- $36.8 million net income.
- ($86.1 million) net transfers to other funds as noted above.
- $56.8 million transferred from the operating fund's internally restricted net assets to fund current year's expenditures and to offset the unfunded portion of employee benefits.

Internally restricted net assets of negative $26.8 million mainly include departmental reserves of $360.7 million and funds set aside for infrastructure repairs of $35.1 million offset by $440.8 million of net unfunded liability associated with employee future benefits which will have to be paid from future years' operating fund revenues.

Schedule 3 is a summary of reserves carried forward that comprise the negative $26.8 million in internally restricted net assets. Included in this schedule are plans by academic divisions detailing how reserves carried forward will be spent on a one-time only basis, or in the event of a deficit, a plan for its elimination using the following categories:

a) Independently funded projects:

Included in this section are a number of projects housed in operating units which exist because they generate their own source of funds (i.e. self-funded units). Examples are continuing education programs and "fee for service" contracts. The funds generated are expected to only be applied to future expenses of that unit.

b) Research:

Funds set aside for research are included in this section. This includes funds allocated to Principal Investigators as a result of the expense reimbursement program for Faculty and Librarians, overheads, research allowance or start-up funds. Also included are funds set aside for Canada Research Chairs and EAF Chairs including any related research allowance.

c) Student assistance:

This category captures all funds set-aside for scholarships, bursaries and other student assistance.

d) Infrastructure:

This category is intended to capture funds that have been set-aside by the unit in anticipation of a major renovation to their facility; infrastructure upgrades, such as computer networking, security, equipment and furniture renewal; and associated moving costs.

e) Other academic purposes:

This section includes divisional funds that are used for purposes other than those identified above. Funds in this category include funds set-aside for anticipated budget reductions or to reserve against other fluctuations in revenue that impact divisions in accordance with the new budget model, voluntary early academic retirements, professional development, and start-up funds.

Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF RESERVES CARRIED FORWARD
AT APRIL 30, 2011
(with comparative figures at April 30, 2010)
(thousands of dollars)

	2010-11	2009-10
	Total	Total
Divisional Reserves		
Academic	316,081	255,598
Academic services	10,386	6,703
Student services	7,743	7,617
Student assistance	3,658	10,879
Facilities & services	23,272	18,140
Administration	30,235	28,476
Administrative systems	6,966	2,012
General university	(31,865)	(38,902)
U of T Campaign	(5,825)	(6,943)
Net Divisional reserves	360,651	283,580
Centrally held reserves		
Pension charge commitment	(233,459)	(160,969)
Pension reserve		24,835
Other employee future benefit obligation	(379,235)	(329,718)
Funds set aside for COLA, LTD and medical benefits	41,827	36,233
Funds set aside for SRA	130,051	127,231
Total	(440,816)	(302,388)
Research overhead	16,869	14,023
Infrastructure		
Accomodation & facilities directorate fund	35,149	29,571
Other funds		
University investment infrastructure fund	814	5,675
Transitional fund	560	560
Priorities fund	4,576	3,346
Loss on Interest Rate Swaps	(4,605)	(4,394)
	1,345	5,187
Total internally restricted net assets	(26,802)	29,973

Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF RESERVES CARRIED FORWARD
AT APRIL 30, 2011
(with comparative figures at April 30, 2010)
(thousands of dollars)

	2010-11						2009-10
	Independently Funded Projects	Research	Student Assistance	Infrastructure	Other	Total	Total
ACADEMIC DIVISIONS:							
Arts and Science, colleges and schools:							
Faculty of Arts and Science	2,985	29,115	706	937	(24,073)	9,670	1,733
University College					(3)	(3)	33
Transitional Year Programme	73	25	28	27	96	249	304
UTSC academic	(708)	7,116	199	12,433	21,037	40,077	38,641
UTM academic		5,734		8,781	(7,525)	6,990	(5,756)
School of Continuing Studies				114		114	(2,645)
School of Graduate Studies					2,259	2,259	1,505
Graduate institutes and centres		9	3,209	640	842	4,700	3,577
	2,350	41,999	4,142	22,932	(7,367)	64,056	37,392
Health sciences:							
Faculty of Dentistry		42			5,252	5,294	5,992
Faculty of Medicine	16,472	15,596	17,001	2,506	44,149	95,724	91,900
Lawrence S. Bloomberg Faculty of Nursing	386	1,783	482	2,289	7,108	12,048	11,665
Leslie Dan Faculty of Pharmacy	2,808	2,481	65		9,195	14,549	12,663
Faculty of Physical Education and Health	339	525		1,050	3,324	5,238	4,336
	20,005	20,427	17,548	5,845	69,028	132,853	126,556
Other professional faculties:							
Faculty of Applied Science and Engineering	1,617	8,151	2,426	6,245	3,249	21,688	16,016
John H. Daniels Faculty of Architecture, Landscape and Design		257	37	50	572	916	(325)
Rotman School of Management		132		3,000		3,132	2,031
OISE/UT	5,700	2,900	2,400	25,000	3,748	39,748	36,855
Faculty of Forestry	16	1,190	217	30	51	1,504	1,549
Faculty of Law	-	1,074	613		3,442	5,129	4,246
Faculty of Information	(178)	308	2		1,169	1,301	1,782
Faculty of Music	901	184			2,815	3,900	3,651
Factor-Inwentash Faculty of Social Work	172	383	617	7,135	-	8,307	7,251
	8,228	14,579	6,312	41,460	15,046	85,625	73,056
Other academic costs:							
Provost Reserve Contingency					17,098	17,098	10,196
Transitional Fund					5,554	5,554	166
Faculty Recruitment Costs					2,791	2,791	3,493
Other					27,937	27,937	18,940
					53,380	53,380	32,795
Vacation Pay accrual					(13,303)	(13,303)	(12,697)
Voluntary Early Academic Retirement Program accrual					(6,530)	- (6,530)	- (1,504)
TOTAL ACADEMIC DIVISIONS	30,583	77,005	28,002	70,237	110,254	316,081	255,598

Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF RESERVES CARRIED FORWARD
AT APRIL 30, 2011
(with comparative figures at April 30, 2010)
(thousands of dollars)

	2010-11	2009-10
	Total	Total
ACADEMIC SERVICES:		
U of T Computing	4,428	2,578
Robarts library	1,185	604
Information Commons	(1)	(100)
UTSC library	2,733	2,338
UTM library	1,233	886
Library - Electronic Acquisitions	808	397
TOTAL ACADEMIC SERVICES	10,386	6,703
STUDENT SERVICES:		
St. George campus	1,795	1,715
UTSC campus	4,388	3,965
UTM campus	1,560	1,937
TOTAL STUDENT SERVICES	7,743	7,617
STUDENT ASSISTANCE:		
Recruitment and retention	1,681	995
Graduate fellowships	1,028	1,354
UTSC campus	76	34
UTM campus	45	23
St. George campus	828	8,473
TOTAL STUDENT ASSISTANCE	3,658	10,879
FACILITIES & SERVICES		
St. George campus	13,961	9,386
UTSC campus	6,278	5,165
UTM campus	3,033	3,589
TOTAL FACILITIES & SERVICES	23,272	18,140

Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF RESERVES CARRIED FORWARD
AT APRIL 30, 2011
(with comparative figures at April 30, 2010)
(thousands of dollars)

	2010-11	2009-10
	Total	Total
CENTRAL ADMINISTRATION:		
Office of the Governing Council	342	324
Office of the President	22	9
Institutional costs	536	347
Vice-President and Provost	6,726	7,942
Vice-President - Research	2,107	539
Vice-President and Chief Advancement Officer	5,821	999
Vice-President - University Relations	3,364	2,871
Vice-President - Business Affairs	7,210	6,272
Vice-President - Human Resources and Equity	1,571	1,381
UTSC campus	3,846	3,704
UTM campus	1,766	7,009
Vacation Pay accrual	(3,076)	(2,921)
TOTAL CENTRAL ADMINISTRATION	30,235	28,476
ADMINISTRATIVE SYSTEMS:		
Student Record System	6,966	2,012
TOTAL ADMINISTRATIVE SYSTEMS	6,966	2,012
GENERAL UNIVERSITY:		
Vice-President - Human Resources and Equity	3,621	4,840
Vice-President - Business Affairs		
Long-term borrowing pool	(3,168)	(8,185)
Vice-President and Provost		
Matching Funds Program	(32,842)	(34,798)
Other	524	(759)
TOTAL GENERAL UNIVERSITY	(31,865)	(38,902)
U of T Campaign	(5,825)	(6,943)
	360,651	283,580

Comparison of the Operating Fund Financial Results to the Operating Budget

It is important to compare the year-end results to budget to assess how well the budget has estimated the actual outcome. However, there are differences between the operating budget and the operating fund financial results that must be adjusted before the comparison can occur. These differences are summarized as follows:

- The financial statements are prepared on an accrual basis following Canadian generally accepted accounting principles ("GAAP"), while the operating budget projects cash receipts and expenditures.
- The financial statements include amortization of capital assets while the operating budget includes estimated cash outlays for these assets.
- The financial statements include the costs of pensions and other benefits in accordance with Canadian GAAP, while the operating budget includes the projected cash premiums to be paid for the year.

These differences require a $12.7 million adjustment to the financial statements' revenues and $102.2 million to expenses to make the numbers comparable to budget. Once these adjustments have been made, it is possible to compare the operating fund budget with the year-end results and to assess how closely actual results conformed to plan. In summary, the adjustment between the financial statements and the operating budget is as follows:

	Financial Statements	Adjustments	Adjusted Financial Statements	Original budget	Favourable (unfavourable) variance	% Variance
Operating fund revenues	1,658.9	(12.7)	1,646.2	1,541.1	105.1	6.8%
Operating fund expenses	1,622.1					
Capital asset transfer	61.0					
	1,683.1	(102.2)	1,580.9	1,541.1	(39.8)	(2.6%)
Net income (loss)	(24.2)	89.5	65.3	0.0	65.3	

Total operating fund revenues, after adjustments, were $1,646.2 million, as compared to budgeted revenues of $1,541.1 million, resulting in a positive variance of $105.1 million, or 6.8%. This positive variance was due primarily to:

- A reduction in graduate expansion funding of $2.9 million,
- unexpected additional undergraduate accessibility funding of $19.3 million,
- unexpected medicine expansion funding of $11.0 million,
- a favourable tuition fee variance of $2.6 million primarily as a net result of higher international undergraduate summer enrolment.
- a favourable investment income variance of $3.1 million due to expendable pool investment returns of 2.62% compared to budgeted returns of 2.68% combined with higher than budgeted invested capital.
- an increase of $16.4 million in unbudgeted divisional grants,
- a $6.3 million increase in student fees from academic programs for which no provincial government funding is provided and,
- an increase of $35.2 million in divisional sales and services.

Total operating fund expenses, after adjustments, were $1,580.9 million, as compared to budgeted expenses of $1,541.1 million resulting in a negative variance of $39.8 million. This negative variance was primarily due to additional divisional expenses in support of the academic mission partially offset by lower than budgeted benefits costs of $3.1 million and savings in the utilities budget of $3.3 million attributed to lower than anticipated costs of gas due to lower than budgeted consumption. A detailed analysis is shown below.

