



**FOR ENDORSEMENT
AND FORWARDING**

PUBLIC

CLOSED SESSION

TO: Executive Committee

SPONSOR: Sheila Brown, Chief Financial Officer
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PRESENTER: Sheila Brown, Chief Financial Officer
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DATE: June 17, 2021 for June 24, 2021

AGENDA ITEM: 2 (a)

ITEM IDENTIFICATION:

Audited Financial Statements for the Fiscal Year ended April 30, 2021

JURISDICTIONAL INFORMATION:

In accordance with section 5 of the Business Board *Terms of Reference*, the Board recommends the approval of the annual audited financial statements to Governing Council.

The Audit Committee reviews with the administration and the external auditors the University's annual audited financial statements and the external auditors' report thereon, satisfies itself with respect to the integrity of the statements and the fairness of their presentation, and recommends them for approval to the Business Board. As part of this review, the Audit Committee reviews the signed statement of administrative responsibility in connection with the preparation of the financial statements and reviews relevant written communications from the external auditors, including any schedule of unadjusted differences.

GOVERNANCE PATH:

1. Audit Committee [for recommendation] (June 16, 2021)
2. Business Board [for recommendation] (June 17, 2021)
3. **Executive Committee [for endorsement and forwarding] (June 24, 2021)**
4. Governing Council [for approval] (June 24, 2021)

PREVIOUS ACTION TAKEN:

None.

HIGHLIGHTS:

In fiscal 2021, net assets increased by \$1.6 billion to \$8.1 billion, mainly as a result of the following:

- An increase of \$445 million due to investment gains on externally restricted endowments and an increase of \$124 million in endowed donations. These donations support academic planning and are critical to the success of the University's teaching and research objectives.
- An increase of \$348 million primarily due to higher-than-expected investment returns on assets of the pension plan.
- An increase of \$726 million net income, of which \$314 million is for capital infrastructure costs that were capitalized and not expensed in the year. These capital investments include projects like UTM Science building, the Schwartz Reisman Innovation Centre West, UTSC Student Residence, Robarts Library Pavilion, Fitzgerald Revitalization and UTSC Instructional Centre Phase II.

Net assets are composed of the following:

- \$3.2 billion of endowments, representing 39.0% of net assets,
- \$5.1 billion of internally restricted net assets, and
- (\$144 million) of deficit.

The \$5.1 billion of internally restricted net assets comprises:

- \$2.3 billion in land
- \$1.4 billion of investment in other capital assets
- (\$0.8 billion) in net unfunded liability associated with pension and other employee future benefits
- \$1.3 billion in capital projects and infrastructure reserves
- \$361 million of operating contingency reserves
- \$437 million in other reserves held for future spending

The deficit of \$144 million is largely due to the internal financing of capital construction in accordance with the University's debt strategy.

The ongoing outbreak of COVID-19 resulted in a reduction of on-campus activity that negatively affected campus services such as residence, food, and parking. The financial impact of COVID-19 on the University's ancillary operations were:

- Each residence operation has 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 and other operations incurred net losses of \$23 million.

The assets and liabilities of the University's registered pension plan ("RPP") will be transferred to the University Pension Plan Ontario ("UPP") as at July 1, 2021 (the "Effective Date"). As of the Effective Date, the accrual of benefits and contributions under the UPP will commence for members of the RPP, all of whom will have been transferred to the UPP, and benefits and contributions under the RPP will cease. During the year, the University amended the RPP to allow for the planned July 1, 2021 transfer of assets and liabilities into the UPP and the subsequent termination of the RPP. At April 30, 2021, the accrued pension obligation was made up of \$641 million surplus in the RPP and \$127 million obligation mainly for its supplemental pension arrangement. Due to the uncertainty around the ability of the University to fully realize the RPP's accrued benefit surplus in the future under the UPP, the surplus is not reflected in the University's financial statements, in accordance with Canadian generally accepted accounting principles.

For the period May 1, 2020 to April 30, 2021, the University raised a total of \$445 million.¹ This amount includes \$406 million in pledges and gifts (donations) and \$39 million in philanthropic research grants from non-government sources.

This year, the University received a \$250 million gift (\$79 million endowed and \$171 million expendable) from the Temerty Foundation, established by James and Louise Temerty, making it the single largest gift in Canadian history. The gift will support discovery, collaboration, innovation, equity and student well-being across the University's Faculty of Medicine and its affiliated hospital network, advancing its leadership as a global center of excellence in human health and health care. This transformative gift will support advances in machine learning in medicine; biomedical research and collaboration; and the creation of a new state-of-the-art Faculty of Medicine building for education and research. This gift also included a \$10 million allocation to the Dean's COVID-19 Priority Fund, which was received last fiscal year. This

¹ This number includes federated universities and other affiliated institutions, but excludes donations to partner hospitals.

component of the gift is in support of front-line clinical faculty members and trainees, as well as researchers at the University and partner hospitals seeking to improve testing, accelerate vaccine research and create better treatments and prevention strategies. In gratitude for this extraordinary benefaction, the University's Faculty of Medicine has been named the Temerty Faculty of Medicine.

FINANCIAL IMPLICATIONS:

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RECOMMENDATION:

Be it Resolved

THAT the following recommendation be endorsed and forwarded to the Governing Council:

THAT the University of Toronto audited financial statements for the year ended April 30, 2021, be approved.

DOCUMENTATION PROVIDED:

- *Financial report including the audited financial statements and highlights*
- *Supplementary Financial Report.*



UNIVERSITY OF
TORONTO

FINANCIAL REPORT

April 30, 2021



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HIGHLIGHTS

Year Ended April 30, 2021

(with comparative figures at April 30, 2020)

(millions of dollars)

	2021	2020	% Change
Statement of Operations			
Revenues	\$ 3,999	\$ 3,626	10.3%
Expenses	<u>\$ 3,273</u>	<u>\$ 3,185</u>	2.8%
Net Income	<u>\$ 726</u>	<u>\$ 441</u>	64.6%
Balance Sheet			
Assets	\$ 12,382	\$ 10,727	15.4%
Liabilities	<u>\$ 4,308</u>	<u>\$ 4,296</u>	0.3%
Net Assets	<u>\$ 8,074</u>	<u>\$ 6,431</u>	25.5%
Net Assets Composed of:			
Endowments	\$ 3,150	\$ 2,510	
Investment in land and other capital assets	\$ 3,715	\$ 3,525	
Other	<u>\$ 1,209</u>	<u>\$ 396</u>	
	<u>\$ 8,074</u>	<u>\$ 6,431</u>	
<hr/>			
Total Debt Policy Limit	\$ 1,940	\$ 1,846	5.1%
Policy Debt Burden Ratio	5.0%	5.0%	
Actual Debt Burden Ratio	2.7%	2.9%	
<hr/>			
Student FTEs (November 1)	84,807	82,311	3.0%
Total Number of Students (November 1)	95,055	93,081	2.1%

Highlights

Established in 1827, the University of Toronto (the “University”) is Canada’s top-ranked university, providing world-class research and teaching to over 95,000 students across our three campuses: St. George (downtown Toronto), Scarborough (“UTSC”) and Mississauga (“UTM”).

As one of the largest universities in North America, the University provides our students with a broad range of academic programs and courses, while our unique college system offers the rich learning experiences of small, close-knit communities. The following financial report reveals a vital university in excellent shape as we approach our bicentennial in 2027.¹

Over the past 5 years, the University benefited from the Ontario and Federal governments’ investments in higher education and advanced research, helping to ensure access, increase graduate enrolment, and finance vital infrastructure. During that same period, the University has grown significantly, with an increase of over 8.3% in the number of students.

Looking ahead, we will continue implementing our central priorities and find new ways to take advantage of our prime locations in the Greater Toronto Area. This includes deepening our relationships with local partners and heightening our contributions to the success of the GTA as one of the world’s most diverse and dynamic metropolitan regions.

We will also strengthen our international partnerships with other great universities, by facilitating student mobility and faculty exchanges, as well as joint initiatives in research, conferences, and teaching.

In addition, we will develop new, innovative curricula and non-curricular activities that enhance the student experience, to re-imagine undergraduate education. This includes embracing the demand to prepare our students for the labour market and the opportunities of the digital age.

As we build upon the University’s great success to date, the University will continue drawing on the talent and leadership of our faculty and staff, as well as the loyalty and generosity of our alumni and benefactors. At the same time, we will also need strong support from our government partners—at all levels—that recognize the University’s unique and critical role within Canadian higher education.

Current Financial Results and Challenges

In fiscal 2021, net assets increased by \$1.6 billion to \$8.1 billion, mainly as a result of the following:

- An increase of \$445 million due to investment gains on externally restricted endowments and an increase of \$124 million in endowed donations. These donations support academic planning and are critical to the success of the University’s teaching and research objectives.
- An increase of \$348 million primarily due to higher-than-expected investment returns on assets of the pension plan.
- An increase of \$726 million net income, of which \$314 million is for capital infrastructure costs that were capitalized and not expensed in the year. These capital investments include projects like UTM Science building, the Schwartz Reisman Innovation Centre West, UTSC Student Residence, Robarts Library Pavilion, Fitzgerald Revitalization and UTSC Instructional Centre Phase II.

¹ The financial report does not include the assets, liabilities and operations of Victoria University, The University of Trinity College, University of St. Michael’s College, Sunnybrook Health Sciences Centre and the affiliated colleges under the memorandum of agreement with the Toronto School of Theology, each of which is a separate, non-controlled corporate body.

Impact of COVID-19 on financial results

The ongoing outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization has declared to constitute a pandemic, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. In 2021, members of the University of Toronto community have risen to the unprecedented challenge of the COVID-19 pandemic with remarkable generosity, patience and creativity. The University is delivering on three fundamental elements of the University’s core mission as it continued its work in terms of teaching, research and other business remotely; by

- ensuring that students completed their term by offering courses through alternative means without in-person meetings or class sessions,
- providing a place to live for those students in residence who were unable to return home, and
- supporting the critical COVID-19 and time-sensitive research endeavors of our world-class scholars.

The University’s research activities have continued, when possible, remotely. Research labs conducting critical COVID-19 related research and time-sensitive critical projects have continued. The Canada Research Continuity Emergency Fund was announced on May 15, 2020, as part of the Government of Canada’s COVID-19 Economic Response Plan. The temporary program has been established to help sustain the research enterprise at Canadian universities and health research institutions that have been affected by the COVID 19 pandemic. This is a tri-agency program jointly managed by the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council and the Canadian Institutes of Health Research. The University received \$101 million under this program, which has a total budget of \$450 million, with the following two objectives:

- as a priority, to provide wage support to universities and health research institutions, both of which are ineligible to the Canada Emergency Wage Subsidy, to help them retain research-related personnel during the course of the COVID-19 pandemic; and
- to support extraordinary incremental costs associated with maintaining essential research-related commitments during the COVID-19 pandemic, and then ramping-up to full research activities as physical distancing measures are eased and research activities can resume.

Levels of on-campus activity were significantly reduced in 2020-21, and campus services such as residences, food, and parking were particularly hard hit. Service ancillaries implemented significant cost-saving strategies, but in many cases, the magnitude of revenue reductions made it impossible to avoid financial losses. 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. As a result, revenues for residence, parking and food service operations have decreased significantly due to the above measures and reduced activities on campus.

Each residence operation has 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 and other operations incurred net losses of \$23 million.

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.

COVID-19 impacted global commercial and financial activities. This led to significant volatility and declines in the global public equity markets towards the end of fiscal 2020. These markets subsequently recovered their losses and continued to generate strong returns through the remainder of fiscal 2021, resulting in strong returns for the University's investments. It is uncertain whether market volatility relating to COVID-19 will occur again in the near future.

The extent of such effects on the University's business and future financial and operational performance are uncertain and difficult to assess. The financial impacts will depend on future developments, including the duration, spread and severity of the outbreak, physical distancing requirements, the duration and geographic scope of related travel advisories and restrictions, and the extent of disruptions to businesses globally and the subsequent impact on the economy.

Responsible investing

The University of Toronto Management Corporation ("UTAM"), which manages on behalf of the University its three investment portfolios (Pension, Long-Term Capital Appreciation pool for its endowments and the Expendable Funds Investment Pool for its short-term working capital), incorporates environmental, social and governance (ESG) factors into investment decisions and practices active ownership. The University believes that ESG factors can have a material impact on the long-term risk and return of a given investment, and incorporating relevant and material ESG issues into the decision-making processes is consistent with the University's fiduciary duty.

This year, the University and more than a dozen Canadian universities signed a landmark charter (Investing to Address Climate Change) that aims to tackle climate change through a commitment to responsible investing practices. The University also joined forces with other Canadian universities to engage with companies to address investment risks associated with climate change. The new University Network for Investor Engagement (UNIE) will engage with companies that are held in its members' investment portfolios. Its largest founding member is UTAM. This initiative is co-ordinated by SHARE, a non-profit organization that specializes in responsible investment services and will focus on sectors where advocacy can make the biggest impact, including finance, transportation, energy and utilities, and manufacturing.

In early 2020, UTAM committed to reducing the carbon footprint of the pension and endowment portfolios by 40% by 2030, using 2017 levels as the benchmark. As of December 31, 2020, the carbon footprint of the portfolios (carbon emissions per million dollars invested) was 37.0% lower than in 2017, and the absolute level of carbon emissions was 21.1% lower. Given that the goal has almost been reached, UTAM and the university are considering possible changes to the target for the Endowment.

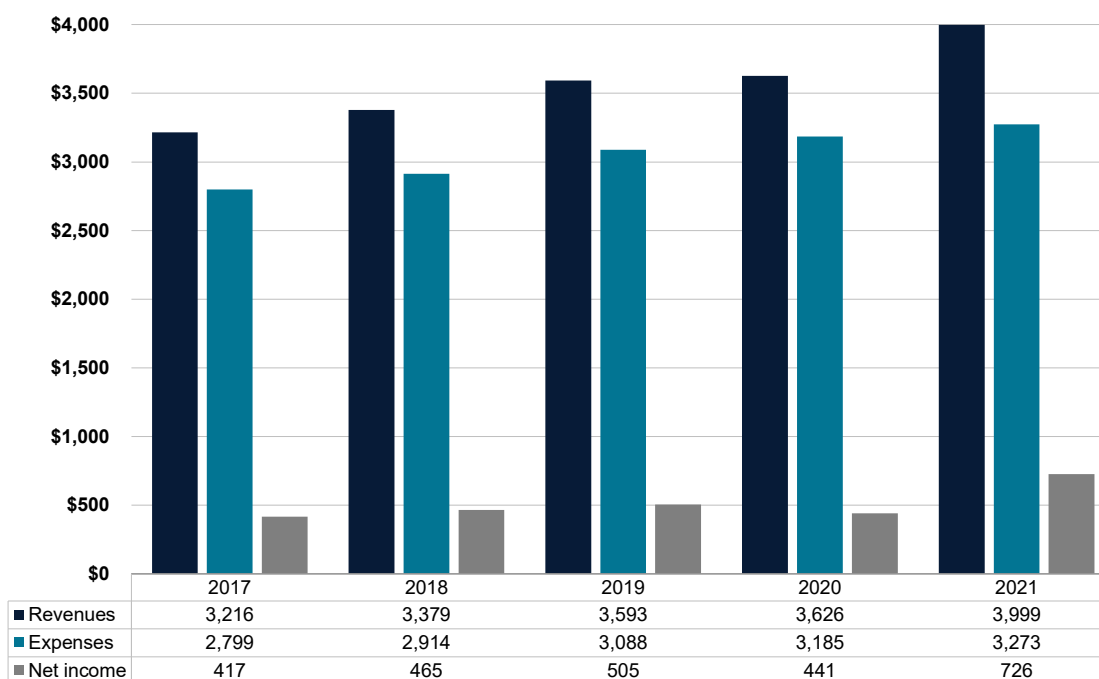
Statement of Operations

Over the past 5 years, the number of students at the University has grown 8.3%. This substantial increase in enrolment has raised revenues from student fees and government grants while also increasing expenses in salaries and benefits, due to the resulting growth in faculty and staff and related salary increases. In turn, higher numbers of students, faculty, and staff have increased the need for construction and renovations, which impact operating expenses as well as interest and amortization expenses. Planning for these capital infrastructure needs has included a prudent increase in our financial reserves.

The University also continues to welcome a large community of international students. Experience and data show consistently that this is an important factor in our academic excellence and global competitiveness, as well as a major benefit to the regional and national economy. To mitigate the ways international student recruitment can be affected by geopolitical developments, the University has successfully pursued initiatives to diversify global recruitment and also increased our accumulation of current financial reserves.

Revenues and Expenses

for the year ended April 30
(millions of dollars)



Fiscal year ending April 30, 2021:

Revenues: \$4.0 billion

Expenses: \$3.3 billion

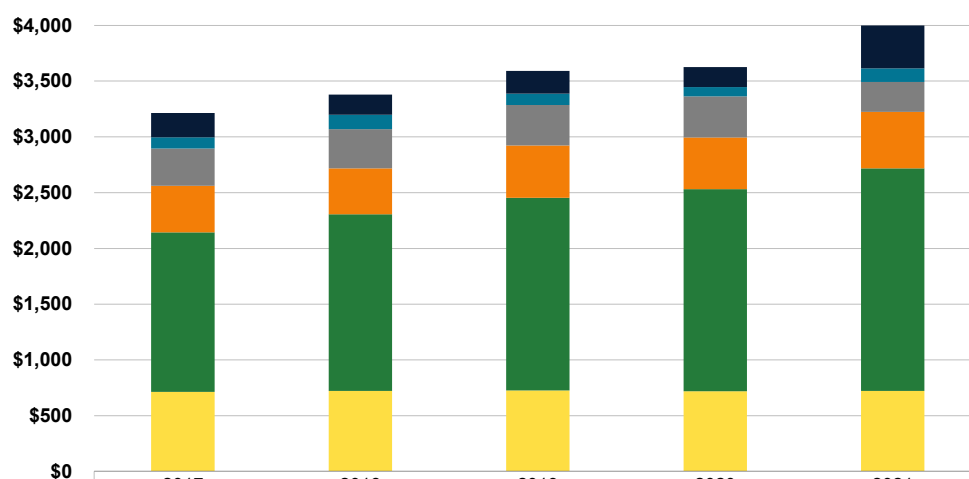
Net income: \$726 million

The net income of \$726 million primarily reflects funds being used for capital infrastructure combined with funds set aside in accordance with multi-year divisional academic plans. These plans call for deliberate use of reserves for operating contingencies, future capital investment in academic facilities and other amenities, and faculty hiring.

In 2021, \$2.7 billion or 68.0% of revenues were from student fees and government grants provided in support of student enrolments. An additional \$507 million represented government and other grants and contracts for restricted purposes. Together these three sources accounted for 80.6% of revenues for the year. Sales, services and sundry income (residence, parking and food service operations) were negatively impacted due to reduced activities on campus as a result of the pandemic.

