



UNIVERSITY OF
TORONTO

SUPPLEMENTARY FINANCIAL REPORT

April 30, 2020

HIGHLIGHTS

(Unaudited)

Year Ended April 30, 2020

(millions of dollars)

	Operating Fund	Ancillary Operations	Capital Fund	Restricted Funds	Total
Statement of Operations					
Revenues	\$ 2,843.8	\$ 193.1	\$ 84.5	\$ 504.8	\$ 3,626.2
Expenses	\$ 2,311.7	\$ 183.7	\$ 171.4	\$ 518.0	\$ 3,184.8
Net Income (Loss)	\$ 532.1	\$ 9.4	\$ (86.9)	\$ (13.2)	\$ 441.4
Balance Sheet					
Assets	\$ 1,839.0	\$ 311.7	\$ 5,260.7	\$ 3,315.4	\$ 10,726.8
Liabilities	\$ 1,794.1	\$ 175.0	\$ 1,614.3	\$ 712.4	\$ 4,295.8
Net Assets	\$ 44.9	\$ 136.7	\$ 3,646.4	\$ 2,603.0	\$ 6,431.0
Net Assets composed of:					
Endowments				\$ 2,510.1	\$ 2,510.1
Investment in Capital Assets		\$ 100.7	\$ 3,424.6		\$ 3,525.3
Internally Restricted	\$ 15.6	\$ 57.0	\$ 354.1	\$ 92.9	\$ 519.6
Surplus (Deficit)	\$ 29.3	\$ (21.0)	\$ (132.3)		\$ (124.0)
	\$ 44.9	\$ 136.7	\$ 3,646.4	\$ 2,603.0	\$ 6,431.0

HIGHLIGHTS

(Unaudited)

Year Ended April 30, 2019

(millions of dollars)

	Operating Fund	Ancillary Operations	Capital Fund	Restricted Funds	Total
Statement of Operations					
Revenues	\$ 2,756.2	\$ 205.4	\$ 78.4	\$ 552.7	\$ 3,592.7
Expenses	\$ 2,192.7	\$ 192.3	\$ 160.7	\$ 542.3	\$ 3,088.0
Net Income (Loss)	\$ 563.5	\$ 13.1	\$ (82.3)	\$ 10.4	\$ 504.7
Balance Sheet					
Assets	\$ 1,742.1	\$ 311.1	\$ 5,025.5	\$ 3,325.9	\$ 10,404.6
Liabilities	\$ 1,508.4	\$ 189.6	\$ 1,608.5	\$ 647.7	\$ 3,954.2
Net Assets	\$ 233.7	\$ 121.5	\$ 3,417.0	\$ 2,678.2	\$ 6,450.4
Net Assets composed of:					
Endowments				\$ 2,593.2	\$ 2,593.2
Investment in Capital Assets		\$ 99.9	\$ 3,328.1		\$ 3,428.0
Internally Restricted	\$ 199.7	\$ 48.1	\$ 258.3	\$ 85.0	\$ 591.1
Surplus (Deficit)	\$ 34.0	\$ (26.5)	\$ (169.4)		\$ (161.9)
	\$ 233.7	\$ 121.5	\$ 3,417.0	\$ 2,678.2	\$ 6,450.4

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 surplus (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 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 mainly 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, 2020
(with comparative figures at April 30, 2019)
(millions of dollars)

	Operating fund	Ancillary operations	Capital fund	Restricted funds	2020 Total	2019 Total
ASSETS						
Current						
Cash and cash equivalents	141.5	6.3		1.0	148.8	111.9
Short-term investments	1,592.6	72.8	424.4	(1,016.0)	1,073.8	1,905.4
Accounts receivable	78.2	13.3	8.3	119.4	219.2	114.9
Inventories and prepaid expenses	26.7	6.5			33.2	21.6
Investments at fair value				4,194.5	4,194.5	3,241.5
Capital assets, net		212.8	4,828.0	16.5	5,057.3	5,009.3
	<u>1,839.0</u>	<u>311.7</u>	<u>5,260.7</u>	<u>3,315.4</u>	<u>10,726.8</u>	<u>10,404.6</u>
LIABILITIES						
Current						
Accounts payable and accrued liabilities	348.0	30.9	42.6	12.1	433.6	454.6
Deferred contributions				700.3	700.3	627.3
Accrued pension liability	606.4				606.4	307.7
Employee future benefit obligation other than pension	643.5				643.5	625.1
Internal loans	196.2	139.4	(335.6)			
Long-term debt			709.0		709.0	711.0
Deferred capital contributions		4.7	1,198.3		1,203.0	1,228.5
	<u>1,794.1</u>	<u>175.0</u>	<u>1,614.3</u>	<u>712.4</u>	<u>4,295.8</u>	<u>3,954.2</u>
NET ASSETS						
Surplus (deficit)	29.3	(21.0)	(132.3)		(124.0)	(161.9)
Internally restricted	15.6	57.0	354.1	92.9	519.6	591.1
Investment in capital assets		100.7	3,424.6		3,525.3	3,428.0
Endowments				2,510.1	2,510.1	2,593.2
	<u>44.9</u>	<u>136.7</u>	<u>3,646.4</u>	<u>2,603.0</u>	<u>6,431.0</u>	<u>6,450.4</u>
	<u>1,839.0</u>	<u>311.7</u>	<u>5,260.7</u>	<u>3,315.4</u>	<u>10,726.8</u>	<u>10,404.6</u>

Schedule 2
(Unaudited)
UNIVERSITY OF TORONTO
STATEMENT OF OPERATIONS AND CHANGES IN SURPLUS (DEFICIT)
FOR THE YEAR ENDED APRIL 30
(millions of dollars)

	Operating fund	Ancillary operations	Capital fund	Restricted funds	2020 Total	2019 Total
REVENUES						
Student fees	1,800.6	11.5	0.9		1,813.0	1,727.5
Government grants for general operations	719.2				719.2	726.5
Government and other grants for restricted purposes		0.6	70.9	391.8	463.3	469.4
Sales, services and sundry income	187.8	179.4	0.2		367.4	362.4
Investment Income	136.2	1.6	5.4	34.7	177.9	204.6
Donations			7.1	78.3	85.4	102.0
	<u>2,843.8</u>	<u>193.1</u>	<u>84.5</u>	<u>504.8</u>	<u>3,626.2</u>	<u>3,592.4</u>
EXPENSES						
Salaries	1,350.1	9.3		219.6	1,579.0	1,472.2
Employee benefits	328.7	2.4		24.1	355.2	348.9
Scholarships, fellowships and bursaries	223.6			35.8	259.4	254.8
Materials, supplies and services	127.7	1.8		103.8	233.3	221.3
Amortization of capital assets	18.7	19.8	160.3	2.6	201.4	189.1
Inter-institutional contributions	39.3			92.3	131.6	154.9
Repairs, maintenance and leases	93.6	18.3	11.1	7.5	130.5	135.1
Cost of sales and services		112.6			112.6	117.4
Utilities	39.0	9.6		1.0	49.6	49.3
Travel and conferences	32.9			20.9	53.8	56.6
Interest on long-term debt	26.0	9.9		2.1	38.0	38.4
Other	32.1			8.3	40.4	49.7
	<u>2,311.7</u>	<u>183.7</u>	<u>171.4</u>	<u>518.0</u>	<u>3,184.8</u>	<u>3,087.7</u>
Net income (loss)	532.1	9.4	(86.9)	(13.2)	441.4	504.7
Net transfer between funds	(203.7)	5.9	173.8	24.0		
Transfer of capital assets funding	(142.5)		142.5			
Change in internally restricted	(190.6)	(8.9)	(95.8)	(7.9)	(303.2)	(410.0)
Change in investment in capital assets		(0.9)	(96.5)		(97.4)	(175.2)
Transfers of donations to endowments				(18.1)	(18.1)	(7.8)
Transfer to internally restricted endowments				15.2	15.2	(5.8)
Net change in surplus (deficit) for the year	(4.7)	5.5	37.1		37.9	(94.1)
Surplus (deficit), beginning of year	34.0	(26.5)	(169.4)		(161.9)	(67.8)
Surplus (deficit), end of year	<u>29.3</u>	<u>(21.0)</u>	<u>(132.3)</u>		<u>(124.0)</u>	<u>(161.9)</u>

Operating Fund

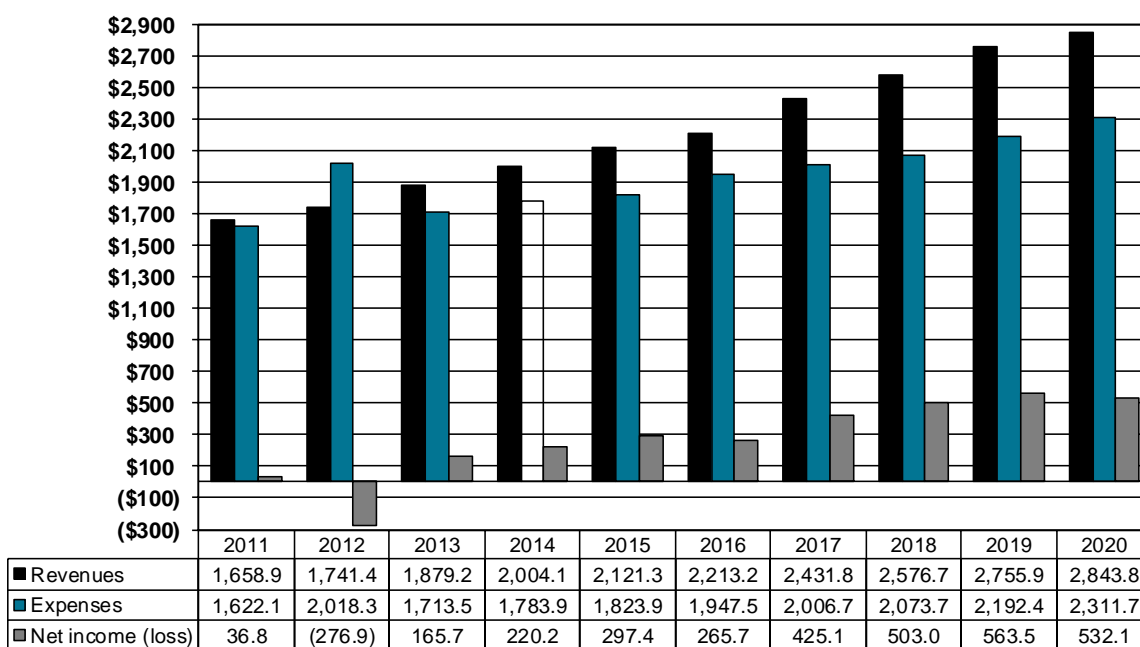
The **operating fund** includes teaching and administrative activities supported mainly by government operating grants, student fees and sales of supplies and services.

