



TO: Audit Committee and Business Board

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DATE: June 6 for June 13, 2012.

AGENDA ITEM: **Audit Committee, Item 4**
Business Board, Item 4

ITEM IDENTIFICATION:

Audited financial statements – April 30, 2012

JURISDICTIONAL INFORMATION:

Reviews with administration and the external auditors the University's annual audited financial statements and the 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, 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.

PREVIOUS ACTION TAKEN:

The review of the draft notes was conducted on May 9, 2012.

HIGHLIGHTS:

The following documents are included for your review:

- Draft financial report including the audited financial statements, highlights and supplementary report,
- Ernst & Young's audit results.

Revenues for the year ended April 30, 2012 were \$2.40 billion and expenses were \$2.44 billion for a net loss of \$34.5 million after recording \$131.2 million in unfunded employee future benefits expense. Although revenues have grown by 101.5% since 2003, this growth is primarily due to increased numbers of students and increased research activities. Expenses have risen mainly due to the increased numbers of faculty and staff to accommodate these increased levels of activities. It is important to remember that the University also has obligations of \$1.78 billion in employee future benefits liabilities and future obligations of \$532.0 million for deferred and pending maintenance that are not included in the financial results.

Net assets decreased from \$1.90 billion in 2011 to \$1.84 billion in 2012 mainly as a result of the net loss of \$34.5 million. Net assets were made up of the following:

- \$1,518.1 million of endowments, representing 82.3% of net assets.
- \$462.0 million of internally restricted net assets.
- (\$135.2 million) of unrestricted deficit.

The \$135.2 million unrestricted deficit is largely due to the internal financing of capital construction in accordance with the University's debt strategy.

The \$462.0 million in internally restricted net assets mainly reflects:

- \$605.2 million of cash reserves.
- (\$578.4 million) of net unfunded liability associated with employee future benefits.
- \$435.2 million of investment in capital assets representing internal monies previously spent by the University for capital projects which will be reduced over time as the assets are amortized.

The operating fund cumulative deficit for the year was \$14.7 million compared to a projected cumulative deficit of \$21.0 million. The difference between the planned deficit and the actual deficit represents net positive variances of \$6.3 million that will be provided to academic divisions in 2012-13 in accordance with the budget model. After this adjustment, the opening cumulative operating deficit for 2012-13 will be \$21.0 million as planned. The long-range budget plan for the operating fund provides for the reduction of the deficit to meet the requirement for a balanced budget by April 30, 2015.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

None

RECOMMENDATION:

That the Audit Committee recommends for approval the University of Toronto audited financial statements for the year ended April 30, 2012.