Revenues by Category

for the year ended April 30
(millions of dollars)



Category	2017	2018	2019	2020	2021
Total revenues	3,216	3,379	3,593	3,626	3,999
Investment income	220	180	205	178	384
Donations	101	128	102	85	122
Sales, services and sundry income	333	352	362	368	268
Grants for restricted purposes	418	413	469	463	507
Student fees	1,431	1,583	1,728	1,813	1,995
Grants for general operations	713	723	727	719	723

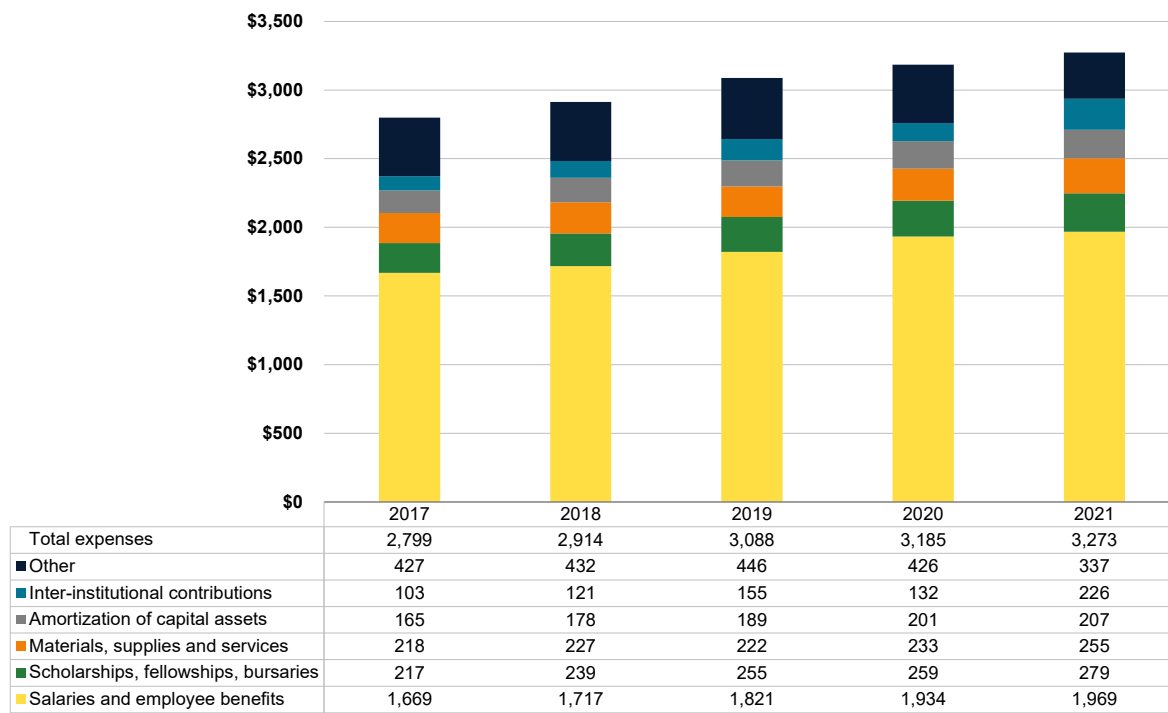
In 2021, the University paid \$2.0 billion for salaries and employee benefits comprising 60.2% of the University's \$3.3 billion in expenses. Faculty and staff salaries and benefits relating to teaching, research and administrative activities are predominantly funded from University operating funds (mostly student fees and government grants).² Additional details on expenses include:

- \$279 million for scholarships, fellowships and bursaries (8.5% of total expenses)
- \$255 million for materials, supplies and services (7.8% of total expenses)
- \$226 million for inter-institutional contributions (6.9% of total expenses)

² Additional details are provided in the "Salaries and Benefits" section below.

Expenses by Category

for the year ended April 30
(millions of dollars)



Balance Sheet

Fiscal year ending April 30, 2021:

Assets: \$12.4 billion

Liabilities: \$4.3 billion

Net assets: \$8.1 billion

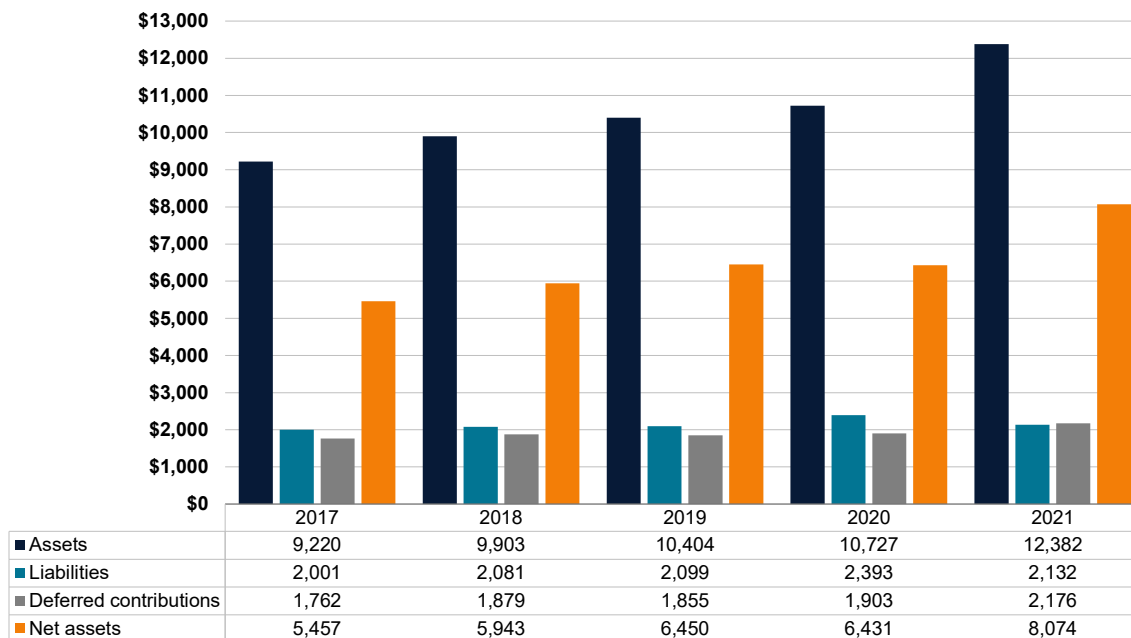
Assets have grown since 2017 mainly due to three factors: the growth in endowments as a result of good investment returns in most years; the receipt of endowed donations; and the construction of additional space to accommodate the increased number of students.

Net assets³ increased by \$1.6 billion to \$8.1 billion in 2021. This increase is due to a net income of \$726 million, endowed donations of \$124 million, \$445 million increase in externally restricted endowments and \$348 million in remeasurements and other items relating to employee future benefits, primarily due to actual investment returns being higher than expected returns on assets of the pension plan.

³ Net assets reflect the University's net worth and change over time through the net income or net loss for the year, and a change in endowments. Changes in endowments may derive from receipt of endowed donations and investment income on externally restricted endowments (representing income earned above the amount made available for spending). Such income does not flow through the consolidated statement of operations but rather is added directly to the endowment balance in accordance with current generally accepted accounting principles for not-for-profit organizations.

Assets, Liabilities and Net Assets

at April 30
(millions of dollars)



Net assets are composed of the following:

- \$3.2 billion of endowments, representing 39% of net assets,
- \$5.1 billion of internally restricted net assets, and
- (\$144 million) of deficit.⁴

The \$3.2 billion of endowments represent over 6,700 individual endowment funds, which are restricted by Governing Council or donor agreements to approved academic priorities. Endowment funds for student aid and support increased to \$1.4 billion in 2021.

The \$5.1 billion of internally restricted net assets comprises:

- \$2.3 billion in land
- \$1.4 billion of investment in other capital assets⁵
- (\$0.8 billion) in net unfunded liability associated with pension and other employee future benefits
- \$1.3 billion in capital projects and infrastructure reserves
- \$361 million of operating contingency reserves
- \$437 million in other reserves held for future spending

⁴ The deficit is largely due to the internal financing of capital construction in accordance with the University's debt strategy (see the "Debt" section below).

⁵ This figure represents internal monies previously spent by the University for capital projects which will be reduced over time as these capital assets are amortized.

Deferred contributions increased by \$273 million in 2021, mainly due to unspent donations of about \$178 million and unspent research grants of about \$91 million.

Role of the Government of Ontario

The provincial government provides operating grants and regulates tuition fees for domestic students in publicly funded programs. The provincial government also invests in student financial support, research and infrastructure.

Provincial Operating Grants⁶

The Ontario post-secondary education system operates under a differentiation policy framework. The framework is operationalized through a series of institutional Strategic Mandate Agreements, which specify the role of each university in the system and how they will build on institutional strengths to drive system-wide objectives and government priorities.

Fiscal year 2020-21 was the first year of the University's third Strategic Mandate Agreement with the Province ("SMA3"). With the implementation of SMA3, a significant portion of existing operating grant revenue will be re-directed to a differentiation envelope tied to performance metrics. Performance-based funding will gradually increase from 25% of total Provincial operating grants in 2020-21 to 60% of operating grants by 2024-25.

Over the course of 2019, the Council of Ontario Universities worked with the Ministry of Colleges and Universities to introduce mechanisms to the SMA3 performance-based funding formula that increase predictability and minimize volatility for institutions. For funding purposes, each university is measured against its own past performance, not against other institutions. Targets are established formulaically, taking into consideration past performance and the variability of results in recent years. Each target includes a range of allowable performance outcomes, with partial funding provided if performance falls below the allowable performance range.

As Canada's leading research-intensive university, performance-based funding allows the University to benchmark its strengths in areas such as innovation, research funding, and graduate employment, and have funding reflect its achievements in these areas. The University has allocated its performance-based funding envelope among ten metrics and may re-weight the metrics each year in response to changing priorities. However, given the potential impact of the COVID-19 pandemic on performance metrics, the Province has committed to suspending any financial impacts from the new funding formula until at least 2022-23. Performance on the metrics will continue to be assessed annually but results will be decoupled from the differentiation funding envelope.

The SMA3 also sets out a multi-year enrolment plan. In response to Ontario's changing demographics, the University and the Province have agreed to hold constant the level of domestic undergraduate enrolment at the University of Toronto over the period of the agreement. The University will be eligible for full enrolment funding provided it maintains a five-year average enrolment within $\pm 3\%$ of its target.

In March 2021, the Province announced \$106 million in additional one time funding to address COVID-19 related expenses at the most financially impacted colleges and universities. The funding was intended to support institutions with financial sustainability challenges. All small universities received an allocation while support for medium and large universities considered financial impacts relative to operating reserves. For large universities such as the University, support was limited to those with COVID-related tuition losses exceeding 40% of operating reserves. The University's 2020-21 tuition fee revenue exceeded plans and therefore, was not eligible for an allocation under this program.

⁶ For more information on Ontario's operating grants, see the Appendix entry for Provincial Operating Grants.

Tuition Fees and Student Aid⁷

On January 17, 2019, the Province announced a 10% cut to domestic tuition fees beginning in 2019-20, and a freeze at that level for 2020-21. Tuition fees paid by international students are unregulated, and were therefore unaffected. The tuition fee freeze for 2021 applied to domestic students enrolled in all programs that are funded via the provincial operating grant, including direct entry undergraduate, second entry and professional master's, and doctoral stream programs. The two-year reduction and freeze resulted a reduction in domestic student fee revenue of \$113 million in 2021 relative to the previous 3% framework, which had a differential impact across the University depending on program mix and divisional revenue sources. Strategies used to mitigate the impact included changes to faculty and staff hiring plans, deferral of capital projects, service reductions, and operating cost efficiencies.

Student fees revenue increased by \$182 million to \$2.0 billion from last year mainly because of increased international fees and enrolment growth.

The University remains committed to the goal of accessibility and to working with the Provincial and Federal governments to support access. In 2021, the University spent \$279 million on scholarships, fellowships and bursaries, a 28.6% increase from \$217 million in 2017.

The Province's 2019 changes to the Ontario Student Assistance Program ("OSAP") have reduced the overall amount of non-repayable student aid for students, including the University's regulatory obligation to cover any unmet financial need as defined by OSAP under the Student Access Guarantee. However, the University remains firm in our internal access guarantee that financial circumstances should not stand in the way of a qualified student entering or completing their degree and has provided additional needs-based support to students beyond the government requirements. The University has also provided more than \$9 million in emergency bursaries to students to help them with financial pressures due to the COVID-19 pandemic.

Capital Funding

Capital investments made by the Province since 2017 include:

- \$15 million in funding for the Myhal Centre for Engineering Innovation & Entrepreneurship to continue strengthening the Innovation SuperCorridor and help support the expansion of experiential learning opportunities for engineering students (fiscal 2017);
- \$14 million from the provincial government and \$84 million from the Federal government (Post-secondary Institutions Strategic Investment Fund) toward the University's Lab Innovation for Toronto (LIFT) laboratory retrofit project (fiscal 2017 and 2018); and
- \$33 million under the Greenhouse Gas Campus Retrofit Program to support a number of projects to reduce greenhouse gas emissions across the three campuses (fiscal 2019).

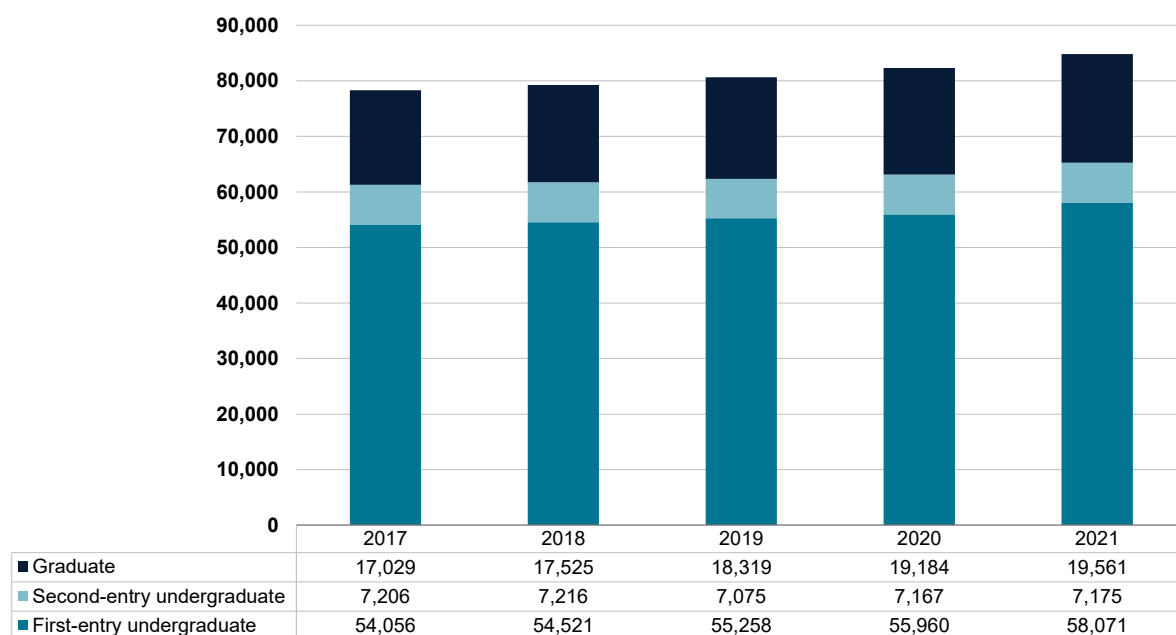
Student Enrolment

The demand for student spaces has increased significantly since 2017 as a result of population growth in Ontario, increased higher education participation rates and a growing reputation around the globe as a destination of choice for international students. The University has increased enrolment to accommodate this additional student demand with student FTE enrolment increasing from 78,291 in 2017 to 84,807 in 2021, an increase of 8.3%. Approximately 45% of the direct entry undergraduate student body is drawn from the Greater Toronto Area.

⁷ For more information on provincial policies, see the Appendix entry for Tuition Fees and Student Aid.

Although the University has received full average funding from the Province for enrolment of additional domestic students, over time, neither government grants nor regulated tuition fees have kept pace with inflation. Tuition fees for international students are set at a level that takes into consideration the full cost of providing a program and with reference to fees at peer Canadian and US universities.

Number of Undergraduate and Graduate Student FTEs as at November 1



Financial Planning

Revenues are expected to increase modestly over the next several years, primarily as a result of increasing international enrolment, domestic enrolment changes within the $\pm 3\%$ flexibility of the fixed Provincial funding envelope, and modest fee increase assumptions. Since the potential for new revenues is primarily tied to enrolment growth, the University will need to continue pursuing productivity improvements and other expense containment measures.

The long-range academic and budget plan for 2021-22 to 2025-26 incorporates the freeze of domestic tuition fees for 2021-22 and assumes a return to a framework of modest annual fee increases in future years. The 2019-20 domestic tuition fee reduction and subsequent two year freeze has had a differential impact on each division, depending on program mix and divisional revenue sources. Adjustments to divisional budgets will differ based on local priorities, but will include some combination of changes to faculty and staff hiring plans, deferral of capital projects, service reductions, and operating cost efficiencies.

Research and Capital Infrastructure

The 2018-23 Institutional Strategic Research Plan (“ISRP”)⁸ articulates an approach that empowers our researchers to continue their outstanding work. Strong research funding support from the Provincial and Federal governments, and a broad range of other public and private sector entities, are key to the University’s research and innovation preeminence, including support for research operations and infrastructure that help the University to attract and retain top research talent from across Canada and around the world.

University researchers, scholars and innovators are successful in securing funds from a rich array of national and international sources, including the federal and provincial governments, the not-for-profit sector and private-sector partnerships. In 2019, the University earned 40 of the 275 newly created Canada Research Chairs (“CRC”) announced in the 2018 Federal Budget, and now has an allocation of 315 CRCs, the highest in the country by a margin of more than 100 Chairs. The University is surpassing its equity targets for CRCs in all four federally designated groups.

In 2019-20, the federal Research Support Fund contributed to the institutional (also known as “indirect”) costs of tri-agency funded research, at a rate of 18% of direct costs. Including funding provided through the federal Incremental Project Grant program, the rate increases to 21%. In contrast, the institutional costs of research incurred by the University correspond to a rate of more than 55%. The University will continue to work with the government with the goal of ensuring that the full costs of research are supported.

The University enhanced support for Institutional Strategic Initiatives including the creation of more large-scale, cross-disciplinary initiatives to pursue bold ideas that address the world’s challenges. In 2019, the Schwartz Reisman Institute for Technology and Society was established with the support of a major philanthropic gift, drawing on the University’s strength in the social sciences, physical sciences, and humanities and to explore the benefits and challenges of AI, biotechnology and other technological advances for society. The Centre for Research and Applications in Fluidic Technologies (CRAFT), established in 2020, is a partnership between the University and the National Research Council to advance microfluidics and the deployment of this technology in point-of-care diagnostics, organ-on-a-chip devices and organ-scale tissue substitutes. These advances will contribute to improving the health of Canadians and lay the foundation of a thriving, internationally competitive industry sector.

In 2020, the Federal government announced over \$1.0 billion for research on COVID-19, including research on medical countermeasures, antivirals, vaccine development and support for clinical trials. In the first competition from these funds, over \$52 million was allocated for developing and implementing measures to rapidly detect, manage, and reduce the transmission of COVID-19. Nearly \$6 million of this funding has come to researchers based at the University or one of its affiliated hospitals. The Canada Research Continuity Emergency Fund (CFCEF) provided \$450 million in funding to support universities, health research institutes, and individual researchers in order to maintain essential research related activities during the pandemic. The Division of the Vice-President Research & Innovation worked with partner hospitals to maximize the funding opportunity to support the continuation of critical research operations, bringing over \$100 million to the University and the Toronto Academic Health Science Network (TAHSN). The Federal government also announced over \$291 million to support student and post-doctoral fellows through the federal granting councils. The University was also awarded over \$1 million from the Ontario Together rapid response research program. In concert with academic divisions, affiliated hospitals and donors, the University also provided over \$10 million in funding via a COVID-19 rapid response competition which funded research with strong potential to positively impact individuals, communities, society and public health systems in the near term.

⁸ For more information, see the Appendix entry on the Institutional Strategic Research Plan.

The University continues to expand its efforts in the innovation and entrepreneurship space, including the development of the Schwartz Reisman Innovation Campus. In 2020, the provincial government released the report of its Expert Panel on Intellectual Property: Intellectual Property in Ontario's Innovation Ecosystem. In 2020, the University created an IP Education Program that seeks to increase IP knowledge and protection across Ontario. Free to the University community, this interactive, online training program equips students, postdoctoral fellows, faculty, and staff from across disciplines with a foundation in IP and its application in today's knowledge economy.

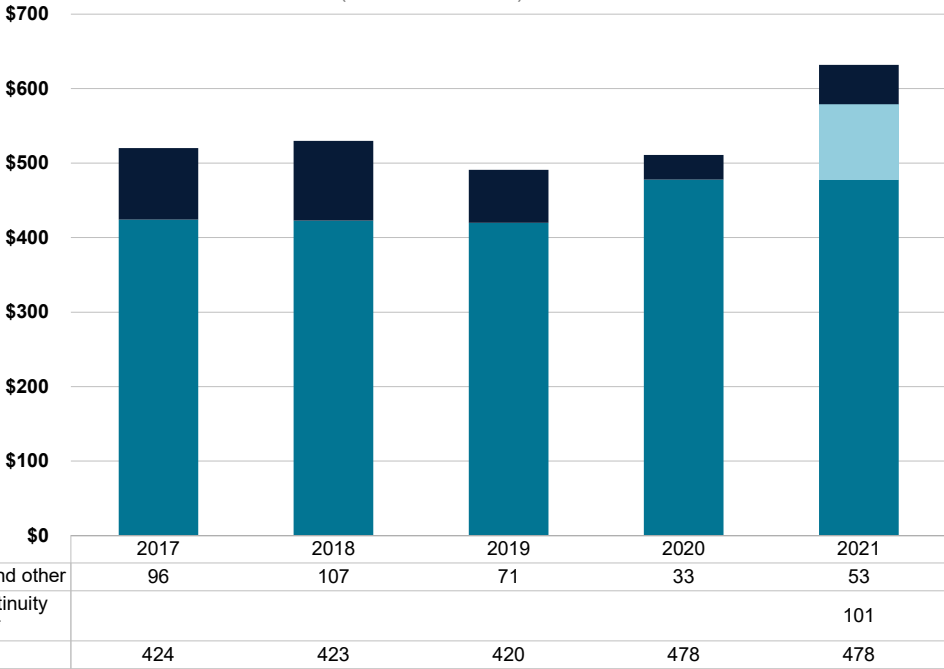
The University continues to be successful at generating funding for research, including support for personnel, operations and infrastructure. These financial statements account for funds received as follows:

- Research grants are recorded as revenue when the related expenditures are incurred.
- Unspent research grants are recorded as deferred contributions

Government and other grants received in 2021 for restricted purposes totalled \$632 million and comprised \$579 million for research and \$53 million for capital infrastructure and other purposes. These were reported as follows: \$507 million as revenue from grants for restricted purposes and \$125 million as deferred contributions and deferred capital contributions.

