



UNIVERSITY OF
TORONTO

SUPPLEMENTARY FINANCIAL REPORT

April 30, 2021

HIGHLIGHTS

(Unaudited)

Year Ended April 30, 2021

(millions of dollars)

	Operating Fund	Ancillary Operations	Capital Fund	Restricted Funds	Total
Statement of Operations					
Revenues	\$ 3,147.7	\$ 95.5	\$ 84.2	\$ 671.3	\$ 3,998.7
Expenses	\$ 2,333.0	\$ 143.2	\$ 185.6	\$ 611.3	\$ 3,273.1
Net Income (Loss)	\$ 814.7	\$ (47.7)	\$ (101.4)	\$ 60.0	\$ 725.6
Balance Sheet					
Assets	\$ 2,164.0	\$ 252.2	\$ 5,698.4	\$ 4,267.9	\$ 12,382.5
Liabilities	\$ 1,477.8	\$ 157.3	\$ 1,656.7	\$ 1,016.8	\$ 4,308.6
Net Assets	\$ 686.2	\$ 94.9	\$ 4,041.7	\$ 3,251.1	\$ 8,073.9
Net Assets composed of:					
Endowments				\$ 3,149.5	\$ 3,149.5
Investment in Capital Assets		\$ 103.5	\$ 3,611.1		\$ 3,714.6
Internally Restricted	\$ 596.3	\$ 43.0	\$ 612.5	\$ 101.6	\$ 1,353.4
Surplus (Deficit)	\$ 89.9	\$ (51.6)	\$ (181.9)		\$ (143.6)
	\$ 686.2	\$ 94.9	\$ 4,041.7	\$ 3,251.1	\$ 8,073.9

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

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, 2021
(with comparative figures at April 30, 2020)
(millions of dollars)

	<u>Operating fund</u>	<u>Ancillary operations</u>	<u>Capital fund</u>	<u>Restricted funds</u>	<u>2021 Total</u>	<u>2020 Total</u>
ASSETS						
Current						
Cash and cash equivalents	183.1	7.8		1.0	191.9	148.8
Short-term investments	1,861.8	24.8	706.7	(1,516.0)	1,077.3	1,073.8
Accounts receivable	74.0	9.1	4.0	86.1	173.2	219.2
Inventories and prepaid expenses	45.1	5.1			50.2	33.2
Investments at fair value				5,680.3	5,680.3	4,194.5
Capital assets, net		205.4	4,987.7	16.5	5,209.6	5,057.3
	<u>2,164.0</u>	<u>252.2</u>	<u>5,698.4</u>	<u>4,267.9</u>	<u>12,382.5</u>	<u>10,726.8</u>
LIABILITIES						
Current						
Accounts payable and accrued liabilities	473.5	27.2	87.7	10.8	599.2	433.6
Deferred contributions				907.0	907.0	700.3
Accrued pension liability	127.5				127.5	606.4
Employee future benefit obligation other than pension	696.4				696.4	643.5
Internal loans	180.4	125.9	(306.3)			
Long-term debt			709.1		709.1	709.0
Deferred capital contributions		4.2	1,166.2	99.0	1,269.4	1,203.0
	<u>1,477.8</u>	<u>157.3</u>	<u>1,656.7</u>	<u>1,016.8</u>	<u>4,308.6</u>	<u>4,295.8</u>
NET ASSETS						
Surplus (deficit)	89.9	(51.6)	(181.9)		(143.6)	(124.0)
Internally restricted	596.3	43.0	612.5	101.6	1,353.4	519.6
Investment in capital assets		103.5	3,611.1		3,714.6	3,525.3
Endowments				3,149.5	3,149.5	2,510.1
	<u>686.2</u>	<u>94.9</u>	<u>4,041.7</u>	<u>3,251.1</u>	<u>8,073.9</u>	<u>6,431.0</u>
	<u>2,164.0</u>	<u>252.2</u>	<u>5,698.4</u>	<u>4,267.9</u>	<u>12,382.5</u>	<u>10,726.8</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	2021 Total	2020 Total
REVENUES						
Student fees	1,983.1	10.3	1.2		1,994.6	1,813.0
Government grants for general operations	723.3				723.3	719.2
Government and other grants for restricted purposes		0.5	70.0	436.4	506.9	463.3
Sales, services and sundry income	182.9	84.4	1.1		268.4	367.4
Investment Income	258.4	0.3	0.5	124.7	383.9	177.9
Donations			11.4	110.2	121.6	85.4
	<u>3,147.7</u>	<u>95.5</u>	<u>84.2</u>	<u>671.3</u>	<u>3,998.7</u>	<u>3,626.2</u>
EXPENSES						
Salaries	1,368.7	5.9		227.3	1,601.9	1,579.0
Employee benefits	341.1	1.6		23.9	366.6	355.2
Scholarships, fellowships and bursaries	239.1			40.1	279.2	259.4
Materials, supplies and services	140.0	1.1		114.0	255.1	233.3
Inter-institutional contributions	40.8			185.5	226.3	131.6
Amortization of capital assets	12.8	20.1	172.4	1.5	206.8	201.4
Repairs, maintenance and leases	109.6	12.6	13.2	6.0	141.4	130.5
Cost of sales and services		84.9			84.9	112.6
Utilities	38.4	8.2		0.1	46.7	49.6
Interest on long-term debt	27.8	8.8		1.8	38.4	38.0
Travel and conferences	1.4			2.8	4.2	53.8
Other	13.3			8.3	21.6	40.4
	<u>2,333.0</u>	<u>143.2</u>	<u>185.6</u>	<u>611.3</u>	<u>3,273.1</u>	<u>3,184.8</u>
Net income (loss)	814.7	(47.7)	(101.4)	60.0	725.6	441.4
Net transfer between funds	(430.0)	5.9	404.9	19.2		
Transfer of capital assets funding	(91.8)		91.8			
Change in internally restricted	(232.3)	14.0	(258.4)	(8.7)	(485.4)	(303.2)
Change in investment in capital assets		(2.8)	(186.5)		(189.3)	(97.4)
Transfers of donations to endowments				(2.0)	(2.0)	(18.1)
Transfer to internally restricted endowments				(68.5)	(68.5)	15.2
Net change in surplus (deficit) for the year	60.6	(30.6)	(49.6)		(19.6)	37.9
Surplus (deficit), beginning of year	29.3	(21.0)	(132.3)		(124.0)	(161.9)
Surplus (deficit), end of year	<u>89.9</u>	<u>(51.6)</u>	<u>(181.9)</u>		<u>(143.6)</u>	<u>(124.0)</u>