Operating fund revenues for the year were \$2.8 billion; expenses were \$2.3 billion resulting in a net income of \$532 million. Growth in operating fund revenues and expenses primarily reflected planned and expected increases in the number of students.

Effective in fiscal 2012, the University accounts for its employee future benefits (pensions and other employee future benefits) using the immediate recognition approach which has the impact of fully recording the deficit from its pension plan and employee future benefits other than pensions on the balance sheet and statement of operations. The net loss in 2012 resulted from recording the actual return on plan assets and actuarial gains and losses in the statement of operations. Beginning in fiscal 2013, the difference between actual and expected return on plan assets and actuarial gains (losses) (remeasurements) are recognized directly in net assets and do not flow through the statement of operations.

Operating Fund Revenues and Expenses

for the year ended April 30
(millions of dollars)



The cumulative operating surplus at April 30, 2020 is \$29 million, whereas the long-range operating budget called for a break even position.

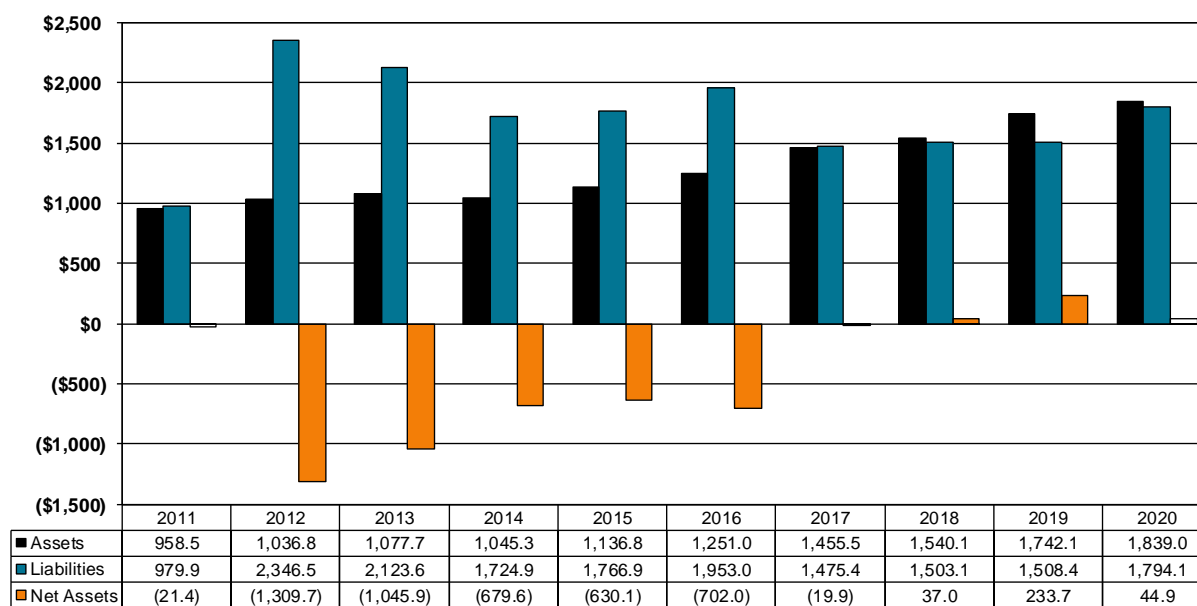
The 2020 net income in the operating fund is a result of:

Capital asset expenditures not shown as expenses but transferred to the capital fund and added to the balance sheet as capital assets	142
Net change in employee future benefit obligations (excluding remeasurements)	71
Transfers to other funds not expensed in the operating fund	204
Last year's general university saving distributed to academic divisions	(34)
General University saving for University priorities	29
Unspent funds added to reserves	120
	532

Operating fund assets at April 30, 2020 were \$1.8 billion, liabilities were \$1.8 billion, and net assets were \$45 million.

Operating Fund Assets, Liabilities and Net Assets

as at April 30
(millions of dollars)



The net assets decreased from \$234 million in 2019 to \$45 million in 2020 mainly due to the following:

- \$532 million net income for the year.
- (\$374 million) increase in employee future benefit obligations from remeasurement calculations reported as a direct decrease in net assets.
- (\$346 million) net transfers to other funds.

The transfers to other funds were as follows:

- \$142 million to the capital fund to reflect operating funding of capital asset expenditures recorded as capital assets in the capital fund.
- \$204 million transfer mainly to the capital fund for various projects.

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

- \$29 million surplus.
- \$16 million of internally restricted net assets.

The \$29 million surplus is the “cumulative surplus” of the operating fund which is referenced in the University’s Operating Budget Report. The cumulative surplus has decreased from \$34 million at April 30, 2019 to \$29 million at April 30, 2020, mainly due to the following:

- \$532 million net income.
- (\$346 million) net transfers to other funds as noted above.
- (\$191 million) change in internally restricted net assets, mainly due to an increase in capital project reserves and employee future benefit obligations reserves (excluding remeasurements).

Internally restricted net assets of \$16 million mainly includes divisional reserves of \$724 million, funds set aside for capital projects of \$496 million and funds set aside for other purposes of \$12 million offset by \$1.2 billion of net unfunded liabilities consisting of \$680 million associated with its pension plan and \$537 million associated with its employee future benefits other than pensions that will have to be paid from future years’ operating fund revenues.

Schedule 3 is a summary of operating fund reserves that comprise the \$16 million in internally restricted net assets. Included in this schedule are plans by 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:

Infrastructure Reserve - This category is intended to capture funds that have been reserved by the division in anticipation of new building construction, renovations to facilities, infrastructure upgrades such as computer networking, equipment replacement, etc.

Research - Funds reserved for research are to be included in this category. 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 reserved for Canada Research Chairs and any related research allowance.

Student Assistance - This category captures funds reserved for scholarships, bursaries and other student assistance.

Endowment Matching - This category captures funds reserved to match future external donor contributions. The division must have a written plan that defines what type of contributions it will match (i.e. chairs and professorships, student aid, academic programs and research), with a set limit for the matching.

Operating Contingency - This category is intended to capture divisional operating contingency reserves. Funds in this category include reserves for anticipated budget reductions, voluntary early retirement payouts, increases in university-wide costs, and fluctuations in revenues due to enrolment shortfalls and lower investment returns. The total operating reserve contingency would normally fall in range of 5% to 10% of the division’s total operating expense budget. Divisions with greater distributed risk (i.e. large international enrolment, significant growth, high levels of external revenue, etc.) may establish larger operating contingency reserves.

**Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2020**
(with comparative figures at April 30, 2019)
(thousands of dollars)

	<u>2020</u>	<u>2019</u>
	<u>Total</u>	<u>Total</u>
<u>Divisional reserves</u>		
Academic	542,454	626,665
Academic services	11,095	8,975
Student services	23,904	22,584
Student assistance	15,842	12,896
Facilities & services	35,814	37,795
Administration	26,417	30,270
General university	68,456	81,156
Total divisional reserves	<u>723,982</u>	<u>820,341</u>
<u>Central reserves</u>		
<u>Capital</u>		
Future major capital project reserves	428,642	234,334
Other infrastructure reserves	67,162	52,620
	<u>495,804</u>	<u>286,954</u>
<u>Other</u>		
Research overhead	3,769	3,769
Priorities fund	8,425	2,062
Loss on interest rate swaps		(1,441)
	<u>12,194</u>	<u>4,390</u>
Total central reserves	<u>507,998</u>	<u>291,344</u>
<u>Employee benefit reserves</u>		
Pension	(706,450)	(413,649)
Pension plan reserve	26,744	19,844
Medical benefits	(574,262)	(559,156)
Other plans	37,591	40,978
Total employee benefit reserves	<u>(1,216,377)</u>	<u>(911,983)</u>
Total internally restricted net assets	<u>15,603</u>	<u>199,702</u>
Net change in internally restricted for the year	<u>(184,099)</u>	
<u>Consisting of:</u>		
Change in internally restricted reported in statement of operations	190,617	
Reported as remeasurements in statement of changes in net assets	(374,716)	
	<u>(184,099)</u>	

**Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2020**
(with comparative figures at April 30, 2019)
(thousands of dollars)

	2020					2019	
	Infrastructure Reserve	Research	Student Assistance	Endowment Matching	Operating Contingency	Total	Total
ACADEMIC:							
Arts and Science, TYP, SCS:							
Faculty of Arts and Science	18,779	67,215	17,062	190	41,995	145,241	173,034
Transitional Year Programme	75	45	15		820	955	868
UTSC academic	1,429	20,858	584		15,691	38,562	71,357
UTM academic	2,978	18,866			6,202	28,046	26,402
School of Continuing Studies	6,604		827	950	3,440	11,821	9,823
	<u>29,865</u>	<u>106,984</u>	<u>18,488</u>	<u>1,140</u>	<u>68,148</u>	<u>224,625</u>	<u>281,484</u>
Health sciences:							
Faculty of Dentistry	8,000	3,068	160		6,813	18,041	13,367
Faculty of Medicine	11,386	26,078	4,784	681	15,659	58,588	49,297
Dalla Lana School of Public Health		3,042	552		10,119	13,713	11,245
Lawrence S. Bloomberg Faculty of Nursing	680	1,465	157		1,234	3,536	3,983
Leslie Dan Faculty of Pharmacy	1,835	6,917	2,729	500	1,627	13,608	12,693
Faculty of Kinesiology & Physical Education	2,517	1,363	465	1,000	224	5,569	7,585
	<u>24,418</u>	<u>41,933</u>	<u>8,847</u>	<u>2,181</u>	<u>35,676</u>	<u>113,055</u>	<u>98,170</u>
Other professional faculties:							
Faculty of Applied Science and Engineering	11,035	45,083	4,573	425	16,419	77,535	78,878
John H. Daniels Faculty of Architecture, Landscape and Design		1,335	228		2,674	4,237	7,950
Rotman School of Management	11,241	6,586	2,626	4,000	2,363	26,816	22,869
OISE/UT	14,400	3,800	1,600		31,097	50,897	43,416
Faculty of Law		1,485	2,078	2,750	1,911	8,224	7,795
Faculty of Information		565	264		1,752	2,581	6,911
Faculty of Music	71	675	89		38	873	(11,340)
Factor-Inwentash Faculty of Social Work		853			1,314	2,167	2,484
	<u>36,747</u>	<u>60,382</u>	<u>11,458</u>	<u>7,175</u>	<u>57,568</u>	<u>173,330</u>	<u>158,963</u>
Other academic costs:							
University-wide reserves	27,677	348	43	1,250	63,624	92,942	121,510
Vacation Pay accrual - Academic					(38,796)	(38,796)	(33,462)
Voluntary Academic Retirement Program					(22,702)	(22,702)	
TOTAL ACADEMIC	<u>118,707</u>	<u>209,647</u>	<u>38,836</u>	<u>11,746</u>	<u>163,518</u>	<u>542,454</u>	<u>626,665</u>

**Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2020**

(with comparative figures at April 30, 2019)
(thousands of dollars)

	2020					2019	
	Infrastructure Reserve	Research	Student Assistance	Endowment Matching	Operating Contingency	Total	Total
ACADEMIC SERVICES:							
St. George Libraries		466			1,577	2,043	1,844
UTSC library	3,307	398			1,506	5,211	5,159
UTM library		84			673	757	811
Library - Electronic Acquisitions					3,084	3,084	1,161
TOTAL ACADEMIC SERVICES	3,307	948			6,840	11,095	8,975
STUDENT SERVICES:							
St. George campus	781		170		677	1,628	2,934
UTSC campus	2,434		79		9,067	11,580	12,459
UTM campus					5,324	5,324	4,476
Athletics and Recreation	3,238	52	816		1,266	5,372	2,715
TOTAL STUDENT SERVICES	6,453	52	1,065		16,334	23,904	22,584
STUDENT ASSISTANCE:							
St. George campus			15,656			15,656	12,847
UTSC campus			133		50	183	38
UTM campus			3			3	11
TOTAL STUDENT ASSISTANCE			15,792			15,842	12,896
FACILITIES & SERVICES							
St. George campus	17,992				7,953	25,945	26,154
UTSC campus	6,031				2,943	8,974	11,108
UTM campus	515				380	895	533
TOTAL FACILITIES & SERVICES	24,538				11,276	35,814	37,795

**Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2020**
(with comparative figures at April 30, 2019)
(thousands of dollars)

	2020					2019	
	Infrastructure Reserve	Research	Student Assistance	Endowment Matching	Operating Contingency	Total	Total
ADMINISTRATION:							
Office of the Governing Council	110				995	1,105	1,102
Office of the President					29	29	46
Convocation and Institutional events					261	261	165
Chief Financial Officer					1,605	1,605	2,353
Vice-President and Provost	2,443	178			1,843	4,464	5,754
Vice-President - Research and Innovation					1,267	1,267	2,252
Vice-President - Communications					1,245	1,245	3,790
Vice-President - Advancement					1,334	1,334	1,627
Vice-President - International					451	451	441
Chief Government Relations					(18)	(18)	139
Vice-President - University Operations					8,226	8,226	4,559
Vice-President - Human Resources and Equity			102		1,981	2,083	4,268
UTSC campus	3,400	854			10,443	14,697	12,386
UTM campus	72				723	795	785
Vacation Pay accrual - Administration					(11,127)	(11,127)	(9,397)
TOTAL ADMINISTRATION:	6,025	1,134			19,258	26,417	30,270
GENERAL UNIVERSITY:							
Vice-President - Human Resources and Equity					1,309	1,309	2,479
CFO - LTBP expendable funds					37,092	37,092	60,426
CFO - Investment income reserve					11,589	11,589	
Vice-President - University Operations	7,356	1,514			9,596	18,466	18,251
TOTAL GENERAL UNIVERSITY	7,356	1,514			59,586	68,456	81,156
TOTAL DIVISIONAL RESERVES	166,386	213,295	55,693	11,746	276,812	723,982	820,341

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 for not-for-profit organizations in Canada (“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 GAAP, while the operating budget includes the projected cash premiums and funding to be paid in the year.

These differences require a (\$10) million adjustment to financial statement revenues and a \$50 million adjustment to expenses to make the numbers comparable to budget. Once these adjustments have been made, it is possible to compare the operating budget with the year-end results and to assess how closely actual results conformed to plan. In summary, the adjustments between the financial statements and the operating budget are as follows:

	Financial Statements	Adjustments	Adjusted Financial Statements	Operating budget	Favourable (unfavourable) variance	% Variance
Operating fund revenues	2,843.8	(9.7)	2,834.1	2,725.5	108.6	4.0%
Operating fund expenses	2,311.7	50.5	2,362.2	2,725.5	363.4	
Capital asset transfer	142.5		142.5		(142.5)	
	2,454.2	50.5	2,504.7	2,725.5	220.8	8.1%
Net income	389.6	(60.2)	329.4		329.4	

Total operating fund revenues, after adjustments, were \$2,834 million, compared to budgeted revenues of \$2,726 million, resulting in a favourable variance of \$109 million, or 4.0%. This favourable variance was primarily due to:

- a favourable student fees variance of \$50 million consisting of tuition fee variance of \$25 million primarily as a result of international enrolments exceeding targets and a \$25 million favourable variance in student fees from academic programs for which no provincial government funding is provided,
- a favourable investment income variance of \$6 million due to higher than budgeted investment returns in the expendable investment pool, and
- a favourable variance of \$62 million in divisional sales and services.

Total operating fund expenses, after adjustments, were \$2,505 million, as compared to budgeted expenses of \$2,726 million resulting in a favourable variance of \$221 million primarily due to underspending in academic divisions. 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, 2020
(millions of dollars)

	ACTUAL		Adjusted Financial Statements	BUDGET	VARIANCE
	Financial Statements	Adjustments		Original budget	Favourable (Unfavourable)
REVENUES					
General university income:					
Provincial grants	639.6	0.2	639.8	648.3	(8.5)
Indirect cost recovery of grants and contracts	57.0	(0.2)	56.8	57.0	(0.2)
Student fees	1,572.0	(30.4)	1,541.6	1,517.0	24.6
Investment income:					
Endowment (chairs and student aid)	69.3		69.3	65.9	3.4
Other	66.8	3.6	70.4	67.5	2.9
Sundry income	30.6	(13.3)	17.3	17.3	
Municipal taxes	4.9		4.9	4.9	
	<u>2,440.2</u>	<u>(40.1)</u>	<u>2,400.1</u>	<u>2,377.9</u>	<u>22.2</u>
Divisional income:					
Provincial grants	34.2		34.2	35.0	(0.8)
Student fees	213.4	30.4	243.8	218.4	25.4
Sales and services	156.0		156.0	94.2	61.8
	<u>403.6</u>	<u>30.4</u>	<u>434.0</u>	<u>347.6</u>	<u>86.4</u>
	<u>2,843.8</u>	<u>(9.7)</u>	<u>2,834.1</u>	<u>2,725.5</u>	<u>108.6</u>
EXPENSES					
Academic	1,454.7	5.7	1,460.4	1,650.8	190.4
Academic services	104.1	1.8	105.9	97.2	(8.7)
Student services	102.5	2.0	104.5	103.5	(1.0)
Student assistance	238.4	0.3	238.7	233.9	(4.8)
Physical plant maintenance and services	95.3	2.2	97.5	134.0	36.5
Physical plant utilities	58.0		58.0	60.4	2.4
Alterations and renovations	11.1	(11.1)			
Administration	257.0	6.3	263.3	261.5	(1.8)
Amortization	18.7	(18.7)			
Interest expense	26.1	(26.1)			
General university expense	82.1	88.1	170.2	178.0	7.8
Municipal taxes	6.2		6.2	6.2	
	<u>2,454.2</u>	<u>50.5</u>	<u>2,504.7</u>	<u>2,725.5</u>	<u>220.8</u>
Operating results before the following:	389.6	(60.2)	329.4		329.4
Change in internally restricted funds	(190.6)	60.2	(130.4)		(130.4)
Transfers	(203.7)		(203.7)		(203.7)
NET CHANGE IN SURPLUS FOR THE YEAR	<u>(4.7)</u>		<u>(4.7)</u>		<u>(4.7)</u>

Ancillary Operations

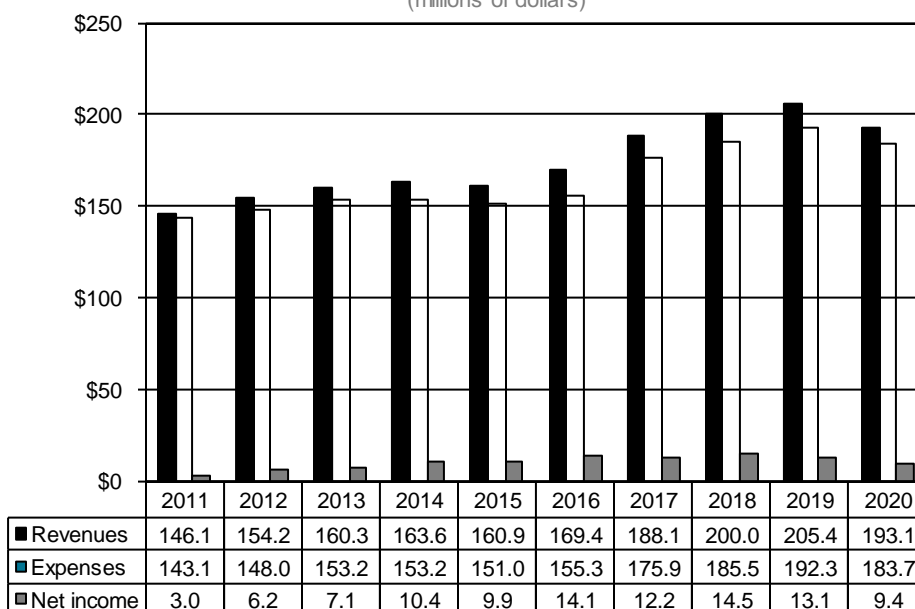
Ancillary operations include service ancillaries (residences, food and beverage services, parking, and Hart House) and business ancillaries (Residential Housing and U of T Press). All ancillary assets, liabilities, net assets, revenues and expenses are recorded in this fund.