Schedule 4

(Unaudited)

UNIVERSITY OF TORONTO

COMPARISON OF ACTUAL OPERATING FUND RESULTS WITH ORIGINAL BUDGET FOR THE YEAR ENDED APRIL 30, 2011

(millions of dollars)

	ACTUAL			BUDGET	VARIANCE
	Financial Statements	Adjustments	Adjusted Financial Statements	Original budget	Favourable (Unfavourable)
REVENUES					
General university income:					
Provincial grants	637.3	(4.0)	633.3	606.0	27.3
Indirect cost recovery of grants and contracts	29.4	4.0	33.4	29.0	4.4
Student fees	615.2		615.2	612.6	2.6
Investment income:					
Endowment (chairs and student aid)	48.1		48.1	41.8	6.3
Other	41.4	(12.7)	28.7	25.6	3.1
Sundry income	16.4		16.4	12.9	3.5
Municipal Taxes	5.1		5.1	5.1	
	1,392.9	(12.7)	1,380.2	1,333.0	47.2
Divisional income:					
Provincial grants	29.4		29.4	13.0	16.4
Student fees	130.2		130.2	123.9	6.3
Sales and services	106.4		106.4	71.2	35.2
	266.0		266.0	208.1	57.9
	1,658.9	(12.7)	1,646.2	1,541.1	105.1
EXPENSES					
Academic	1,089.8	(90.2)	999.6	932.3	(67.3)
Academic services	82.0	(4.1)	77.9	66.4	(11.5)
Student services	42.3	(2.7)	39.6	39.3	(0.3)
Student assistance	147.8	(0.5)	147.3	145.9	(1.4)
Physical plant maintenance and services	77.8	(5.0)	72.8	75.9	3.1
Physical plant utilities	54.8	0.9	55.7	59.0	3.3
Alterations and renovations	11.6		11.6		(11.6)
Administration	107.6	(7.2)	100.4	145.1	44.7
Amortization	9.9	(9.9)			
Interest expense	14.4	(14.4)			
General university expense	40.0	30.9	70.9	72.1	1.2
Municipal taxes	5.1		5.1	5.1	
	1,683.1	(102.2)	1,580.9	1,541.1	(39.8)
Operating results before the following:	(24.2)	89.5	65.3		65.3
Repayment of Deficit		11.2	11.2	11.2	
Change in internally restricted funds (Schedule 3)	56.8	(100.7)	(43.9)		(43.9)
Transfers	(25.1)		(25.1)		(25.1)
NET CHANGE IN DEFICIT FOR THE YEAR	7.5	0.0	7.5	11.2	(3.7)

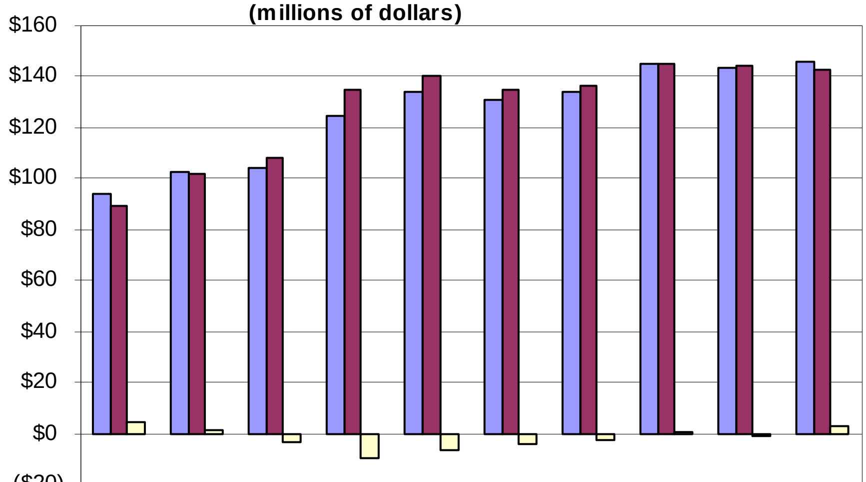
ANCILLARY OPERATIONS

Ancillary operations include service ancillaries (residences, food and beverage services, parking, and Hart House) and business ancillaries (Residential Housing and U of T Press). All ancillary assets, liabilities, net assets, revenues and expenses are recorded in this fund.

Since 2001, a large expansion in residence, food and beverage and parking facilities has resulted in significant growth in revenues, expenses, assets and liabilities of ancillary operations.

Ancillary revenues grew from $94.2 million in 2002 to $146.1 million in 2011, expenses grew from $89.5 million to $143.1 million, and the net income of $4.7 million in 2002 became a loss of $9.6 million by 2005 and has since recovered to a net income of $3.0 million in 2011. Almost all the capital expansion has been financed, and the net losses were primarily due to an increase in interest expense from $5.0 million in 2002 to $16.9 million in 2011.

Ancillary operations
Revenues and Expenses
for the year ended April 30
(millions of dollars)

