UNIVERSITY OF TORONTO

FINANCIAL SERVICES

ITEM 2a – EXECUTIVE COMMITTEE – June 27, 2013

TO: Audit Committee and Business Board

SPONSOR: Sheila Brown
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DATE: June 5 for June 12, 2013.

AGENDA ITEM: 1 (Business Board)

ITEM IDENTIFICATION:

Audited financial statements – April 30, 2013

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 April 29, 2013.

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.

The University was required to adopt new accounting standards for its 2013 financial statements. These standards were required to be accounted for retrospectively. Effective May 1, 2011, the University now accounts for its employee future benefits obligations (pensions and other employee future benefits) using the immediate recognition approach which has the impact of fully recording the deficit from its pension plans and employee future benefits other than pensions on the balance sheet and statement of operations. The net loss for 2012 increased from $34.5 million as previously reported to $326.0 million and liabilities increased by $1,227.0 million with a corresponding decrease in internally restricted net assets as a result of adopting these new standards. The University also elected to recognize some of its land at fair value which increased its capital assets and internally restricted net assets at May 1, 2011 by $2,067.9 million.

The adoption of new accounting rules has resulted in full recording of the University's land value and its pensions and other employee future benefit obligations on the balance sheet. The resulting increase in net assets has no impact on the University's debt strategy which is based on the University's ability to make interest payments and repay principal as a percentage of total expenditures. The University is committed to prudently and strategically allocate debt to high priority capital projects and to provide support for the pension plans. The $1.4 billion total debt policy limit is comprised of $1,050 million in external debt and $350 million internal debt of which $150 million is reserved for pensions.

The growth in net assets resulting from the new accounting rules has no impact on the University's net revenue position and does not in any way improve its current and future fiscal challenges. There is an ongoing need for fiscal restraint as costs for salaries and benefits continue to rise while revenues from government grants and tuition fees have flattened. Research support does not adequately cover the full direct and indirect costs of research activities.

To respond to these ongoing challenges, the University maintains carefully constituted reserves for operating contingencies and to accumulate funds for desperately needed capital projects. Work is ongoing to ensure that these reserves are at the appropriate levels.

Revenues for the year ended April 30, 2013 were $2.56 billion and expenses were $2.39 billion for a net income of $173.3 million which was primarily as a result of prudent and deliberate divisional saving of funds which have been set aside as reserves for future expenditures. Revenues have grown by 63.5% since 2004, primarily due to increased numbers of students and increased research activities. Expenses have risen mainly due to the increased numbers of faculty and staff providing these increased levels of activities. It is important to remember that the University also has future obligations of $594.0 million for deferred and pending maintenance that are not included in the financial results.

Net assets increased from $2.69 billion in 2012 to $2.99 billion in 2013 mainly as a result of a net income of $173.3 million, an $86.8 million gain on externally restricted endowments and endowed donations of $34.6 million.

Net assets consisted of the following:

- $1,663.7 million of endowments, representing 55.7% of net assets.
- $1,454.2 million of internally restricted net asset.
- ($129.7 million) of unrestricted deficit.

The $129.7 million unrestricted deficit is largely due to the internal financing of capital construction in accordance with the University's debt strategy.

The $1,454.2 million in internally restricted net assets comprises:

- $2,178.5 million in land
- $372.7 million of other investment in capital assets (representing internal monies previously spent by the University for capital projects which will be reduced over time as these capital assets are amortized.)
- ($1,781.8 million) in net unfunded liability associated with employee future
- $684.8 million of cash reserves.

The operating fund cumulative deficit for the year was $11.6 million compared to a projected cumulative deficit of $7.1 million. The difference between the planned deficit and the actual deficit represents net negative variances of $4.5 million that will be charged to academic divisions in 2013-14 in accordance with the budget model. After this adjustment, the opening cumulative operating deficit for 2013-14 will be $7.1 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, 2013.

DRAFT

UNIVERSITY OF TORONTO

FINANCIAL REPORT

April 30, 2013

Hart House Sara Collaton Photography

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HIGHLIGHTS

Year Ended April 30, 2013

(with comparative figures at April 30, 2012)

(millions of dollars)

	2013	2012	% Change
Statement of Operations			
Revenues	$ 2,563.3	$ 2,406.0	6.5%
Expenses	$ 2,390.0	$ 2,732.0	-12.5%
Net Income (loss)	$ 173.3	$ (326.0)	153.2%
Balance Sheet			
Assets	$ 7,319.3	$ 6,955.8	5.2%
Liabilities	$ 4,331.1	$ 4,262.3	1.6%
Net Assets	$ 2,988.2	$ 2,693.5	10.9%
Net Assets Composed of:			
Endowments	$ 1,663.7	$ 1,518.1	9.6%
Internally Restricted			
Cash reserves for future spending	$ 684.8	$ 605.2	
Other reserves	$ 769.4	$ 705.1	
	$ 1,454.2	$ 1,310.3	11.0%
Unrestricted Deficit	$ (129.7)	$ (134.9)	3.9%
	$ 2,988.2	$ 2,693.5	
Total Debt Policy Limit	$ 1,400.0	$ 1,329.6	5.3%
Policy Debt Burden Ratio	5.0%	5.0%	
Actual Debt Burden Ratio	3.7%	3.5%	
Student FTEs (November 1)	70,311	68,088	3.3%
Total Number of Students (November 1)	80,899	79,085	2.3%

HIGHLIGHTS

The University of Toronto (the "University") was established in 1827 and is Canada's largest and most comprehensive university.