Operating Fund

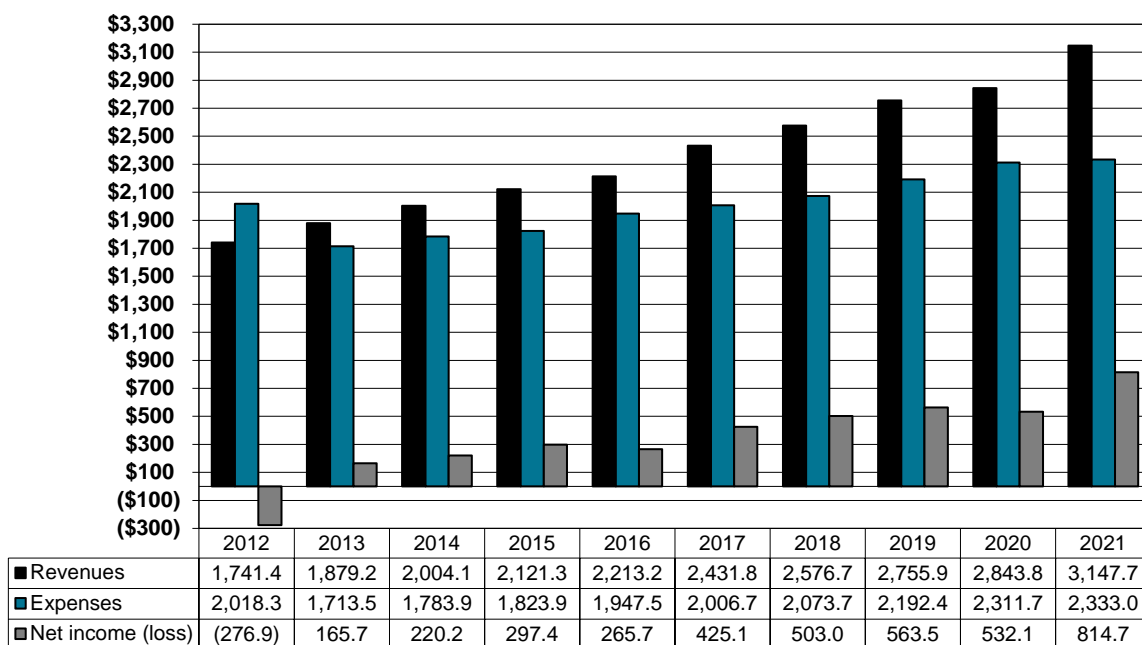
The **operating fund** includes teaching and administrative activities supported mainly by government operating grants, student fees and sales of supplies and services.

Operating fund revenues for the year were \$3.1 billion; expenses were \$2.3 billion resulting in a net income of \$815 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, 2021 is \$90 million, whereas the long-range operating budget called for a break even position.

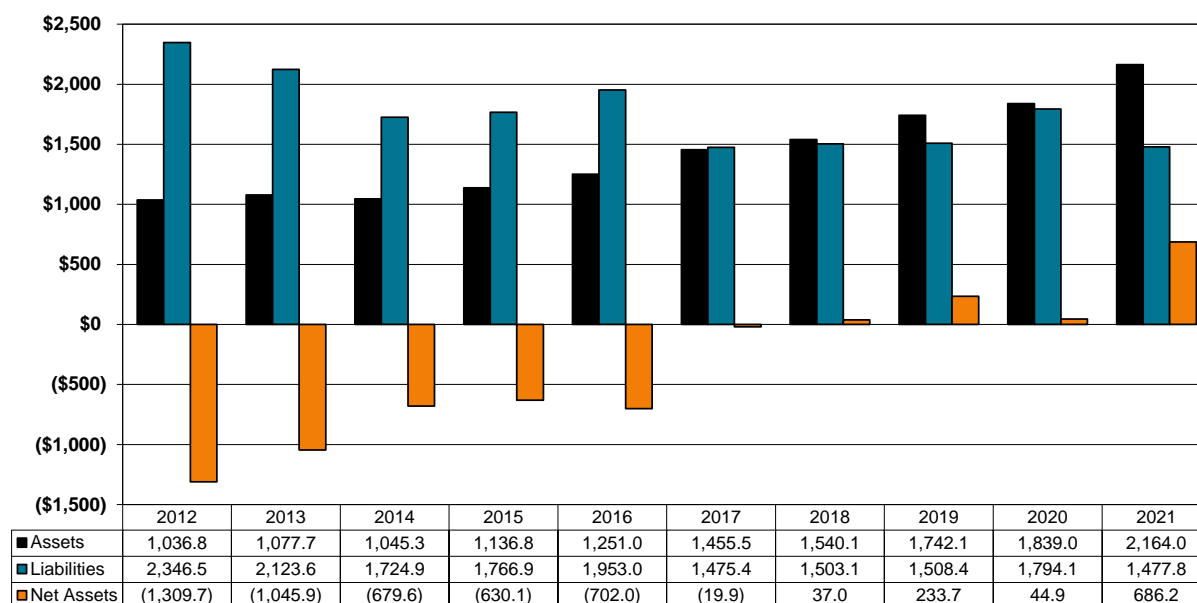
The 2021 net income in the operating fund is a result of:

Capital asset expenditures not shown as expenses but transferred to the capital fund and added to the balance sheet as capital assets	92
Net change in employee future benefit obligations (excluding remeasurements)	91
Transfers to other funds not expensed in the operating fund	430
Last year's general university saving distributed to academic divisions	(29)
General University saving for University priorities	90
Unspent funds added to reserves	141
	815

Operating fund assets at April 30, 2021 were \$2.2 billion, liabilities were \$1.5 billion, and net assets were \$686 million.

Operating Fund Assets, Liabilities and Net Assets

as at April 30
(millions of dollars)



The net assets increased from \$45 million in 2020 to \$686 million in 2021 mainly due to the following:

- \$815 million net income for the year.
- \$348 million decrease in employee future benefit obligations from remeasurement calculations reported as a direct increase in net assets.
- (\$522 million) net transfers to other funds.

The transfers to other funds were as follows:

- \$92 million to the capital fund to reflect operating funding of capital asset expenditures recorded as capital assets in the capital fund.
- \$430 million transfer mainly to the capital fund for various projects.

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

- \$90 million surplus.
- \$596 million of internally restricted net assets.

The \$90 million 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 \$29 million at April 30, 2020 to \$90 million at April 30, 2021, mainly due to the following:

- \$815 million net income.
- (\$522 million) net transfers to other funds as noted above.
- (\$232 million) change in internally restricted net assets, mainly due to an increase in divisional reserves, capital project reserves and employee future benefit obligations reserves (excluding remeasurements).

