Rating Report
University of Toronto

DBRS Morningstar
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Issuer Description

U of T is Canada's largest university, with enrolment totalling 80,000-plus FTEs. Founded in 1827, the University offers a wide array of undergraduate, graduate, and professional programs. The University's three campuses in downtown Toronto (St. George), Mississauga (UTM), and Scarborough (UTSC) are located in Canada's largest urban centre, the Greater Toronto Area, which has a population of more than 6 million.

Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	AA	Confirmed	Stable
Senior Unsecured Debentures	AA	Confirmed	Stable

Rating Update

On July 31, 2020, DBRS Limited (DBRS Morningstar) confirmed the Issuer Rating and Senior Unsecured Debentures rating of the University of Toronto (U of T or the University) at AA with Stable trends. The ratings reflect the University's exceptional academic profile, resilient operating performance, and robust balance sheet. The challenging operating environment and some uncertainty about the direction of provincial policy remain a challenge for all Province of Ontario (Ontario or the Province; rated AA (low) with a Stable trend by DBRS Morningstar) universities.

The University reported a surplus of $441 million for the year ended April 30, 2020, or 12.2% of revenue. The result was mainly driven by enrolment growth, international tuition fee increases, and additions to reserves and infrastructure. Toward the end of the fiscal year, additional operating pressures arose from the novel Coronavirus Disease (COVID-19) pandemic, which led to a loss of some ancillary revenues (such as residence refunds to students, declines in parking and hospitality revenues, etc.) and added expenses toward pandemic-related research and emergency financial support to students. At the same time, the sharp decline in equity markets weighed on the University's endowment and pension funds.

The outlook for 2020 is subject to increased uncertainty. While many students opted for additional courses over the summer, the outlook for the fall term is less certain given ongoing travel restrictions and other pandemic-related health measures. Based on initial application data and the gradual reopening of University campuses, DBRS Morningstar remains cautiously optimistic about fall 2020 enrolment.

While the pandemic has resulted in near-term uncertainty, the medium-term outlook is somewhat clouded by provincial policy uncertainty. Taken together, the University may face some operating pressures. Nevertheless, DBRS Morningstar notes that U of T is one of the strongest universities in Ontario from a financial management perspective. The University has significant balance sheet flexibility, a strong management team, and a responsive budget model, and it continues to identify opportunities to increase revenue and control/defer costs.

The University has planned several maintenance, renovation, and expansion projects over the medium term. However, the strength of U of T's balance sheet and its effective approach to capital budgeting likely preclude the need for material new borrowings in the near term. As such, DBRS Morningstar projects the University's debt burden to fall below $8,200 per full-time equivalent (FTE) student by 2024–25 from $8,614 in 2019–20.

DBRS Morningstar does not expect the ratings to shift materially given the University's exceptionally strong financial ratios and prudent fiscal management. Though unlikely, a negative rating action could result from a significant and sustained deterioration in operating results leading to a substantially weakened balance sheet.

Financial Information

	For the year ended April 30				
	2020	**2019**	**2018**	**2017**	**2016**
Consolidated operating result (Adjusted, $ millions)	441	505	465	417	211
Debt per FTE ($)	8,614	8,816	8,995	9,145	9,322
Expendable resources to debt (%)	284	245	208	207	171
Interest coverage ratio (times)	10.5	11.6	10.5	8.8	8.8
Surplus-to-revenue (five-year rolling average) (%)	12.0	11.6	10.3	8.7	6.6

Rating Considerations

Strengths

1. Strong reputation and student demand

U of T is one of Canada's leading universities and benefits from the strong reputation of its comprehensive academic and research programs. Its established academic profile and strong demand from both domestic and international students continues to support enrolment-related revenues. The University's credit profile further benefits from the scale of being the largest university in Canada and being located in Canada's largest population centre.

2. Robust balance sheet

In recent years, the University's balance sheet has shown consistent improvement resulting in considerable financial flexibility. Unfunded pension liabilities have declined, while financial resources in the form of expendable resources (+64%) have risen strongly since 2015–16. As at April 30, 2020, expendable resources were over 2.8 times (x) the University's outstanding long-term debt.

3. Effective financial management practices

The University has effective management practices. The budget process is highly decentralized, emphasizing local responsibility and control, which has led many divisions to achieve strong results and build reserves in recent years, translating into substantial surpluses at the institutional level. U of T only authorizes the budgeting of a deficit in extraordinary circumstances and requires an accumulated deficit to be eliminated by the end of the five-year planning period. The University also has a debt policy and capital-planning processes that seek to meet the University's growing needs while preserving its long-term financial flexibility.

4. Downtown Toronto real estate
The University owns a portfolio of real estate valued at more than $2.0 billion, well above its outstanding long-term debt. This includes approximately 49 hectares of land on the St. George campus and a further 211 hectares on the UTSC and UTM campuses. The University continues to actively explore opportunities to exploit its prime real estate holdings to generate new revenue to support its academic mission.