Enrolment at the University is more than 80,800 full-time and part-time students (70,311 full-time equivalents), making the University of Toronto one of the largest universities in North America in terms of enrolment.

The University's size and academic resources provide its students with a wide range of academic programmes and courses, while its unique college system offers students learning experiences enriched by individual cultures in a smaller community. The University is located on three campuses: St. George (downtown Toronto), Scarborough and Mississauga.

This 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 ("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.

Over more than a decade, the University has experienced significant growth in student enrolment which has generated both additional revenues and additional expenses. This growth has also fuelled the need for additional space for teaching, for office space, for student activity, and for residence accommodations which has required debt to be taken on to augment available capital grants and donations. Additional space and renovated space was also required to accommodate the growth in research activity. The growth in student enrolment and research activity contributed to the growth in salaries and benefits combined with the cost of providing pensions and other employee future benefits. Investment earnings, endowed donations and endowed grants contributed to the growth in endowments.

New Accounting Standards

The University was required to adopt new accounting standards for its 2013 financial statements. These standards were required to be accounted for retrospectively. Effective May 1, 2011, the University now accounts for its employee future benefits obligations (pensions and other employee future benefits) using the immediate recognition approach which has the impact of fully recording the deficit in its pension plans and employee future benefits other than pensions on the balance sheet and the changes in the deficits in statement of operations. The net loss for 2012 increased from $34.5 million as previously reported to $326.0 million and liabilities increased by $1,227.0 million with a corresponding decrease in internally restricted net assets as a result of adopting these new standards. The University also elected to recognize some of its land at fair value which increased its capital assets and internally restricted net assets at May 1, 2011 by $2,067.9 million.

Financial Health and Challenges

The adoption of new accounting rules has resulted in full recording of the University's land value and its pensions and other employee future benefit obligations on the balance sheet. The resulting increase in net assets has no impact on the University's debt strategy which is based on the University's ability to make interest payments and repay principal as a percentage of total expenditures. The University is committed to prudently and strategically allocate debt to high priority capital projects and to provide support for the pension plans. The $1.4 billion total debt policy limit is comprised of $1,050.0 million in external debt and $350.0 million internal debt of which $150.0 million is reserved for pensions.

The growth in net assets resulting from the new accounting rules has no impact on the University's net revenue position and does not in any way improve its current and future fiscal challenges. There is an ongoing need for fiscal restraint as costs for salaries and benefits continue to rise while revenues from government grants and tuition fees have flattened. Research support does not adequately cover the full direct and indirect costs of research activities.

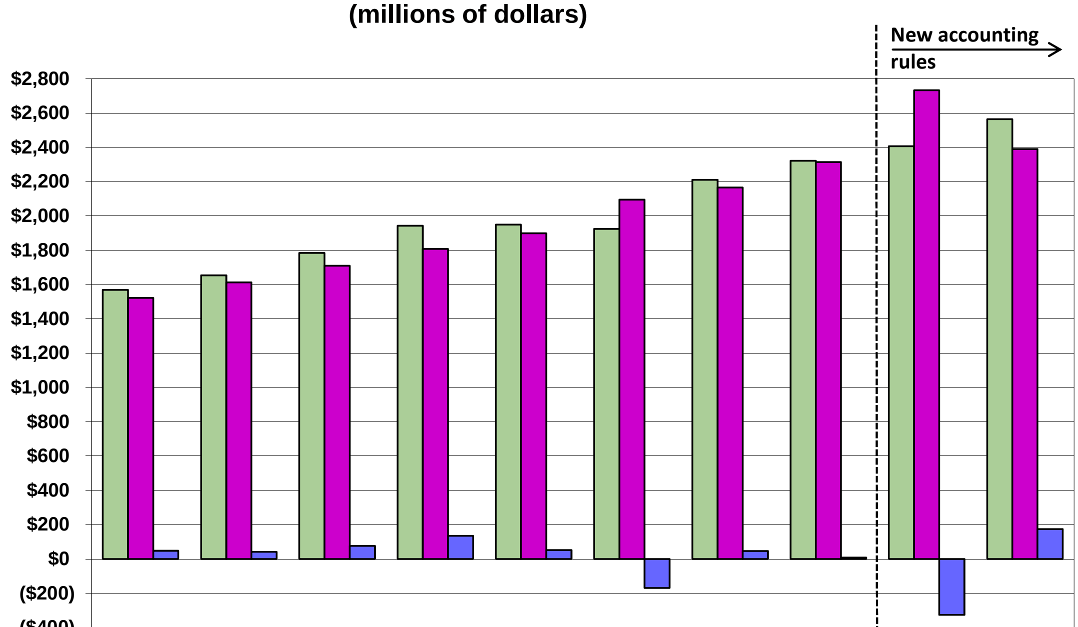
To respond to these ongoing challenges, the University maintains carefully constituted reserves for operating contingencies and to accumulate funds for desperately needed capital projects. Work is ongoing to ensure that these reserves are at the appropriate levels.