Internally restricted net assets of \$596 million mainly includes divisional reserves of \$825 million, funds set aside for capital projects of \$538 million and funds set aside for other purposes of \$11 million offset by \$777 million of net unfunded liabilities consisting of \$221 million associated with its pension plan and \$556 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 \$596 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, 2021**
(with comparative figures at April 30, 2020)
(thousands of dollars)

	<u>2021</u>	<u>2020</u>
	<u>Total</u>	<u>Total</u>
<u>Divisional reserves</u>		
Academic	559,293	542,454
Academic services	14,260	11,095
Student services	24,298	23,902
Student assistance	19,434	15,842
Facilities & services	39,385	35,814
Administration	18,763	26,415
General university	149,188	68,456
Total divisional reserves	<u>824,621</u>	<u>723,978</u>
<u>Central reserves</u>		
<u>Capital</u>		
Future major capital project reserves	446,853	428,642
Other infrastructure reserves	90,677	67,162
	<u>537,530</u>	<u>495,804</u>
<u>Other</u>		
Research overhead	3,769	3,769
Priorities fund	7,646	8,425
	<u>11,415</u>	<u>12,194</u>
Total central reserves	<u>548,945</u>	<u>507,998</u>
<u>Employee benefit reserves</u>		
Pension	(221,245)	(706,450)
Pension plan reserve		26,744
Medical benefits	(616,891)	(574,262)
Other plans	60,858	37,591
Total employee benefit reserves	<u>(777,278)</u>	<u>(1,216,377)</u>
Total internally restricted net assets	<u>596,288</u>	<u>15,599</u>
Net change in internally restricted for the year	<u>580,689</u>	
<u>Consisting of:</u>		
Change in internally restricted reported in statement of operations	232,271	
Reported as remeasurements in statement of changes in net assets	348,418	
	<u>580,689</u>	

**Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2021**
(with comparative figures at April 30, 2020)
(thousands of dollars)

	2021					2020	
	Infrastructure Reserve	Research	Student Assistance	Endowment Matching	Operating Contingency	Total	Total
ACADEMIC:							
Arts and Science, TYP, SCS:							
Faculty of Arts and Science	41,826	73,380	18,408	1,895	24,613	160,122	145,241
Transitional Year Programme	75		15		975	1,065	955
UTSC academic	3,395	21,550	618		16,969	42,532	38,562
UTM academic	771	22,548			8,091	31,410	28,046
School of Continuing Studies	8,970		602	500	4,887	14,959	11,821
	<u>55,037</u>	<u>117,478</u>	<u>19,643</u>	<u>2,395</u>	<u>55,535</u>	<u>250,088</u>	<u>224,625</u>
Health sciences:							
Faculty of Dentistry	5,254	3,259	206		5,581	14,300	18,041
Temerty Faculty of Medicine	4,124	28,208	6,114	620	22,074	61,140	58,588
Dalla Lana School of Public Health		4,106	645		10,092	14,843	13,713
Lawrence S. Bloomberg Faculty of Nursing		1,591	185		3,745	5,521	3,536
Leslie Dan Faculty of Pharmacy	2,400	7,447	3,223	500	1,849	15,419	13,608
Faculty of Kinesiology & Physical Education		1,809	140		5,025	6,974	5,569
	<u>11,778</u>	<u>46,420</u>	<u>10,513</u>	<u>1,120</u>	<u>48,366</u>	<u>118,197</u>	<u>113,055</u>
Other professional faculties:							
Faculty of Applied Science and Engineering	2,474	67,807	4,169	2,100	20,993	97,543	77,535
John H. Daniels Faculty of Architecture, Landscape and Design		1,526	9		5,601	7,136	4,237
Rotman School of Management	6,221	6,988	2,659		2,961	18,829	26,816
OISE/UT		5,100	900		24,285	30,285	50,897
Faculty of Law		1,549	2,153	2,700	5,890	12,292	8,224
Faculty of Information		911			4,969	5,880	2,581
Faculty of Music	353	802	446		274	1,875	873
Factor-Inwentash Faculty of Social Work		1,438			1,527	2,965	2,167
	<u>9,048</u>	<u>86,121</u>	<u>10,336</u>	<u>4,800</u>	<u>66,500</u>	<u>176,805</u>	<u>173,330</u>
Other academic costs:							
University-wide reserves	13,888	311	32	1,250	52,089	67,570	92,942
Vacation Pay accrual - Academic					(49,011)	(49,011)	(38,796)
Voluntary Academic Retirement Program					(4,356)	(4,356)	(22,702)
TOTAL ACADEMIC	<u><u>89,751</u></u>	<u><u>250,330</u></u>	<u><u>40,524</u></u>	<u><u>9,565</u></u>	<u><u>169,123</u></u>	<u><u>559,293</u></u>	<u><u>542,454</u></u>

**Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2021**

(with comparative figures at April 30, 2020)
(thousands of dollars)

	2021					2020	
	Infrastructure Reserve	Research	Student Assistance	Endowment Matching	Operating Contingency	Total	Total
ACADEMIC SERVICES:							
St. George Libraries		535			4,515	5,050	2,043
UTSC library	2,701	434			1,783	4,918	5,211
UTM library		113			1,589	1,702	757
Library - Electronic Acquisitions					2,590	2,590	3,084
TOTAL ACADEMIC SERVICES	2,701	1,082			10,477	14,260	11,095
STUDENT SERVICES:							
St. George campus	773		183	354	3,242	4,552	1,629
UTSC campus	1,500		56		10,005	11,561	11,577
UTM campus					6,956	6,956	5,324
Athletics and Recreation	1,455	51			(277)	1,229	5,372
TOTAL STUDENT SERVICES	3,728	51	239		19,926	24,298	23,902
STUDENT ASSISTANCE:							
St. George campus			18,927			18,927	15,656
UTSC campus			501			501	183
UTM campus			6			6	3
TOTAL STUDENT ASSISTANCE			19,434			19,434	15,842
FACILITIES & SERVICES							
St. George campus	28,829					28,829	25,945
UTSC campus	6,704				3,659	10,363	8,974
UTM campus	7				186	193	895
TOTAL FACILITIES & SERVICES	35,540				3,845	39,385	35,814

Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2021

(with comparative figures at April 30, 2020)
(thousands of dollars)

	2021					2020	
	Infrastructure Reserve	Research	Student Assistance	Endowment Matching	Operating Contingency	Total	Total
ADMINISTRATION:							
Office of the Governing Council	570				828	1,398	1,105
Office of the President					22	22	29
Convocation and Institutional events					378	378	261
Chief Financial Officer	143				1,521	1,664	1,605
Vice-President and Provost	5,431	200			1,864	7,495	4,464
Vice-President - Research and Innovation					1,524	1,524	1,267
Vice-President - Communications	85				2,339	2,424	1,245
Vice-President - Advancement	1,000				4,534	5,534	1,334
Vice-President - International					714	714	451
Chief Government Relations					168	168	(18)
Vice-President - University Operations					2,825	2,825	8,226
Vice-President - Human Resources and Equity		50			1,031	1,081	2,083
UTSC campus	250				7,402	7,652	14,695
UTM campus					408	408	795
Vacation Pay accrual - Administration					(14,524)	(14,524)	(11,127)
TOTAL ADMINISTRATION:	7,479	250			11,034	18,763	26,415
GENERAL UNIVERSITY:							
Vice-President - Human Resources and Equity					1,967	1,967	1,309
CFO - LTBP expendable funds					117,272	117,272	37,092
CFO - Investment income reserve					8,033	8,033	11,589
Vice-President - University Operations		2,743			19,173	21,916	18,466
TOTAL GENERAL UNIVERSITY		2,743			146,445	149,188	68,456
TOTAL DIVISIONAL RESERVES	139,199	254,456	60,197	9,565	360,850	824,621	723,978

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 (\$126) million adjustment to financial statement revenues and a \$33 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	3,147.7	(124.7)	3,023.0	2,945.9	77.1	2.6%
Operating fund expenses	2,333.0	34.4	2,367.4	2,945.9	578.5	
Capital asset transfer	91.8		91.8		(91.8)	
	2,424.8	34.4	2,459.2	2,945.9	486.7	16.5%
Net income	722.9	(159.1)	563.8		563.8	

Total operating fund revenues, after adjustments, were \$3,023 million, compared to budgeted revenues of \$2,946 million, resulting in a favourable variance of \$77 million, or 2.6%. This favourable variance was primarily due to:

- a favourable student fees variance of \$25 million consisting of favourable tuition fee variance of \$70 million primarily as a result of higher international enrolments exceeding targets offset by unfavourable divisional student fees variance of \$45 million from academic programs for which no provincial government funding is provided,
- a favourable variance of \$51 million in divisional sales and services.