Government and Other Grants and Contracts Received for Restricted Purposes

for the year ended April 30
(millions of dollars)



* \$90 million of this funding was transferred to affiliated hospitals

One hallmark of the successful combination of the innate strength of the University researcher community and the intense institutional focus is the achievement of the goal of increased Canada Research Chair allocations over five years.

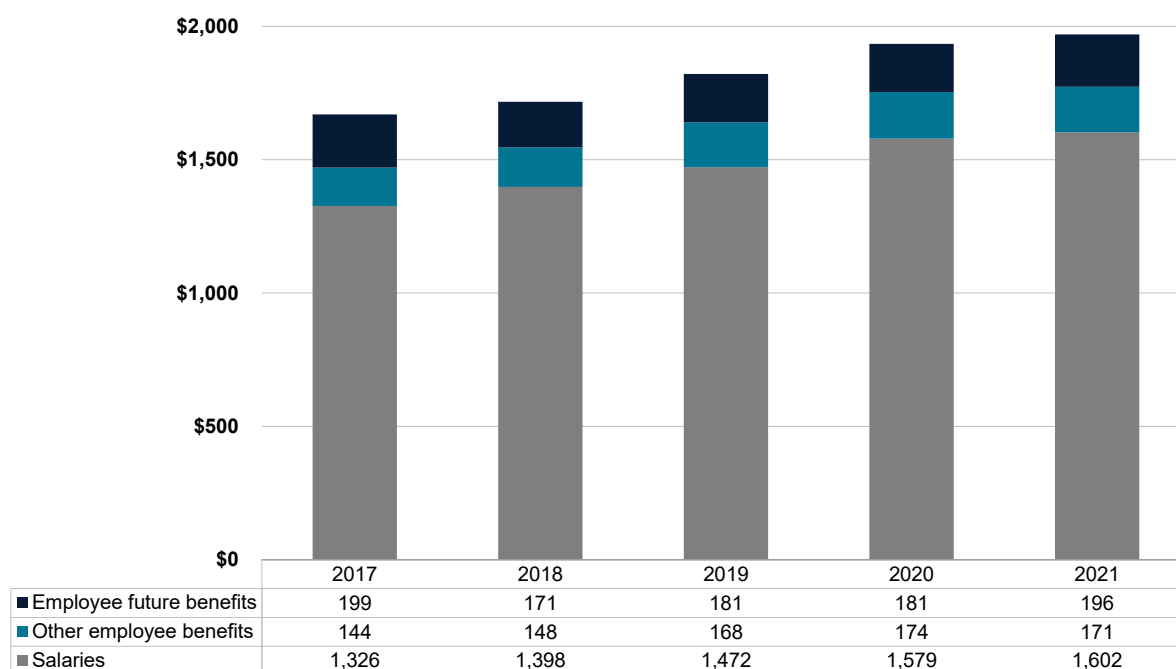
Salaries and Benefits

Over the period 2017 to 2021, salaries and benefits increased from \$1.7 billion to \$2.0 billion. This is the result of negotiated compensation increases for employee groups as well as an increase of 14.2% in the total number of faculty and staff over that time period.

In 2021, the University had 3,246 faculty, 168 librarians, 7,462 administrative staff and 6,088 teaching and graduate assistants.⁹

Salaries and Benefits

for the year ended April 30
(millions of dollars)



The following agreements were in effect in fiscal 2021:

- One-year agreement with administrative and technical staff, represented by the United Steelworkers (USW), starting July 1, 2020 to June 30, 2021 with no across-the-board salary increases.
- Two-year agreement with its faculty and librarians starting July 1, 2018 to June 30, 2020 for across-the-board salary increases of 1.9% on July 1, 2018, and 2% on July 1, 2019 that is distributed as a 1% increase to all salaries, together with an additional \$1,630 per full-time faculty and librarian. There has been no agreement on any across-the-board salary increase for the 2020-21 academic year.
- Four-year agreement with the Canadian Union of Public Employees (CUPE), Local 3902, Unit 3 representing employees engaged in teaching, lab demonstrating, tutoring or marking/grading on contracts of less than one year starting September 1, 2017 to August 31, 2021 for across-the-board salary increases of 2% on September 1, 2018, September 1, 2019 and September 1, 2020.

⁹ A total of 12,090 Sessional, Clinical and Research Associates also have teaching and research responsibilities.

- Three-year agreement with the CUPE, Local 3902, Unit 1 representing students, mainly graduate students, working as teaching assistants, teaching laboratory assistants, markers, graders and instructors starting January 1, 2021 to December 31, 2023. Compensation increases of 1% occurred on January 1, 2021 (effective ratification date), and 1% increases on January 1, 2022 and January 1, 2023.

In 2021, the University of Toronto provided a retroactive 1% in compensation – the maximum allowed by the Province – to those unionized employees (including USW Local 1998, CUPE Locals 3261 and 1230, and Ontario Public Service Employees Union (OPSEU) Locals 519 and 578) covered by one-year collective agreement extensions that had their terms and conditions frozen due to COVID-19. A retroactive 1% increase effective July 1, 2020 was also provided to Confidential, Professional & Managerial staff and Research Associates/Senior Research Associates.

Employee benefits expenses for the year of \$367 million is made up of employee future benefits expenses of \$196 million and other employee benefits expenses of \$171 million.¹⁰ Other employee benefits expenses include, for example, the cost of legislated benefits (e.g. Canada Pension Plan and Employment Insurance), medical benefits for active staff, educational support, life insurance and several types of leaves.

April 30, 2021	Pension plan	Other benefit plans
Plan status:		
Assets	\$6.0 billion	\$140 million*
Obligations	\$6.1 billion	\$696 million
Deficit	\$127 million	\$556 million

April 30, 2020	Pension plan	Other benefit plans
Plan status:		
Assets	\$5.3 billion	\$107 million*
Obligations	\$5.9 billion	\$644 million
Deficit	\$606 million	\$537 million

*Assets set aside by the University

The University records its pension obligation net of the fair value of plan assets on its balance sheet using funding assumptions that are thoroughly reviewed annually.

After years of planning and discussion together with other Ontario universities, the administrations, faculty associations, unions and non-represented staff of the University, University of Guelph and Queen's University have developed a new jointly sponsored multi-employer pension plan, the University Pension Plan Ontario ("UPP"), which is open to other

¹⁰ Employee future benefits represent benefits to be provided to employees in the future based on service in the current year. They include pensions, long-term disability insurance, cost of living adjustments for survivor income, and medical benefits for pensioners. These are accounted for using the accrual basis of accounting and therefore reflect the cost of providing these benefits irrespective of the amount of funding provided in support of these benefits.

Ontario universities. The UPP was formally established on January 1, 2020 to cover employees, retired employees and other members under the currently existing plans at all three universities. The assets and liabilities of the University's registered pension plan ("RPP") will be transferred to the UPP as at July 1, 2021 (the "Effective Date"). As of the Effective Date, the accrual of benefits and contributions under the UPP will commence for members of the RPP, all of whom will have been transferred to the UPP, and benefits and contributions under the RPP will cease. During the year, the University amended the RPP to allow for the planned July 1, 2021 transfer of assets and liabilities into the UPP and the subsequent termination of the RPP.

Under the UPP, the University is required to fund the RPP's deficit determined as at July 1, 2021, such deficit being the amount of the pension obligation (determined based on the UPP's actuarial assumptions) that exceeds the transferred assets as at July 1, 2021. This funding will be provided to the UPP over a period of 15 years. This deficit may also fluctuate in the future based on changes to the UPP's actuarial assumptions and for experience gains/losses. Any such changes requiring additional funding would continue to be the responsibility of the University for the first 10 years, after which the responsibility for such changes transitions to 50/50 sharing with Plan members over the subsequent 10 years.

At April 30, 2021, the accrued pension obligation was made up of \$641 million surplus in the RPP and \$127 million obligation mainly for its supplemental pension arrangement. Due to the uncertainty around the ability of the University to fully realize the RPP's accrued benefit surplus in the future under the UPP, the surplus is not reflected in the University's financial statements, in accordance with Canadian generally accepted accounting principles.

The obligation for employee future benefits other than pension at April 30, 2021 is \$696 million. The obligation is determined based on actuarial valuations using funding assumptions. The annual current service and finance costs are included in the consolidated statement of operations and any actuarial gains or losses are recorded directly in net assets instead of being reported in the consolidated statement of operations.

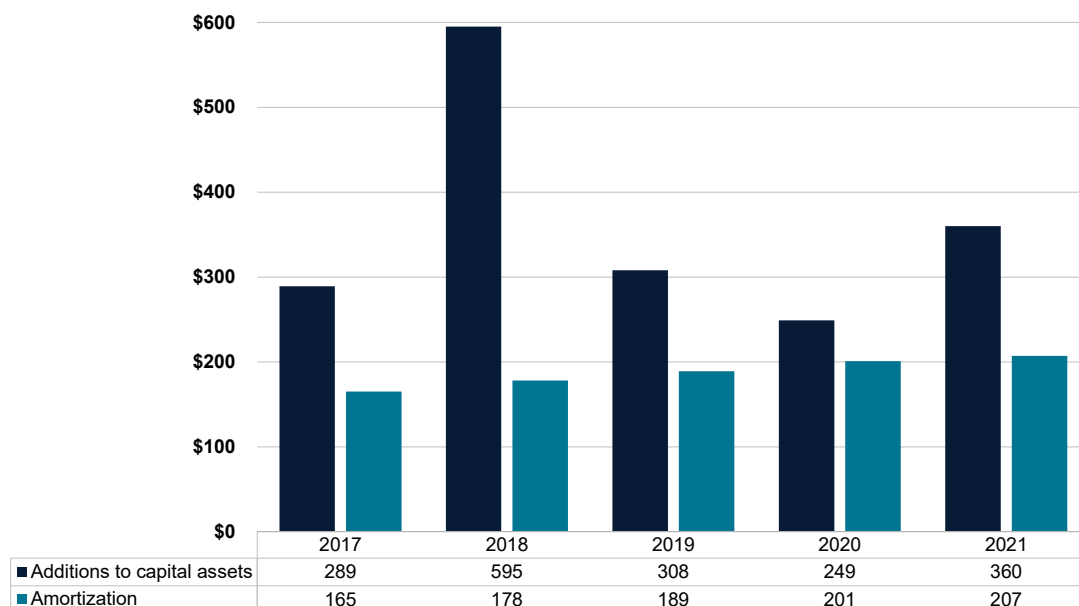
Space

The University has undertaken an ambitious capital construction program to accommodate increased numbers of students and expand and update research infrastructure. This program includes a significant expansion of the Mississauga and Scarborough campuses and further expansion and renovation on the St. George campus. Additional space requirements are partially due to growth in the numbers of graduate students and undergraduate medical students.

The University has future obligations for deferred and pending maintenance, which are currently estimated at \$899 million, excluding campus/utility infrastructure and including asbestos containment and removal. The University has integrated its capital programs by pooling the various funds available and prioritizing maintenance and renewal requests.

Capital Investment in Infrastructure

for the year ended April 30
(millions of dollars)



The University is participating with all other Ontario universities in a continuing study that has recently been changed to incorporate the associated costs of professional services and consulting fees in determining the deferred and pending maintenance obligations of every university in the Province. The long-range academic and budget plan for 2021-22 through 2025-26 includes funding to arrest further deterioration of the physical infrastructure.

In 2017, the University spent \$30 million on the construction of the Myhal Centre for Engineering Innovation & Entrepreneurship building, \$17 million on the John H. Daniels Faculty of Architecture, Landscape, and Design building and \$23 million on the UTM North Building B.

In 2018, the University renovated more than 546 research laboratories at a cost of \$195 million to support collaboration, flexibility of space allocation, and integrated basic science research platforms.¹¹ Of this amount, \$30 million was spent in 2017 and \$165 million was spent in 2018. The University also acquired a key parcel of land on its St. George campus that will support the University's academic mission for years to come. This parcel includes a 15-storey tower that fronts onto College Street, and two buildings on Ursula Franklin Street, for a total cost of \$125 million. The University also spent \$178 million on the construction of buildings including UTM's North Building B (\$59 million), the Myhal Centre for Engineering Innovation & Entrepreneurship (\$43 million) and UTSC's Highland Hall (\$25 million).

In 2019, the University received funding through the Greenhouse Gas Campus Retrofits Program that assisted with the completion of renovations to reduce greenhouse gas emissions and to improve the energy efficiency of its campuses (\$55 million), and completed both UTM's North Building B (\$14 million) and UTSC's Highland Hall (\$14 million).

¹¹ The total of \$195 million includes \$84 million funded by the Federal government's Post-secondary Strategic Investment Fund, \$14 million from the Province's Facilities Renewal Program and \$97 million from divisional funds.

In 2020, the University spent \$13 million on the construction of the Schwartz Reisman Innovation Centre West, \$9 million on the UTM Meeting Place and Design building and \$7 million on the UTM Science Building.

In 2021, the University spend an additional \$35 million on the construction of the Schwartz Reisman Innovation Centre West and \$35 million on the UTM Science Building. The University also spent \$30 million on the construction of the UTSC Student Residence, \$14 million on the Robarts Library Pavilion, \$10 million on the Fitzgerald Revitalization, \$7 million on the Landscape of Landmark Quality, and \$6 million on the UTSC Instructional Centre II.

Debt

The University's debt strategy sets the debt policy limit based on a debt burden ratio of 5.0% (interest plus principal repayments divided by adjusted total expenditures).

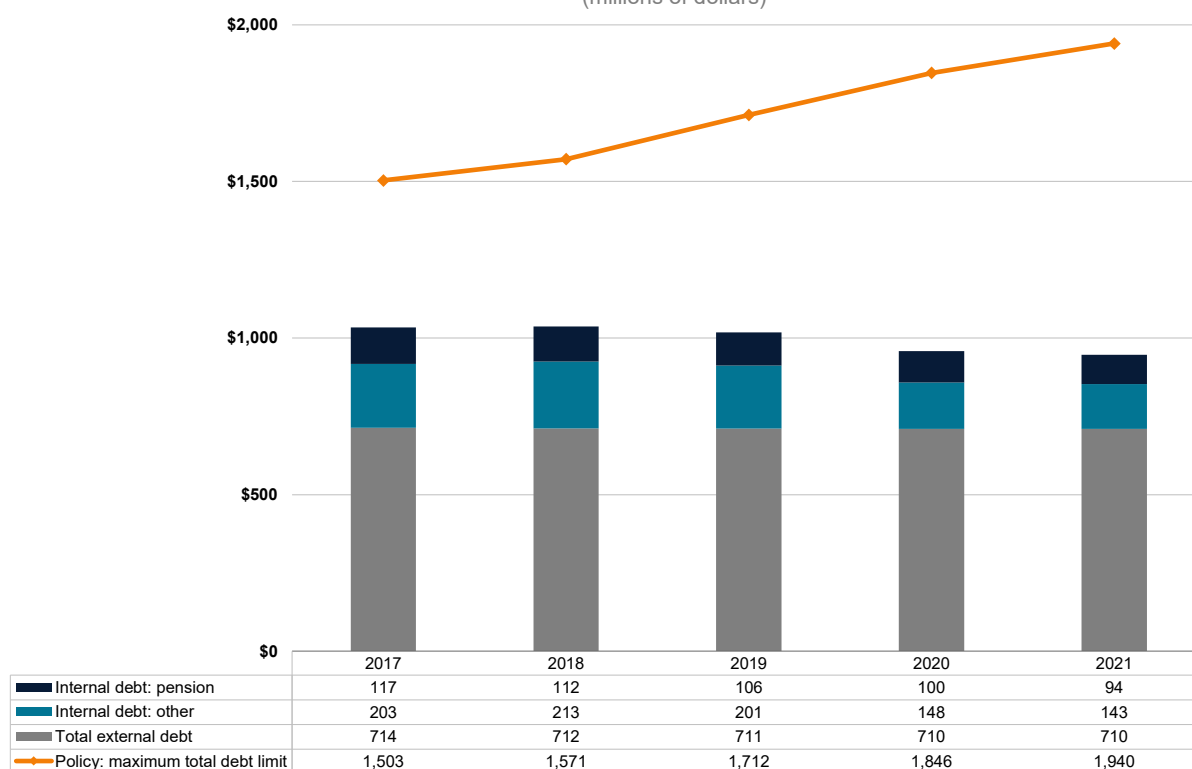
The University is committed to prudently and strategically allocating debt to high priority capital projects and to supporting the pension plan. The debt strategy provides for a total debt limit of about \$1.9 billion at April 30, 2021, made up of actual and planned external debt of \$1.0 billion plus \$890 million in internal financing.

In 2021, the actual outstanding external debt consists of \$710 million (gross of \$1 million of issue costs and premiums) of debentures. At April 30, 2021, the actual debt burden ratio was 2.7%, well below the 5.0% policy limit.

The University's credit ratings are Aa1 stable (Moody's Investors Service), AA+ stable (S & P Global) and AA stable (DBRS Morningstar), which ranks the University as a strong investment-grade credit, with two credit rating agencies rating the University above the Province of Ontario.

Outstanding Debt and Debt Policy Limit

for the year ended April 30
(millions of dollars)



Donations

All fundraising conducted on behalf of the University's faculties, colleges, schools, and divisions is done in service to academic plans and priorities approved by the Provost with the involvement of principals, deans and faculty.

Immediately following the successful closure of the Boundless campaign on December 31, 2018 with \$2.641 billion raised, the University entered into the quiet phase of a new campaign with a provisional goal of \$3.5 billion to \$4.0 billion. Beginning January 1, 2019, the new campaign has seen significant growth in fundraising momentum and alumni engagement, reaching record levels in 2021.

For the period May 1, 2020 to April 30, 2021, the University raised a total of \$445 million.¹² This amount includes \$406 million in pledges and gifts (donations) and \$39 million in philanthropic research grants from non-government sources.

This year, the University received a \$250 million gift (\$79 million endowed and \$171 million expendable) from the Temerty Foundation, established by James and Louise Temerty, making it the single largest gift in Canadian history. The gift will support discovery, collaboration, innovation, equity and student well-being across the University's Faculty of Medicine and its affiliated hospital network, advancing its leadership as a global center of excellence in human health and health care. This transformative gift will support advances in machine learning in medicine; biomedical research and collaboration; and the creation of a new state-of-the-art Faculty of Medicine building for education and research. This gift also included a \$10 million allocation to the Dean's COVID-19 Priority Fund, which was received last fiscal year. This component of the gift is in support of front-line clinical faculty members and trainees, as well as researchers at the University and partner hospital seeking to improve testing, accelerate vaccine research and create better treatments and prevention strategies. In gratitude for this extraordinary benefaction, the University's Faculty of Medicine has been named the Temerty Faculty of Medicine.

Donations¹³ are recorded in the financial statements as follows:

- Unrestricted expendable donations are recorded as revenue when received
- Restricted expendable donations are recorded as revenue when the related expenditures are incurred
- Unspent restricted expendable donations are recorded as liabilities (deferred contributions or deferred capital contributions)
- Endowed donations are not recorded as revenue, rather, they are added directly to endowments, as additions to net assets.

¹² This number includes federated universities and other affiliated institutions, but excludes donations to partner hospitals.

¹³ Donations revenue recorded in the University's financial statements does not include donations to the federated universities: Victoria University, University of St. Michael's College, and The University of Trinity College. Nor does it include philanthropic research grants, which are recorded as government and other grants revenue for restricted purposes.