Over the periods 2011 to 2020, ancillary revenues grew from \$146 million to \$193 million, expenses grew from \$143 million to \$184 million, and net income increased from \$3 million to \$9 million. Residence fees over the past years have been increased to keep pace with increased expenses, which included large fixed rate principal and interest payments on borrowing.

The St. George Food and Beverage services changed its business model as of August 1, 2016 to support the new operation that combines residential, retail and catering operations from the former St. George operation, the Chestnut Residence, and New College. Under this model, the food service operation is done in-house instead of being outsourced to a third party resulting in the sales from St. George Food and Beverage Services to be recorded as revenue on a gross basis instead of reporting only the commission earned on food sales from a third party. This change in the business model has resulted in an increase in both total revenues and total expenses since 2017.

Ancillary operations Revenues and Expenses

for the year ended April 30
(millions of dollars)

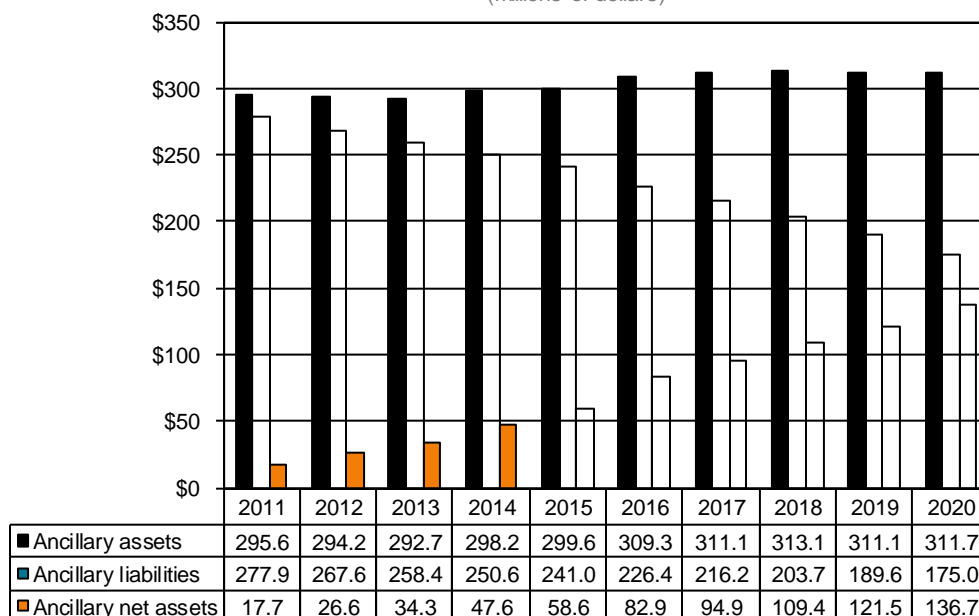


Ancillaries as a group generated net income of \$9.4 million in 2020. After net transfers in of \$5.9 million less \$9.8 million committed for future spending, the cumulative deficit was \$21.0 million at April 30, 2020.

Ancillary assets increased from \$296 million in 2011 to \$312 million in 2020 and liabilities decreased from \$278 million in 2011 to \$175 million in 2020 as ancillaries paid down their capital financing. Net assets grew from \$18 million to \$137 million over the same period, essentially reflecting the continued success of service operations with filling residence and parking spaces, while reducing their debt burden.

Ancillary operations Balance Sheet

as at April 30
(millions of dollars)



At April 30, 2020, net assets were \$137 million, an increase of \$15 million from April 30, 2019, due to the following:

- \$9 million net income for the year.
- \$6 million transferred from other funds.

There are three categories of net assets for ancillary operations which together total \$137 million. They are:

- (\$21 million) in deficit.
- \$57 million in internally restricted net assets.
- \$101 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 deficit. Over time, investment in capital assets will be reduced as the capital assets are amortized, and the deficit will be decreased 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, 2020
(with comparative figures for the year ended Apr 30, 2019)
(thousands of dollars)

	Revenues	Expenses	Commitments and Transfers	Surplus/(Deficit)		Investment in Capital Assets	Internally Restricted	2020 Total Net Assets	2019 Total Net Assets
				Opening	Closing				
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Residences									
Graduate House	5,181	4,271	(99)	(6,159)	(5,348)	11,486	2,913	9,051	7,607
Scarborough	9,272	8,245	27	1,363	2,417	2,445	5,147	10,009	8,983
Mississauga	14,917	10,611	(2,875)	(3,145)	(1,714)	9,006	4,311	11,603	7,447
University College	7,179	6,799	561	2,098	3,039	2,889	1,169	7,097	6,867
Innis College	3,908	2,701	(605)	711	1,313	866	3,066	5,245	4,384
New College	9,692	8,364	1,025	(2,253)	100	1,856	1,153	3,109	542
Family Housing	9,874	7,946	(818)	1,657	2,767	350	4,500	7,617	6,569
Woodsworth College	5,155	4,692	966	(10,877)	(9,448)	15,252	3,000	8,804	8,340
89 Chestnut	14,719	16,868	2,898	(7,647)	(6,898)	7,822	0	924	1,008
	<u>79,897</u>	<u>70,497</u>	<u>1,080</u>	<u>(24,252)</u>	<u>(13,772)</u>	<u>51,972</u>	<u>25,259</u>	<u>63,459</u>	<u>51,747</u>
Food/Beverage Service									
St. George	27,674	30,906	(1,127)	(5,522)	(9,881)	2,615	2,448	(4,818)	(2,517)
Scarborough	955	847	(31)	155	232	521	252	1,005	946
Mississauga	3,966	3,020	(2,335)	2,596	1,207	2,644	3,056	6,907	5,962
University College	3,636	4,204	(186)	386	(368)	229	745	606	1,323
	<u>36,231</u>	<u>38,977</u>	<u>(3,679)</u>	<u>(2,385)</u>	<u>(8,810)</u>	<u>6,009</u>	<u>6,501</u>	<u>3,700</u>	<u>5,714</u>
Parking									
St. George	6,024	6,749	988	55	318	6,578	67	6,963	9,047
Scarborough	3,823	2,094	(1,981)	(4,292)	(4,544)	4,913	13,926	14,295	8,299
Mississauga	3,255	3,818	982	(6,423)	(6,004)	15,431	10	9,437	10,057
	<u>13,102</u>	<u>12,661</u>	<u>(11)</u>	<u>(10,660)</u>	<u>(10,230)</u>	<u>26,922</u>	<u>14,003</u>	<u>30,695</u>	<u>27,403</u>
Hart House	<u>18,928</u>	<u>17,334</u>	<u>(1,550)</u>	<u>1,165</u>	<u>1,209</u>	<u>8,623</u>	<u>10,146</u>	<u>19,978</u>	<u>18,385</u>
University of Toronto Press	42,086	41,903	459	8,338	8,980	1,389	0	10,369	10,186
Residential Housing	<u>2,856</u>	<u>2,284</u>	<u>(272)</u>	<u>1,331</u>	<u>1,631</u>	<u>5,790</u>	<u>1,107</u>	<u>8,528</u>	<u>8,031</u>
	<u>44,942</u>	<u>44,187</u>	<u>187</u>	<u>9,669</u>	<u>10,611</u>	<u>7,179</u>	<u>1,107</u>	<u>18,897</u>	<u>18,217</u>
Total	<u>193,100</u>	<u>183,656</u>	<u>(3,973)</u>	<u>(26,463)</u>	<u>(20,992)</u>	<u>100,705</u>	<u>57,016</u>	<u>136,729</u>	<u>121,466</u>

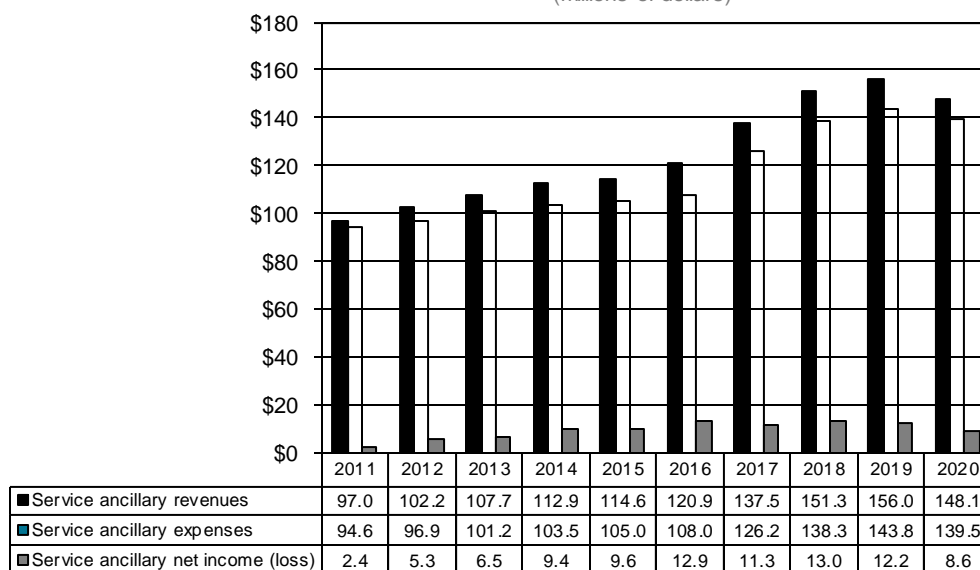
Service Ancillaries

Service ancillaries had revenues of \$148 million and expenses of \$140 million, with a net income of \$9 million for the year. Service ancillary revenues have increased by 52.7% since 2011 and expenses have risen by 47.5% during the same period. This increase is due to the expansion of residences, food and beverage and parking services to deal with the growth in student enrolment. Residence fees over the past nine years have been increased to keep pace with increased expenses, including large fixed rate principal and interest payments on borrowing.