Total operating fund expenses, after adjustments, were \$2,459 million, as compared to budgeted expenses of \$2,946 million resulting in a favourable variance of \$487 million primarily due to savings in academic divisions that was used to fund capital infrastructure by transferring the funds to the capital fund. 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, 2021
(millions of dollars)

	ACTUAL		Adjusted Financial Statements	BUDGET	VARIANCE
	Financial Statements	Adjustments		Original budget	Favourable (Unfavourable)
REVENUES					
General university income:					
Provincial grants	640.3	1.6	641.9	646.0	(4.1)
Indirect cost recovery of grants and contracts	57.1	0.4	57.5	57.7	(0.2)
Student fees	1,786.6	(0.6)	1,786.0	1,716.1	69.9
Investment income:					
Endowment (chairs and student aid)	69.1		69.1	69.1	
Other	189.2	(120.5)	68.7	66.7	2.0
Sundry income	25.4	(6.2)	19.2	16.9	2.3
Municipal taxes	4.9		4.9	4.9	
	<u>2,772.6</u>	<u>(125.3)</u>	<u>2,647.3</u>	<u>2,577.4</u>	<u>69.9</u>
Divisional income:					
Provincial grants	36.5		36.5	35.7	0.8
Student fees	181.6	0.6	182.2	227.0	(44.8)
Sales and services	157.0		157.0	105.8	51.2
	<u>375.1</u>	<u>0.6</u>	<u>375.7</u>	<u>368.5</u>	<u>7.2</u>
	<u>3,147.7</u>	<u>(124.7)</u>	<u>3,023.0</u>	<u>2,945.9</u>	<u>77.1</u>
EXPENSES					
Academic	1,391.5	21.0	1,412.5	1,769.5	357.0
Academic services	98.6	1.2	99.8	101.5	1.7
Student services	80.3	1.2	81.5	113.2	31.7
Student assistance	254.7	0.3	255.0	270.2	15.2
Physical plant maintenance and services	121.6	1.4	123.0	141.6	18.6
Physical plant utilities	38.4	24.2	62.6	64.1	1.5
Alterations and renovations	18.5	(18.5)			
Administration	239.0	4.3	243.3	285.8	42.5
Amortization	12.8	(12.8)			
Interest expense	27.9	(27.9)			
General university expense	135.1	40.0	175.1	193.6	18.5
Municipal taxes	6.4		6.4	6.4	
	<u>2,424.8</u>	<u>34.4</u>	<u>2,459.2</u>	<u>2,945.9</u>	<u>486.7</u>
Operating results before the following:	722.9	(159.1)	563.8		563.8
Change in internally restricted funds	(232.3)	159.1	(73.2)		(73.2)
Transfers	(430.0)		(430.0)		(430.0)
NET CHANGE IN SURPLUS FOR THE YEAR	<u>60.6</u>		<u>60.6</u>		<u>60.6</u>

Ancillary Operations

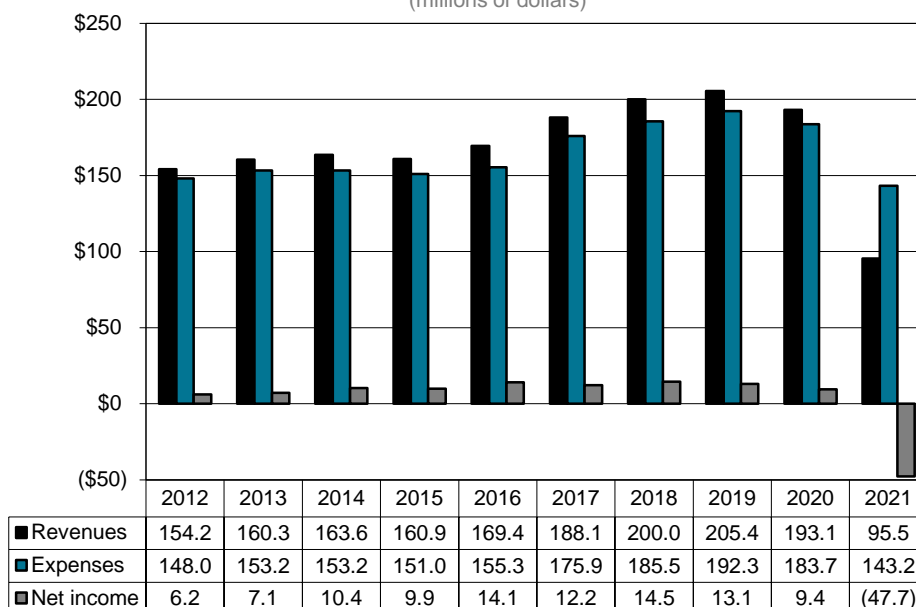
Ancillary operations include service ancillaries (residences, food and beverage services, parking, and Hart House) and business ancillaries (Residential Housing and U of T Press). All ancillary assets, liabilities, net assets, revenues and expenses are recorded in this fund.

Over the periods 2012 to 2020, ancillary revenues grew from \$154 million to \$193 million, expenses grew from \$148 million to \$184 million, and net income increased from \$6 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)



Levels of on-campus activity were significantly reduced in 2020-21, and campus services such as residences, food, and parking were particularly hard hit as a result of the COVID-19 pandemic.