Total fundraising performance (pledges, gifts and grants) for the years ended April 30 was as follows:

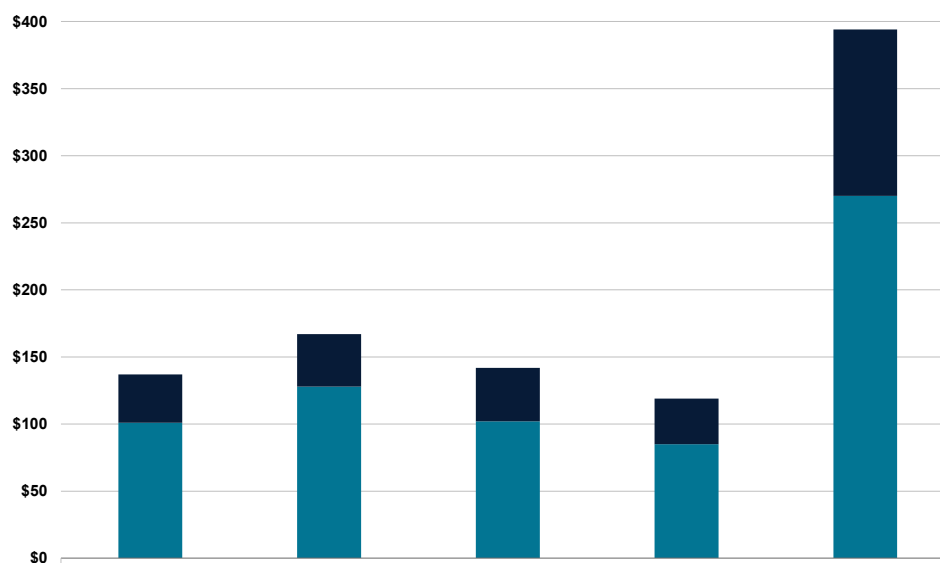
(millions of dollars)

Year	Pledges and gifts raised	Philanthropic research grants	Total
2021	406	39	445
2020	196	40	236
2019	323	55	378
2018	219	30	249
2017	212	63	275

In 2021, donations received by the University (excluding receipts by the federated universities, other affiliated institutions, philanthropic research grants and donations to partner hospitals) totalled \$394 million and were reported as follows: \$122 million in expendable donations was reported as revenue, \$124 million was added directly to endowments, and \$148 million was deferred. It should be noted that the following graph tracks donations received by fiscal year. There is usually a lag between the growth in pledges and related commitments, and the actual cash receipt of funds.

Total Cash and Gifts-in-Kind Donations Received

for the year ended April 30
(millions of dollars)



	2017	2018	2019	2020	2021
Total donations	137	167	142	119	394
■ Endowed donations	36	39	40	34	124
■ Expendable donations	101	128	102	85	270

Endowments

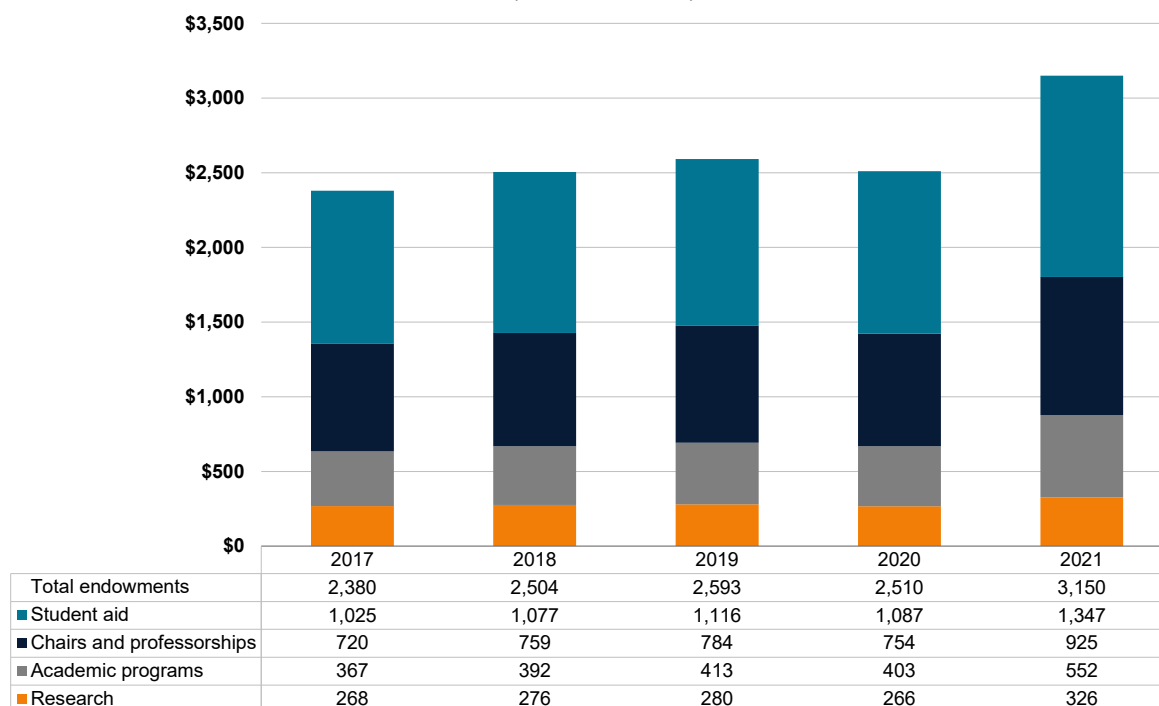
Endowments are funds that are subject to restrictions relating both to capital and to investment earnings. The investment income earned on endowments are subject to the University's preservation of capital policy and must be used in accordance with purposes jointly agreed upon by the University and donors, or as determined by Governing Council. Endowments are not available for use in support of general operating activities.

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

At April 30, 2021, there were more than 6,700 individual endowment funds, usually supported by an agreement between the University and a donor or reflecting a collection of small donations with common restrictions. The University's endowment value was \$3.2 billion (book value of \$2.7 billion) with full inflation protection of \$761 million and preservation above inflation (provision for investment return fluctuations) of \$503 million against a possible future market downturn. The majority of endowments are in support of student aid (\$1.3 billion) and chairs and professorships (\$925 million).

Endowments at Fair Value

at April 30
(millions of dollars)



In fiscal 2021, the total fair value of endowments increased by \$640 million as follows:

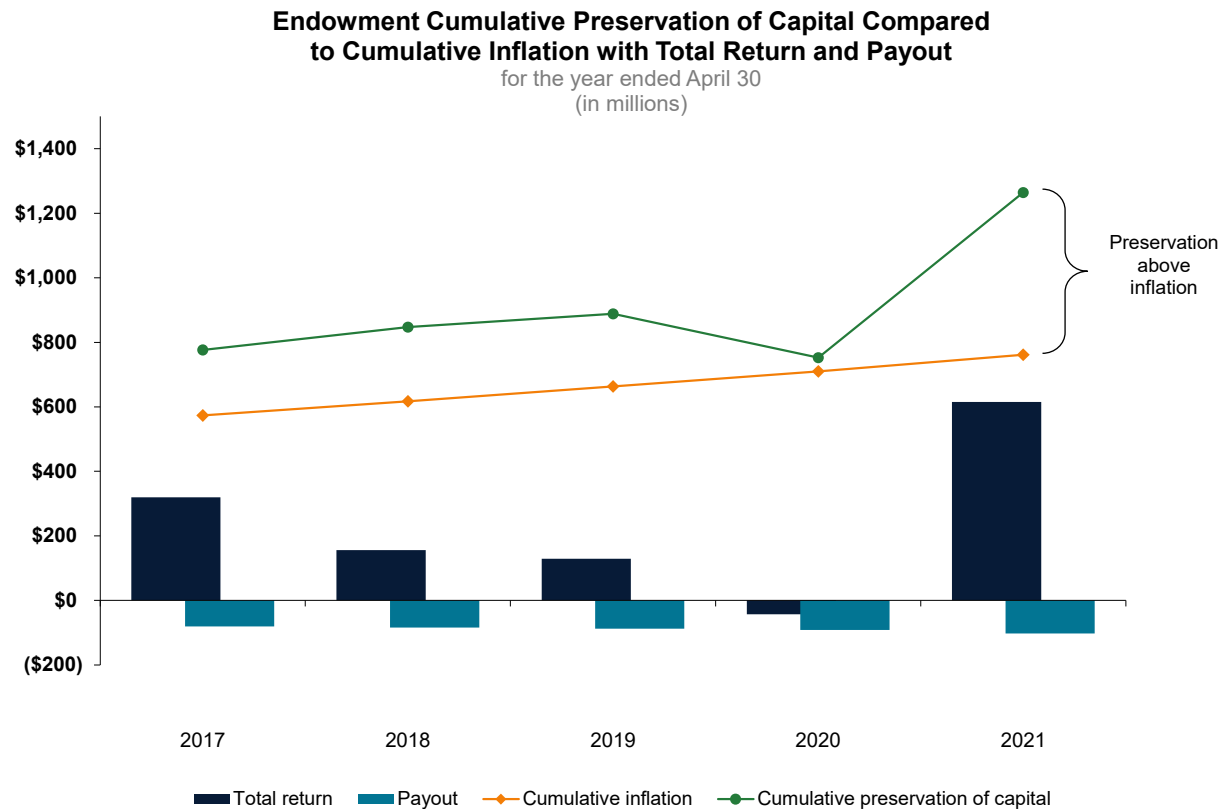
- \$445 million increase on externally restricted endowments, consisting of a \$528 million investment gain and a \$83 million withdrawal for payout

- \$69 million increase on internally restricted endowments, consisting of a \$83 million investment gain and a \$14 million withdrawal for payout
- \$124 million of externally endowed donations
- \$2 million transfer from the deficit

In fiscal 2020, the total fair value of endowments decreased by \$83 million as follows:

- \$120 million decrease on externally restricted endowments, consisting of a \$41 million investment loss and a \$79 million withdrawal for payout
- \$15 million decrease on internally restricted endowments, consisting of a \$2 million investment loss and a \$13 million withdrawal for payout
- \$34 million of externally endowed donations
- \$18 million transfer from the deficit

The following diagram shows the preservation of capital and payout over the five-year period starting in 2017:



Investment Earnings

Total investment earnings for the year amounted to \$829 million (gross of \$43 million in fees and other expenses) consisting of \$641 million gain on investments held for endowments and \$188 million income on other investments. These earnings were recorded in the financial statements as follows:

- \$641 million gains on investments held for endowments (gross of \$30 million in fees and other expenses), of which:

- \$445 million investment gain was recorded as a direct increase to endowments in the consolidated statement of changes in net assets
- \$196 million was recorded as investment income in the consolidated statement of operations, of which
 - \$97 million was made available for spending
 - \$30 million in fees and other expenses
 - \$69 million was added to endowments
- \$188 million on other investments (gross of \$13 million in fees and other expenses) was recorded as investment income in the consolidated statement of operations

Almost all of the University's investments are invested in the long-term capital appreciation pool ("LTCAP") or the expendable funds investment pool ("EFIP"). The University establishes the investment risk and return objectives for each of these pools via the University Funds Investment Policy, which is approved by the Business Board. These objectives reflect the liability requirements and aim to produce steady, predictable returns for the University. While the aim of the risk and return objectives is to produce steady, predictable investment returns for the University, there is nonetheless variability in investment returns on an annual basis. The actual investment return is a key determinant of whether the University records a net income or a net loss for the year.¹⁴

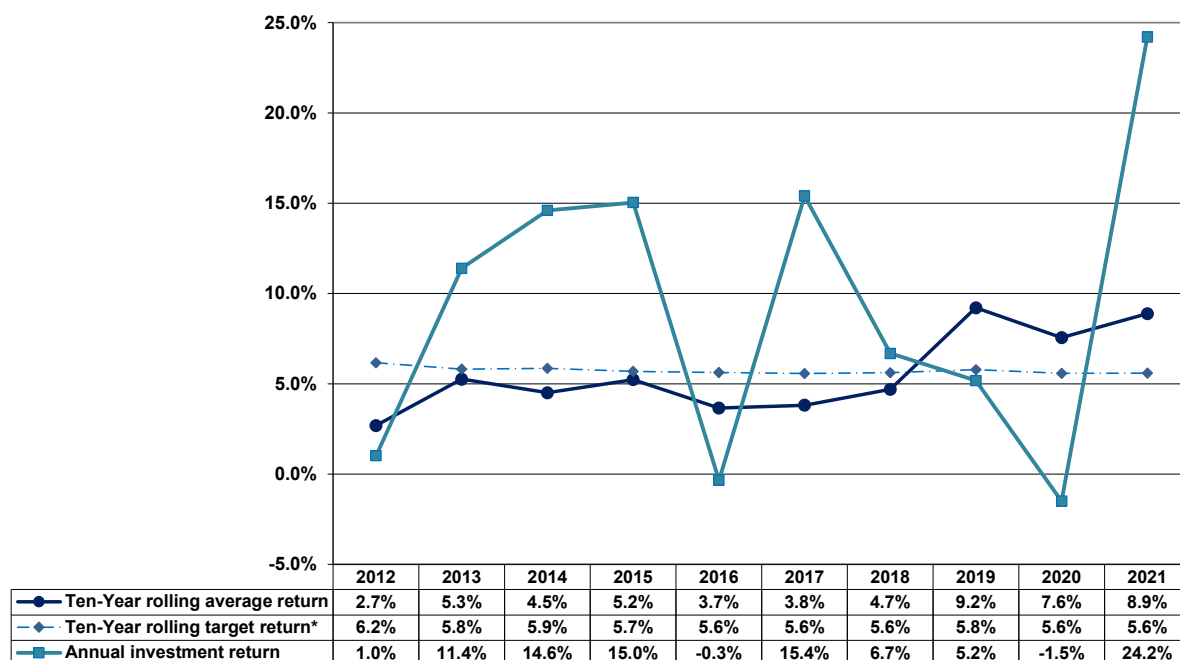
LTCAP

The fair value of LTCAP was \$3.8 billion at April 30, 2021, of which \$3.2 billion was for endowments, representing 83.3% of the balance invested in LTCAP.

In order to meet planned spending allocations to LTCAP unitholders, the investment target is a real investment return of at least 4% over 10-year periods, net of all investment fees and expenses. LTCAP takes an appropriate amount of risk to achieve this target, but without undue risk of loss. Prior to June 2017, the investment return and risk targets for LTCAP were a 4% investment return plus inflation, net of all investment fees and expenses, and a 10% return volatility risk target (representing one standard deviation), over a ten-year period. The actual return in 2021 was a gain of 24.2%, net of all investment fees and expenses.

¹⁴ For more information, see the Appendix entry on Investment Earnings.

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



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

EFIP

The investment policy for EFIP reflects very short-term investments managed by the University and short-term and medium-term portfolios managed by the University of Toronto Asset Management Corporation (“UTAM”). The return objective and risk tolerance for each category of EFIP funds (excluding funds loaned internally) is as follows:

	Risk Tolerance	Return Objective
Investments managed by the University	Minimal risk	30-day Treasury bill return
Short-term portfolio managed by UTAM	Minimal risk	50% of the 1 month Canadian Bankers' Acceptance rate plus 50% of the FTSE short-term universe
Medium-term portfolio managed by UTAM	Low risk of losses over a 3 to 5 year period (i.e. avoidance of permanent capital impairment) with mark-to-market fluctuations tolerated over shorter time horizons	FTSE Corporate BBB Index

The fair values and returns for the 2021 fiscal year were as follows:

	Fair Value	Total Return
Investments managed by the University	\$492 million	0.65%
Short-term portfolio managed by UTAM	\$2.4 billion	1.58%
Medium-term portfolio managed by UTAM	\$404 million	7.35%

The fair values and returns for the 2020 fiscal year were as follows:

	Fair Value	Total Return
Investments managed by the University	\$149 million	2.09%
Short-term portfolio managed by UTAM	\$2.2 billion	3.38%
Medium-term portfolio managed by UTAM	\$199 million	0.94%

Appendix: Background Information

This appendix provides relevant background information that may be useful for understanding the highlights of the fiscal 2021 financial report given above.

Provincial Operating Grants

- April 2014: the Province signed the first Strategic Mandate Agreements (“SMA1”) with each university and college covering the period of 2014-17
- October 2017: the Province signed the second Strategic Mandate Agreements (“SMA2”) with each university and college covering the period of 2017-20
- September 2020: the Province signed the third Strategic Mandate Agreements (“SMA3”) with each university and college covering the period of 2020-25
 - Over the five year SMA3 period, the Province is gradually shifting the proportion of base operating grant funding in the differentiation envelope from 25% in 2021 and ultimately to 60% by fiscal 2025.
 - Through the SMA3, the Government is linking funding allocations in the differentiation envelope to a set of 10 performance metrics with institution-specific targets. Given the potential impact of the COVID-19 pandemic on performance metrics, the Province has committed to suspending any financial impacts from the new funding formula until at least 2022-23. Performance on the metrics will continue to be assessed annually but results will be decoupled from the differentiation funding envelope.

Tuition Fees and Student Aid

Ontario university tuition fees for domestic students are regulated by the provincial government.

- 2013: the provincial government announced a new four-year tuition framework effective 2013-14 to 2016-17, and later extended the framework through 2018-19
 - The framework allowed universities to increase fees by up to 3% for domestic students entering most programs and for in-program students
 - Tuition fees could have increased by a maximum of 5% in professional programs and the framework reduced the overall annual cap from 5% to 3%
 - A Tuition Set Aside formula required a specific amount to be set aside by universities for student aid so that universities could ensure accessibility regardless of a student’s financial means
- February 2016: Ontario and Federal Budgets included significant changes to the Ontario Student Assistance Program (“OSAP”) and the Canada Student Grants (“CSG”). The changes included a restructuring of OSAP to be completed in two phases, as follows:
 - 2017-18: most Ontario student grants, including the Ontario Tuition Grant, were folded into a single Ontario Student Grant which is an upfront, income-based grant that provided tuition support and needs-based support
 - 2018-19: the expected parental/spousal financial contribution towards a student’s post-secondary costs was reduced meaning that more students qualified for OSAP assistance
- January 2019: the provincial government announced a 10% cut to domestic tuition fees beginning in 2019–20, and a freeze at that level for 2020–21

- The tuition fee reduction applied to domestic students enrolled in all programs that are funded via the provincial operating grant, including direct entry undergraduate, second entry and professional master's, and doctoral stream programs
- Tuition paid by international students is unregulated, and will therefore be unaffected
- This new framework did not affect fiscal 2019; however, it resulted in a reduction in domestic tuition fee revenue for fiscal 2020.
- February 2019: the Ontario Budget announced a new set of changes to OSAP for the 2019-20 academic year
 - Changes to OSAP included a reduction in the income threshold under which students qualify for non-repayable aid (grants), an increase in the proportion of aid provided as loans, and increases in required parental and student contributions to the cost of education
 - The government targeted OSAP funds to students with the greatest financial need, distributing a larger proportion of grant funding to students with family incomes of less than \$50,000
- April 2021: the Provincial government announced a one year extension of the domestic fee freeze for 2021-22.

Other Ontario Budget Priorities

The government of Ontario returned to a balanced budget for 2017-18. No additional funds for growth in undergraduate and graduate enrolment beyond previous commitment levels were identified. However, program expenditures in the post-secondary education sector were projected to grow at an average annual rate of 2.5% between 2015–16 and 2019–20, including investments in infrastructure projects and Highly Skilled Workforce initiatives.

The 2018 Ontario Budget projected a 0.9% increase for the post-secondary sector, primarily related to support for students through OSAP. The budget included an increase of \$1.2 billion for the sector over three years to support growth in OSAP participation, and offset reductions to the required parental and spousal contributions starting in 2018-19.

The 2019 Ontario Budget announced the planned significant shift of operating grant support towards performance-based outcomes funding through the differentiation envelope under SMA3. The budget rolled back funding related to the increases for the OSAP program implemented under the previous government. Operating grant plans included funding for completion of the previously announced graduate expansion program under SMA2 and planned new investments in mental health supports.

According to the 2020 Ontario Budget, the Government is not planning any material new investments in the post-secondary education sector over the next three years, including no inflationary increases to the University's operating grant. Areas of priority investment for the Government include: development, delivery, and expansion of Ontario's micro-credentials strategy; supporting the ongoing cost of the Ontario Student Assistance Program (OSAP); and continued investment in deferred maintenance.

Institutional Strategic Research Plan ("ISRP"), 2018–23

The ISRP expresses the University's core commitment to supporting excellence in research and innovation, across our three campuses in collaboration with our research and innovation partners. The themes of the ISRP reflect the breadth of the University's research within a flexible framework. Broad consultation helped shape and align these themes with current and potential future areas of research and innovation, and also helped to refine our strategic objectives and the metrics by which we will measure our success.