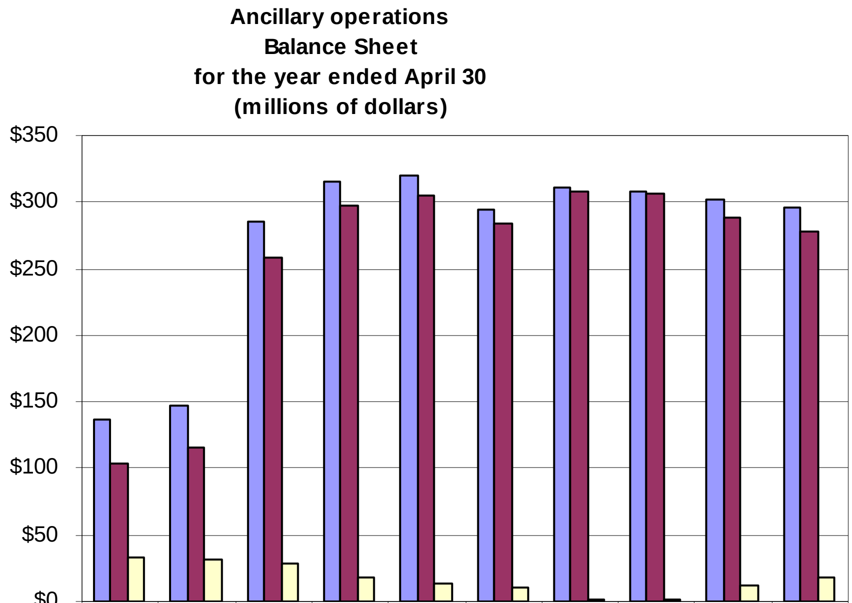


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues	94.2	103.0	104.4	124.9	133.7	130.7	133.8	144.9	143.2	146.1
Expenses	89.5	101.7	108.0	134.5	140.3	135.0	136.6	144.7	144.4	143.1
Net income (loss)	4.7	1.3	(3.6)	(9.6)	(6.6)	(4.3)	(2.8)	0.2	(1.2)	3.0

Ancillaries as a group generated a net income of $3.0 million. After transfers out of $4.8 million to the net asset category of investment in capital assets which reflected the internal financing of capital assets, other transfers in of $2.5 million and $0.9 million committed for future spending, the unrestricted deficit increased by $0.2 million for the year to $115.4 million.

Ancillary assets grew from $136.6 million in 2002 to $295.6 million while liabilities grew from $103.7 million in 2002 to $277.9 million in 2011. Net assets fell from $32.9 million to $17.7 million over the same period, essentially reflecting the impact of the additional amortization and interest expense on net income.

59679



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ancillary assets	136.6	147.3	285.5	315.8	319.4	294.8	310.7	307.7	301.3	295.6
Ancillary liabilities	103.7	115.6	257.7	297.1	305.6	284.4	308.6	305.7	289.1	277.9
Ancillary net assets	32.9	31.7	27.8	18.7	13.8	10.4	2.1	2.0	12.2	17.7

At April 30, 2011, net assets were $17.7 million, an increase of $5.5 million from April 30, 2010, mainly due to the following:

- $3.0 million net income for the year.
- $1.5 million from the operating fund in support of various ancillary operations.
- ($0.5 million) transferred to a restricted fund trust account for future maintenance and bursaries.
- $1.5 million from the operating fund to reduce the Innovations Foundation deficit.

There are three categories of net assets for ancillary operations which together total $17.7 million. They are:

- ($115.4 million) in unrestricted deficit.
- $11.5 million in internally restricted net assets
- $121.6 million in investment in capital assets.

The investment in capital assets category reflects capital construction of facilities which have been funded by internal borrowing of the University’s own funds, resulting in a corresponding increase in unrestricted deficit. Over time, investment in capital assets will be reduced as the capital assets are amortized, and unrestricted deficit will be decrease by the amount of that amortization.

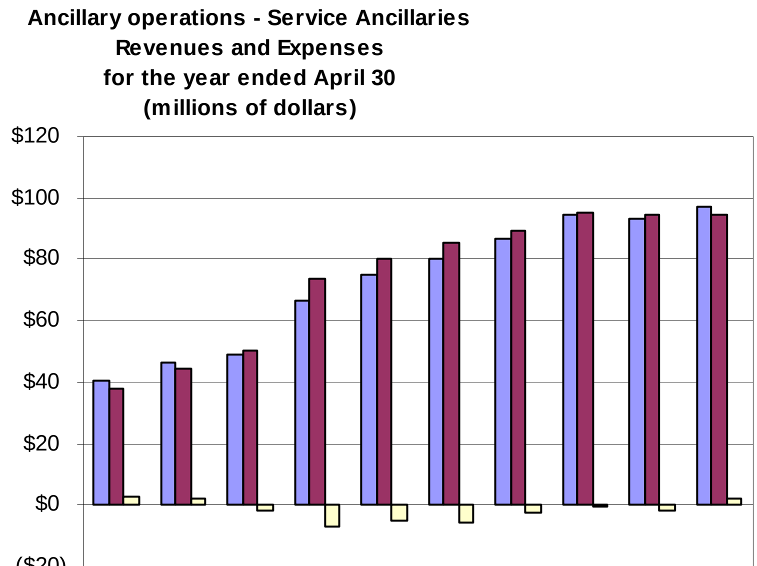
Schedule 5 shows details by ancillary operation.

Schedule 5
UNIVERSITY OF TORONTO
ANCILLARY OPERATIONS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2011
(with comparative totals for 2010)
(thousands of dollars)