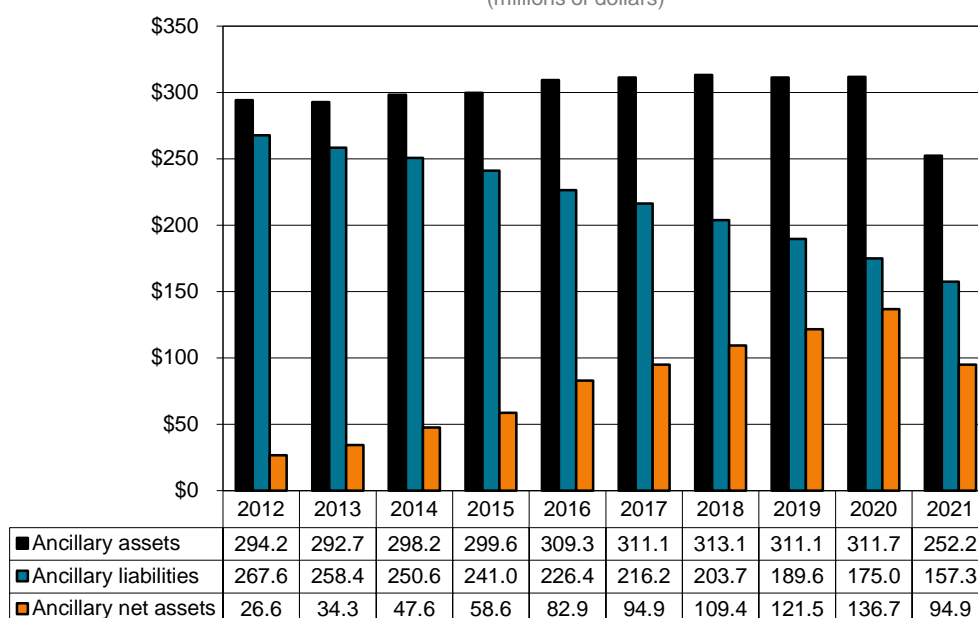
Ancillary operations incurred losses of \$48 million in 2021. The operations implemented significant cost-saving strategies, but in many cases, the magnitude of revenue reductions made it impossible to avoid financial losses. The University is allowing ancillary operations to incur deficits totalling up to \$50 million in the aggregate over the next five years. Deficits will be allowed only in those ancillary units where it is necessary to do so, after considering cost

containment strategies, levels of operating reserves, and necessary funding for critical infrastructure projects. Units with sufficient reserves will continue without need to carry a deficit. This approach is intended to ensure that the level of the ancillary deficits will be only as high as absolutely necessary.

Ancillary assets increased from \$294 million in 2012 to \$312 million in 2020, then fell to \$252 million in 2021 due to the impact of the pandemic. Liabilities decreased from \$268 million in 2012 to \$157 million in 2021 as ancillaries paid down their capital financing. Net assets grew from \$27 million to \$137 million in 2020, essentially reflecting the continued success of service operations with filling residence and parking spaces, while reducing their debt burden, then fell to \$95 million in 2021 due to the pandemic.

Ancillary operations Balance Sheet

as at April 30
(millions of dollars)



At April 30, 2021, net assets were \$95 million, a decrease of \$42 million from April 30, 2020, mainly due to the following:

- \$48 million net loss for the year due to the pandemic.
- Offset by \$6 million transferred from other funds.

There are three categories of net assets for ancillary operations which together total \$95 million. They are:

- (\$52 million) in deficit.
- \$43 million in internally restricted net assets.
- \$104 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, 2021
(with comparative figures for the year ended Apr 30, 2020)
(thousands of dollars)

	Revenues	Expenses	Commitments and Transfers	Surplus/(Deficit)		Investment in Capital Assets	Internally Restricted	2021 Total Net Assets	2020 Total Net Assets
				Opening	Closing				
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Residences									
Graduate House	3,459	4,235	3,984	(5,348)	(2,140)	9,612	820	8,292	9,051
Scarborough	2,598	5,762	2,481	2,417	1,734	2,266	2,846	6,845	10,009
Mississauga	7,138	9,740	3,719	(1,714)	(597)	9,198	5,259	13,860	11,603
University College	2,841	6,077	943	3,039	746	3,115	0	3,861	7,097
Innis College	1,648	2,504	(121)	1,313	336	1,656	2,396	4,388	5,245
New College	2,713	7,035	2,144	100	(2,078)	1,546	0	(532)	3,110
Family Housing	9,339	8,253	(1,908)	2,767	1,945	578	6,250	8,773	7,617
Woodsworth College	1,447	4,392	3,650	(9,448)	(8,743)	13,602	1,000	5,859	8,804
89 Chestnut	5,617	13,662	23	(6,897)	(14,919)	8,033	0	(6,886)	925
	<u>36,800</u>	<u>61,660</u>	<u>14,915</u>	<u>(13,771)</u>	<u>(23,716)</u>	<u>49,606</u>	<u>18,571</u>	<u>44,460</u>	<u>63,461</u>
Food/Beverage Service									
St. George	4,176	16,542	2,484	(9,882)	(19,764)	4,114	0	(15,650)	(4,819)
Scarborough	164	688	284	232	(8)	488	0	480	1,005
Mississauga	869	2,705	1,014	1,207	385	2,734	1,953	5,072	6,907
University College	1,160	3,101	760	(368)	(1,549)	214	0	(1,335)	606
	<u>6,369</u>	<u>23,036</u>	<u>4,542</u>	<u>(8,811)</u>	<u>(20,936)</u>	<u>7,550</u>	<u>1,953</u>	<u>(11,433)</u>	<u>3,699</u>
Parking									
St. George	3,360	6,002	145	318	(2,179)	6,785	0	4,606	6,963
Scarborough	625	1,923	(29)	(4,544)	(5,871)	6,214	12,655	12,998	14,295
Mississauga	780	2,773	(708)	(6,004)	(8,705)	14,348	0	5,643	9,437
	<u>4,765</u>	<u>10,698</u>	<u>(592)</u>	<u>(10,230)</u>	<u>(16,755)</u>	<u>27,347</u>	<u>12,655</u>	<u>23,247</u>	<u>30,695</u>
Hart House	<u>10,744</u>	<u>10,072</u>	<u>(670)</u>	<u>1,209</u>	<u>1,211</u>	<u>11,107</u>	<u>8,332</u>	<u>20,650</u>	<u>19,978</u>
University of Toronto Press	34,136	35,547	169	8,980	7,738	1,220	0	8,958	10,369
Residential Housing	2,677	2,187	(1,323)	1,631	798	6,679	1,500	8,977	8,528
	<u>36,813</u>	<u>37,734</u>	<u>(1,154)</u>	<u>10,611</u>	<u>8,536</u>	<u>7,899</u>	<u>1,500</u>	<u>17,935</u>	<u>18,897</u>
Total	<u>95,491</u>	<u>143,200</u>	<u>17,041</u>	<u>(20,992)</u>	<u>(51,660)</u>	<u>103,509</u>	<u>43,011</u>	<u>94,859</u>	<u>136,730</u>