As stated previously, the St. George Food and Beverage services changed its business model as of August 1, 2016 to support the new operation that combines residential, retail and catering operations from the former St. George operation, the Chestnut Residence, and New College.

Ancillary operations - Service Ancillaries Revenues and Expenses

for the year ended April 30
(millions of dollars)

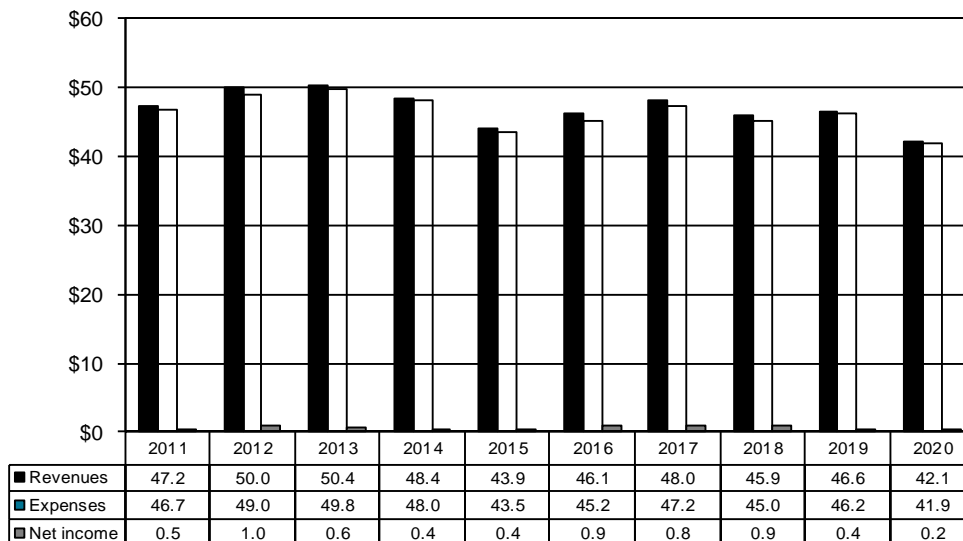


The long-term financial health of these operations is dependent upon filling the residence and parking spaces. Growth has largely been financed through long-term debt and through subsidies from their existing ancillary operations resulting in reduced operating margins.

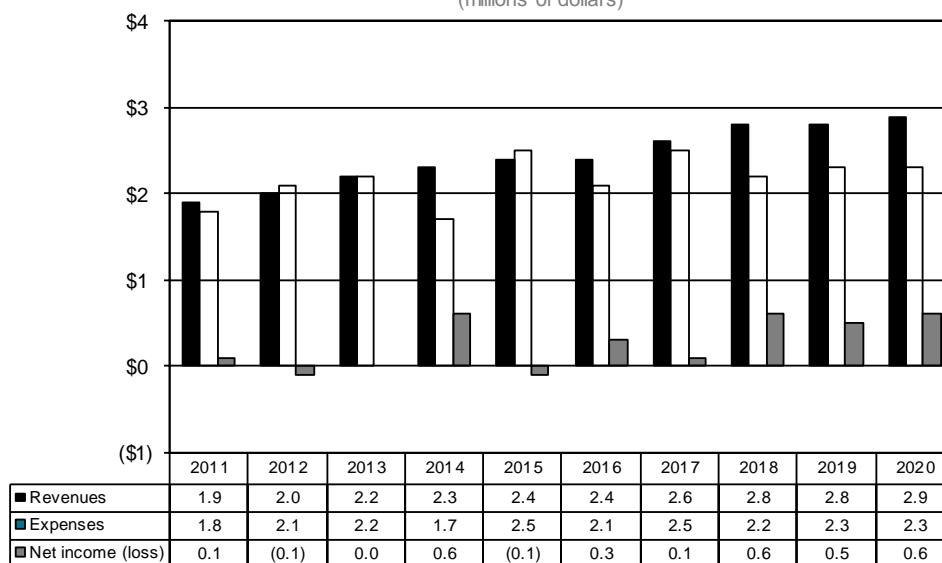
Business Ancillaries

Business ancillaries consists of the University of Toronto Press and the Residential Housing operations that manage over 80 residential addresses with more than 160 rental units in the Huron-Sussex neighbourhood. These operations had combined revenues of \$45 million and expenses of \$44 million, for a net income of \$1 million in 2020.

Ancillary operations - Business Ancillaries
University of Toronto Press
Revenues and Expenses
for the year ended April 30
(millions of dollars)



Ancillary operations - Business Ancillaries
Residential Housing
Revenues and Expenses
for the year ended April 30
(millions of dollars)



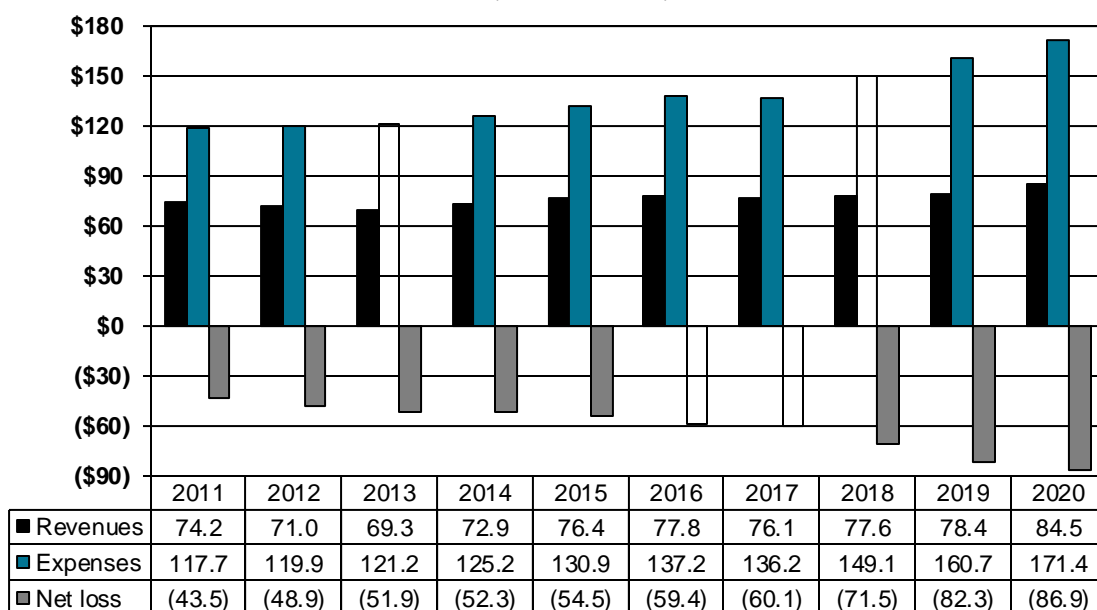
Capital Fund

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. This fund also holds the vast majority of the University's debt and in turn lends it out for capital construction and other projects to departments or operations that have the responsibility to repay the loan.

Capital fund revenues for the year were \$85 million and expenses were \$171 million, for a net loss of \$87 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 capital assets.

Capital Fund Revenues and Expenses

for the year ended April 30
(millions of dollars)



The reason for annual net losses in the capital fund 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 of the capital fund.

In 2020, a total of \$316 million was transferred to the capital fund. This was made up of \$142 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 \$174 million, mainly from the operating fund, in support of various capital projects.

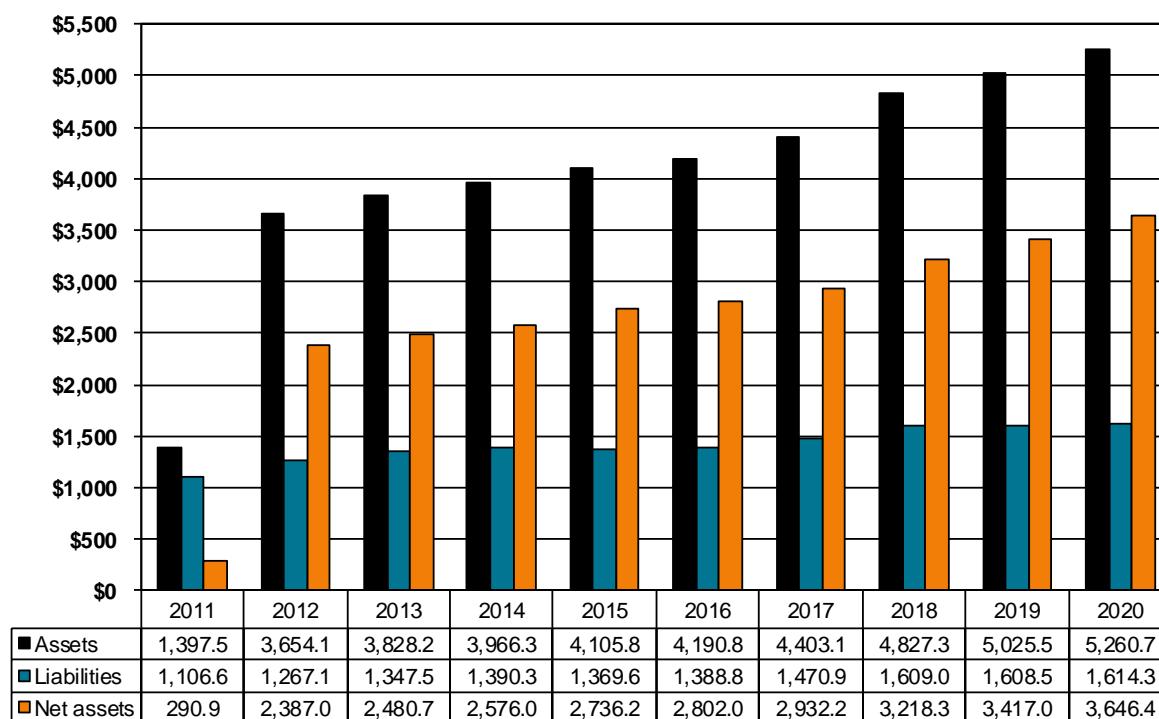
Effective May 1, 2011, the University was required to adopt new accounting standards. These standards were required to be accounted for retrospectively. The University elected to recognize some of its land at fair value which increased its capital assets and internally restricted net assets in fiscal 2012 by \$2.1 billion.