	Revenues	Expenses	Commitments and Transfers	Surplus/(Deficit) Opening	Surplus/(Deficit) Closing	Investment in Capital Assets	Internally Restricted	2011 Total Net Assets	2010 Total Net Assets
	$	$	$	$	$	$	$	$	$
Residences									
Graduate House	3,557	3,391	622	(15,381)	(14,593)	16,433		1,840	1,670
Scarborough	5,606	5,342	(171)	(3,115)	(3,022)	4,349	898	2,225	1,961
Mississauga	10,326	9,627	(5,000)	(34,858)	(39,159)	34,549	526	(4,084)	(4,683)
University College	5,460	5,039	424	(938)	(93)	2,557	1,515	3,979	3,553
Innis College	2,803	2,454	(137)	1,237	1,449	417	1,137	3,003	2,780
New College	7,104	8,168	599	(9,563)	(10,028)	3,411	600	(6,017)	(6,180)
Family Housing	7,659	8,271	(551)	2,587	1,424	329	1,350	3,103	4,306
Woodsworth College	3,645	3,853	1,490	(21,552)	(20,270)	23,908	425	4,063	3,067
89 Chestnut	18,679	18,750	(1,717)	(11,257)	(13,045)	1,844		(11,201)	(11,130)
	64,839	64,895	(4,441)	(92,840)	(97,337)	87,797	6,451	(3,089)	(4,656)
Food/Beverage Service									
St. George	2,265	1,648	59	27	703	58	750	1,511	852
Scarborough	410	417	17	184	194	98	7	299	307
Mississauga	1,621	1,289	96	157	585	233	5	823	490
New College	626	580	137	(1,234)	(1,051)	1,118	38	105	59
University College	3,075	2,766	(107)	19	221	31	577	829	520
	7,997	6,700	202	(847)	652	1,538	1,377	3,567	2,228
Parking									
St. George	5,156	5,601	412	2,917	2,884	7,096	500	10,480	11,128
Scarborough	2,459	1,854	107	(5,887)	(5,175)	7,470	370	2,665	2,268
Mississauga	2,824	2,302	(56)	(10,718)	(10,252)	10,656		404	293
	10,439	9,757	463	(13,688)	(12,543)	25,222	870	13,549	13,689
Hart House	13,730	13,167	(517)	155	201	2,832	2,358	5,391	4,828
University of Toronto Press	47,172	46,681	(129)	2,150	2,512	2,364		4,876	4,385
Residential Housing	1,909	1,840	(441)	(764)	(1,136)	1,886	439	1,189	1,121
University of Toronto - Innovations Foundation			1,500	(8,866)	(7,366)			(7,366)	(8,866)
	49,081	48,521	930	(7,480)	(5,990)	4,250	439	(1,301)	(3,360)
Total without the Swap	146,086	143,040	(3,363)	(114,700)	(115,017)	121,639	11,495	18,117	12,729
Fair value of Interest Rate Swap				(464)	(443)			(443)	(464)
Total with the Swap	**146,086**	**143,040**	**(3,363)**	**(115,164)**	**(115,460)**	**121,639**	**11,495**	**17,674**	**12,265**

Service Ancillaries

Service ancillaries had revenues of $97.0 million and expenses of $94.6 million, with a net income of $2.4 million for the year. Service ancillary revenues have increased by 137.7% since 2002 and expenses have risen by 150.3% due to expansion of residences, food and beverage and parking services to deal with the growth in student enrolment. The majority of this growth is due to the residence expansion with the addition of over 3,500 residence beds over the past eight years. This residence expansion has increased residence assets, liabilities, revenues and expenses considerably. Most residence operations have planned deficits for several years until residence fees can catch up with increased expenses, including large fixed rate principal and interest payments on borrowing.

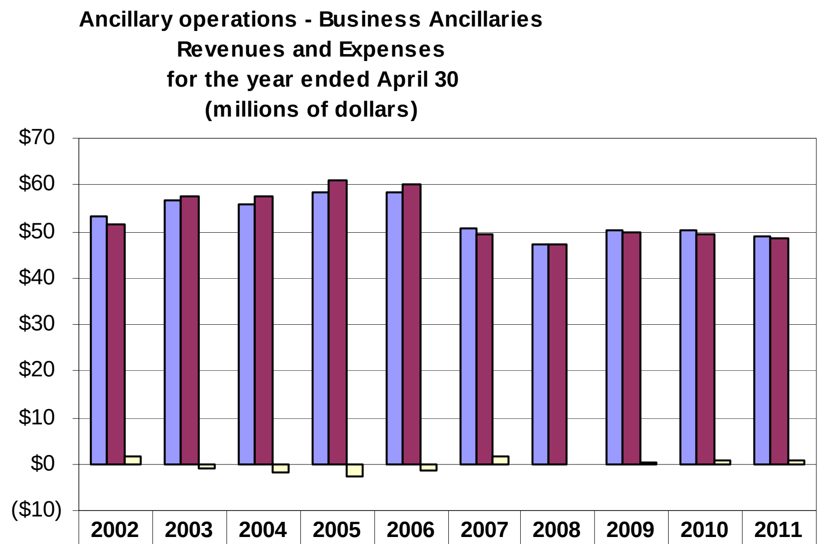


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Service ancillary revenues	40.8	46.3	48.7	66.5	75.2	80.0	86.5	94.7	93.1	97.0
Service ancillary expenses	37.8	44.2	50.6	73.5	80.2	85.8	89.2	95.0	94.9	94.6
Service ancillary net income (loss)	3.0	2.1	(1.9)	(7.0)	(5.0)	(5.8)	(2.7)	(0.3)	(1.8)	2.4

The long-term financial health of these operations is dependent upon filling the residence and parking spaces. Growth has largely been financed through long-term borrowing and through subsidy from the operating results of existing ancillary operations resulting in reduced operating margins. Where capital infrastructure growth has occurred, the individual ancillary operation is expected to break even annually in 5 years and cumulatively in 8 years.

Business Ancillaries

Business ancillaries had revenues of $49.1 million and expenses of $48.5 million, for a net income of $0.6 million for the year. The reduction in revenues since 2006 is a result of the transfer of the University of Toronto Innovations Foundation (UTIF) from ancillary operations to the operating fund (Vice-President, Research portfolio) effective May 1, 2006 and as a result of the U of T Press selling its printing division. The UTIF transfer within the University was made for two reasons. Firstly, UTIF had been unsuccessful at becoming economically viable as called for by its 2002 business plan. Secondly, the University has refocused its mission of transferring knowledge without taking the risks associated with investing in start-up technologies. The transfer within the University will permit closer relations with academic divisions, more disclosure and a clearer focus on the mission of knowledge transfer.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business ancillary revenues	53.4	56.7	55.7	58.4	58.5	50.7	47.3	50.2	50.1	49.1
Business ancillary expenses	51.7	57.5	57.4	61.0	60.1	49.2	47.4	49.7	49.5	48.5
Business ancillary net income (loss)	1.7	(0.8)	(1.7)	(2.6)	(1.6)	1.5	(0.1)	0.5	0.6	0.6