Service Ancillaries

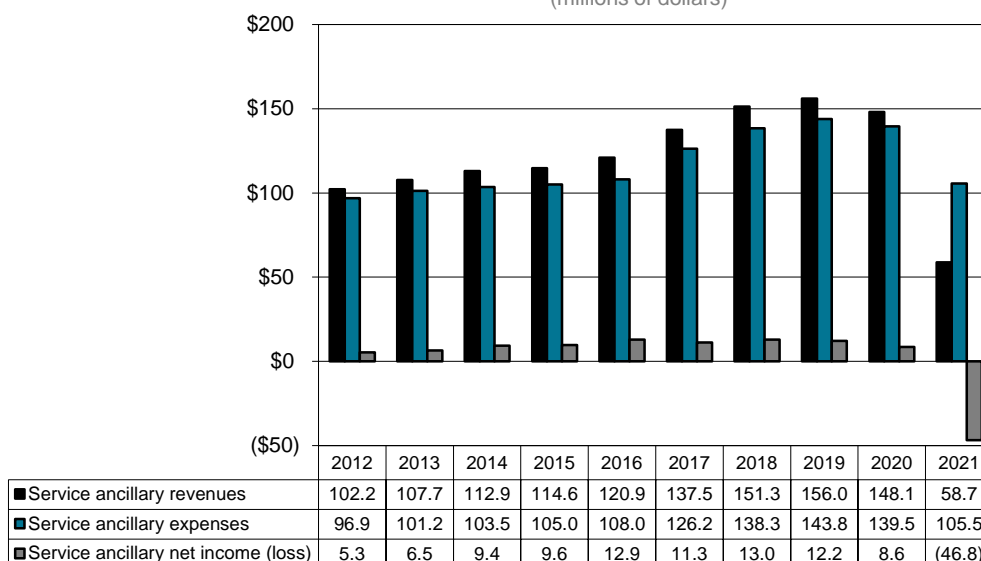
Service ancillaries had revenues of \$59 million and expenses of \$106 million, with a net loss of \$47 million for the year. As a result of the pandemic, revenues for residence, parking and food service operations in 2021 have decreased significantly due to the reduced activities on campus.

The University continued to provide a welcoming home for international students, students whose family members were in self-isolation and out-of-province students who needed more time to make travel arrangements. However, each residence operation had to address the health and safety of residents and staff and to follow provincial regulations and protocols, and have taken the necessary precautions to help prevent the spread of the virus. Each has had to reduce their bed inventory for physical distancing and reduce their operating capacity. This has resulted in greatly reduced revenues. During this time, higher operating costs associated with additional cleaning, sanitation, communication, and staff absentee coverage were experienced. In order to partially mitigate these revenue shortfalls and cost increases, all residences reduced or delayed most of the planned capital and major maintenance projects, avoided discretionary costs, applied temporary staff layoffs, and froze hiring. In 2021, residence operations incurred net losses of \$25 million.

The pandemic also affected Food Services, Transportation Services and Hart House negatively, as revenues depend on faculty, staff, students and visitors attending, working, and visiting the University. When the University closed down in March 2020 for all non-essential operations and made most classes available only online, revenue streams for these operations diminished dramatically. In 2021, these operation incurred net losses of \$22 million.

Ancillary operations - Service Ancillaries Revenues and Expenses

for the year ended April 30
(millions of dollars)



Prior to 2021, service ancillary revenues have increased 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.

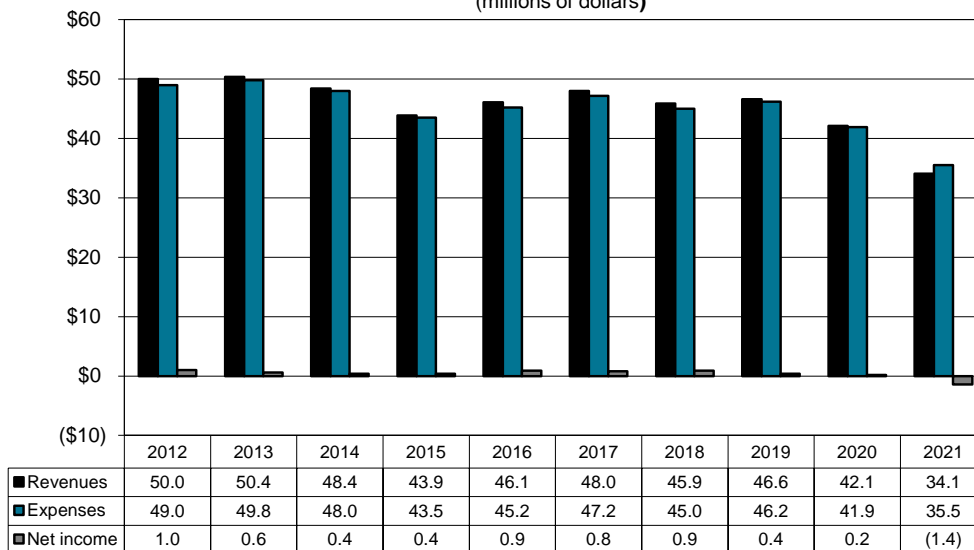
The long-term financial health of these operations is dependent upon filling the residence and parking spaces. Growth has largely been financed through long-term debt and through subsidies from their existing ancillary operations resulting in reduced operating margins.

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 \$37 million and expenses of \$38 million, for a net loss of \$1 million in 2021.

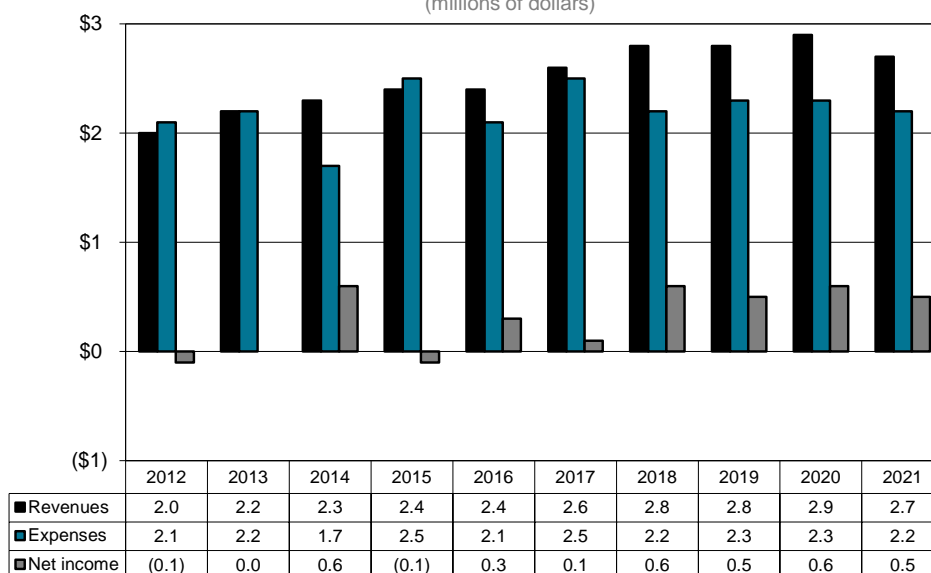
Ancillary operations - Business Ancillaries University of Toronto Press Revenues and Expenses

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)