Challenges

1. Limited control of revenue
Canadian universities have limited control over their main revenue sources—tuition fees and government grants. The Province imposed a 10% reduction on tuition fees for domestic students in regulated programs for 2019–20, while effectively limiting domestic enrolment growth and freezing operating grants. U of T indicated that the adverse impact from the new framework is a decline of about $113 million in 2020–21 revenue.

2. Cost pressures
Underlying cost pressures are somewhat detached from the University's revenue drivers. Universities' expense bases are largely fixed and growing in the form of tenured faculty, unionized support staff, externally mandated student aid requirements, and large infrastructure footprints. In recent years, inherent cost pressures such as negotiated wage settlements, competitive salaries for top researchers, and increasing benefit costs have tended to outpace provincially controlled revenue growth for many DBRS Morningstar-rated universities. The fixed nature of expenses also tends to slow the pace at which universities can respond to a significant exogenous shock to revenue, such as the coronavirus pandemic.

3. Large pension and postemployment benefit liabilities
Though declining in recent years, the University's unfunded pension and other postemployment liabilities remain considerable. The most recent actuarial valuation (July 1, 2019) determined that the pension going-concern deficit was $239 million, and the University reports $644 million in other nonpension, postemployment benefit obligations.

4. Deferred maintenance
The University has a considerable amount of deferred and pending maintenance (DM) on its St. George campus, which reflects the University's long history. The University currently estimates DM to total $984 million. Over the last decade, the University has increased funding to address DM, which has significantly reduced the highest-priority category needs. However, DBRS Morningstar expects total DM liability to increase further because of recently implemented changes to the sectorwide Facilities Condition Assessment Program (FCAP) that will be implemented over the next five years.

2019–20 Operating Performance

The University reported a surplus of $441 million for the year ended April 30, 2020, or 12.2% of revenue. Enrolment growth, international tuition fee increases, and additions to reserves and infrastructure were the main factors that drove the result. However, additional operating pressures from the coronavirus pandemic were introduced toward the end of the fiscal year, resulting in loss of some ancillary revenue including $12 million from residence operations, parking, and hospitality. The University also allocated $9 million to pandemic research projects and $3 million in emergency student support (travel arrangements, rent support, etc.) in addition to other expenses.

Revenue growth remained modest (+0.9%) and was led by higher-than-projected international enrolment, offset by a negative variance in domestic enrolment and declines in most other revenue categories. Tuition and student fees drive roughly half of total revenue at U of T, and increased 4.9% from the prior year owing to growth in international enrolment and related tuition fee increases. In line with the provincial mandate, the University reduced tuition fees for domestic students by 10%, which resulted in a loss of $88 million in previously anticipated revenue during 2019–20.

Provincial operating grants and other restricted grants were moderately lower (-1.2%), albeit in line with the current Strategic Mandate Agreement (SMA2). In 2019–20, investment income declined to $178 million (-13.2%) mainly because of a sharp decline in equity markets at the onset of the pandemic in North America.

Total expenses rose by 3.1%, mainly led by higher salaries and benefits (+6.2%) largely from negotiated compensation increases. Some of the increased spending on materials and supplies (+5.0%) and increased student aid (+1.6%) in 2019–20 resulted from the need to provide financial assistance to students affected by the pandemic and to switch to online programming in the final months of F2020. The growth in expenses was partly offset by lower spending on repairs and maintenance (-3.0%), sales and services (-3.4%), and other expenses (-13.7%).

Net assets declined by $19 million (-0.3%) as declines in the endowment and lower-than-anticipated investment returns on pension assets offset strong operating results ($441 million). The University reported an operating fund surplus of $532.1 million (cash basis), or $29 million positive variance from the budgeted breakeven position as robust enrolment growth supported revenues.

2020–21 Budget

The University presented its 2020–21 budget to the Board of Trustees (the Board) before the pandemic and will make in-year adjustments as needed; depending on the enrolment outlook, this could include hiring delays, service reductions, redirecting savings from travel and hospitality, and possibly deferring renovations.

The University has a decentralized, modified responsibility centre budget model, which has supported strong operating results in recent years. Like most Ontario universities, U of T only provides medium-term guidance on the performance of its operating fund (over 70% of consolidated spending in F2019–

20). U of T's operating budget is an aggregation of the multiyear budget plans prepared by individual faculties and is balanced at the institution level.

In January 2019, the Province introduced a new tuition framework imposing a 10.0% reduction in 2019–20 domestic tuition fee levels (relative to 2018–19) and stipulated that fees remain frozen at that level into the subsequent year (2020–21). There is presently no guidance for domestic tuition fees in future years; however, the budget assumes a return to 3.0% increases in the outer years. International tuition fees remain unregulated and are set to increase by 5.3% on average in 2020–21.

