



University of Toronto

Vice-President, Business Affairs

TO: Audit Committee

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DATE: June 4 for June 18, 2008.

AGENDA ITEM: 3

ITEM IDENTIFICATION:

Audited financial statements – April 30, 2008

JURISDICTIONAL INFORMATION:

The Audit Committee is responsible for reviewing the annual audited financial statements and recommending them for approval to the Business Board. The committee is responsible for assessing the adequacy of public disclosure of financial information. The highlights and supplementary report are provided for information.

PREVIOUS ACTION TAKEN:

The review of the draft notes was conducted on May 28, 2008.

HIGHLIGHTS:

The following documents are included for your review:

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

Revenues for the year were \$1.95 billion, expenses were \$1.90 billion and net income was \$50.6 million. Although revenues have grown by 109.4% since 1999, this growth is primarily due to increased numbers of students and increased research activities. Expenses have nevertheless, continued to rise due both to inflation and to the increased numbers of faculty and staff to accommodate these increased levels of activities. It is important to remember that the University also has obligations of \$140.7 million in employee future benefits liabilities and future obligations of \$399.0 million for deferred and pending maintenance that are not included in the financial results.

The net assets of the University remained unchanged at \$2.17 billion. The changes for the year were as follows

- the net income of \$50.6 million,
- the receipt of \$36.4 million of endowed donations,
- the receipt of \$14.2 million of endowed grants,
- transfer from deferred contributions of \$3.8 million,
- net loss on externally restricted endowments of (\$86.1 million),
- Transfer of externally restricted endowments to UTS of (\$15.6 million),
- Unrealized loss on swap contracts of (\$5.5 million)

Net assets were made up of the following:

- \$1.75 billion of endowments,
- \$371.9 million in investment in capital assets,
- \$279.5 million of internally restricted net assets and
- (\$231.9) million in unrestricted deficit.

The \$279.5 million in internally restricted net assets mainly reflects the setting aside of net assets for the University's supplemental retirement arrangement of \$184.1 million, divisional operating fund allocations unspent at year-end and available for one-time only expenditure in future years of \$244.8 million, departmental trust funds of \$71.7 million partially offset by the unfunded liability associated with employee future benefits of \$307.8 million.

The \$231.9 million in unrestricted deficit is largely due to internal financing of some capital construction in accordance with the University's debt strategy.

The operating fund cumulative deficit for the year was \$46.0 million compared to a projected cumulative deficit of \$55.1 million. The difference between the planned deficit and the actual deficit represents net positive variances of \$9.1 million that will be provided to divisions as funding in 2008-09 in accordance with the new budget model. After this adjustment, the opening cumulative operating deficit for 2008-09 will be \$55.1 million as planned. The long-range budget plan for the operating fund provides for the reduction of the deficit to meet the requirement for a balanced budget by April 30, 2012.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

None

RECOMMENDATION:

That the Audit Committee recommends for approval the University of Toronto audited financial statements for the year ended April 30, 2008.