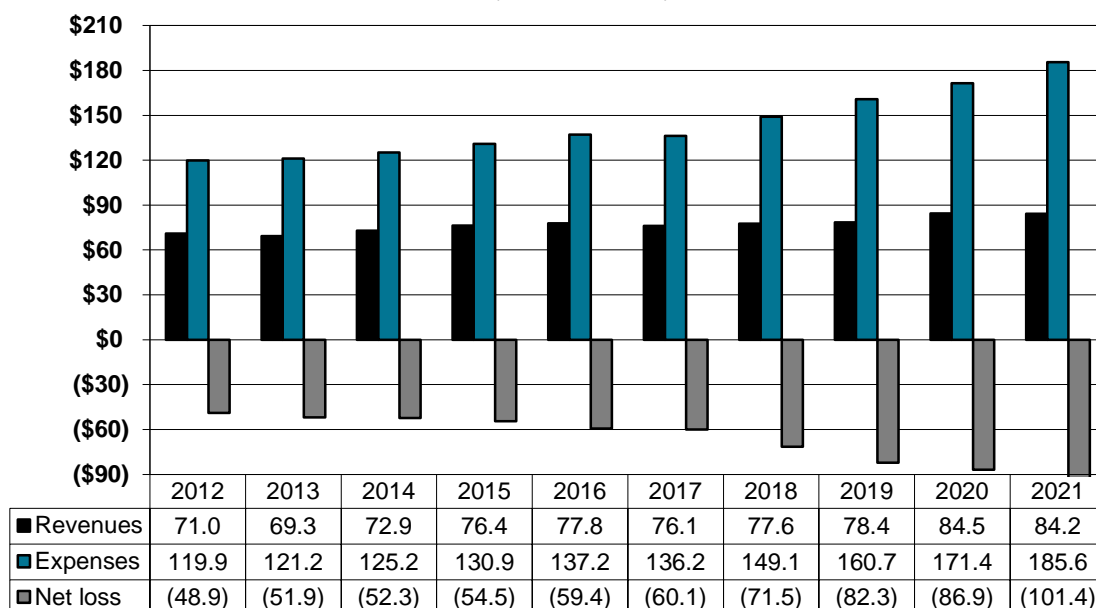
Capital Fund

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 \$84 million and expenses were \$186 million, for a net loss of \$101 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)



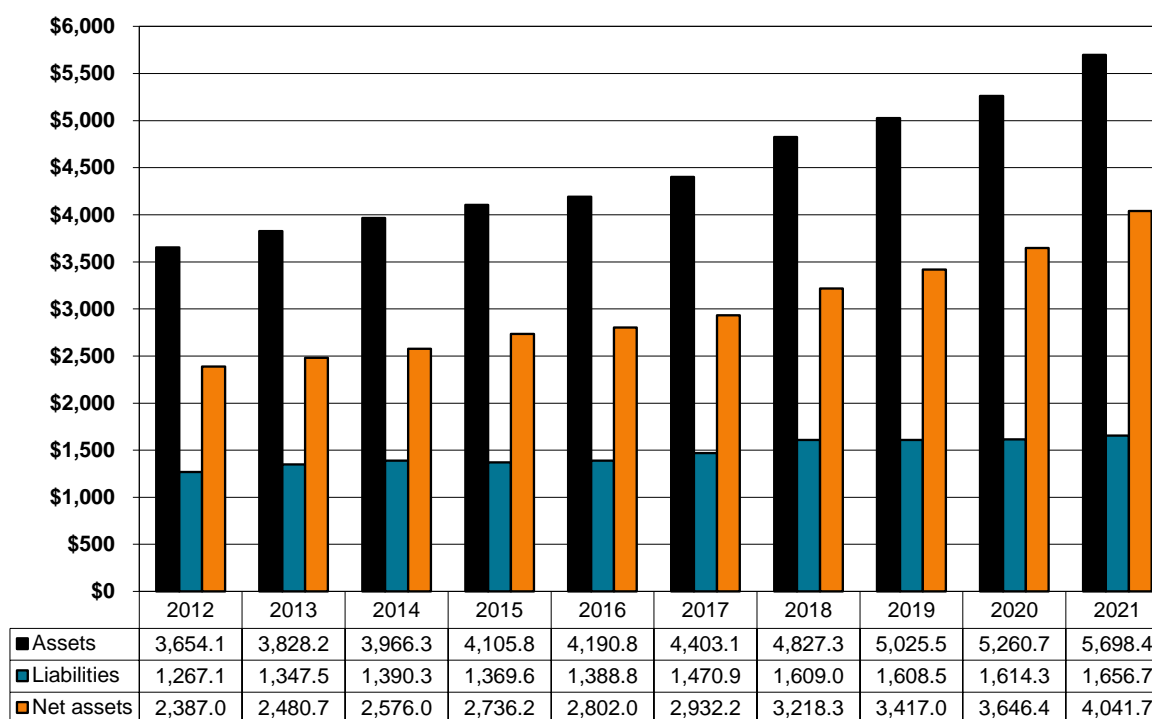
The reason for annual net losses in the capital fund is that a significant share of the revenue funding the amortization of capital assets and funding capital projects is recorded as revenue in the operating fund and transferred to the capital fund as an interfund transfer, and therefore is not reported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

In 2021, a total of \$497 million was transferred to the capital fund. This was made up of \$92 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 \$405 million, mainly from the operating fund, in support of various capital projects.

In 2021, capital fund assets were \$5.7 billion, liabilities were \$1.7 billion and net assets were \$4.0 billion. Net assets comprised \$3.6 billion investment in capital assets, \$613 million internally restricted funds offset by \$182 million in deficit.

The assets of the capital fund have grown from \$3.7 billion in 2012 to \$5.7 billion in 2021 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 \$1.3 billion in 2012 to \$1.7 billion in 2021. 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 \$306 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 19,200 individual restricted funds.

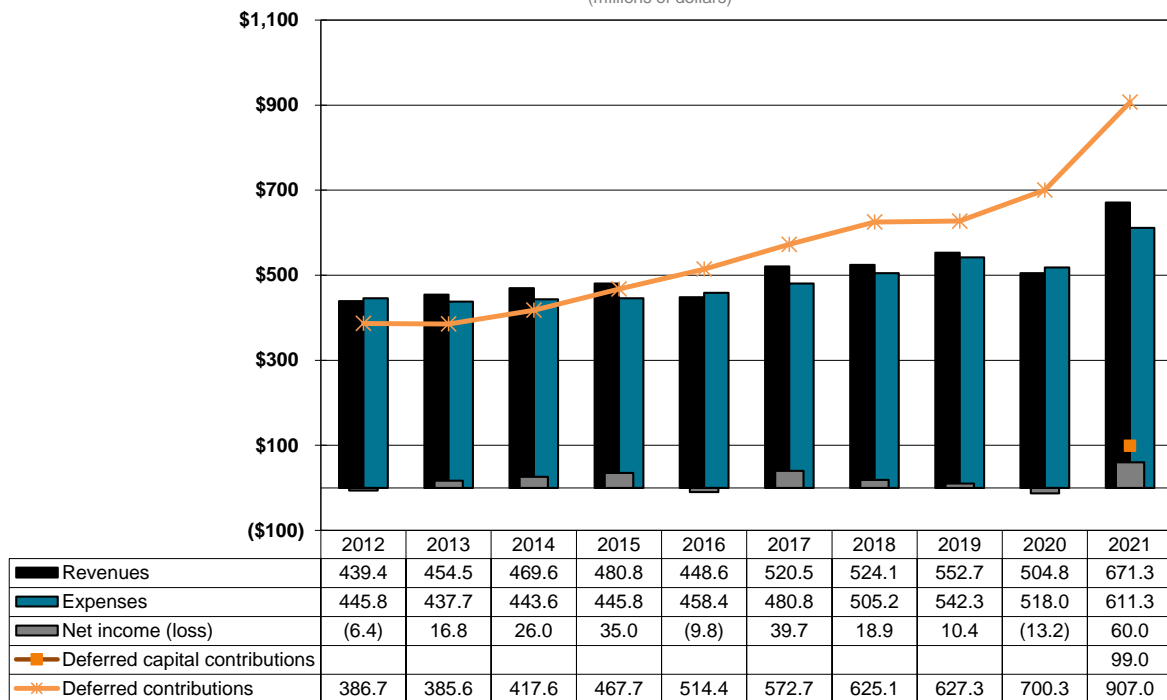
Restricted funds exclude research grants for capital assets and donations designated for capital assets, both of which are recorded in the capital fund. When restricted funds are provided for, or spent on, capital assets, they are recorded in the capital fund.