The operating budget forecasts an operating revenue of $3.0 billion (+8.0% from the previous operating budget). The main drivers of revenue growth estimates include a robust growth in tuition and student fees (+12.0%), led by international enrolment, as domestic tuition fees remain frozen in 2020–21 and domestic enrolment is likely to remain around current levels because of the funding model. U of T expects to add 1,792 international FTEs across its three campuses, resulting in its international undergraduate headcount to reach approximately 28% of total headcount by 2024–25. Although the allocation of operating grants will shift from an enrolment-based approach to a performance-based approach under the next iteration of the Strategic Mandate Agreement (SMA3), the University expects the level of grants to remain stable.

Operating expenses are forecast to grow by 5.7%, primarily based on academic expenses rising by 5.3%, higher shared infrastructure costs (+2.7%), and student aid (+2.3%).

Fall-Term Outlook

At the onset of the pandemic, the University swiftly transitioned program delivery to online platforms and made adjustments to its programming for the summer term. The University anticipates that some of the initial pandemic-related costs may be offset by revenues from greater-than-expected summer enrolment and higher donations.

Applications and confirmations for the fall term appear positive—particularly from international and out-of-province students. However, fall registration for most faculties continues until late-August. As such, the total number of these applications that will translate into actual enrolment will remain unclear until late summer.

The University will allow students to choose between remote learning and limited in-person classes, while conforming to provincially prescribed health and safety guidelines. To accommodate on-campus programming, U of T has transformed its existing residence capacity into single rooms and will lease additional capacity (such as hotel rooms) as required. DBRS Morningstar does not expect any change in tuition fees, though there may be reductions in some ancillary service fees (athletics, hospitality, etc.).

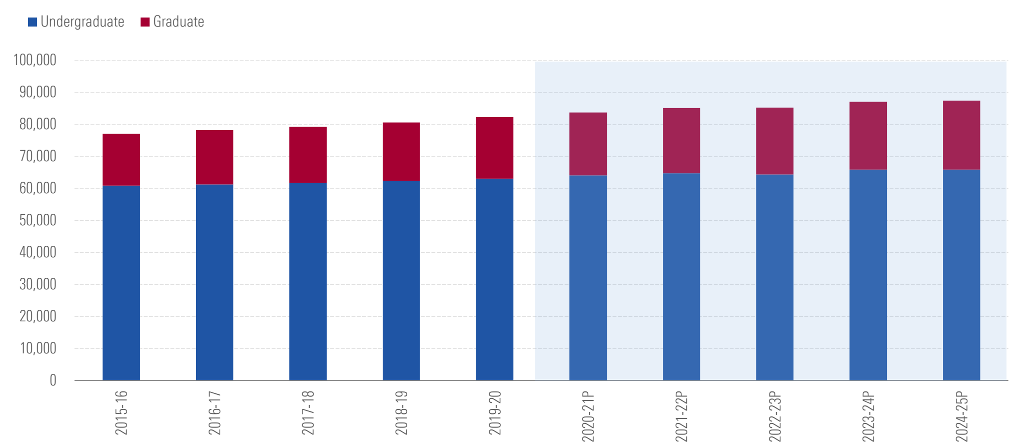
U of T received roughly $500,000 in provincial support for its coronavirus response in March 2020 and continues to seek further funding support in collaboration with other Ontario universities. SMA3 was supposed to be completed and implemented starting 2020–21 but is now deferred by one year in light of the pandemic. The Province expects to reach an agreement with the University by early fall, with U of T anticipating the next round of grants to remain stable around current levels. SMA3 will include a set of 10 performance metrics, with funding consequences for not meeting the negotiated performance targets. It remains unclear if the enrolment corridor itself or the process of determining a corridor will change.

Medium-Term Outlook

Over the medium term, U of T does not expect a meaningful shift in the student mix, anticipates modest enrolment growth driven by international students, and intends to add some graduate spaces subject to provincial support.

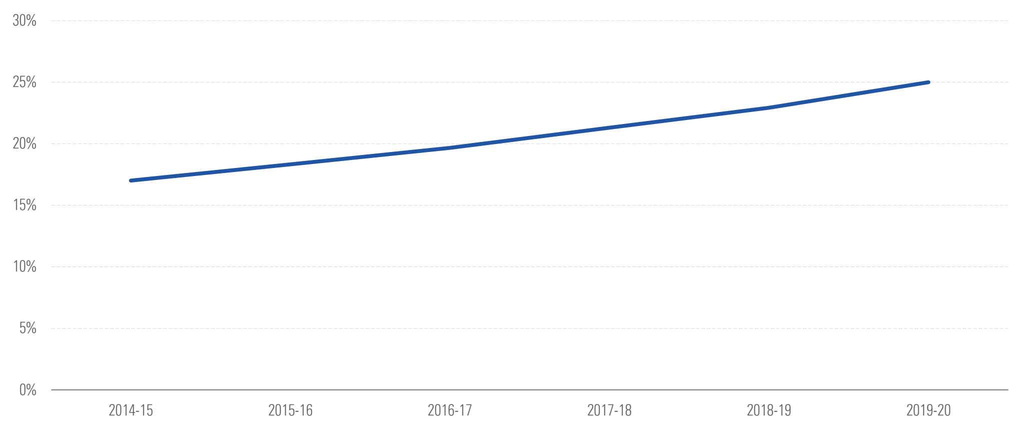
The University's strategic focus remains on diversifying international enrolment, improving student experience, and developing alternate revenue sources through its four-corners strategy that also includes leveraging the University’s large real estate assets. Although not included in its current medium-term projections, U of T plans to generate operating funding of roughly $50 million annually by 2033 through the development of close to 3.5 million square feet of new space (campus services, amenities, office and retail spaces) under its four-corners strategy.