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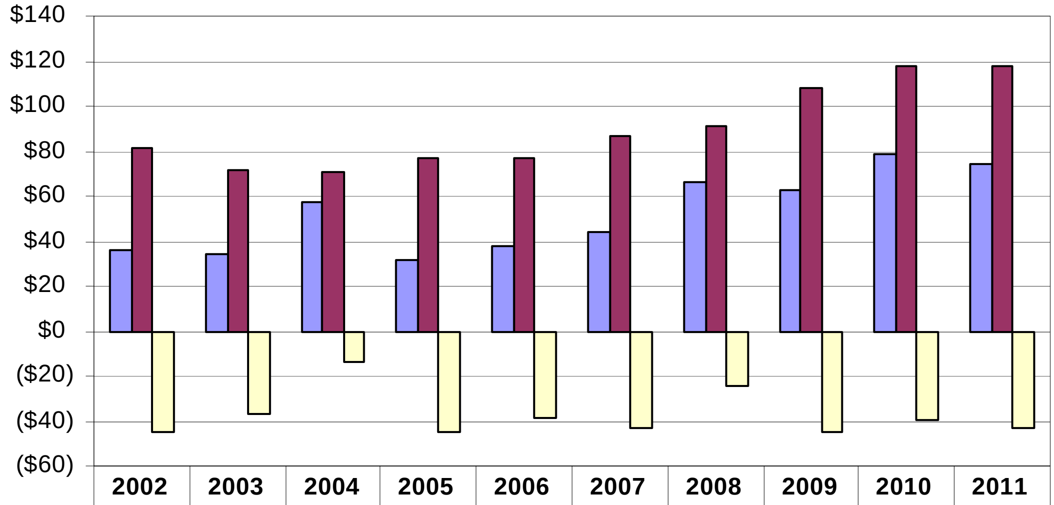
CAPITAL FUND

The capital fund includes all capital assets – land, buildings, furnishings, computers, etc - except for those of the ancillary operations. Contributions to the University for capital assets other than ancillaries are recorded in this fund.

Capital fund revenues for the year were $74.2 million and expenses were $117.7 million, for a net loss of $43.5 million. Revenues include an amount equal to the amortization of capital assets that were financed by grants and donations, while expenses include the amortization of all capital assets.

Capital Fund
Revenues and Expenses
for the year ended April 30
(millions of dollars)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues	36.0	34.5	57.2	31.8	38.2	43.8	66.2	63.0	78.4	74.2
Expenses	81.2	71.6	70.9	76.6	77.0	87.0	90.7	108.0	118.2	117.7
Net loss	(45.2)	(37.1)	(13.7)	(44.8)	(38.8)	(43.2)	(24.5)	(45.0)	(39.8)	(43.5)

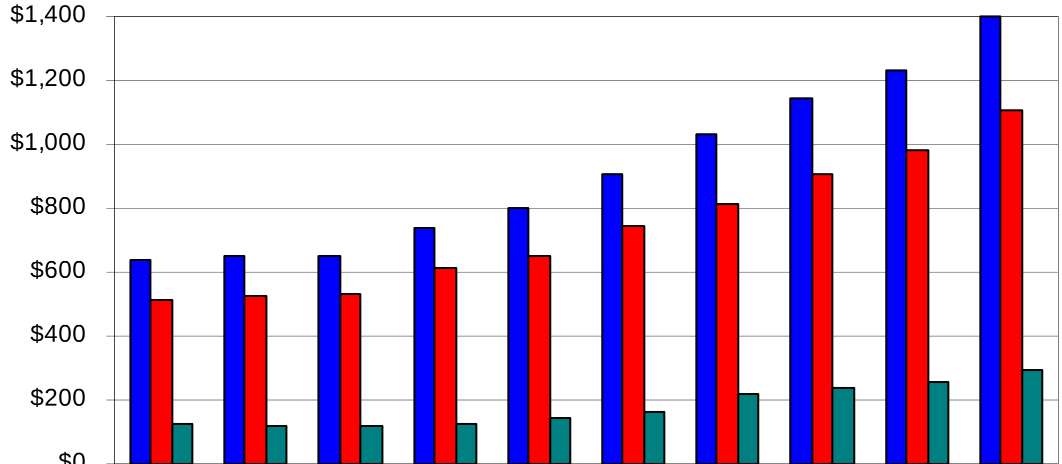
The reason for this loss is that a significant share of the revenue funding the amortization of capital assets and funding capital projects is recorded as revenue in the operating fund and transferred to the capital fund as an interfund transfer, and therefore is not reported in revenues or expenses of the capital fund.

A total of $80.6 million was transferred to the capital fund made up of $61.0 million in capital asset funding from the operating fund that must be transferred to the capital fund where the assets are capitalized combined with net transfers of $19.6 million in contributions from the operating fund in support of various capital projects.

Capital fund assets were $1,397.5 million, liabilities were $1,106.6 million and net assets were $290.9 million. Net assets comprised $318.7 million investment in capital assets, partially offset by $27.8 million in unrestricted deficit and internally restricted funds.

The assets of the capital fund have grown from $640.6 million in 2002 to $1,397.5 million in 2011 primarily as a result of the University's large capital construction program. Liabilities have also grown from $515.5 million in 2002 to $1,106.6 million in 2011. This growth in liabilities reflects the increase in long-term debt to $512.7 million, and growth in deferred capital contributions to $977.6 million. This growth is partly offset by internal loans of $417.8 million because the external borrowing of long-term debt is recorded in the capital fund and internal loans are provided to departments or operations that have the responsibility to repay the loans. These internal loans are recorded as a liability in the operating or ancillary fund, as appropriate, and are recorded as a receivable in the capital fund.