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 2021, restricted funds revenues for the year were \$671 million and expenses were \$611 million, resulting in net income of \$60 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 \$4.3 billion, liabilities were \$1.0 billion, and net assets were \$3.3 billion. Net assets comprised \$3.1 billion in endowments and \$102 million in internally restricted funds.

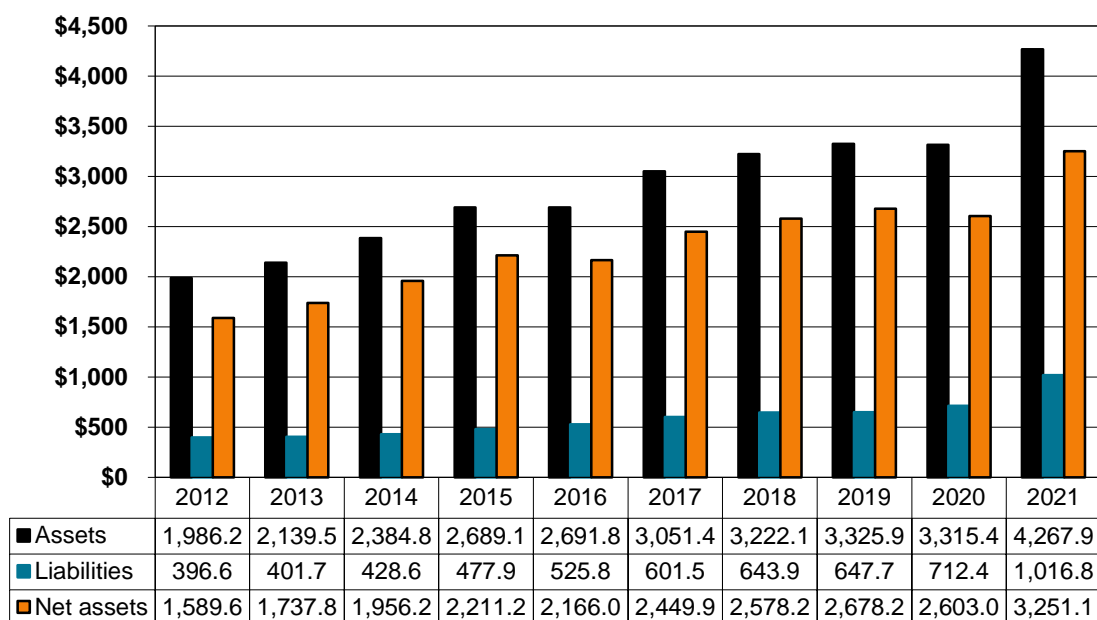
Restricted funds' net assets increased by \$648 million between April 30, 2020 and April 30, 2021 as a result of net income of \$60 million and a further \$588 million as follows:

- a) transfers of \$19 million mainly from the operating fund,
- b) endowed contributions and investment gains on externally restricted endowments, which are not recorded as revenue, but are added directly to net assets:
 - o \$124 million in endowed donations.
 - o \$445 million increase of externally restricted endowments, consisting of an investment income of \$528 million less \$83 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 \$397 million in 2012 to \$1.0 billion in 2021 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 2012 to \$3.3 billion in 2021.

Schedule 6 reflects the change in endowment funds from April 30, 2020 to April 30, 2021 with the related expendable funds.

**Schedule 6
(Unaudited)
UNIVERSITY OF TORONTO
RESTRICTED FUNDS
ENDOWMENT AND EXPENDABLE FUNDS AT FAIR VALUES AT APRIL 30, 2021**
(thousands of dollars)

	Endowment funds				April 30, 2021	Expendable funds					April 30, 2021
	April 30, 2020	Donations, and other additions	Preservation of capital (note 1)	Transfers		April 30, 2020	Donations, grants and other additions	Distributed investment income/(loss) (note 1)	Transfers	Disbursements	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Student aid (note 2)	587,511	36,420	120,978	1,095	746,004	62,829	14,532	(8,208)	5,838		74,991
Ontario Student Opportunity Trust Fund - Phase 1 (note 2)	370,742	152	75,334	7	446,235	29,871	7	1,480	(8)		31,350
Ontario Student Opportunity Trust Fund - Phase 2 (note 2)	44,369		9,014		53,383	3,609		(78)			3,531
Ontario Trust for Student Support (note 2)	83,939	423	17,086	14	101,462	5,088		343	56		5,487
Research funds	150,726	5,903	30,738		187,367	351,106	600,431	5,792	4,374	513,264	448,439
Departmental funds	370,425	64,763	78,702	628	514,518	283,659	233,953	43,548	7,694	87,330	481,524
Faculty endowment funds (note 2)	754,097	19,406	154,240	(2,345)	925,398	23,421	1,734	8,198	325	6,585	27,093
Connaught fund	111,795		22,711		134,506	5,521		4,258	(3,915)	147	5,717
l'Anson fund	3,260		663		3,923	223		125	(150)	(8)	206
Miscellaneous funds	33,196	67	3,437		36,700	27,807	21,062	689	5,621	25,934	29,245
	<u>2,510,060</u>	<u>127,134</u>	<u>512,903</u>	<u>(601)</u>	<u>3,149,496</u>	<u>793,134</u>	<u>871,719</u>	<u>56,147</u>	<u>19,835</u>	<u>633,252</u>	<u>1,107,583</u>
Comprising:											
Externally designated	2,133,149	124,508	444,381	(605)	2,701,433						
Internally designated	376,911	2,626	68,522	4	448,063						
	<u>2,510,060</u>	<u>127,134</u>	<u>512,903</u>	<u>(601)</u>	<u>3,149,496</u>						
Restricted						700,258	860,436	48,500	20,309	623,510	1,005,993
Unrestricted						92,876	11,283	7,647	(474)	9,742	101,590
						<u>793,134</u>	<u>871,719</u>	<u>56,147</u>	<u>19,835</u>	<u>633,252</u>	<u>1,107,583</u>

Notes:

(1) Consisting of investment income (loss) on:

Endowment funds	570,531
Expendable funds	(1,481)
	<u>569,050</u>

(2) Disbursements and corresponding distributed investment income for Student aid (\$31,168), Ontario Student Opportunity Trust Funds (\$14,398), Ontario Trust for Student Support (\$2,856) and Faculty Endowments (\$20,735) are reported in the Operating Fund.



UNIVERSITY OF
TORONTO