The Statement of Operations

The statement of operations is mainly impacted by the growth in student enrolments which increases student fee revenues, government grants and salaries and benefits expense due to the resulting growth in faculty and staff. Growth in research activity affects research revenues, salaries and benefits expense and materials and supplies expense. The growth in both of these activities increased the need for construction and renovations which impact operating expenses, interest and amortization expense.

Revenues for the year ended April 30, 2013 were $2.56 billion and expenses were $2.39 billion for a net income of $173.3 million primarily as a result of prudent and deliberate divisional saving of funds which have been set aside as reserves for future expenditures. Funds were also set aside for capital construction and renovation.

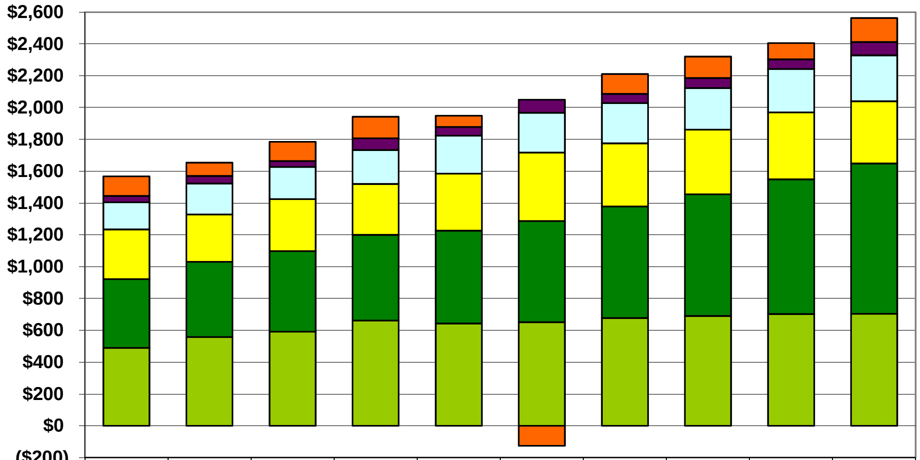
Revenues and Expenses
for the year ended April 30
(millions of dollars)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues	1,568.1	1,653.8	1,784.3	1,942.0	1,948.9	1,924.7	2,210.9	2,321.1	2,406.0	2,563.3
Expenses	1,521.5	1,612.6	1,709.3	1,807.5	1,898.3	2,093.9	2,165.5	2,313.9	2,732.0	2,390.0
Net income (loss)	46.6	41.2	75.0	134.5	50.6	(169.2)	45.4	7.2	(326.0)	173.3

In 2013, $1.65 billion or 64.3% of revenues were from student fees and government grants provided in support of student enrolments. An additional $391.5 million represented government and other grants and contracts for restricted purposes. Together these three sources accounted for 79.6% of revenues for the year.