In 2020, capital fund assets were \$5.3 billion, liabilities were \$1.6 billion and net assets were \$3.6 billion. Net assets comprised \$3.4 billion investment in capital assets, \$354 million internally restricted funds offset by \$132 million in deficit.

The assets of the capital fund have grown from \$1.4 billion in 2011 to \$5.3 billion in 2020 primarily as a result of the University's large capital construction program over this period and recording some of its land at fair value as noted above. Liabilities have grown from \$1.1 billion in 2011 to \$1.6 billion in 2020. This growth in liabilities reflects the increase in long-term debt to \$709 million, and growth in deferred capital contributions to \$1.2 billion. This growth is partly offset by loans to other funds of \$336 million since the external borrowing of long-term debt is recorded in the capital fund and loans are provided to departments or operations that have the responsibility to repay the loans. These loans are recorded as a liability in the operating fund or ancillary operations, as appropriate, and are recorded as a receivable in the capital fund.

Capital Fund Balance Sheet

as at April 30
(millions of dollars)



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 fund. There are over 17,900 individual restricted funds.

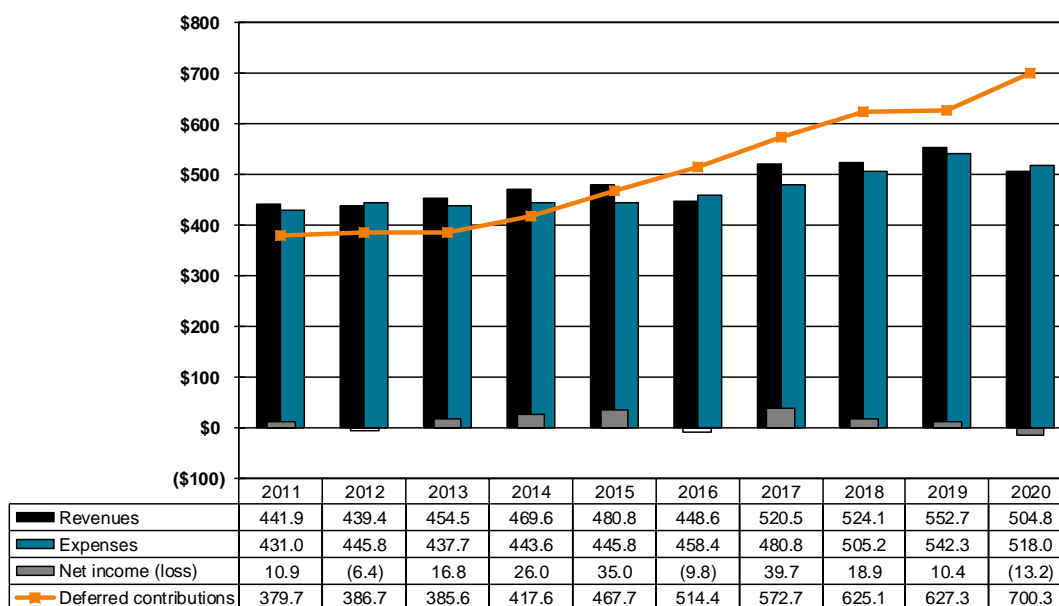
Restricted funds exclude research grants for capital assets and donations designated for capital assets, both of which are recorded in the capital fund. When restricted funds are provided for, or spent on, capital assets, they are recorded in the capital fund.

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, Expenses and Deferred Contributions

for the Year Ended April 30
(millions of dollars)



In 2020, restricted funds revenues for the year were \$505 million and expenses were \$518 million, resulting in net loss of \$13 million.

Net income in any particular year mainly reflects the recording of unrestricted donations and investment income as revenue that has not yet been 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.

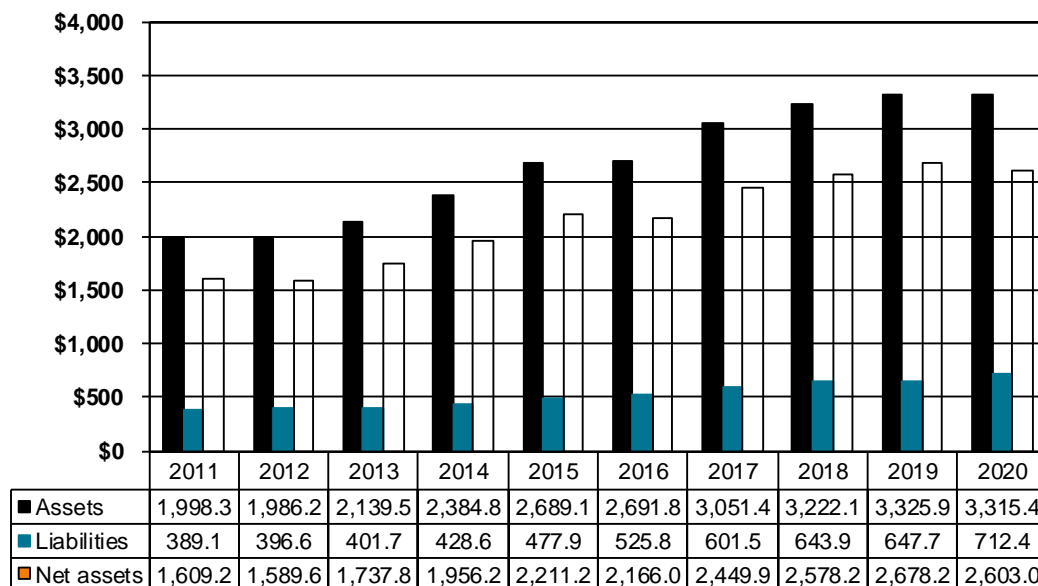
Restricted funds' assets were \$3.3 billion, liabilities were \$712 million, and net assets were \$2.6 billion. Net assets comprised \$2.5 billion in endowments and \$93 million in internally restricted funds.

Restricted funds' net assets decreased by \$75 million between April 30, 2019 and April 30, 2020 as a result of net loss of \$13 million and a further \$62 million as follows:

- a) transfers of \$24 million mainly from the operating fund,
- b) endowed contributions and investment losses on externally restricted endowments, which are not recorded as revenue, but are added (deducted) directly to (from) net assets:
 - o \$34 million in endowed donations.
 - o (\$120 million) reduction of externally restricted endowments, consisting of a \$41 million investment loss plus \$79 million withdrawn for payout.

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. Total liabilities have grown from \$389 million in 2011 to \$712 million in 2020 mainly as a result of the growth in research activity and restricted expendable donations that are reflected in deferred contributions until they are spent.

**Restricted Funds
Balance Sheet**
as at April 30
(millions of dollars)



Net assets in restricted funds have grown from \$1.6 billion in 2011 to \$2.6 billion in 2020.

Schedule 6 reflects the change in endowment funds from April 30, 2019 to April 30, 2020 with the related expendable funds.

Schedule 6
(Unaudited)
UNIVERSITY OF TORONTO
RESTRICTED FUNDS
ENDOWMENT AND EXPENDABLE FUNDS AT FAIR VALUES AT APRIL 30, 2020
(thousands of dollars)

	Endowment funds					Expendable funds					April 30, 2020
	April 30, 2019	Donations, and other additions	Preservation of capital (note 1)	Transfers	April 30, 2020	April 30, 2019	Donations, grants and other additions	Distributed investment income/(loss) (note 1)	Transfers	Disbursements	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Student aid (note 2)	590,613	18,274	(31,764)	10,388	587,511	59,055	7,843	(8,489)	4,420	-	62,829
Ontario Student Opportunity Trust Fund - Phase I (note 2)	390,406	452	(20,162)	46	370,742	29,640	-	272	(41)	-	29,871
Ontario Student Opportunity Trust Fund - Phase 2 (note 2)	46,764	-	(2,416)	21	44,369	3,447	-	188	(26)	-	3,609
Ontario Trust for Student Support (note 2)	88,331	115	(4,558)	51	83,939	4,867	-	199	22	-	5,088
Research funds	158,865	5	(8,144)	-	150,726	291,356	486,390	5,870	7,177	439,687	351,106
Departmental funds	378,736	9,937	(20,087)	1,839	370,425	266,020	67,702	39,448	1,347	90,858	283,659
Faculty endowment funds (note 2)	784,029	7,050	(41,136)	4,154	754,097	20,437	694	7,656	495	5,861	23,421
Connaught fund	117,877	-	(6,082)	-	111,795	6,871	-	4,251	(5,431)	170	5,521
lAnson fund	3,438	-	(178)	-	3,260	887	-	136	(800)	-	223
Miscellaneous funds	34,117	-	(921)	-	33,196	29,712	19,913	375	315	22,508	27,807
	<u>2,593,176</u>	<u>35,833</u>	<u>(135,448)</u>	<u>16,499</u>	<u>2,510,060</u>	<u>712,292</u>	<u>582,542</u>	<u>49,906</u>	<u>7,478</u>	<u>559,084</u>	<u>793,134</u>
Comprising:											
Externally designated	2,209,863	34,266	(120,219)	9,239	2,133,149						
Internally designated	383,313	1,567	(15,229)	7,260	376,911						
	<u>2,593,176</u>	<u>35,833</u>	<u>(135,448)</u>	<u>16,499</u>	<u>2,510,060</u>						
Restricted						627,336	575,406	41,568	7,410	551,462	700,258
Unrestricted						84,956	7,136	8,338	68	7,622	92,876
						<u>712,292</u>	<u>582,542</u>	<u>49,906</u>	<u>7,478</u>	<u>559,084</u>	<u>793,134</u>

Notes:

(1) Consisting of investment income on:

Endowment funds	(89,768)
Expendable funds	4,226
	<u>(85,542)</u>

(2) Disbursements and corresponding distributed investment income for Student aid (\$30,180), Ontario Student Opportunity Trust Funds (\$15,153), Ontario Trust for Student Support (\$2,936) and Faculty Endowments (\$21,040) are reported in the Operating Fund.