Capital Fund
Balance Sheet
as at April 30
(millions of dollars)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assets	640.6	647.7	653.1	737.4	798.2	908.3	1,031.5	1,143.9	1,232.7	1,397.5
Liabilities	515.5	526.7	531.4	610.8	652.7	746.2	812.9	907.5	978.9	1,106.6
Net assets	125.1	121.0	121.7	126.6	145.5	162.1	218.6	236.4	253.8	290.9

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RESTRICTED FUNDS

Restricted funds include donations (including endowments), research grants and contracts. Each donation, usually supported by an agreement between the University and the donor, or a collection of small donations with similar purpose, is recorded in its own fund, and managed according to agreed upon terms and conditions. Each research grant or contract is also recorded in its own fund and managed in accordance with the terms and conditions required by the sponsor of the funds. There are over 19,000 individual restricted funds.

Restricted funds exclude research grants for capital assets and donations designated for capital assets, both of which are recorded in the capital fund. When restricted funds are provided for, or spent on, capital assets, they are recorded in the capital fund.

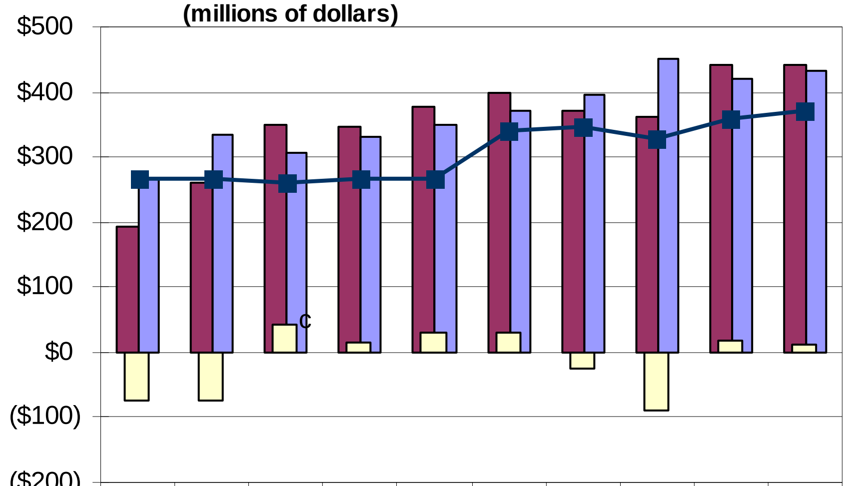
Financial reporting for restricted funds follows specific rules with respect to revenue recognition that differ from the rules for unrestricted receipts. They are:

- Restricted grants and expendable donations are recorded as revenue when spent, while unrestricted grants and expendable donations are recorded as revenue when received.
- Unspent restricted grants and donations are recorded as liabilities known as deferred contributions.
- Endowed donations are not recorded as revenue. They are added directly to the balance sheet as net assets.
- Investment earnings on externally restricted endowments that are made available for spending are recorded as revenue and the amount for preservation of capital is added directly to the balance sheet as net assets. In years where earnings are below the amount made available for spending, a drawdown is made from previously re-invested earnings. The amount made available for spending is recorded as revenue, and net assets on the balance sheet are reduced directly by the drawdown. Investment earnings or loss on internally restricted endowments are recorded in the income statement and the amount for preservation of capital or drawdown is recorded as a transfer to or from the endowment balance.

Restricted funds revenues for the year were $441.9 million, expenses were $431.0 million, and net income was $10.9 million. Net income in any particular year mainly reflects the recording of unrestricted donations and investment income as revenue that was not yet offset by expenses. A net loss in any particular year mainly reflects the recording of investment losses on internally restricted endowments funded by a transfer from endowed capital and/or expenses funded by internally restricted net assets.

In 2009, investment losses reflected the very poor investment markets. No spending allocation was made from the endowment. Commitments normally met from the endowment payout were met from other sources of funds. After 2009, the University was able to make funds available for spending from the endowment.

Restricted Funds
Revenues, Expenses and Deferred Contributions
for the Year Ended April 30
(millions of dollars)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues	193.6	259.5	348.6	345.1	377.0	399.9	369.7	360.7	440.2	441.9
Expenses	267.4	333.2	307.5	330.5	348.2	371.1	395.1	451.6	420.9	431.0
Net income (loss)	(73.8)	(73.7)	41.1	14.6	28.8	28.8	(25.4)	(90.9)	19.3	10.9
Deferred contributions	266.7	267.0	261.0	265.5	265.5	341.3	346.1	328.4	357.9	370.3

At April 30, 2011, the restricted funds net assets increased from April 30, 2010 by $103.1 million as a result of a net income of $10.9 million and a further $92.2 million, which was comprised as follows:

a) transfers from other funds:

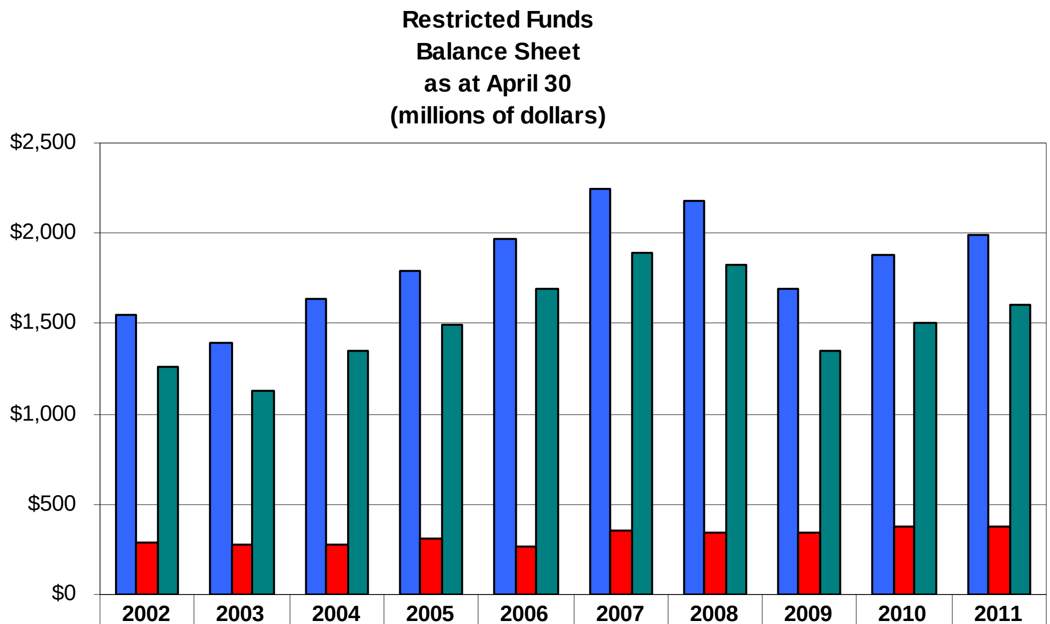
- $2.5 million from the operating fund as matching funds,
- $0.5 million net transfer to fund future maintenance and bursaries.

b) endowed contributions and investment gains (losses) on externally restricted endowments, which are not recorded as revenue, but are added (deducted) directly to (from) net assets:

- $21.4 million endowed donations.
- $3.6 million Ontario grants and other endowed funds.
- $64.2 million investment gain on externally restricted endowments.

Restricted funds assets were $1.99 billion, liabilities were $379.7 million, and net assets were $1.61 billion. Net assets comprised $1.54 billion in endowments and $69.8 million in internally restricted funds**.**

As noted above**,** the majority of unspent expendable restricted funds are NOT recorded as net assets, but rather are recorded as deferred contributions in the liabilities section of the balance sheet. These liabilities have grown from $266.7 million in 2002 to $370.3 million in 2011 mainly as a result of the strong growth in research activity which is reflected in the expendable restricted funds on hand that have not yet been spent.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assets	1,546.2	1,397.9	1,633.1	1,796.8	1,965.0	2,246.6	2,174.6	1,696.1	1,883.3	1,988.9
Liabilities	282.6	274.4	280.5	304.6	267.1	349.9	348.1	342.1	377.2	379.7
Net assets	1,263.6	1,123.5	1,352.6	1,492.2	1,697.9	1,896.7	1,826.5	1,354.0	1,506.1	1,609.2

Net assets in restricted funds have grown from $1.26 billion in 2002 to $1.61 billion in 2011. Schedule 6 reflects the change in endowment funds from April 30, 2010 to April 30, 2011 with the related expendable funds.

Schedule 6
(Unaudited)
UNIVERSITY OF TORONTO
RESTRICTED FUNDS
ENDOWMENT AND EXPENDABLE FUNDS AT FAIR VALUES AT APRIL 30, 2011
(thousands of dollars)

	Endowment funds					Expendable funds					
	April 30, 2010	Donations, and other additions	Preservation of capital (note 1)	Transfers	April 30, 2011	April 30, 2010	Donations, grants and other additions	Distributed Investment Income (notes 1 & 2)	Transfers	Disbursements (note 2)	April 30, 2011
	$	$		$	$	$	$	$	$	$	$
Student aid (note 2)	275,124	7,997	14,545	1,130	298,796	32,354	5,706	(6,581)	2,130	-	33,609
Ontario Student Opportunity		-									
Trust Funds - Phase I (note 2)	262,437	-	13,570	5	276,012	19,210	-	1,753	(5)	-	20,958
Ontario Student Opportunity											
Trust Funds - Phase 2 (note 2)	31,514	-	1,631	51	33,196	2,159	-	519	(51)	-	2,627
Ontario Trust for Student Support (note 2)	45,122	6,363	2,400	168	54,053	2,371	16	478	21	-	2,886
Research funds	105,633	-	5,404	-	111,037	194,872	385,126	5,059	844	383,993	201,908
Departmental funds	173,569	5,654	12,078	(1,011)	190,290	138,283	31,630	23,656	(949)	52,707	139,913
Faculty endowment funds (note 2)	437,373	6,070	20,761	355	464,559	10,222	629	5,340	(64)	5,538	10,589
Connaught fund	74,637	-	3,859	-	78,496	3,515	-	3,497	(1,049)	-	5,963
I'Anson fund	2,320	-	120	-	2,440	565	-	112	-	6	671
Miscellaneous funds	29,503	11	710	290	30,514	23,270	16,422	100	1,168	20,026	20,934
	1,437,232	26,095	75,078	988	1,539,393	426,821	439,529	33,933	2,045	462,270	440,058
Comprising:											
Externally designated	1,212,022	24,940	64,218	524	1,301,704						
Internally designated	225,210	1,155	10,860	464	237,689						
	1,437,232	26,095	75,078	988	1,539,393						
Restricted						357,919	428,644	25,465	2,588	444,323	370,293
Unrestricted						68,902	10,885	8,468	(543)	17,947	69,765
						426,821	439,529	33,933	2,045	462,270	440,058

Notes:

(1) Consisting of investment income on:

Endowment funds	107,805
Expendable funds	1,206
	109,011

(2) Disbursements and corresponding distributed investment income for Students Awards ($19,614), Ontario Student Opportunity Trust Funds ($11,428), Ontario Trust for Student Support ($1,600) and Faculty Endowments ($15,439) are reported in the Operating Fund.

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