Exhibit 1 Enrolment (FTE Students)



Sources: U of T and DBRS Morningstar. P = projection.

Exhibit 2 International Headcount (As a Share of Total Headcount)



Sources: U of T and DBRS Morningstar.

U of T is currently in negotiations to renew collective agreements with several employee groups. Roughly two-thirds of the University's many collective agreements expired in June 2020 or are set to expire over the fiscal year 2020–21, including some of the largest groups such as the Faculty Association, Administrative and Technical Staff (USW 1998), and Teaching Assistants and Course Instructors (CUPE 3902 Unit 1), which introduces some added uncertainty to the University's operating expense outlook. However, DBRS Morningstar notes that the Province has passed legislation to limit wage and salary increases in Ontario's public sector.

Capital

U of T is planning for enrolment growth at all three of its campuses. As such, it is investing in academic and research infrastructure expansion at those locations. The University also has capital needs toward maintaining/upgrading aging infrastructure, particularly at its St. George campus.

Though sizable, capital investment declined for a second year to $254 million (from $331 million in 2018–19 and $576 million in 2017–18). The University identified $3.9 billion in capital projects over the next five years, including $2.6 billion for academic needs and $1.3 billion for its four-corners strategy. Some of the larger capital projects approved for over the medium term include the following:

- **Schwartz Reisman Innovation Centre:** The project comprises 22,900 square meter (sm) of tenant space and 2,300 sm of parking space devoted to high-impact research and innovation projects. The project will likely be completed by July 2022.
- **New Science Centre at UTM:** The building will increase capacity for scientific research, laboratories, and support spaces, particularly in the Centre for Medicinal Chemistry and in the Forensic Science Program. Construction began on this project in March 2020.
- **UTSC Residence:** This project includes a 750-bed residence with single and double occupancy bedrooms, and mixed-use space such as support, office, and retail space. Construction is scheduled to be completed in December 2022.

- **Landscape of Landmark Quality:** This project includes a revitalization of the University's historic core and the addition of geothermal capacity to service several buildings. The completion date for this project is currently in April 2023.
- **Student study spaces:** The University has undertaken a new construction, Robarts Commons ($37.2 approved), and renovation of the pre-existing Student Commons ($24.5 million approved). Both projects have faced several delays from one or more of site conditions, municipal approvals, design reviews, and retendering, among others.

The University has a well-established capital budgeting process that seeks to direct resources to the highest-priority projects (aligned with academic plans and University needs). U of T requires capital proposals to include funding plans and relatively large upfront cash contributions as well as for the incremental operating costs to be fully accommodated in divisional budgets. With this approach, the University has been successful in prioritizing capital development while maintaining a strong balance sheet.

U of T has several capital projects in the design phase, including the Spadina-Sussex residence, several projects at UTSC (a second instructional centre, parking space, and UTSC Indigenous House), Academic Tower, the Harbord residence, and a new academic building at Woodsworth College. Over the medium term, the University also plans renovations in several arts and sciences buildings at the St. George campus; a new Data Sciences Centre; and the Centre for Civilizations, Cultures, and Cities building at the McLaughlin Planetarium site on Queen’s Park, subject to approval by the Board.

Deferred Maintenance

The University has one of the largest and oldest university campuses in North America. As such, U of T has a considerable amount of DM estimated at $984 million, the bulk of which is concentrated on the older St. George campus. The University’s facilities condition index (FCI) increased moderately to an average of 14.5%, which is higher than that of the Council of Ontario Universities (11%). The current campus-specific FCI estimates are 13% for UTSC, 8% for UTM, and 16% for St. George.

The University has made significant progress over the last decade to reduce its highest-priority maintenance needs. However, DBRS Morningstar expects the University's total DM liability to increase, owing to recently implemented changes to the FCAP, including standardization of reporting to include soft costs associated with professional services and consulting fees, assessment of supporting infrastructure, and frequent auditing (every five years, as opposed to seven years) across the sector. The magnitude of increase is uncertain at this time and will be monitored over the implementation phase of five years.

