



University of Toronto

OFFICE OF THE VICE-PRESIDENT, BUSINESS AFFAIRS - FINANCE

TO: Business Board

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DATE: September 10, 2009 for September 29, 2009

AGENDA ITEM: 7

ITEM IDENTIFICATION:

Endowment Annual Financial Report for the year ended April 30, 2009

JURISDICTIONAL INFORMATION:

The Business Board receives regular reports on financial matters.

PREVIOUS ACTION TAKEN:

The 2008 annual financial report on endowments was presented to the Business Board on September 22, 2008.

HIGHLIGHTS:

Endowments provide a strong base of funding for student aid, for endowed chairs, for research and for academic programs in support of the academic vision. Endowments are restricted funds which must be used in accordance with purposes specified by donors or by Governing Council. Endowments are not available for use in support of general operating activities. At April 30, 2009, there were over 4,965 individual endowment funds totaling \$1.29 billion market value, a decrease of \$468.5 million from April 30, 2008, made up of:

\$ 49.4 million	endowed donations
\$ 27.0 million	endowed government grants and other
\$ 0.1 million	transfers from the University's unrestricted funds
(\$ 528.1 million)	investment loss
(\$ 16.9 million)	fees and expenses
(\$ 468.5 million)	

The University, like other organizations, has not been immune to the shockwaves of the current economic crisis. The endowment experienced a loss of 31%. The major factor was the extremely challenging market environment wherein all major markets and asset classes (except for nominal fixed income and short term investments) experienced an unprecedented level of losses and volatility. Losses associated with Canadian, US and International equities were

abnormal and generally in excess of -31%. Because equities provide superior returns over the long term and because the LTCAP portfolio has a longer term focus and thus heavier exposure to equity related investments, its 2009 performance suffered accordingly.

The endowment reserve, so carefully and responsibly built up, has done its job by absorbing the brunt of the extreme volatility of the financial markets. Both the inflation protection and cushion previously accumulated were eliminated by April 2009.

As a result, the University suspended the endowment distribution in 2008-09 in order to preserve the underlying value of its endowment. Without the suspension, the University could have impeded its ability to return to the usual endowment distribution levels as investments supporting the endowments recover their value. In recognition of the importance of the initiatives funded by endowments, faculty and staff have gone to extraordinary lengths to ensure that critical commitments such as endowment professorships and chairs, as well as endowed support for needs-based student aid are being met from other sources of funds. These efforts reflect our commitment to preserving the legacies supported by the endowments and signal our collective respect for those who have supported the institution with endowed gifts.

Please consult the full report for a comprehensive discussion of the endowments.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

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RECOMMENDATION:

For information.