While it provides support and direction, the ISRP is not meant to limit individual faculty member or divisional research priorities. The ISRP highlighted the scope of scholarship at the University and identified seven thematic areas designed to facilitate excellence and collaboration both within the University and with partner organizations and to address issues of local, national, and global importance. Of note, the ISRP formed the basis for developing the proposal for the Schwartz Reisman Institute of Technology and Society, demonstrating the value of broad institutional engagement in identifying research priorities.

The ISRP also identified five strategic objectives to enable the University to continue to increase its research excellence:

- Demonstrating our leadership in research and innovation
- Fostering collaborations, partnerships and engagement
- Advancing equity, inclusion and diversity
- Supporting the integration of research and innovation in the student experience
- Strengthening the institutional supports that foster research and innovation excellence

Federal Investments in Research

In 2017, the Federal government commissioned Canada's Fundamental Science Review, conducted by a prestigious panel led by the University of Toronto's President Emeritus Dr. David Naylor. The panel found that per capita federal investment in fundamental or curiosity-driven research had slumped in recent decades, and made a comprehensive set of 35 recommendations.

Responding to several of the Fundamental Science Review Report's findings, the 2018 Federal Budget contained multi-year provisions for research funding—investments that are a critical element of a national strategy to advance knowledge and build Canada's prosperity. The budget provided \$925 million in new funding for investigator-led research through Canada's three federal research councils over the next five years, including \$355 million each for the Natural Sciences and Engineering Research Council and the Canadian Institutes of Health Research, and \$215 million for the Social Sciences and Humanities Research Council. The 2018 budget also included:

- The introduction of 275 new chairs through the Canada Research Chair program, with an investment of \$210 million over five years to better support early-career researchers, while increasing diversity and creating more opportunity for women among nominated researchers
- \$763 million over five years for scientific research infrastructure through the Canada Foundation for Innovation ("CFI"). This included \$160 million for increased support to Canada's nationally important research facilities through the foundation's Major Science Initiatives Fund. The government also proposed to establish permanent funding at an ongoing level of \$462 million per year by 2023-24 for research tools and infrastructure through CFI
- \$21 million was allocated to increase diversity in science
- \$275 million was earmarked for the New Frontiers in Research Fund that will support research that is international, interdisciplinary, fast-breaking and higher-risk
- \$231 million over five years was set for the Research Support Fund – a critical program that assists universities with the institutional costs of research, such as facility costs and technology transfer supports – but does not substantially increase the proportion of funding for these costs. In addition, rather than allocating the funding increase as consecutive top-ups to the Research Support Fund, as done in the past, the government will segregate it as an Incremental Project Grants envelope that comes with more stringent accountability requirements

- \$573 million over five years to implement a Digital Research Infrastructure Strategy to deliver more open and equitable access to advanced computing and big data resources to researchers across Canada

These significant investments from the 2018 Federal Budget will continue to flow out to institutions over the next several years. New programs such as those funded by the New Frontiers in Research Fund provide indirect cost support at a rate of 25%, above the rate of approximately 20% the University receives for general Tri-Agency programs, and this support comes without the additional administrative burden incurred with the Incremental Project Grant.

In the 2019 Federal Budget, the government followed up the multi-year investments in research announced in 2018 with new investments and initiatives, including:

- \$114 million over five years, starting in 2019–20, with \$27 million per year ongoing, to the federal granting councils to create 500 more master’s level scholarship awards annually and 167 more three-year doctoral scholarship awards annually through the Canada Graduate Scholarship program
- The creation of a Strategic Science Fund - Support for Third-Party Research Organizations (“Fund”) for federal investments in third-party science and research starting in 2022–23. The Fund will operate using a principles-based framework for allocating federal funding that includes competitive, transparent processes that will help protect and promote research excellence. Going forward, the selection of recipient organizations and corresponding level of support will be determined through the Fund’s competitive allocation process, with advice from the expert panel and informed by the Minister of Science’s overall strategy. The Minister of Science will provide details on the Fund in 2019

The 2020 Federal Budget was scheduled to be tabled in March 2020, but was postponed indefinitely as the government responded to the COVID-19 pandemic. The in-year economic and fiscal update was focused on targeted relief to families and businesses in response to the pandemic.

As a result, the 2021 Federal Budget was the first budget in more than two years. The government announced significant new investments in targeted research areas, including:

- \$500 million over four years for the Canada Foundation for Innovation to support the bio-science capital and infrastructure needs of postsecondary institutions and research hospitals, and \$250 million over four years for the federal research granting councils to create a new tri-council biomedical research fund.
- \$400 million over six years in support of a Pan-Canadian Genomics Strategy, including \$137 million for Genome Canada to kick-start the new Strategy and complement the government’s existing genomics research and innovation programming
- \$444 million over ten years in support of the Pan-Canadian Artificial Intelligence Strategy, including \$185 million to support the commercialization of artificial intelligence innovations and \$162 million to help retain and attract top academic talent across Canada.
- \$360 million over seven years to launch a National Quantum Strategy. The strategy will amplify Canada’s significant strength in quantum research; grow quantum-ready technologies, companies, and talent; and solidify Canada’s global leadership in this area. This funding will also establish a secretariat at the Department of Innovation, Science and Economic Development to coordinate this work

Pension Solvency Funding

The Province introduced pension funding reform effective May 1, 2018. The pension plan became subject to these new funding rules as of the July 1, 2020 filed funding valuation. Under these funding new rules:

- Universities are only be required to make special solvency payments if the solvency funding status was less than 85%, with any deficiency amortized over 5 years; and
- The amortization period for the going concern deficit is reduced to 10 years from 15 years, and a reserve factor (PfAD - Provision for Adverse Deviation) is applied to both accrued liabilities and current service costs.

The pension plan is subject to these new Provincial pension funding rules for single employer pension plans until such time as the pension assets are transferred to the UPP. However, since the existing RPP will have been transferred to the UPP at that point, these additional solvency and going concern payment schedules will not come into effect.

During the year, the University amended the RPP to allow for the planned July 1, 2021 transfer of assets and liabilities into the UPP and the subsequent termination of the RPP. For the year ended April 30, 2021, the pension obligation will be valued based on the UPP's actuarial assumptions at July 1, 2021.

Investment Earnings

The investment risk and return targets for University funds are operationalized by the President of the University with input from the Investment Committee. The Investment Committee reports to the President of the University and provides expert advice to the University Administration, collaborating extensively with the University Administration and with the management at the University of Toronto Asset Management Corporation ("UTAM") on investment objectives and investment activities.

UTAM is a separate non-share capital corporation whose members are appointed by the University. The funds invested in LTCAP, EFIP and/or the Pension Master Trust that the University desires to have invested by UTAM, and are invested on behalf of the University in accordance with a Business Board approved Delegation of Authority from the University to UTAM.

The President of the University and the UTAM Board have agreed that, consistent with the foregoing, the Investment Committee approves various elements of strategy execution proposed by UTAM management, and provides monitoring and oversight of investment performance. A detailed review of investment performance, which is managed and measured on a calendar year basis by UTAM, is available on the UTAM web site at www.utam.utoronto.ca.

Governance oversight of investments is provided by the Business Board (for University funds), by the Pension Committee (for pension plan assets), and by the UTAM Board which provides oversight of the operations of UTAM.

Audited Consolidated Financial Statements

April 30, 2021

Statement of Administrative Responsibility

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

The administration has prepared the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations developed by the Chartered Professional Accountants of Canada. The administration believes that the consolidated financial statements present fairly the University's consolidated financial position as at April 30, 2021 and the consolidated results of its operations and its consolidated cash flows for the year then ended. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and judgments were employed. Additionally, management has ensured that financial information presented elsewhere in this Financial Report has been prepared in a manner consistent with that in the consolidated financial statements.

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

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

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

The consolidated financial statements for the year ended April 30, 2021 have been reported on by Ernst & Young LLP, the auditors appointed by Governing Council. The independent auditor's report outlines the scope of their audit and their opinion on the presentation of the information included in the consolidated financial statements.

Sheila Brown
Chief Financial Officer

Meric S. Gertler
President

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of the **University of Toronto** [the "University"], which comprise the consolidated balance sheet as at April 30, 2021, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as at April 30, 2021, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Financial Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Financial Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to

enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the University to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Canada
June 24, 2021

Statement 1

UNIVERSITY OF TORONTO
CONSOLIDATED BALANCE SHEET
AS AT APRIL 30
(millions of dollars)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current		
Cash and cash equivalents	192	149
Short-term investments at fair value (note 3)	1,077	1,074
Accounts receivable (notes 3 and 17)	173	219
Inventories and prepaid expenses	<u>50</u>	<u>33</u>
	1,492	1,475
Investments at fair value (notes 3 and 17)	5,680	4,195
Capital assets, net (note 4)	<u>5,210</u>	<u>5,057</u>
	<u>12,382</u>	<u>10,727</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (notes 3 and 6)	600	434
Deferred contributions (note 8)	<u>907</u>	<u>700</u>
	1,507	1,134
Accrued pension liability (note 5)	127	606
Employee future benefit obligation		
other than pension (note 5)	696	644
Long-term debt (note 7)	709	709
Deferred capital contributions (note 9)	<u>1,269</u>	<u>1,203</u>
	<u>4,308</u>	<u>4,296</u>
NET ASSETS (Statement 3)		
Deficit	(144)	(124)
Internally restricted (note 10)	5,068	4,045
Endowments (notes 11, 12 and 13)	<u>3,150</u>	<u>2,510</u>
	<u>8,074</u>	<u>6,431</u>
	<u>12,382</u>	<u>10,727</u>

Contingencies, commitments and collections (notes 3, 4, 19, 20 and 21)

See accompanying notes

On behalf of Governing Council:

Claire M.C. Kennedy
Chair

Meric S. Gertler
President

UNIVERSITY OF TORONTO
CONSOLIDATED STATEMENT OF OPERATIONS
 FOR THE FISCAL YEAR ENDED APRIL 30
 (millions of dollars)

	<u>2021</u>	<u>2020</u>
REVENUES		
Student fees	1,995	1,813
Government grants for general operations	723	719
Government and other grants for restricted purposes (note 16)	507	463
Sales, services and sundry income	268	368
Investment income (notes 3 and 11)	384	178
Donations (note 15)	122	85
	<u>3,999</u>	<u>3,626</u>
EXPENSES		
Salaries	1,602	1,579
Employee benefits (note 5)	367	355
Scholarships, fellowships and bursaries	279	259
Materials, supplies and services	255	233
Inter-institutional contributions	226	132
Amortization of capital assets	207	201
Repairs, maintenance and leases	141	131
Cost of sales and services	85	113
Utilities	47	50
Interest on long-term debt	38	38
Travel and conferences	4	54
Other	22	40
	<u>3,273</u>	<u>3,185</u>
NET INCOME	<u>726</u>	<u>441</u>

See accompanying notes

UNIVERSITY OF TORONTO
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED APRIL 30
 (millions of dollars)

	<u>Deficit</u>	<u>Internally restricted (note 10)</u>	<u>Endowments (note 11)</u>	<u>2021 Total</u>	<u>2020 Total</u>
Net assets, beginning of year	(124)	4,045	2,510	6,431	6,450
Net income	726			726	441
Net change in internally restricted (note 10)	(1,023)	1,023			
Remeasurements and other items (note 5)	348			348	(374)
Investment gain (loss) on externally restricted endowments (note 11)			445	445	(120)
Externally endowed contributions - donations (note 15)			124	124	34
Transfer to internally restricted endowments (note 11) - investment gain	(69)		69		
Transfer to and from endowments (note 11) - donations	1		(1)		
- matching funds	(3)		3		
Net assets, end of year	<u>(144)</u>	<u>5,068</u>	<u>3,150</u>	<u>8,074</u>	<u>6,431</u>

See accompanying notes

UNIVERSITY OF TORONTO
CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED APRIL 30
 (millions of dollars)

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Net income	726	441
Add (deduct) non-cash items:		
Amortization of capital assets	207	201
Amortization of deferred capital contributions	(78)	(78)
Net unrealized gains from investments	(341)	(146)
Employee future benefits expense	196	181
Employee future benefits contributions	(275)	(238)
Net change in other non-cash items (note 14)	357	(59)
	<u>792</u>	<u>302</u>
INVESTING ACTIVITIES		
Net (purchase) sale of short-term investments	(3)	831
Net purchase of investments	(699)	(927)
Purchase of capital assets	(315)	(254)
	<u>(1,017)</u>	<u>(350)</u>
FINANCING ACTIVITIES		
Contributions for capital asset purchases	144	53
Long-term debt repayments		(2)
Endowment contributions		
- donations	124	34
	<u>268</u>	<u>85</u>
Net increase in cash during the year	43	37
Cash and cash equivalents, beginning of year	149	112
Cash and cash equivalents, end of year	192	149
Supplemental cash flow information		
Increase (decrease) in capital asset acquisitions		
funded by accounts payable and accrued liabilities	45	(5)

See accompanying notes

UNIVERSITY OF TORONTO NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2021

1. Description

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

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

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

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

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada (“GAAP”) and includes the significant accounting policies summarized below:

a) Investments and investment income -

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

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

- i. Short-term notes and treasury bills are valued based on cost plus accrued interest, which approximates fair value. Money market funds are valued based on closing quoted market prices.
- ii. Bonds and publicly traded equities are valued based on quoted market prices. If quoted market prices are not available for bonds, estimated values are calculated using discounted cash flows based on current market yields and comparable securities, as appropriate.
- iii. Investments in pooled funds (other than private investment interests and hedge funds) are valued at their reported net asset value per unit.
- iv. Hedge funds are valued based on the most recently available reported net asset value per unit, adjusted for the expected rate of return of the fund through April 30. The University believes the carrying amount of these financial instruments is a reasonable estimate of fair value.
- v. Private investment interests consisting of private investments and real assets are comprised of private externally managed pooled funds with underlying investments in equities, debt, real estate assets, infrastructure assets and commodities. The investment managers of these interests perform and provide valuations of the underlying investments on a periodic basis. Annual financial statements of the private investment interests are audited and are also provided by the investment managers. The value of the investments in these interests is based on the latest valuations provided (typically December 31), adjusted for subsequent cash receipts and distributions from the fund, and cash disbursements to the fund through April 30. The University believes that the carrying amount of these financial instruments is a reasonable estimate of fair value. Because private investments are not readily traded, their estimated values are subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.
- vi. Real estate directly held by the University for investment purposes is originally valued at cost and, when donated, at the value determined through an appraisal process at the date of donation. Subsequently, real estate is valued at cost less any provision for impairment.

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

Investment income is recorded on an accrual basis, consisting of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses. Investment income is recorded as revenue in the consolidated statement of operations except for investment income earned on externally restricted endowments, for which only the amount made available for spending is recorded as revenue. In years where the investment income earned is in excess of the amount made available for spending, the excess is recorded as a direct increase in endowments. In years where the investment income earned is below the amount made available for spending, the shortfall is recorded as a direct decrease in endowments.

b) Derivative financial instruments -

Derivative financial instruments are used to manage particular market and currency exposures for risk management purposes primarily with respect to the University's investments and as a substitute for more traditional investments. Derivative financial instruments and synthetic products that may be employed include bonds, equity and currency futures, options, swaps and forward contracts. The majority of the notional exposure of the derivative financial instruments (except for currency derivatives) is backed by liquid assets (short-term investments), reducing the use of leverage. The fair value of derivative financial instruments reflects the daily quoted market amount of those instruments, thereby taking into account the current unrealized gains or losses on open contracts. Investment dealer quotes or

quotes from a bank are available for substantially all of the University's derivative financial instruments.

Derivative financial instruments are carried at fair value, with changes in fair value during the year recorded in the consolidated statement of operations.

c) Investments in significantly influenced entities and interests in joint venture arrangements -

Joint ventures and investments in for-profit entities subject to significant influence are accounted for using the equity method, whereby the investment is initially recorded at cost, net of any impairment and adjusted thereafter for the University's share of the entity's net surplus or deficit and any further impairments. Any distributions received are accounted for as a reduction in the investment.

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

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

e) Other financial instruments -

Other financial instruments, including cash and cash equivalents, accounts receivable, government assistance receivable and accounts payable and accrued liabilities, are initially recorded at their fair value. They are not subsequently revalued and continue to be carried at this value, which represents cost, net of any provisions for impairment.

f) Cash and cash equivalents -

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

g) Inventory valuation -

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

h) Employee benefit plans -

The University maintains defined benefit plans providing pension, other retirement and post-employment benefits for most of its employees and accounts for these using the immediate recognition approach. Under this approach, the University recognizes the amount of the accrued obligation net of the fair value of plan assets in the consolidated balance sheet. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized as a direct increase or decrease in net assets. The accrued liability for funded employee future benefit plans is determined using a roll-forward technique to estimate the accrued liability using funding assumptions from the most recent actuarial valuation report prepared at least every three years. The accrued liability for unfunded plans is prepared on a basis consistent with funded plans. Employee future benefit plans' assets are measured at fair value as at the date of the consolidated balance sheet.

i) Capital assets and collections -

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

Buildings	2.5%-10%
Equipment and furnishings	4%-20%
Library books	20%

The University allocates salary and benefit costs related to personnel who work directly on managing capital projects through a project management fee based on 3.25% of construction, furnishings and equipment, and landscaping costs for projects up to \$75 million and 2.50% of those same costs for projects above \$75 million.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the University's ability to provide goods and services. Any impairment results in a write-down of the capital asset and an expense in the consolidated statement of operations. An impairment loss is not reversed if the fair value of the related capital asset subsequently increases.

The value of library, art and other special collections has been excluded from the consolidated balance sheet except for a nominal value of \$1. Donated collections are recorded as revenue at values based on appraisals by independent appraisers and are expensed in the year received. Purchased collections are expensed in the year they are acquired.

When collections are deaccessioned and then sold, proceeds from the sale are included in deferred contributions and recognized as revenue when the cost of insurance, cleaning, restoration and conservation of works in the collection are expensed.

j) Revenue recognition -

The University follows the deferral method of accounting for contributions, which include donations and government grants.

The University actively fundraises and unrestricted donations, contributed rare books and other collections are recorded as revenue when received or receivable if amounts can be reasonably estimated and collection is reasonably assured. Due to the uncertainty involved in collecting pledged donations, they are not recognized until received.

Contributions externally restricted for purposes other than endowment are deferred when initially recorded in the accounts and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties. Externally restricted contributions received towards the acquisition of depreciable capital assets are deferred when initially recorded in the accounts and amortized to revenue on the same basis as the related capital assets are amortized.

Endowment contributions and contributions of non-amortizable capital assets are recorded as direct increases in net assets in the year in which they are received or receivable.

Student fees are recorded as revenue when courses and seminars are held. Sales, services and sundry income revenues are recorded at point of sale for goods or when the service has been provided.

k) Foreign currency translation -

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

l) Use of accounting estimates -

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates include the assumptions used in the determination of the fair value of financial instruments where the values are based on non-observable inputs that are supported by little or no market activity, the valuation of pension and other retirement benefit obligations and the recording of contingencies. Actual results could differ from those estimates.

m) Contributed services and materials –

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

3. Investments

The University's investments are managed using two pools: the long-term capital appreciation pool ("LTCAP"), and the expendable funds investment pool ("EFIP"). The LTCAP mainly includes endowment funds, the voluntary sinking fund (note 7) established to repay the University's debenture principal at maturity and funds set aside to cover long-term disability payments (note 5). The EFIP consists mainly of the University's working capital for operations. The University of Toronto Asset Management Corporation ("UTAM") manages each of the pools according to its investment return target and risk tolerance as described in the University Funds Investment Policy. UTAM incorporates environmental, social and governance factors into its investment decision-making and practices active ownership in its management of both portfolios.

The University has adopted an investment benchmark called the Reference Portfolio for the LTCAP that includes an asset mix that reflects the long-term return objectives and risk appetite for this pool. The Reference Portfolio is designed to be a simple portfolio that can be easily implemented and it only includes public market asset classes. However, the actual LTCAP includes additional asset classes and strategies such as hedge funds and private investments that are not in the Reference Portfolio. These other investments have been reclassified and mapped to the most appropriate Reference Portfolio asset classes in the table below. In some cases, derivative financial instruments are used to obtain market exposures to various asset classes. The majority of the notional exposure of derivative financial instruments (except for currency derivatives) is backed by liquid assets (short-term investments), reducing the use of leverage. Leverage is used to add government bond exposure to the portfolio to enhance downside risk protection. The table below includes the notional exposure of derivative financial instruments other than currency derivatives in the Reference Portfolio asset classes.