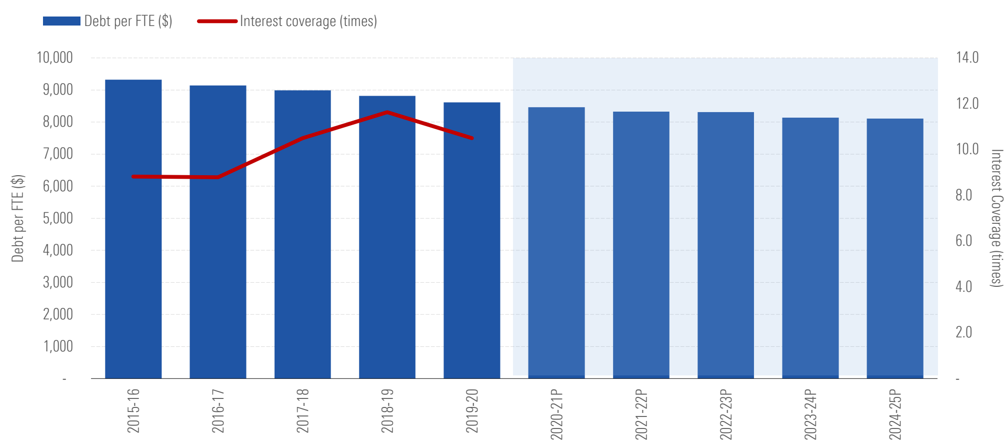
The operating budget for 2020–21 includes $21.6 million toward deferred maintenance on the St. George campus, $2.4 million for UTM and UTSC, and additional resources estimated at $9.4 million annually through the provincial FRP. By 2024–25, the University expects an annual DM allocation of $33 million across the three campuses.

Debt and Liquidity

The University's total debt fell marginally to $709 million as at April 30, 2020, from $711 million. Benefiting from ongoing enrolment growth, the debt burden fell to $8,614 per FTE as at April 30, 2020, from $8,816 per FTE the year prior.

U of T's outstanding debentures are long dated with maturities spread between 2031 and 2051. Interest charges were stable at $38.0 million, or 1.2% of total expense, and interest coverage was robust at 10.5x—notably higher than the average of DBRS Morningstar-rated universities (6.4x).

Exhibit 3 Debt Per FTE and Interest Coverage



Sources: U of T and DBRS Morningstar. P = projection.

The University has established a voluntary debt repayment fund, the Long-Term Borrowing Pool, which had a balance of $411 million as at April 30, 2020. Because the sinking fund is not explicitly required by the bonds' indenture and is not held by a trustee, DBRS Morningstar presents debt on a gross basis with the sinking fund assets included in its measure of expendable resources.

DBRS Morningstar calculates expendable resources as a measure of the strength and flexibility of a university's balance sheet, defined as a subset of net assets, which includes unrestricted net assets, internally restricted net assets, and internally restricted endowments. U of T's expendable resources have risen steadily in recent years propelled by positive operating results and reserve accumulation, and remains the highest among DBRS Morningstar-rated universities at $2.0 billion, or 284% of debt, as at April 30, 2020.

The University also benefits from its sizable endowments of $2.5 billion, although the sharp decline in capital markets during the pandemic caused the total worth of the endowments to decline from the prior year (-3.2%) with an investment return of -1.5%. On a per-FTE basis, however, U of T's endowment of $30,494 remains one of the largest among Canadian universities, with the majority of funds endowed for student aid and endowed chairs.

Employee Future Benefits

The University's most recent financial statements continue to show a pension shortfall of $606 million, up from $308 million in the prior year, owing to lower-than-expected returns on pension assets. During 2019–20, the University paid $21.3 million in special payments for the net solvency deficit and $52.2 million for the going-concern deficit. In its medium-term budget plan, the University includes an annual increase of $5 million to the pension special payments budget, amounting to $137 million by 2023–24 and maintaining at this level to 2024–25.

The University conducts annual actuarial valuations. The most recent valuation, as of July 1, 2019, showed deterioration in the pension plan's going-concern and solvency funding statuses. On a going-concern basis, upon which DBRS Morningstar tends to place more weight given the ongoing nature of public universities, the shortfall stood to $240 million (up slightly from $212 million as of July 1, 2018, valuation) and the solvency deficit increased to $1.3 billion, equivalent to a funded status of 80% (from $902 million, equivalent to an 85% funded status). The solvency valuation assumes the wind-up of the pension plan on the valuation date and uses prevailing long-term interest rates to value the obligations. The plan's solvency deficit is sensitive to changes in the discount rate. A one-percentage-point increase in the discount rate would reduce the solvency deficit by $865.7 million.

Like other Canadian public universities, U of T is an enduring institution, which makes the sudden wind-up of a pension plan unlikely. However, a large solvency deficit does put pressure on the credit profile because provincial regulations require universities to make special payments to liquidate the going-concern and solvency deficits.

Special payments under the 2020 actuarial valuation will become payable at July 1, 2021; however, the rules under the University Pension Plan (UPP) will supersede the current pension funding regime for U of T's pension plans, which will no longer require the University to set aside a 10% reserve factor (Provision for Adverse Deviation) or premiums for the Pension Benefits Guarantee Fund monthly guarantee.

