



University of Toronto

OFFICE OF THE VICE-PRESIDENT, BUSINESS AFFAIRS – FINANCE

TO: Business Board

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DATE: January 20, 2010 for February 8, 2010

AGENDA ITEM: 4

ITEM IDENTIFICATION:

Forecast of University Financial Results at April 30, 2010, prepared as of January 20, 2010

JURISDICTIONAL INFORMATION:

Review of regular reports on matters affecting the finances of the University.

PREVIOUS ACTION TAKEN:

On March 23, 2009, the Business Board concurred with the Academic Board that the Operating Budget Report for 2009-10 be approved. On June 18, 2009 the Business Board reviewed the University's audited financial statements for the year ended April 30, 2009 and recommended them to Governing Council for approval.

HIGHLIGHTS:

This forecast projects the revenues, expenses, net loss and changes in net assets for the entire University across all four funds – operating, ancillary, capital, and restricted - including accounting estimates for pension and benefits expense and liability and for depreciation.

This forecast should be viewed as a reasonable ballpark estimate of the year-end results, given the resources and information available. It contains forward looking information, which is subject to risks and uncertainties that could cause the actual results to differ materially from those contained in this forecast.

At this time we have good information on some centrally controlled revenues and expenses but also have some significant uncertainties:

- Investment returns are, as always, uncertain and can vary from year to year.

- We have interim information on divisionally controlled revenues and expenses, since divisions are currently reviewing their forecasts of their year-end results.

This forecast has been produced using a combination of forecasting methods, including projection to April 30, 2010 using current year-to-date actual figures and estimation based on trend analysis of prior years. It assumes:

- A \$15 million increase in divisional reserves.
- LTCAP investment gain of 8.0%.
- Endowment payout of \$62.5 million for 2009/10.

This forecast projects revenues of \$2.11 billion, expenses of \$2.16 billion, and a net loss of \$50.8 million for the year ending April 30, 2010. It projects net assets of \$1.6285 billion, comprised of \$1.3556 billion endowments, \$392.6 million investment in capital assets, \$101.4 million in internally restricted net assets, and \$221.1 million unrestricted deficit. The unrestricted deficit of \$221.1 million is comprised of \$42.6 million operating fund deficit, \$107.4 million ancillary operations deficit, and \$71.1 million capital fund deficit.

The projected operating fund cumulative deficit of \$42.6 million at April 30, 2010 is \$35.1 million below the budgeted \$77.7 million cumulative deficit mainly due to under utilization of the academic deficit finance fund of \$20.0 million, higher tuition fee revenue of \$15.0 million, and higher than budgeted investment income of \$8.8 million,

A sensitivity analysis on page 2 shows the impact of varying LTCAP investment return on net assets at 6.0%, 8.0%, 10.0% and 15.0% for the year.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

The University is already planning for budget reductions identified in the long-range plan. All divisions have academic plans that take these reductions into account and the University continues to improve efficiency of operations through cost containment measures. The University continues to advocate for increases to government grants and tuition fees from the provincial government and research funding and graduate student support from the federal government.

RECOMMENDATION:

For information.