The table below shows the University's investments at fair value, mapped into the Reference Portfolio asset classes for the LTCAP and investment benchmarks for EFIP:

(millions of dollars)

	April 30, 2021			April 30, 2020		
	LTCAP	EFIP	TOTAL	LTCAP	EFIP	TOTAL
Short-term investments	(419)	1,496	1,077	(266)	1,340	1,074
Government and corporate bonds	1,452	1,558	3,010	1,148	1,025	2,173
Canadian equities	64		64	102		102
United States equities	820	1	821	492	1	493
International equities	368		368	297		297
Emerging markets equities	187		187	176		176
Global equities	838		838	709		709
Other	392		392	245		245
	3,702	3,055	6,757	2,903	2,366	5,269
Less amounts reported as short-term investments	419	(1,496)	(1,077)	266	(1,340)	(1,074)
Long-term investments	4,121	1,559	5,680	3,169	1,026	4,195

Short-term investments consist of cash, money market funds, short-term notes and treasury bills. The negative amount of short-term investments in the LTCAP represents the notional exposure of the derivative financial instruments that is not backed by liquid assets as a result of the use of leverage. International equities include developed equity markets in Europe, Australasia and the Far East ("EAFE") and exclude the United States and Canada. Global equities include all developed equity markets as well as various emerging equity markets. Investments in the "other" category consist mainly of absolute return hedge funds.

In fiscal 2021, the University's investment income of \$384 million (2020 - \$178 million) recorded in the consolidated statement of operations consists of income related to investments held for endowments of \$196 million (2020 - \$100 million), gross of \$30 million (2020 - \$23 million) in fees and other expenses (note 11), and income of \$188 million (2020 - \$78 million) on investments other than those held for endowments, gross of \$13 million (2020 - \$6 million) in fees and other expenses.

The table below shows the fair value of the same investments without the reallocation of short-term investments (related to derivative instruments), hedge funds, private investment and real assets to the relevant Reference Portfolio asset class or classes.

Investments without any reallocations for each pool consist of the following:

	(millions of dollars)					
	April 30, 2021			April 30, 2020		
	LTCAP	EFIP	TOTAL	LTCAP	EFIP	TOTAL
Short-term investments	1,181	2,669	3,850	928	2,166	3,094
Government and corporate bonds and other fixed income investments	193	385	578	183	199	382
Canadian equities	1		1	1		1
United States equities	1	1	2	1	1	2
International equities	202		202	136		136
Emerging markets equities	111		111	105		105
Global equities	747		747	502		502
Hedge funds	569		569	389		389
Private investments	626		626	593		593
Real assets	71		71	65		65
Total investments	3,702	3,055	6,757	2,903	2,366	5,269

During the year, the University recognized an unrealized gain of \$13 million (2020 – \$5 million) as a result of the change in fair value of its investments that were estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates for certain of its investments. Management believes there are no other reasonable assumptions for these investments that would generate any material changes in investment income.

Uncalled commitments

As at April 30, 2021, approximately 10.3% (2020 – 12.5%) of the University's investments are invested in private funds managed by third-party managers. These private funds typically take the form of limited partnerships managed by a General Partner. The legal terms and conditions of these private investment funds, which cover various areas of private equity investments, private credit and real asset investments (e.g., real estate, infrastructure), require that investors initially make an unfunded commitment and then remit funds over time (cumulatively up to a maximum of the total committed amount) in response to a series of capital calls issued to the investors by the manager. As at April 30, 2021, the University had uncalled commitments of approximately \$521 million (2020 - \$502 million). The capital committed is called by the manager over a pre-defined investment period, which varies by fund, but is generally between three to five years from the date the private fund closes. In practice, for a variety of reasons, the total amount committed to a private fund is typically not fully called.

Derivative financial instruments

Derivatives are financial contracts, the value of which is derived from changes in an underlying asset, index of prices or rates, interest rate, foreign exchange rate, etc. The University uses derivative financial instruments as a substitute for traditional investments, to manage financial risks and to manage currency exposures. The University has entered into foreign currency forward contracts to manage its exposure to exchange rate fluctuations on investments denominated in foreign currencies in accordance with its hedging policy (note 17).

The University has entered into equity and bond futures contracts, and equity and bond swap contracts to obtain exposure to those asset classes. These derivatives are used as a substitute for traditional investments to obtain market exposures to various asset classes. Equity and bond futures contracts oblige the University to pay or receive the difference between a predetermined amount (the notional amount) and the market value at contract expiry. Equity and bond swap contracts are agreements for the exchange of cash flows based on the notional amount of the contract whereby one party commits to making payments based on the return of an underlying instrument in exchange for fixed or floating interest rate payments. To the extent the total return of the instrument or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the University will receive a payment from, or make a payment to, the counterparty.

The following table summarizes the notional and fair values of the University's derivative financial instruments:

Contracts	(millions of dollars)					
	April 30, 2021			April 30, 2020		
	Notional Value	Fair Values		Notional Value	Fair Values	
	Receivable	Payable	Value	Receivable	Payable	
Foreign currency forward						
United States dollars	1,064	26		495	9	
Other	374	15		256	2	
Equity and bond futures	119			82	5	(6)
Equity and bond swap	2,731	35	(1)	2,008	89	
Interest rate swap	7		(1)	9		(1)
	4,295	76	(2)	2,850	105	(7)

The notional amounts above do not represent amounts exchanged between parties. Instead, they represent the contractual amount to which a rate or price is applied for computing the cash flows to be exchanged and are therefore not recorded as receivables or payables in the consolidated financial statements. The University may have contracts to buy and sell similar underlying assets; in these cases, the notional amounts are presented above on a gross basis.

Contracts with a positive mark-to-market (fair value) are recorded as receivables while contracts with a negative mark-to-market are recorded as payables. These are included in accounts receivable and accounts payables and accrued liabilities respectively, in the consolidated balance sheet. The maturity dates of the currency forwards and futures contracts as at April 30, 2021 range from May to September 2021. The maturity dates of the equity and

bond swap contracts as at April 30, 2021 range from May 2021 to April 2022. Required collateral of \$4 million (2020 - \$8 million) has been provided to the relevant exchanges against the futures contracts as of April 30, 2021 in the form of short-term investments. At April 30, 2021, the University had \$2.5 billion (2020 - \$1.8 billion) in short-term investments compared to the \$2.9 billion (2020 - \$2.1 billion) of notional value of equity and bond futures and equity and bond swap contracts. Leverage is used to add government bond exposure to the portfolio to enhance downside risk protection.

4. Capital assets

(millions of dollars)

	April 30, 2021		April 30, 2020	
	Total cost	Accumulated amortization	Total cost	Accumulated amortization
Land	2,316		2,293	
Buildings	3,915	1,498	3,680	1,395
Equipment and furnishings	2,001	1,590	1,929	1,519
Library books	798	732	768	699
	9,030	3,820	8,670	3,613
Less accumulated amortization	(3,820)		(3,613)	
Net book value	5,210		5,057	

The University develops replacement property values of buildings and contents for insurance purposes using various sources and valuation methods that conform to insurance industry practice and standards. The insured replacement value of buildings is approximately \$5.8 billion and contents is approximately \$2.6 billion, which includes library books of approximately \$0.9 billion.

The University holds a wide range of library, art and other special collections that are protected and preserved for public exhibition, education, research and the furtherance of public service. Rare books and special collections include manuscripts, archives, and cartographic, graphic, film, audio and video materials. The University rarely disposes of items in these collections.

As at April 30, 2021, the University had \$322 million (2020 - \$204 million) in construction in progress that was included in buildings and equipment and furnishings, which will not be amortized until the capital assets are put into use.

5. Employee benefit plans

The University has a number of funded and unfunded defined benefit plans that provide pension (including a supplemental retirement arrangement), other retirement and post-employment benefits to most of its employees.

After years of planning and discussion together with other Ontario universities, the administrations, faculty associations, unions and non-represented staff of the University, University of Guelph and Queen's University have developed a new jointly sponsored multi-employer pension plan, the University Pension Plan Ontario ("UPP"), which is open to other

Ontario universities. The UPP was formally established on January 1, 2020 to cover employees, retired employees and other members under the currently existing plans at all three universities. The assets and liabilities of the University's registered pension plan ("RPP") will be transferred to the UPP as at July 1, 2021 (the "Effective Date"). As of the Effective Date, the accrual of benefits and contributions under the UPP will commence for members of the RPP, all of whom will have been transferred to the UPP, and benefits and contributions under the RPP will cease. During the year, the University amended the RPP to allow for the planned July 1, 2021 transfer of assets and liabilities into the UPP and the subsequent termination of the RPP.

For the period prior to July 1, 2021, the University's defined benefit pension plan is based on years of service and the highest average salary received in any 36 month period. Pension benefits will increase annually by an amount equal to the greater of 75% of the increase in the Consumer Price Index ("CPI") for the previous year up to 8%, plus 60% of the increase in CPI above 8%, or the increase in the CPI for the previous year minus four percentage points.

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

The employee benefits expense for the year includes pension expense of \$143 million (2020 - \$130 million), other retirement benefits expense of \$53 million (2020 - \$51 million) and other employee benefits of \$171 million (2020 - \$174 million). Remeasurements, which are recorded in the consolidated statement of changes in net assets, rather than in the consolidated statement of operations, are as follows:

	(millions of dollars)			
	April 30, 2021		April 30, 2020	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Difference between actual and expected return on plan assets*	332		(376)	
Actuarial gains (losses)	45	(29)	(31)	4
Past service cost			29	
	377	(29)	(378)	4

*At April 30, 2021, the difference between actual and expected return on plan assets was \$973 million. Since there is uncertainty about the ability of the University to fully realize the RPP's accrued benefit asset in the future, only \$332 million was recognized bringing the RPP's accrued pension liability to NIL.

An actuarial valuation is performed for the pension plan annually. The latest actuarial valuation for the pension plan, for funding purposes, was performed as at July 1, 2020 and subsequently filed. A valuation for the pension plan using the going concern assumptions adopted by the UPP was performed in November 2020, in conjunction with the effective date of the plan amendment. The actuarial valuation for retirement benefit plans other than pension is performed every two years, the most recent being as at July 1, 2019. The University measures its accrued benefit obligation (using a roll-forward technique from the most recent actuarial valuation) and the fair value of plan assets for accounting purposes as at April 30 of each year.

To measure the accrued benefit obligation for retirement benefit plans other than pension as at April 30, 2021, the rate of increase in the per capita cost of covered health care benefits was assumed to be 4.25%, except for extended health care costs which are assumed to

increase at 6.60% in 2021, with the rate of increase decreasing gradually to 4.25% in 2030 and remaining at that level thereafter.

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation and benefits cost are set out below:

	<u>April 30, 2021</u>		<u>April 30, 2020</u>	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Accrued benefit obligation:				
Discount rate	5.60%	5.35%	5.55%	5.55%
Rate of compensation increase	4.00%	3.75%	4.00%	4.00%
Rate of inflation	2.00%	1.75%	2.00%	2.00%
Benefits cost:				
Discount rate	5.55%	5.55%	5.55%	5.55%
Expected long-term rate of return on plan assets	5.55%		5.55%	
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%
Rate of inflation	2.00%	2.00%	2.00%	2.00%

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

(millions of dollars)

	<u>April 30, 2021</u>		<u>April 30, 2020</u>	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Accrued benefit obligation	6,109	696	5,898	644
Fair value of plan assets	5,982		5,292	
Plan deficit	(127)	(696)	(606)	(644)

Under the UPP, the University is required to fund any deficits that may arise in the future from changes to the UPP's actuarial assumptions and for experience gains/losses. Any such changes requiring additional funding would continue to be the responsibility of the University for the first 10 years, after which the responsibility for such changes becomes gradually shared over time with the other participants of the UPP. At April 30, 2021, the RPP was in a surplus position of \$641 million. Since there is uncertainty about the ability of the University to fully realize the accrued RPP's benefit asset in the future under the UPP, this amount has not been reflected in the Consolidated Balance Sheet or in the fair value of plan assets. The

accrued pension liability of \$127 million mainly represents the University's obligation for its supplemental retirement arrangement.

In addition to the plan assets, as at April 30, 2021, the University has set aside investments of NIL (2020 - \$27 million) for its pension obligations (note 10) and \$140 million (2020 - \$107 million) for its other benefit plans.

On February 5, 2020, The Ontario Ministry of Finance agreed that the University, University of Guelph and Queen's University would be exempt from their obligations to pay the Ministry the annual assessments for the Pension Benefits Guarantee Fund and, instead, would use these amounts totalling \$20.7 million to May 1, 2022 to defray the cost of setting up the UPP. The University is administering the funds on behalf of the three universities. During the year, the University incurred \$13 million (2020 - NIL) on behalf of the three universities in support of the UPP.

6. Government remittances payable

As at April 30, 2021, accounts payable and accrued liabilities include government remittances payable of \$45 million (2020 - \$3 million).

7. Long-term debt

Long-term debt consists of the following senior unsecured debentures:

	(millions of dollars)	
	April 30, 2021	April 30, 2020
	<u> </u>	<u> </u>
Series A senior unsecured debenture bearing interest at 6.78% payable semi-annually on January 18 and July 18, with the principal amount maturing on July 18, 2031	160	160
Series B senior unsecured debenture bearing interest at 5.841% payable semi-annually on June 15 and December 15, with the principal amount maturing on December 15, 2043	200	200
Series C senior unsecured debenture bearing interest at 4.937% payable semi-annually on May 16 and November 16, with the principal amount maturing on November 16, 2045	75	75
Series D senior unsecured debenture bearing interest at 4.493% payable semi-annually on June 13 and December 13, with the principal amount maturing on December 13, 2046	75	75
Series E senior unsecured debenture bearing interest at 4.251% payable semi-annually on June 7 and December 7, with the principal amount maturing on December 7, 2051	200	200
Net unamortized transaction costs	(1)	(1)
	<u>709</u>	<u>709</u>

Net unamortized transaction costs comprise premiums and transaction issue costs.

A voluntary sinking fund (note 3) was established for the purpose of accumulating funds to repay the University's debenture principal at maturity. The value of the fund included in investments as at April 30, 2021 amounted to \$520 million (2020 - \$411 million).

8. Deferred contributions

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

	(millions of dollars)	
	April 30, 2021	April 30, 2020
Balance, beginning of year	700	627
Add grants, donations and investment income	788	576
Less recognized as revenue during the year	(581)	(503)
Balance, end of year	907	700

The deferred contributions must be spent for the following purposes as follows:

	(millions of dollars)	
	April 30, 2021	April 30, 2020
Research	428	333
Student aid (notes 12 and 13)	110	97
Other restricted purposes	369	270
	907	700

9. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recognized as revenue in the consolidated statement of operations as government and other grants for restricted purposes.

The changes in the deferred capital contributions balance for the year are as follows:

	(millions of dollars)	
	April 30, 2021	April 30, 2020
Balance, beginning of year	1,203	1,228
Less amortization of deferred capital contributions	(78)	(78)
Add contributions recognized for capital asset purchases	144	53
Balance, end of year	1,269	1,203
This balance represents:		
	April 30, 2021	April 30, 2020
Amount used to purchase capital assets	1,156	1,196
Amount to be spent on capital assets	113	7
	1,269	1,203

10. Internally restricted net assets

The change in internally restricted net assets consists of the following:

	(millions of dollars)	
	April 30, 2021	April 30, 2020
Investment in land and other capital assets	3,715	3,525
Employee benefits		
Pension	(221)	(707)
Other plans	(556)	(536)
Pension plan reserve (note 5)		27
Capital projects and infrastructure reserves	1,332	1,073
Operating contingencies	361	277
Research support	254	213
Departmental trust funds	102	93
Student assistance	60	56
Other funds	21	24
	5,068	4,045

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

a) Investment in land and other capital assets -

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

b) Employee benefits -

Internally restricted net assets have been reduced by the portion of employee future benefits obligations to be funded by future operating budgets offset by a pension plan reserve.

c) Capital projects and infrastructure reserves -

These represent reserves in respect of capital projects at various stages of planning, design, and construction, including:

- **Capital Projects in Progress** - \$613 million (2020 - \$354 million) – unspent funds at the end of the fiscal year, in respect of capital projects and alterations and renovations in progress that are part of the University’s major infrastructure building and renewal program less amounts spent without funding on hand;
- **Reserves for future major capital projects** - \$447 million (2020 - \$429 million) – funds set aside for specific, major capital projects in the project planning stage with an anticipated project cost in excess of \$5 million; and
- **Other divisional infrastructure reserves** - \$272 million (2020 - \$290 million) – funds held by divisions as a general reserve for alterations and renovations, as well as funds earmarked for capital projects in the project planning stage with an anticipated project cost less than \$5 million.

d) Operating contingencies -

These funds represent departmental operating reserves available for spending by divisions to protect against possible adverse circumstances such as changes in student enrolment due to geopolitical events, investment return fluctuations and salary cost escalations.

e) Research support -

These funds represent departmental funds reserved for Canada Research Chairs and related research allowances, start-up research funds and funds provided to faculty and librarians under an expense reimbursement program.

f) Departmental trust funds -

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

g) Student assistance -

These funds represent departmental operating funds available to provide scholarships, bursaries and other student assistance.

h) Other funds -

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

11. Endowments

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

The change in net assets restricted for endowments consists of the following:

	(millions of dollars)					
	April 30, 2021			April 30, 2020		
	Externally restricted	Internally restricted	Total	Externally restricted	Internally restricted	Total
Balance, beginning of year	2,133	377	2,510	2,210	383	2,593
Donations (note 15)	124		124	34		34
Investment income (loss), net of fees and other expenses of \$30 (2020 - \$23) (note 3)	528	83	611	(41)	(2)	(43)
Investment income made available for spending	(83)	(14)	(97)	(79)	(13)	(92)
Transfer of donations and matching funds from deficit		2	2	9	9	18
Balance, end of year	2,702	448	3,150	2,133	377	2,510

University policy has been established with the objective of protecting the real value of the endowments by limiting the amount of income made available for spending and requiring the reinvestment of income not made available for spending. The investment policy has set the real rate of return objective of at least 4% over 10-year periods, net of all investment fees and other expenses, while taking an appropriate amount of risk to achieve this target, but without undue risk of loss. The amount made available for spending must normally fall between a ranges of 3% to 5% of the fair value per unit of the endowment pool. In any particular year, should net investment income be insufficient to fund the amount to be made available for spending or if the investment return is negative, the amount that is made available for spending is funded by the accumulated reinvested income. However, for endowment funds, where the fair value of the endowment is below the donated capital and does not have sufficient accumulated reinvestment income, endowment capital is used in the current year as this is deemed prudent by the University. This amount is expected to be recovered by future net investment income. As at April 30, 2021, there were no endowments with fair values below their original gift value. As at April 30, 2020, there were 551 endowments with the original gift value of \$132 million that had a fair value of \$128 million, and a deficiency of \$4 million. In fiscal 2021, \$8.51 (2020 - \$8.34) per unit of LTCAP was made available for

spending, representing 3.8% (2020 - 3.53%) of the opening fair value per unit of the endowment pool.

12. Ontario Student Opportunity Trust Fund

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

Endowments at book value in this note represent contributions received plus a portion of realized investment income. The expendable funds available for awards are included in deferred contributions (note 8) on the consolidated balance sheet. The endowments and expendable fund balances of the affiliates (Victoria University, The University of Trinity College, University of St. Michael's College and the Toronto School of Theology) are not included in these consolidated financial statements.

Phase 1:	(thousands of dollars)	
	April 30, 2021	April 30, 2020
Endowments at book value, beginning of year	356,909	361,070
Donations	152	452
Transfer (to) from expendable funds	29,620	(4,613)
Endowments at book value, end of year	386,681	356,909
Cumulative unrealized gains	59,554	13,833
Endowments at fair value, end of year	446,235	370,742
	(thousands of dollars)	
	April 30, 2021	April 30, 2020
Expendable funds available for awards, beginning of year	29,871	29,640
Realized investment income	43,730	9,290
Transfer from (to) endowment balance	(29,620)	4,613
Bursaries awarded	(12,631)	(13,672)
Expendable funds available for awards, end of year	31,350	29,871
Number of award recipients	2,627	3,517

Phase 2:

(thousands of dollars)

	April 30, 2021		April 30, 2020	
	University of Toronto	Affiliates	University of Toronto	Affiliates
Endowments at book value, beginning of year	47,131	5,477	47,666	5,353
Donations				3
Transfer (to) from expendable funds	3,543	121	(535)	121
Endowments at book value, end of year	50,674	5,598	47,131	5,477
Cumulative unrealized gains (losses)	2,709		(2,762)	
Endowments at fair value, end of year	53,383		44,369	

(thousands of dollars)

	April 30, 2021		April 30, 2020	
	University of Toronto	Affiliates	University of Toronto	Affiliates
Expendable funds available for awards, beginning of year	3,609	643	3,447	621
Realized investment income	5,231	484	1,112	432
Transfer from (to) endowment balance	(3,543)	(121)	535	(121)
Bursaries awarded	(1,766)	(273)	(1,485)	(289)
Expendable funds available for awards, end of year	3,531	733	3,609	643
Number of award recipients	494	107	545	141

13. Ontario Trust for Student Support

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

Endowments at book value in this note represent contributions received plus a portion of realized investment income. The expendable funds available for awards are included in deferred contributions (note 8) on the consolidated balance sheet. The endowments and expendable fund balances of the affiliates (Victoria University, The University of Trinity College, University of St. Michael's College and the Toronto School of Theology) are not included in these consolidated financial statements.