In July 2019, the University, along with Queen's University (rated AA with a Stable trend by DBRS Morningstar) and the University of Guelph (rated A (high) with a Positive trend by DBRS Morningstar), announced that they had received majority consent toward the creation of UPP, a jointly sponsored pension plan. The UPP is a multiemployer, risk-sharing defined benefits plan that will be jointly governed and funded (following a transition period) by employers and plan members that was formally established on January 1, 2020. Subject to additional approvals from the Financial Services Regulatory Authority of Ontario and Canada Revenue Agency, the new UPP will become operational by July 2021. This project is forward-looking and would not address pension deficits retrospectively, with the universities funding their respective deficits at inception over a 15-year period, postimplementation deficits in full for the first 10 years, which will then decline to a 50%-50% shared responsibility with the employees over the subsequent 10 years. DBRS Morningstar views the adoption of UPP by Ontario universities positively.

Other employee future benefits increased during the year to $644 million. Unlike the pension plan, Canadian universities are not required to set aside funds for employee benefits. Nevertheless, U of T has set aside investment assets worth $107 million as at April 30, 2020.

Outlook

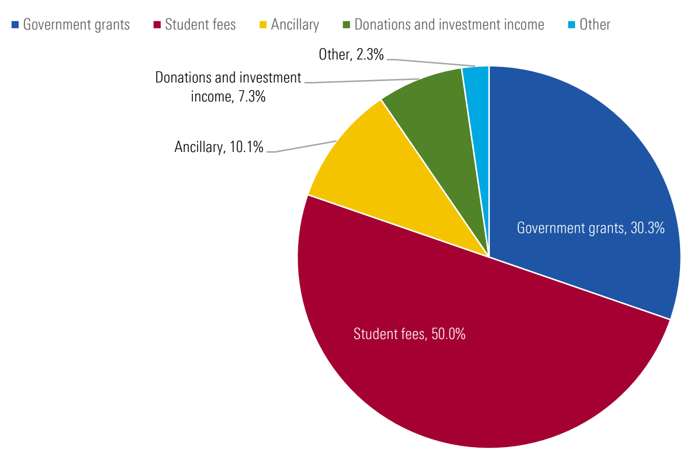
DBRS Morningstar does not anticipate any material external borrowing over the short term. As such, the debt-per-FTE ratio will likely decline modestly to $8,464 in 2020–21. Assuming no debt issuance over the next five years, DBRS Morningstar projects U of T's debt per FTE to decline to $8,108 by 2024–25.

University Funding in Ontario

Canadian universities in the Province generally have three key sources of revenue for their core teaching and research activities: (1) government grants, (2) student fees, and (3) donations and investment income. For U of T, these accounted for roughly 88% of total revenue in 2019–20, which is comparable with other DBRS Morningstar-rated universities.

Provincial government funding remains one of the primary sources of revenue for universities across the country, although its relative importance remains under pressure in most provinces because of strained finances and competing priorities. Over time, this has led to a gradual shift in the relative shares of revenue provided by operating grants, which have declined, and tuition fees, which have increased.

Exhibit 4 Revenue Breakdown (2019–20)



Sources: U of T and DBRS Morningstar.

Government Funding (Provincial and Federal; 30%)

Government funding includes operating grants, research grants, and contracts as well as capital grants. Operating grants are the most important and stable revenue source.

In 2017–18, the previous provincial government introduced a new funding model for Ontario universities in which a large share of funding was enrolment based, but the model reduced the financial incentive to increase domestic undergraduate enrolment and provided universities facing enrolment declines with downside protection. Under this model, Ontario universities expected funding to be relatively stable for all Ontario universities over a three-year period (from 2017–18 to 2019–20); however, the direction of fiscal policy under the current government is one of constraint.

The Province has started negotiations with universities to ascertain enrolment corridors and funding targets under the next iteration of SMA3. Although DBRS Morningstar does not expect funding levels or the allocation formula to change beyond expectations, the medium-term outlook remains uncertain.