UNIVERSITY OF
TORONTO



UNIVERSITY OF
TORONTO

Financial Statements

**For the Year Ended
April 30, 2020**

Presentation to the Business Board

Key Numbers

Total Revenues
\$3.6 billion

Total Expenses
\$3.2 billion

Net Income
\$441 million

Total Assets
\$10.7 billion

Total Liabilities
\$4.3 billion

Net Assets
\$6.4 billion

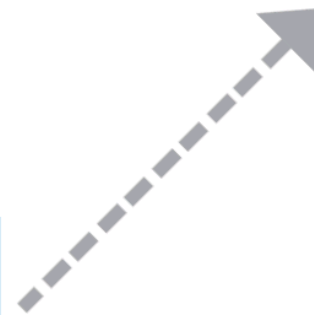
Student FTEs (November 1)
82,311

Net Assets is Composed of:

Deficit
(\$124 million)

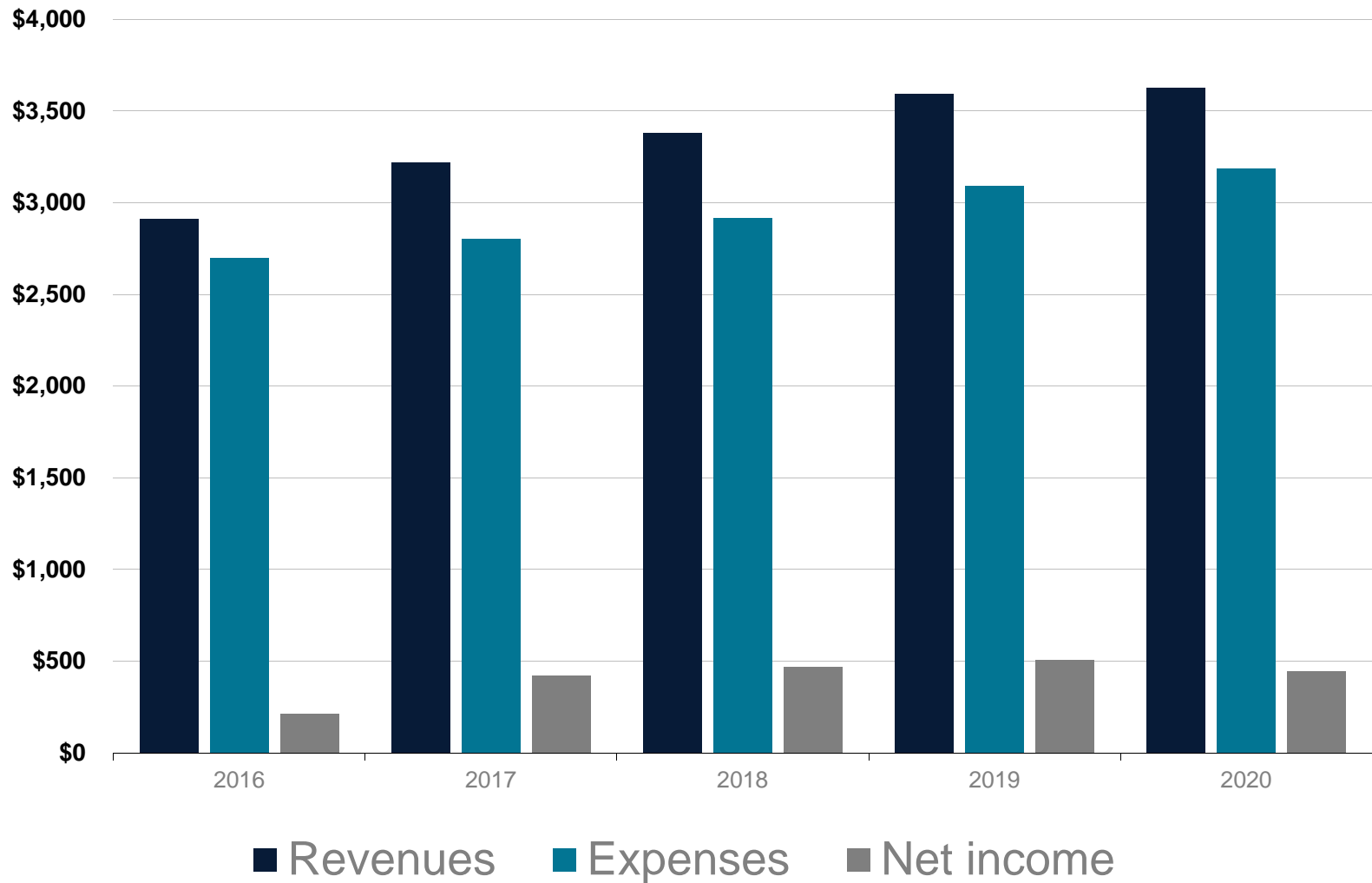
Internally restricted
\$4.0 billion

Endowments
\$2.5 billion



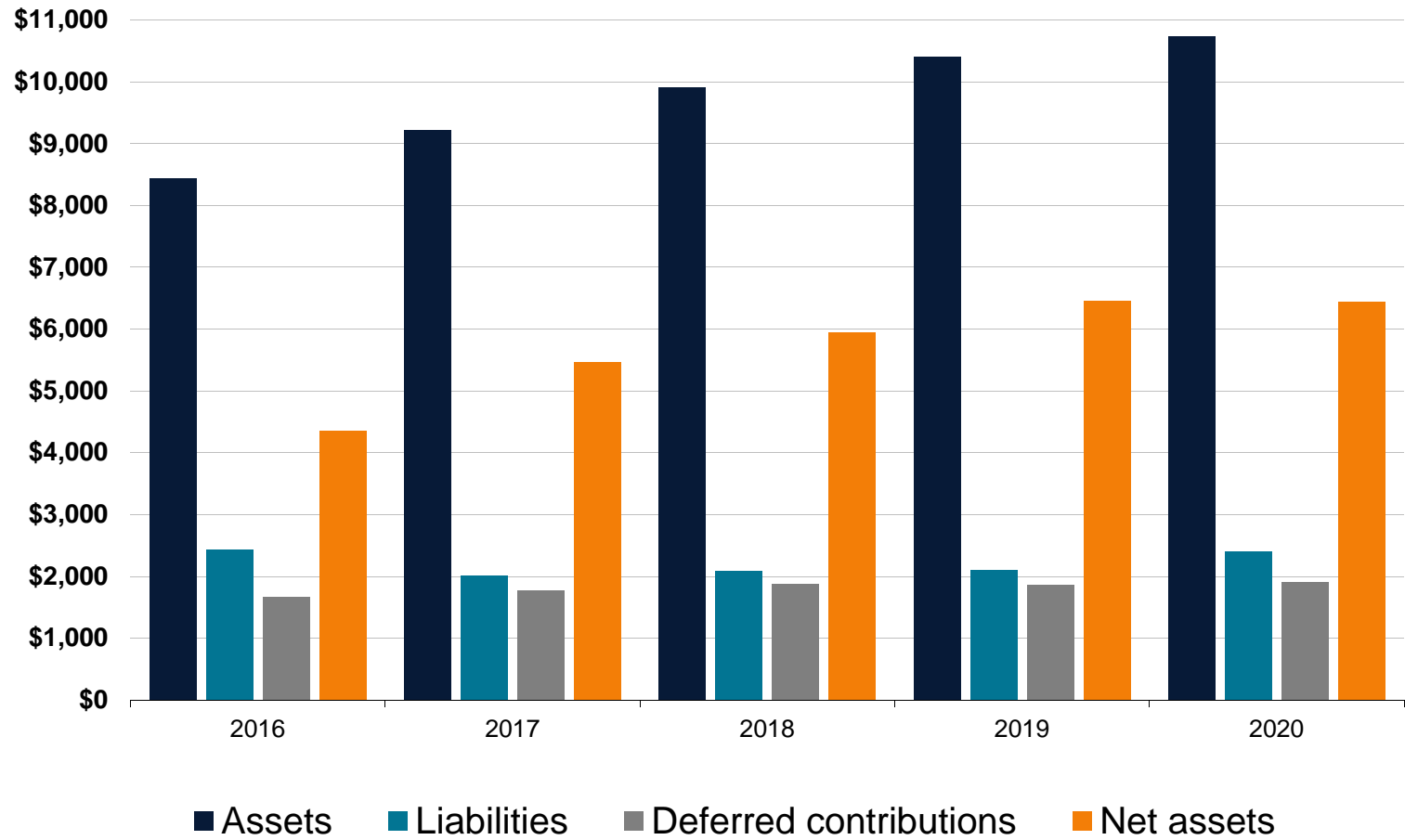
Revenues and Expenses

for the year ended April 30
(millions)