(thousands of dollars)

	March 31, 2021*		March 31, 2020*	
	University of Toronto	Affiliates	University of Toronto	Affiliates
Endowments at book value, beginning of year	84,874	15,796	84,838	15,615
Donations received	409	9	125	11
University matching		2		2
Transfer from (to) expendable funds	6,832	199	(89)	168
Endowments at book value, end of year	92,115	16,006	84,874	15,796
Cumulative unrealized gains (losses)	7,421		(4,436)	
Endowments at fair value, end of year	99,536		80,438	

(thousands of dollars)

	March 31, 2021*		March 31, 2020*	
	University of Toronto	Affiliates	University of Toronto	Affiliates
Expendable funds available for awards, beginning of year	4,751	2,066	4,561	1,858
Realized investment income	10,076	1,216	2,971	1,058
University matching and contribution	74		78	
Transfer from (to) endowment balance	(6,832)	(199)	89	(168)
Bursaries awarded	(2,861)	(618)	(2,948)	(682)
Expendable funds available for awards, end of year	5,208	2,465	4,751	2,066
Number of award recipients	931	200	1,042	284

*As per Ministry of Colleges and Universities guidelines.

14. Net change in other non-cash items

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

	(millions of dollars)	
	April 30, 2021	April 30, 2020
Accounts receivable	46	(105)
Inventories and prepaid expenses	(17)	(11)
Accounts payable and accrued liabilities	121	(16)
Deferred contributions	207	73
	357	(59)

15. Donations

During the year, the University raised pledges, gifts and philanthropic grants of which \$394 million (2020 - \$119 million) was received. Of that amount, \$122 million (2020 - \$85 million) was recorded as revenue and \$148 million was deferred, \$124 million (2020 - \$34 million) was recorded as a direct addition to endowments (note 11) and is not recorded as donations revenue. There is a lag between the time in which pledges and related commitments are made and the actual receipt of funds.

16. Government and other grants for restricted purposes

During the year, the University received \$579 million (2020 - \$478 million) of government and other grants for research and \$53 million (2020 - \$33 million) for capital infrastructure and other purposes, of which \$507 million (2020 - \$463 million) was recorded as revenue and \$125 million (2020 - \$48 million) was deferred (see notes 8, 9 and 15).

17. Financial risks and risk management

The University is exposed to various financial risks through transactions in financial instruments. The majority of these risks are related to investments in the LTCAP. To manage the risks of LTCAP investments, the University has set a benchmark Reference Portfolio with an asset mix that reflects the University's long-term return objectives and risk appetite and to monitor and limit active risk, defined as the risk in the actual portfolio minus the risk in the Reference Portfolio. The University uses risk systems and data management tools to evaluate risk exposures across multiple asset classes, as well as the total portfolio. If the measured risk of the portfolio exceeds the limit, actions will be taken to reduce the portfolio's risks.

Foreign currency risks

The University is exposed to foreign currency risk from direct and indirect (e.g., pooled funds) investments that are denominated in currencies other than the Canadian dollar. Fluctuations caused by changes in the currency rates applied to these investments can result in a positive or negative effect on the fair value of the investments and on the cash flows from these investments. To manage foreign currency risk, the University has established a benchmark currency hedging policy for both the LTCAP and EFIP. In 2021, the benchmark policy for the LTCAP is to hedge 50% (2020 - 50%) of the currency exposure of all the asset classes of the

Reference Portfolio, with the exception of emerging markets which is unhedged. The benchmark policy for EFIP is to hedge 100% (2020 – 100%) of its non-Canadian currency exposure. At April 30, 2021, the fair value of investments denominated in foreign currency was \$2.3 billion (2020 - \$1.7 billion), of which \$1.2 billion (2020 - \$725 million) was hedged.

Credit risk

The University is exposed to credit risk in connection with its fixed income investments and derivative contracts because of the risk of a financial loss caused by a counterparty's potential inability or unwillingness to fulfill its contractual obligations. To manage the credit risk exposed from direct bond holdings or from the use of derivatives, fixed limits are established for individual counterparties and these are monitored regularly. The University invests the majority of its fixed income in high-grade securities. At April 30, 2021, only 27% (2020 - 23%) of the University's bond exposure from derivative instruments and direct fixed income investments had credit ratings of A or lower.

Interest rate risk

The University is exposed to interest rate risk with respect to its investments in bonds. At April 30, 2021, the fair value of total investments in bonds was \$3.0 billion (2020 - \$2.2 billion), composed of \$9 million (2020 - \$14 million) of bonds directly held by the University, \$894 million (2020 - \$676 million) of bonds indirectly held through pooled funds and \$2.1 billion (2020 - \$1.5 billion) of notional bond exposure arising from derivative financial instruments. This risk is managed by having a benchmark Reference Portfolio, which reflects the University's risk appetite, and by monitoring actual risk against the risk of the Reference Portfolio.

Liquidity risk

The University is exposed to liquidity risk if it does not maintain sufficient liquidity to manage its obligations associated with its derivative financial instruments, the funding of calls from private market funds and the annual LTCAP distribution for spending. The University has developed a system that models the potential liquidity needs of the LTCAP under stressed market conditions. This helps ensure that adequate cash and other sources of liquidity are available to meet all liquidity needs over an extended period. The same modelling analysis ensures that the University can, if necessary, rebalance LTCAP's asset mix to match the target asset class weights of the Reference Portfolio.

Other price risk

The University is exposed to other price risk through changes in market prices (other than changes arising from interest rates or foreign currencies) with respect to its investments in public equity, private equity, real estate, infrastructure and hedge funds. The factors that cause the changes in market prices may affect a specific individual investment, its issuer, or they may affect similar securities traded in the market. This risk is managed by having a benchmark Reference Portfolio, which reflects the University's risk appetite, and by monitoring actual risk against the risk of the Reference Portfolio.

18. Joint ventures

a) Toronto Pan Am Sports Centre Inc. -

The Toronto Pan Am Sports Centre Inc. ("TPASC") is a jointly owned and controlled corporation (a joint corporation pursuant to the *Business Corporations Act* (Ontario) and the *City of Toronto Act* (2006)) by the University and the City of Toronto for the purpose of operating the Toronto Pan Am Sports Centre facilities that include a premier aquatics centre as well as a state-of-the-art training and competition venue. This joint venture is accounted for

in these consolidated financial statements using the equity method; therefore, the University recognizes 50% of the joint venture's excess (deficiency) of revenues over expenses in its consolidated statement of operations and as an investment on the consolidated balance sheet.

The following financial information for TPASC was prepared in accordance with Canadian Public Sector Accounting Standards and represents the University's 50% share. Any differences in the reporting framework are not material to the University's consolidated financial statements. Separately audited financial statements are prepared for TPASC (year ended December 31, 2020).

	(millions of dollars)	
	December 31, 2020	December 31, 2019
Total financial and non-financial assets	12	11
Total financial liabilities	1	1
Accumulated surplus	11	10
Revenues	5	6
Expenses	6	7
Operating surplus (deficit)	(1)	(1)
Cash flows used in operating activities	(1)	
Cash flows used in investing activities	(1)	(2)
Cash flows from financing activities	2	2
Net change in cash		

As at December 31, 2020, the University's share of the accumulated surplus of \$11 million (2019 - \$10 million) represents unspent funds designated in support of major maintenance and capital requirements. No amounts have been recorded in these consolidated financial statements as the University's share of the accumulated surplus is not contemplated to be and is not readily realizable by the University.

During the year, the University paid \$2 million (2020 - \$2 million) in user fees to TPASC representing its share of the cost for using the facilities. During the year, the City of Toronto and the University each acquired an additional 5,202 (2020 - 5,150) common shares of TPASC in exchange for \$2 million (2020 - \$2 million) each representing funding from the Legacy Funding agreement dated December 18, 2014, to be contributed to TPASC to fund capital reserves and operating costs. These transactions occurred in the normal course of business and have been recorded at their exchange amounts, which is the amount agreed upon by both parties.

The construction of the Toronto Pan Am Sports Centre was governed by virtue of an agreement prior to the establishment of TPASC. The University has recorded \$90 million (2020 - \$90 million) in capital assets (note 4), representing the University's 50% share of the construction cost of the facility.

b) TRIUMF -

The University is a member, with 13 other universities, of TRIUMF, Canada's national laboratory for particle and nuclear physics located on the University of British Columbia ("UBC") campus. TRIUMF is a joint venture, an unincorporated registered charity. However, TRIUMF plans to transfer all of its assets and liabilities to TRIUMF Inc., a not-for-profit corporation on June 1, 2021. From that day onward, the University will become a member of the corporation with the 13 other universities. Each university has an undivided 1/14 interest in its assets, liabilities and obligations. The land and buildings it occupies are owned by UBC. The facilities and its operations are funded by federal government grants, and the University has made no direct financial contribution to date. TRIUMF's net assets are not contemplated to be and are not readily realizable by the University. The University's interest in the assets, liabilities and results of operations are not included in these consolidated financial statements (note 21c).

The following financial information for TRIUMF was prepared in accordance with Canadian Public Sector Accounting Standards, including accounting standards that apply to government not-for-profit organizations, except that all capital assets and related provisions for decommissioning costs, if any, are expensed in the year in which the costs are incurred.

	(millions of dollars)	
	March 31, 2021	March 31, 2020
	(unaudited)	
Total assets	<u>55</u>	<u>55</u>
Total liabilities	<u>8</u>	<u>10</u>
Total fund balances	<u>47</u>	<u>45</u>
Revenues	<u>88</u>	<u>86</u>
Expenses	<u>86</u>	<u>86</u>
Excess of revenues over expenses	<u>2</u>	

19. MaRS Phase 2 Investment Trust

During fiscal 2016, the University acquired a 20% interest in MaRS Phase 2 Investment Trust (the "Trust"), a unit trust governed by the laws of the Province of Ontario, established by deed of trust dated July 15, 2011, with MaRS Discovery District, a charitable organization, as settlor for \$31 million. The Trust was established to develop and manage a 20-storey state-of-the-art building that is a world-class convergence centre dedicated to improving commercial outcomes from Canada's science, technology and social innovations. This investment is accounted for using the equity method. The University has assessed the investment value in

the Trust upon acquisition and as a result, the University has written down the investment to nil at April 30, 2016. There has been no changes to the investment value as at April 30, 2020 and 2021.

During the year, the University made payments of \$12 million (2020 - \$12 million) to the Trust for leasing certain premises and its related operating costs.

The future base rent lease payments for space rentals are as follows:

	(millions of dollars)
2022	<u>5</u>
2023	5
2024	4
2025	4
2026	5
Thereafter	<u>87</u>
	<u><u>110</u></u>

These transactions occurred in the normal course of business and have been recorded at their exchange amounts, which is the amount agreed upon by both parties.

20. Other commitments

- a) The estimated cost to complete construction and renovation projects in progress as at April 30, 2021, which will be funded by operations and donations, is approximately \$1.3 billion (2020 - \$917 million).
- b) The future annual payments under various operating equipment leases are approximately \$6 million.
- c) The future base rent lease payments for space rentals are as follows:

	(millions of dollars)
2022	<u>14</u>
2023	15
2024	14
2025	14
2026	14
Thereafter	<u>129</u>
	<u><u>200</u></u>

21. Contingencies

- a) The University has a program under which it guarantees bank loans to faculty and staff members to assist in the purchase or refinancing of their homes. The University holds mortgages as collateral security against such guarantees. As at April 30, 2021, the amount of loans guaranteed was \$12 million (2020 - \$10 million). The University's estimated exposure under these guarantees is not material.
- b) The University issues irrevocable standby letters of credit for its capital construction projects that guarantee payments to the City of Toronto if it fails to perform certain restorative work at the completion of its capital construction projects. At April 30, 2021, the amount of outstanding letters of credit issued was \$12 million (2020 - \$8 million).
- c) The members of TRIUMF and the Canadian Nuclear Safety Commission ("CNSC") approved a decommissioning plan that requires all members to be severally responsible for their share of the decommissioning costs as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions of decommissioning the facilities, TRIUMF has put in place a plan for funding the cost of decommissioning that does not require any payments from the joint venture partners.
- d) The University has identified potential asset retirement obligations related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedures to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligation for these assets will be recorded in the period in which a legal obligation exists or that there is certainty that the capital project will proceed and there is sufficient information to estimate fair value of the obligation.
- e) The nature of the University's activities is such that there are usually claims or potential claims in prospect at any one time. As at April 30, 2021, the University believes that it has valid defences and appropriate insurance coverage in place on certain claims that are not expected to have a material impact on the University's financial position. There also exist other claims or potential claims where the ultimate outcome cannot be determined at this time. Any additional losses related to claims would be recorded in the year during which the amount of the liability is able to be estimated or adjustments to the amount recorded are required.

22. COVID-19

In March 2020, the World Health Organization declared the spread of coronavirus ("COVID-19") to constitute a global pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus including travel restrictions in and out of and within Canada, barring gathering of people and requirements to stay at home. These restrictions impacted the operations of the University and resulted in the closure of physical premises of all post-secondary institutions.

The extent of such adverse effects on the University's business and financial and operational performance are uncertain and difficult to assess. The financial impacts will depend on future developments, including the duration, spread and severity of the outbreak, physical distancing requirements, the duration and geographic scope of related travel advisories and restrictions, and the extent of disruptions to businesses globally and its related impact on the economy.

During 2021, the levels of on-campus activity were significantly reduced in the year, and campus services such as residences, food, and parking were particularly hard hit. As a result,

revenues for residence, parking and food service operations have decreased significantly due to the above measures and reduced activities on campus. In addition to the campus activity, COVID-19 also impacted global commercial and financial activities. This led to significant volatility and declines in the global public equity markets towards the end of fiscal 2020. These markets subsequently recovered their losses and continued to generate strong returns through the remainder of fiscal 2021, resulting in strong returns for the University's investments. It is uncertain whether market volatility relating to COVID-19 will occur again in the near future.

The University's budgets and forecasts have taken the expected impacts of the pandemic into account and management continues to manage the University's liquidity to ensure that obligations are met as they become due. The University has access to sufficient liquid resources to support operations in the coming year. Given the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect on future operations at this time.



UNIVERSITY OF
TORONTO



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)

	Operating fund	Ancillary operations	Capital fund	Restricted funds	2021 Total	2020 Total
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

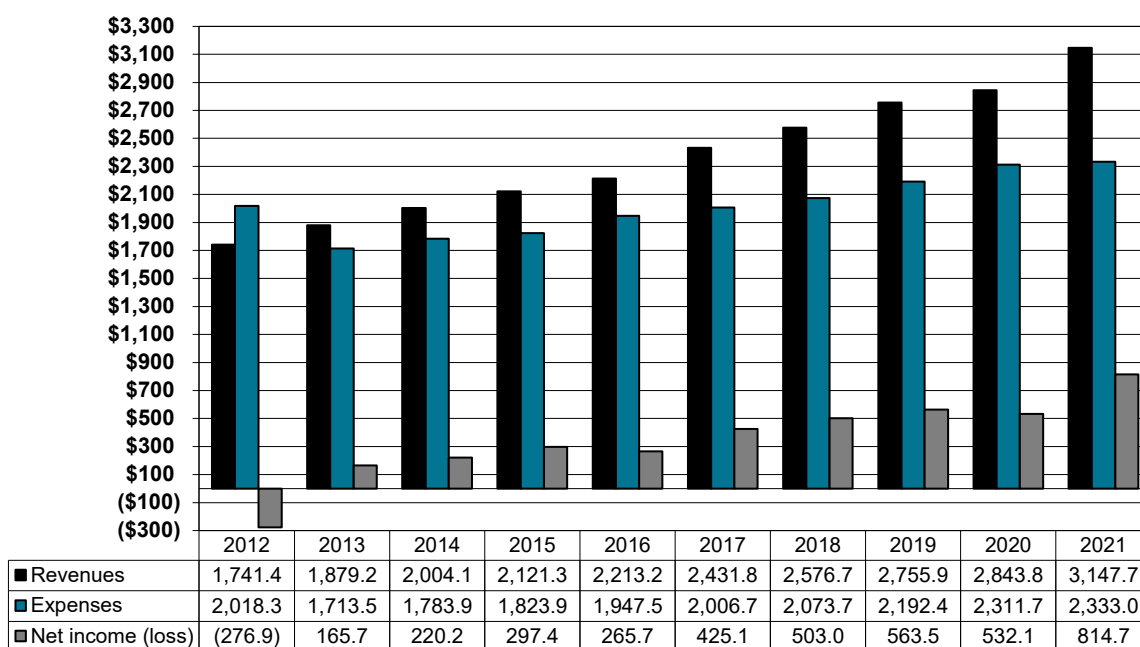
The **operating fund** includes teaching and administrative activities supported mainly by government operating grants, student fees and sales of supplies and services.

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.

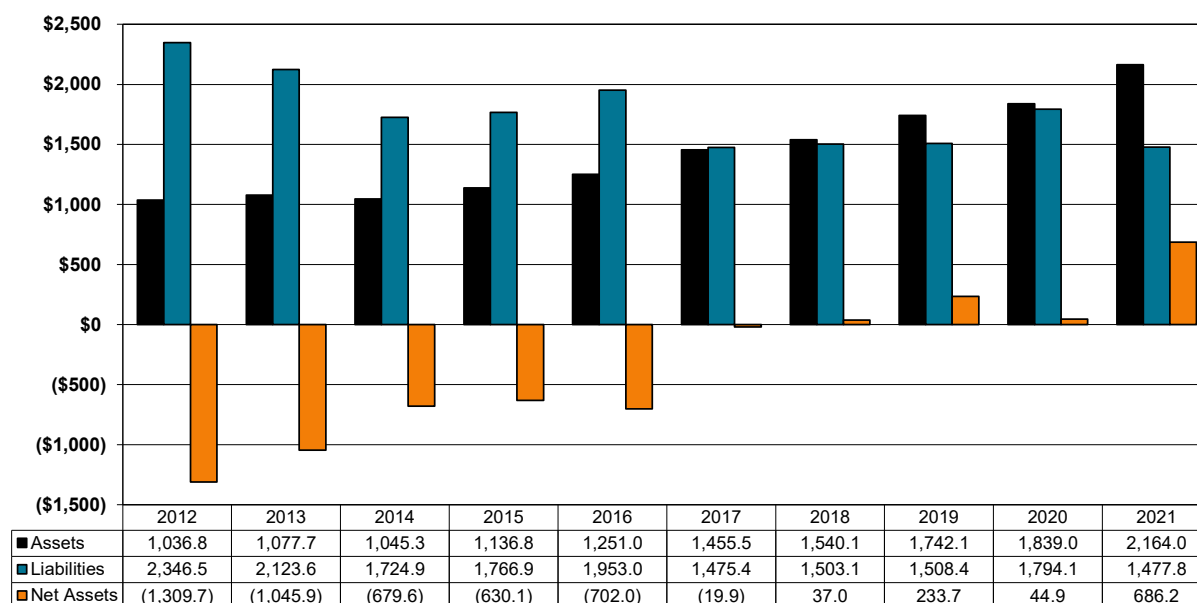
The 2021 net income in the operating fund is a result of:

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)

	2021	2020
	Total	Total
<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	824,621	723,978
<u>Central reserves</u>		
<u>Capital</u>		
Future major capital project reserves	446,853	428,642
Other infrastructure reserves	90,677	67,162
	537,530	495,804
<u>Other</u>		
Research overhead	3,769	3,769
Priorities fund	7,646	8,425
	11,415	12,194
Total central reserves	548,945	507,998
<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	(777,278)	(1,216,377)
Total internally restricted net assets	596,288	15,599
Net change in internally restricted for the year	580,689	
<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	
	580,689	

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>89,751</u>	<u>250,330</u>	<u>40,524</u>	<u>9,565</u>	<u>169,123</u>	<u>559,293</u>	<u>542,454</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:	<u>7,479</u>	<u>250</u>			<u>11,034</u>	<u>18,763</u>	<u>26,415</u>
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		<u>2,743</u>			<u>146,445</u>	<u>149,188</u>	<u>68,456</u>
TOTAL DIVISIONAL RESERVES	<u>139,199</u>	<u>254,456</u>	<u>60,197</u>	<u>9,565</u>	<u>360,850</u>	<u>824,621</u>	<u>723,978</u>

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

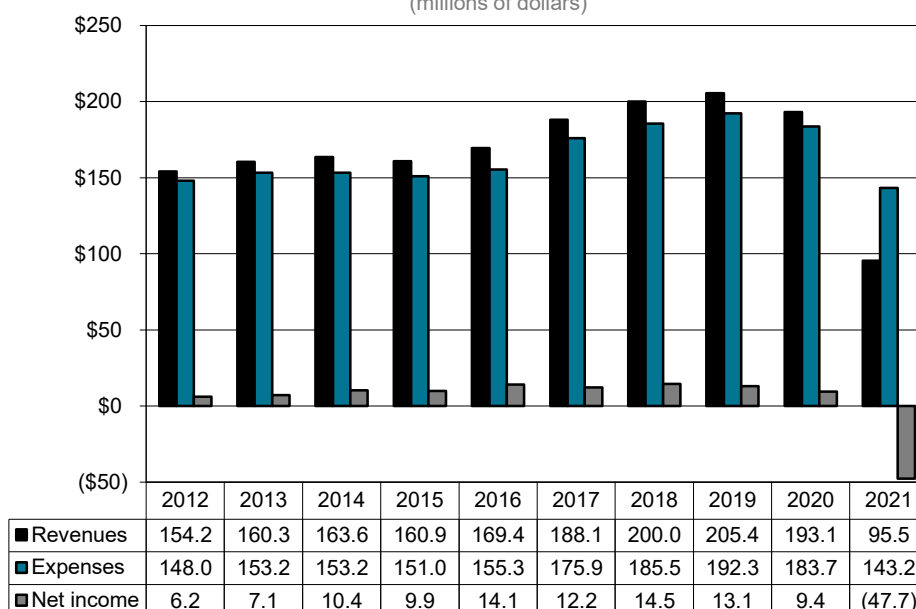
Ancillary operations include service ancillaries (residences, food and beverage services, parking, and Hart House) and business ancillaries (Residential Housing and U of T Press). All ancillary assets, liabilities, net assets, revenues and expenses are recorded in this fund.