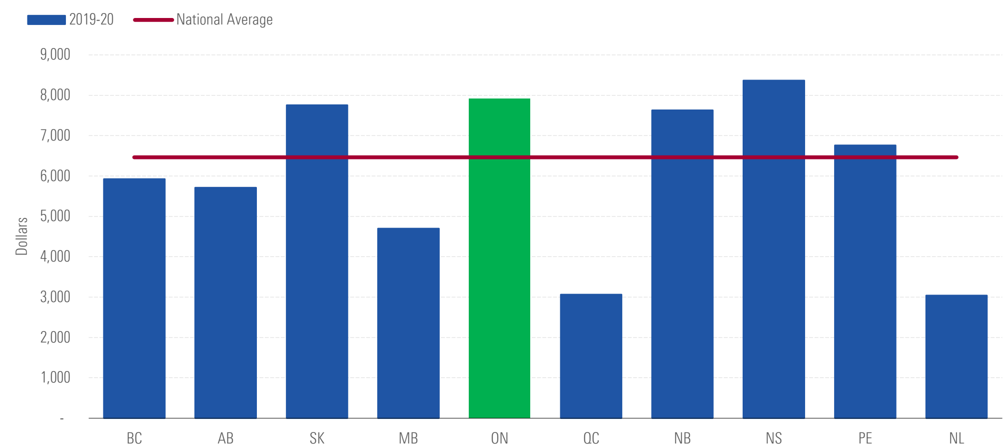
Research and capital grants are another important source of funding. The federal government typically provides 65% to 75% of all public research funding, whereas the Province provides the bulk of capital funding. In 2019–20, the federal and provincial government provided additional funding for financial assistance to students and to Universities to offset pandemic-related costs. U of T received roughly $0.5 million in emergency pandemic assistance in March 2020. Although uncertain at this time, additional funding may be forthcoming.

Student Fees (50%)

On January 17, 2019, the Province announced a revised tuition fee framework for regulated domestic programs at Ontario universities and colleges. The framework required Ontario universities to reduce tuition fees for domestic funding (eligible programs by 10% in 2019–20) and to maintain domestic-funding-eligible program tuition fees at this level for the 2020–21 academic year. For U of T, the tuition-fee reduction resulted in a total revenue loss of nearly 2.4% in 2019–20.

International student fees are not regulated by the Province and are generally set to recover the full costs of international student enrolment.

Exhibit 5 Average Undergraduate Tuition Fees (2019–20)



Source: Statistics Canada.

Donations and Investment Income (7%)

Unrestricted donations and investment income, recognized on the statement of operations, typically represent around or less than 10% of the University's total revenue. This primarily consists of investment income earned on operating reserve balances throughout the year. Earnings on restricted endowments are recognized as a change in net assets and are not captured on the statement of operations until they are spent, at which point they are reported as part of grants and other revenues for restricted purposes.

Given its reputation and long history, U of T benefits from a large alumni base and consistently introduces well-established fundraising programs. In 2019–20, the University raised $236 million in pledges and gifts ($196 million) and philanthropic research grants ($40 million).

Statement of Operations (Adjusted)

($ thousands)	For the year ended April 30				
	2020	**2019**	**2018**	**2017**	**2016**
Revenues					
Tuition fees	1,572	1,481	1,344	1,204	1,072
Other student fees	241	247	239	227	220
Government grants for operations	719	727	723	713	710
Other grants for restricted purposes	463	469	413	418	383
Investment income	178	205	180	220	109
Sales, services, and sundry income	368	362	352	333	301
Donations [1]	85	102	128	101	114
Total Revenues	**3,626**	**3,593**	**3,379**	**3,216**	**2,909**
Expenses					
Salaries and benefits	1,934	1,821	1,717	1,669	1,600
Materials and supplies	233	222	227	218	217
Student aid	259	255	239	217	218
Repairs and maintenance	131	135	118	115	103
Cost of sales & services	113	117	113	106	89
Utilities	50	49	56	63	61
Amortization	201	189	178	165	159
Interest	38	38	38	38	39
Other expenses	226	262	228	208	212
Total Expenses	**3,185**	**3,088**	**2,914**	**2,799**	**2,698**
Operating Surplus (deficit), as Reported	**441**	**505**	**465**	**417**	**211**
Capital Expenditures	**254**	**331**	**576**	**284**	**228**

Note: U of T's financial statements exclude the federated universities and research administered at the affiliated hospitals.

(1) Excludes externally restricted donations to endowment funds because the endowment principal is unearned and is required to be maintained intact in accordance with the University's preservation of capital policy.

Statement of Financial Position (Adjusted)

($ thousands)	As at April 30				
Assets	**2020**	**2019**	**2018**	**2017**	**2016**
Cash and short-term investments	1,223	2,017	1,484	1,423	1,153
Accounts receivable	219	114	78	90	116
Inventories and prepaid expenses	33	22	22	22	20
Long-term investments	4,195	3,242	3,337	3,135	2,734
Capital assets	5,057	5,009	4,890	4,473	4,349
Other assets	-	-	83	62	61
Total Assets	**10,727**	**10,404**	**9,894**	**9,205**	**8,433**
Liabilities and Net Assets					
Liabilities					
Accounts payable & accrued liab.	434	455	458	395	351
Deferred contributions	700	627	616	557	504
Employee future benefit obligations (excl. pension)	644	625	591	594	567
Accrued pension liability	606	308	319	296	797
Deferred capital contributions	1,203	1,228	1,254	1,190	1,146
Total debt	709	711	713	716	719
Total Liabilities	**4,296**	**3,954**	**3,951**	**3,748**	**4,084**
Net Assets					
Unrestricted net assets	(124)	(162)	(68)	(59)	(52)
Internally restricted net assets	4,045	4,019	3,507	3,136	2,303
Endowment – internally restricted	377	383	375	359	319
Endowment – externally restricted	2,133	2,210	2,129	2,021	1,779
Total net assets	6,431	6,450	5,943	5,457	4,349
Total Liabilities and Net Assets	**10,727**	**10,404**	**9,894**	**9,205**	**8,433**
Contingencies and Commitments					
Construction & renovation in progress	917	576	410	424	422
Rental leases	204	191	150	150	157
Operating leases	9	9	9	8	20
Loan guarantees	10	9	8	8	8
	1,140	785	577	590	607

Note: U of T's financial statements exclude the federated universities and research administered at the affiliated hospitals.