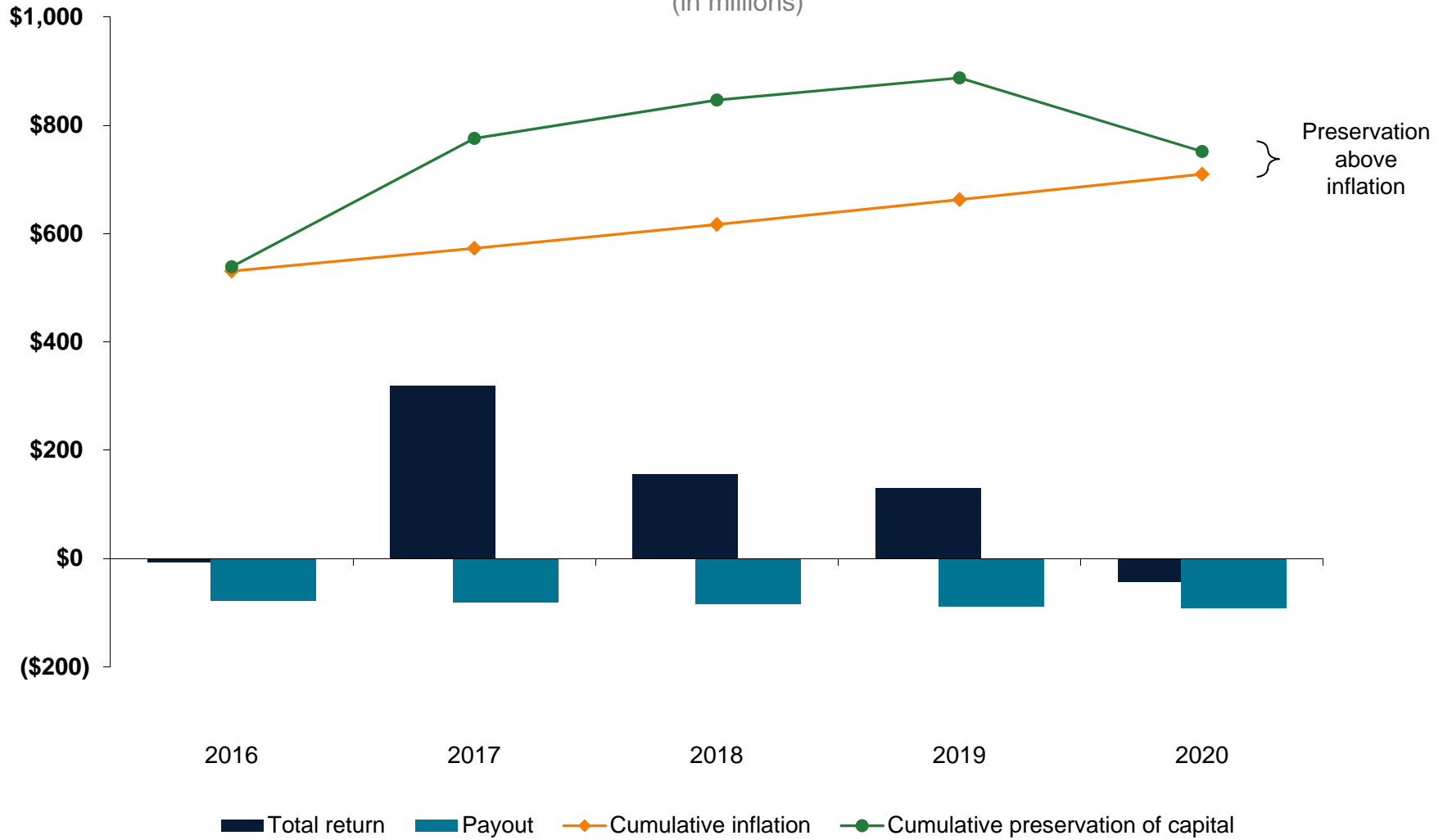
Assets, Liabilities and Net Assets

at April 30
(millions)

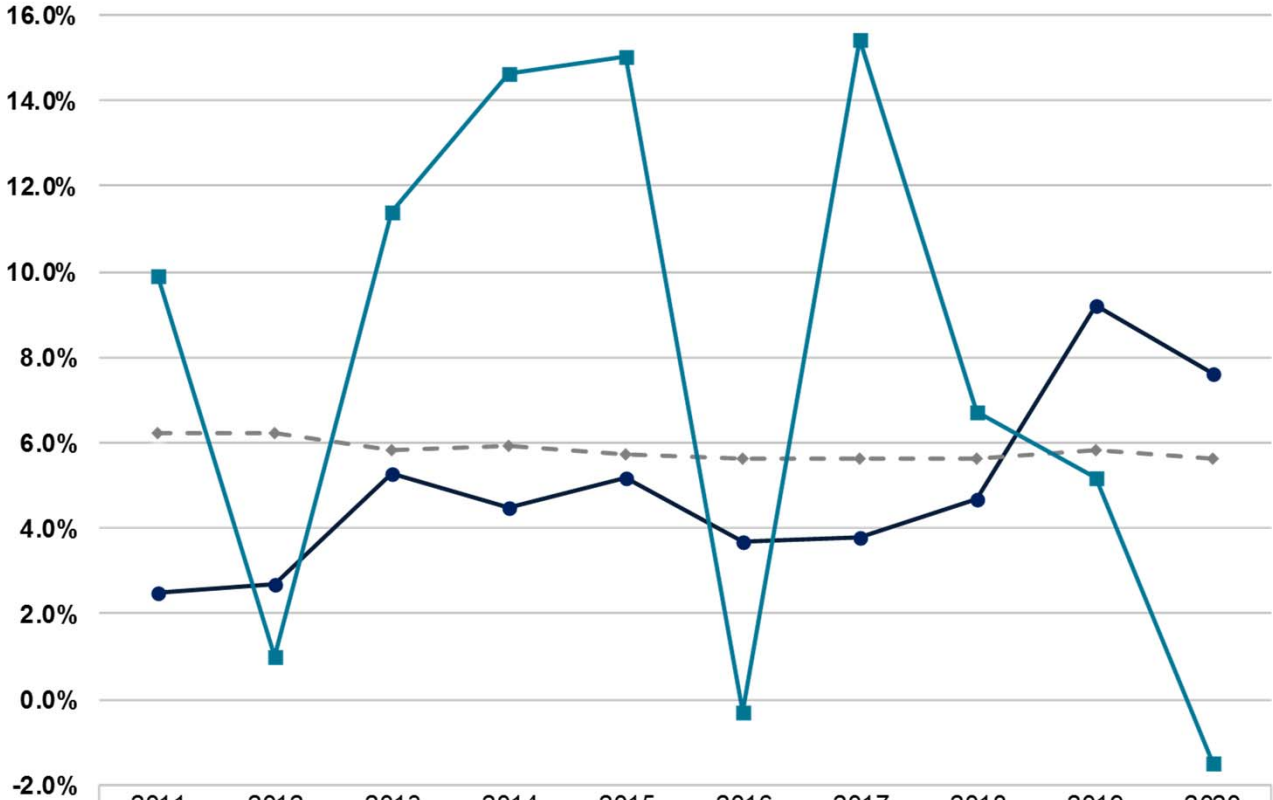


Endowment Cumulative Preservation of Capital Compared to Cumulative Inflation with Total Return and Payout

for the year ended April 30
(in millions)



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

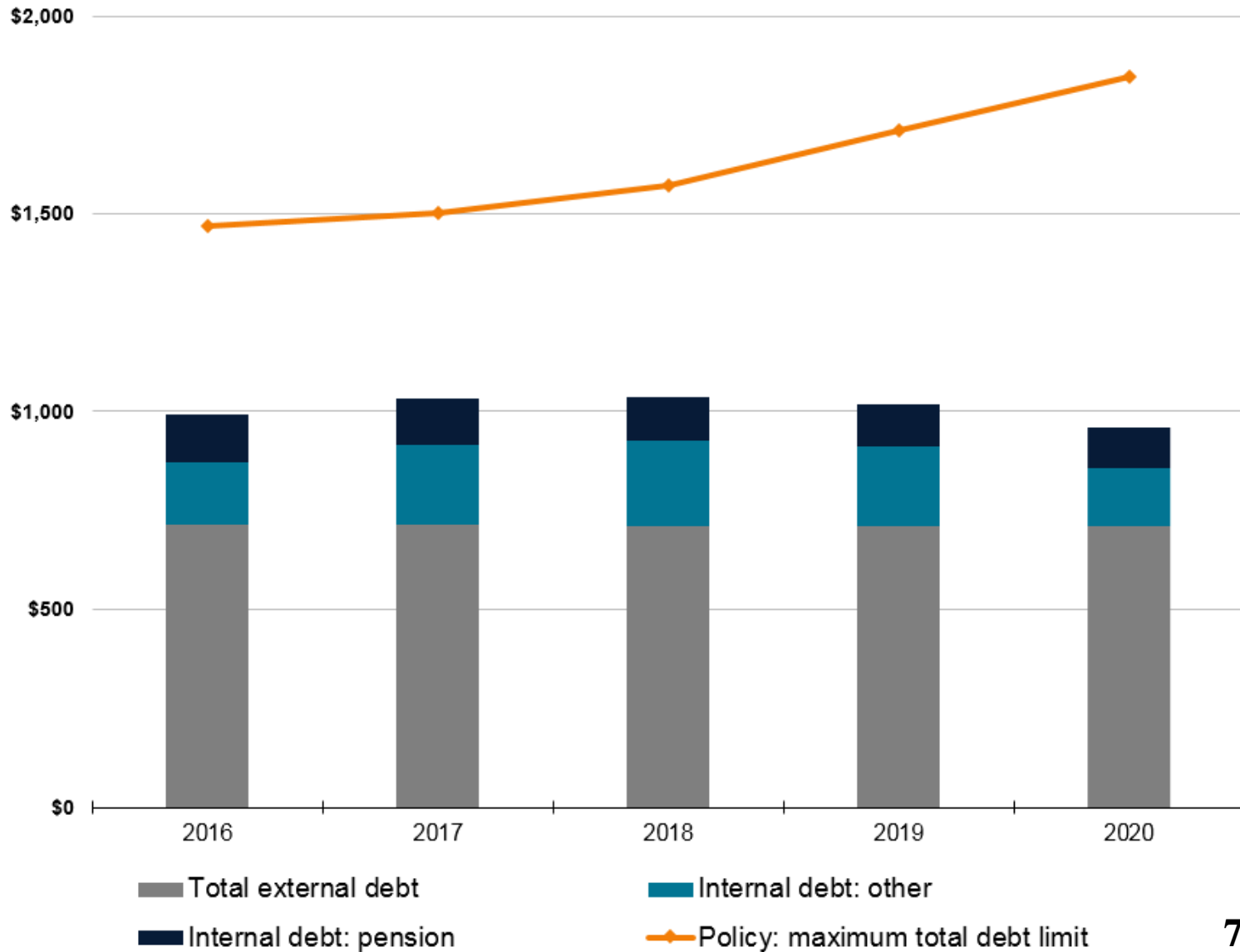


●— Ten-year rolling average return	2.5%	2.7%	5.3%	4.5%	5.2%	3.7%	3.8%	4.7%	9.2%	7.6%
—◆— Ten-year rolling target return*	6.2%	6.2%	5.8%	5.9%	5.7%	5.6%	5.6%	5.6%	5.8%	5.6%
■— Annual investment return	9.9%	1.0%	11.4%	14.6%	15.0%	-0.3%	15.4%	6.7%	5.2%	-1.5%

*The ten-year rolling returns are geometric average returns.

Outstanding Debt and Debt Policy Limit

for the year ended April 30
(millions)



Financial Results Compared to Forecast

(in millions of dollars)

	<u>Forecast</u>	<u>Actual</u>	<u>Percentage difference</u>
Revenues	3,674	3,626	-1.3%
Expenses	<u>3,272</u>	<u>3,185</u>	-2.7%
Net income	402	441	
Endowments	2,644	2,510	-5.1%
Internally restricted net assets	4,312	4,045	-6.2%
Unrestricted deficit	(189)	(124)	
Operating fund surplus	22	29	