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.

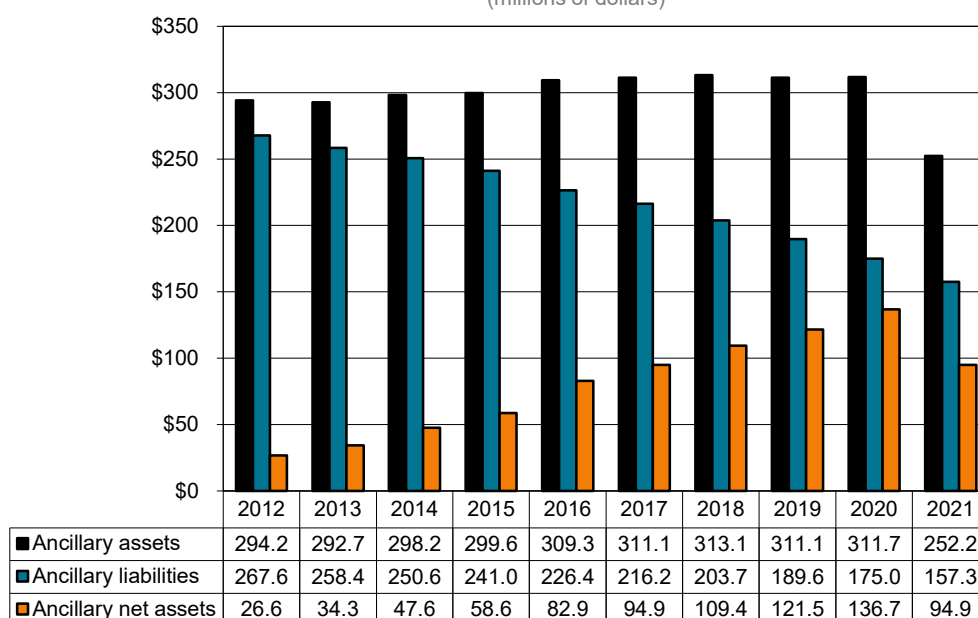
Ancillary operations incurred losses of \$48 million in 2021. The operations implemented significant cost-saving strategies, but in many cases, the magnitude of revenue reductions made it impossible to avoid financial losses. The University is allowing ancillary operations to incur deficits totalling 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

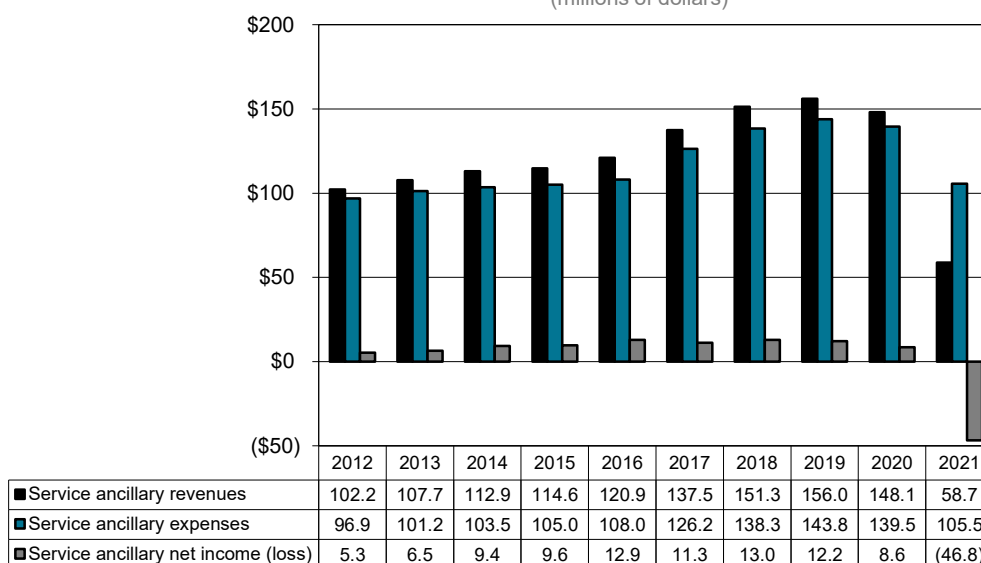
Service ancillaries had revenues of \$59 million and expenses of \$106 million, with a net loss of \$47 million for the year. As a result of the pandemic, revenues for residence, parking and food service operations in 2021 have decreased significantly due to the reduced activities on campus.

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.

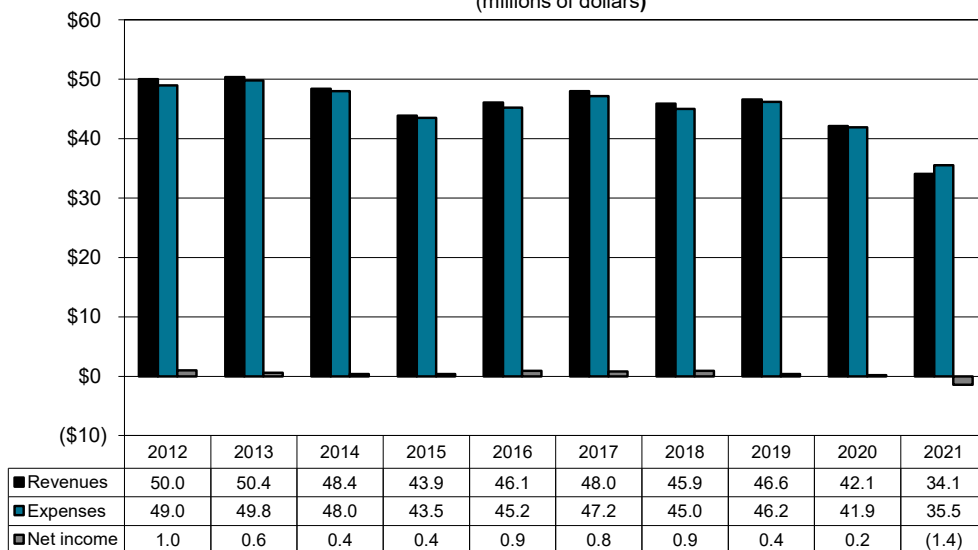
The long-term financial health of these operations is dependent upon filling the residence and parking spaces. Growth has largely been financed through long-term debt and through subsidies from their existing ancillary operations resulting in reduced operating margins.

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.

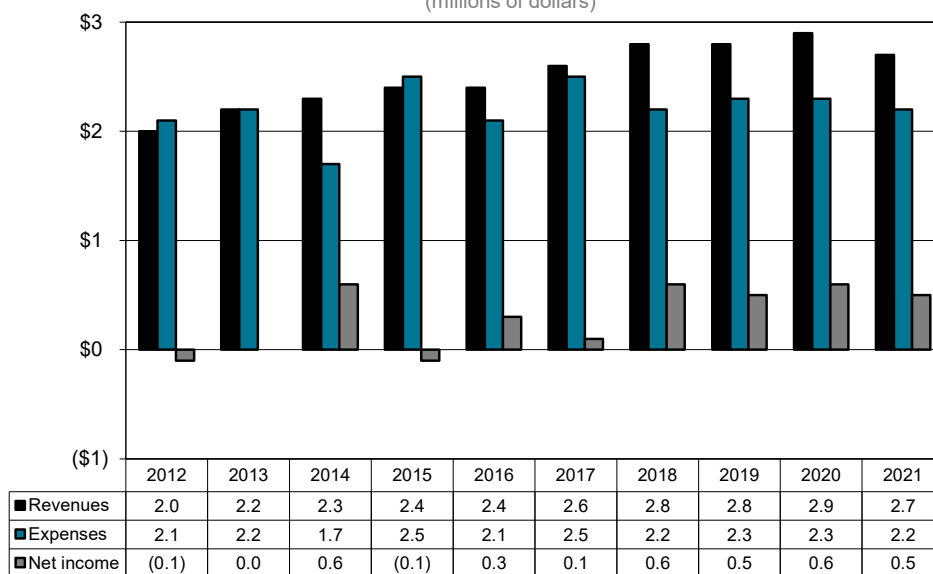
Ancillary operations - Business Ancillaries University of Toronto Press Revenues and Expenses

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)



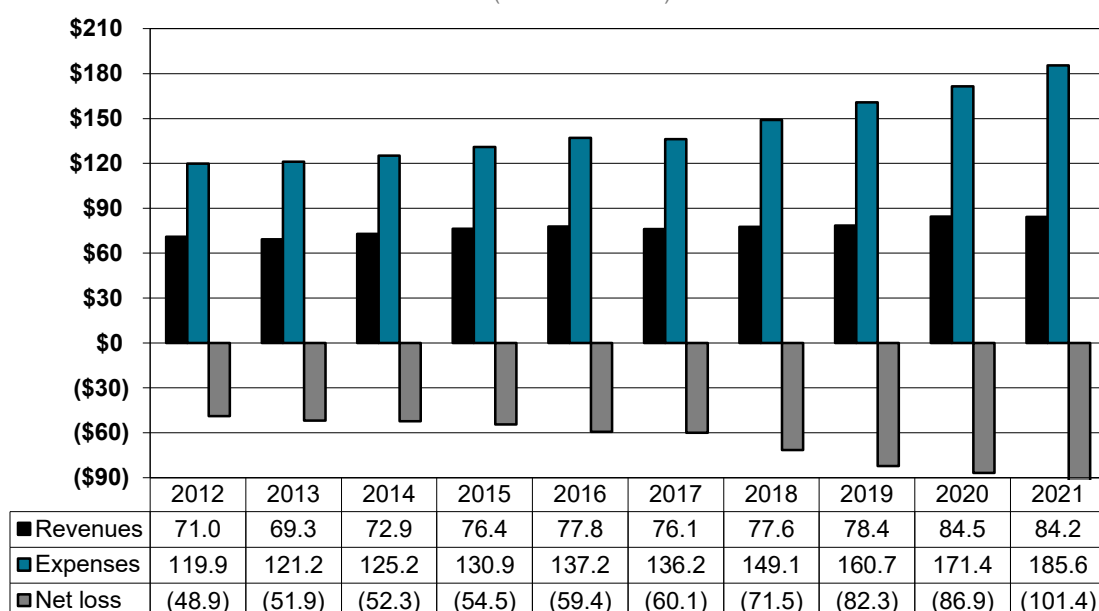
Capital Fund

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)



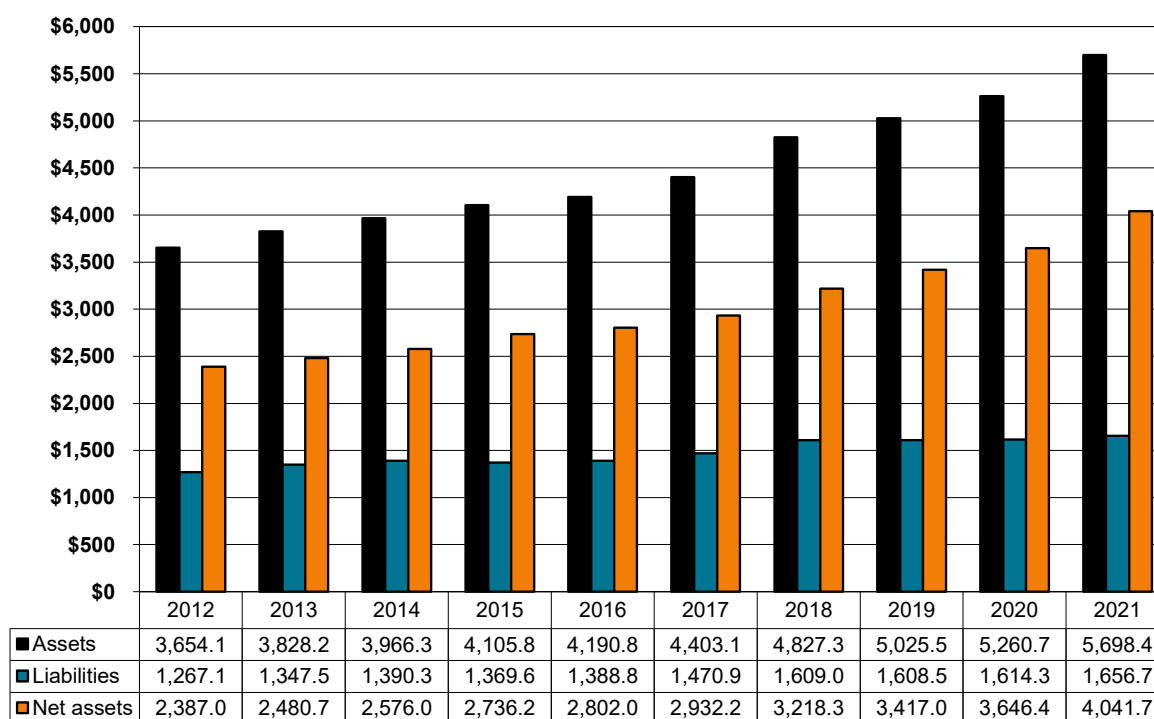
The reason for annual net losses in the capital fund is that a significant share of the revenue funding the amortization of capital assets and funding capital projects is recorded as revenue in the operating fund and transferred to the capital fund as an interfund transfer, and therefore is not reported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

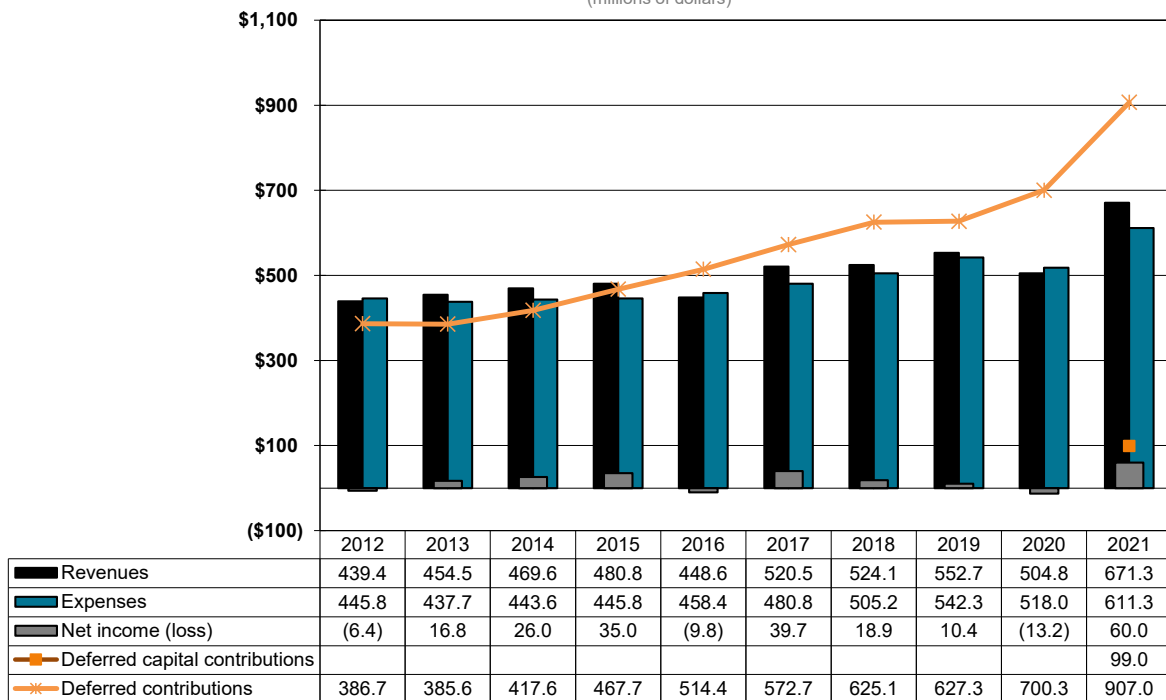
Restricted funds exclude research grants for capital assets and donations designated for capital assets, both of which are recorded in the capital fund. When restricted funds are provided for, or spent on, capital assets, they are recorded in the capital fund.

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.

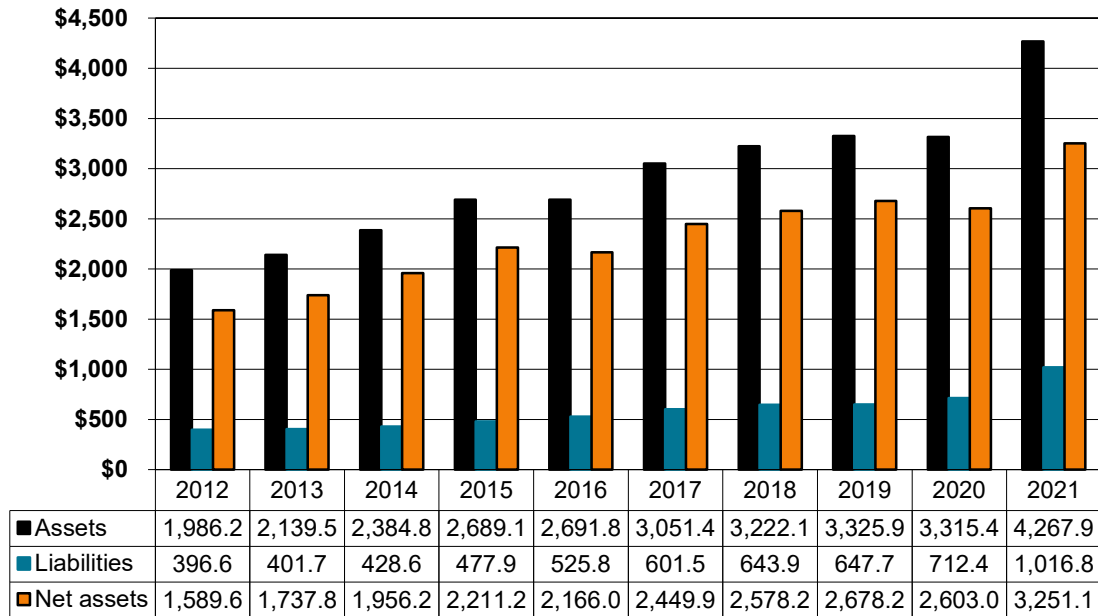
Restricted funds' assets were \$4.3 billion, liabilities were \$1.0 billion, and net assets were \$3.3 billion. Net assets comprised \$3.1 billion in endowments and \$102 million in internally restricted funds.

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					Expendable funds					April 30, 2021
	April 30, 2020	Donations, and other additions	Preservation of capital (note 1)	Transfers	April 30, 2021	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