Calculation of Free Cash Flow (Adjusted)

($ thousands)	For the year ended April 30				
	2020	2019	2018	2017	2016
Operating balance as reported	441	505	465	417	211
Amortization, net of loss on disposal	201	189	178	165	159
Other noncash adjustments	(281)	(290)	(282)	(286)	(65)
Cash Flow from Operations	**361**	**404**	**361**	**296**	**305**
Change in working capital	(59)	1	115	116	34
Operating Cash Flow after Working Capital	**302**	**405**	**476**	**412**	**339**
Net capital expenditures [1]	(201)	(210)	(459)	(171)	(169)
Free Cash Flow	**101**	**195**	**17**	**241**	**170**

(1) Gross capital expenditures less donations and grants received during the year for the purchase of capital assets.

Summary Statistics (Adjusted)

	For the year ended April 30				
	2020	**2019**	**2018**	**2017**	**2016**
Total Students (FTEs)	82,311	80,652	79,262	78,291	77,130
Undergraduate (%)	77	77	78	79	79
Graduate (%)	23	23	22	21	21
Annual change (%)	2.1	1.8	1.2	1.5	3.5
Enrolment (Headcount)	93,081	91,286	90,077	88,766	87,639
Domestic (%)	75	77	79	80	82
International (%)	25	23	21	20	18
Total Employees (Headcount)	16,204	15,680	15,715	15,204	14,738
Academic staff [1]	9,230	8,873	8,898	8,564	8,423
Operating Results					
Surplus (deficit; $ millions)	441	505	465	417	211
- As % of revenues	12.2	14.1	13.8	13.0	7.3
- As % of revenues (five-year rolling average)	12.0	11.6	10.3	8.7	6.6
Revenue Mix					
Government funding (federal and provincial; %)	30.3	29.5	30.8	32.2	34.9
Student fees (%)	50.0	48.1	46.8	44.5	44.4
Ancillary (%)	10.1	10.1	10.4	10.4	10.3
Donations and investment income (%)	7.3	8.5	9.1	10.0	7.7
Other (%)	2.3	3.8	2.8	3.0	2.6
Debt and Liquidity					
Total long-term debt ($ millions)	709	711	713	716	719
- Per FTE student ($)	8,614	8,816	8,995	9,145	9,322
Long-term debt, contingencies, & commitments ($ millions)	3,099	2,429	2,200	2,196	2,691
- Per FTE student ($)	37,650	30,117	27,756	28,049	34,894
Interest costs as share of total expense (%)	1.2	1.2	1.3	1.4	1.4
Interest coverage ratio (times)	10.5	11.6	10.5	8.8	8.8
Expendable resources ($ millions)	2,016	1,744	1,480	1,479	1,227
As a share of long-term debt (%)	284	245	208	207	171
Endowments (Market Value)					
Total market value ($ millions)	2,510.0	2,593.0	2,504.0	2,380.0	2,098.3
Per FTE student ($)	30,494	32,150	31,591	30,399	27,205
Payout ratio (%)	3.5	3.5	3.6	3.9	3.7
Annual return on assets (%)	-1.5	5.2	6.7	15.4	-0.3

(1) Includes part-time staff and teaching assistants.

Rating History

Issuer	Debt	Current	2019	2018	2017	2016	2015
University of Toronto	Issuer Rating	AA	AA	AA	AA	AA	AA
University of Toronto	Senior Unsecured Debentures	AA	AA	AA	AA	AA	AA

Related Research

- *Rating Public Universities*, May 15, 2020.
- *DBRS Morningstar Canadian University Peer Comparison Table*, April 30, 2020.
- *Business and Financial Risk Assessments for Public Universities*, April 30, 2020.

Previous Report

- Toronto, University of: Rating Report, August 7, 2019.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrsmorningstar.com. Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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On July 2, 2019, Morningstar, Inc. completed its acquisition of DBRS. Combining DBRS' strong market presence in Canada, the U.S., and Europe with Morningstar Credit Ratings' U.S. footprint has expanded global asset class coverage and provided investors with an enhanced platform featuring thought leadership, analysis, and research. DBRS and Morningstar Credit Ratings are committed to empowering investor success, serving the market through leading-edge technology and raising the bar for the industry.

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