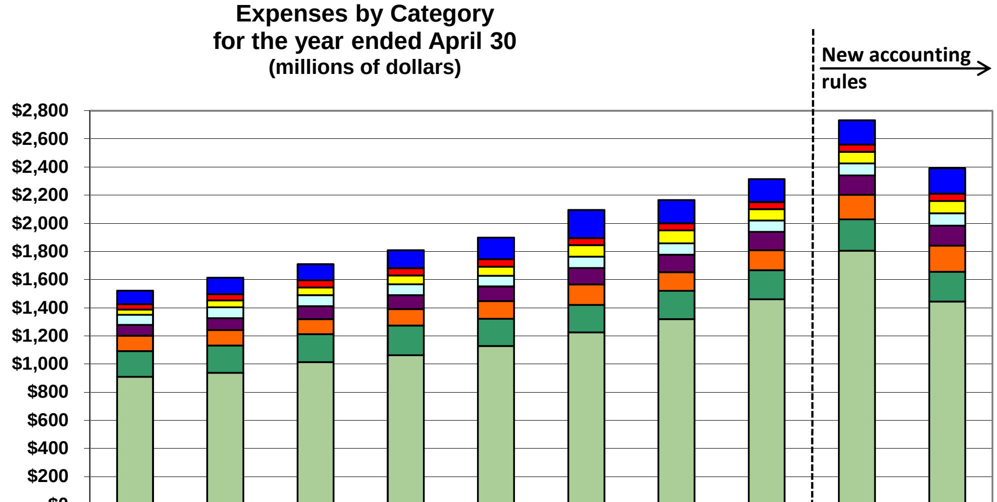
Revenues by Category
for the year ended April 30
(millions of dollars)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total revenues	1,568.1	1,653.8	1,784.3	1,942.0	1,948.9	1,924.7	2,210.9	2,321.1	2,406.0	2,563.3
Investment income (losses)	123.9	82.8	120.0	134.4	69.9	(125.3)	124.9	135.6	102.9	151.3
Expendable donations	39.4	48.0	37.0	74.8	56.2	82.1	57.7	63.7	59.9	83.7
Other sales and services	170.2	194.8	202.2	212.9	237.4	251.0	253.1	260.1	273.3	288.5
Restricted grants and contracts	312.0	297.7	327.5	319.7	358.3	429.9	395.9	406.4	420.3	391.5
Student fees	433.1	472.3	505.7	538.9	583.6	636.4	701.3	764.3	847.4	944.7
Government grants	489.5	558.2	591.9	661.3	643.5	650.6	678.0	691.0	702.2	703.6

In 2013, expenses for the year amounted to $2.39 billion, of which $1.44 billion, or 60.4%, was for salaries and benefits.

Expenses by Category
for the year ended April 30
(millions of dollars)



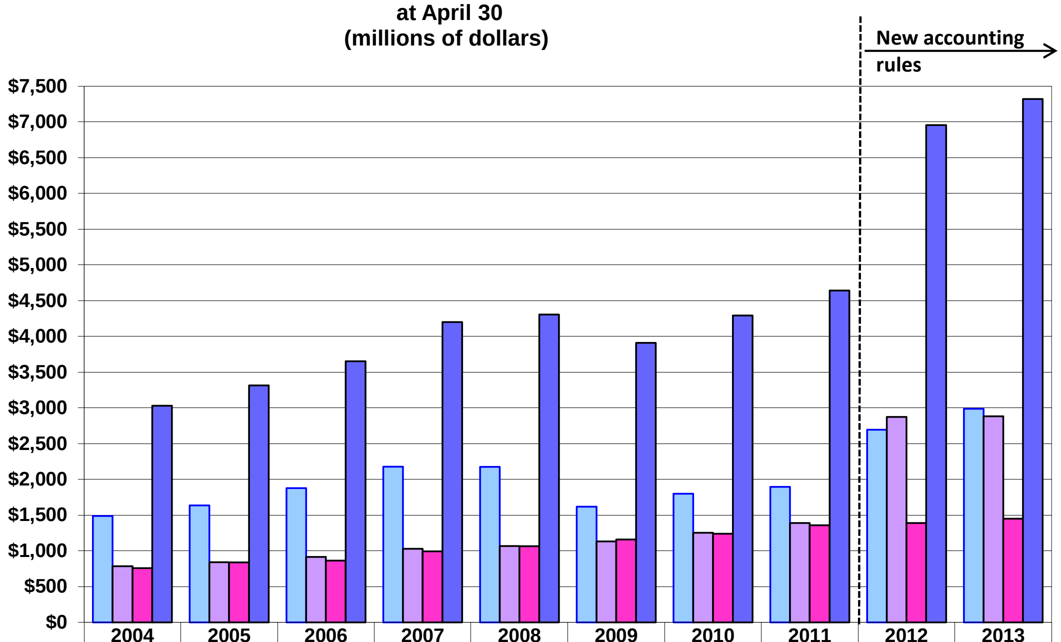
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total expenses	1,521.5	1,612.6	1,709.3	1,807.5	1,898.3	2,093.9	2,165.5	2,313.9	2,732.0	2,390.0
Other	96.7	116.3	114.7	127.3	153.4	198.3	165.5	163.0	172.1	178.9
Utilities	38.2	44.5	51.1	52.5	53.0	51.0	51.3	51.0	53.0	51.9
Repairs and maintenance	38.3	48.8	54.2	61.4	65.2	82.5	92.1	79.8	81.7	88.2
Cost of sales and services	70.7	77.6	79.1	77.7	76.5	80.5	80.5	80.4	84.6	87.9
Amortization of capital assets	76.8	83.5	91.4	99.1	104.1	117.2	124.1	132.1	137.0	141.2
Scholarships, fellowships, bursaries	108.8	110.9	106.5	115.9	125.0	144.6	132.1	141.4	176.3	186.3
Materials and supplies	184.2	194.7	200.0	211.7	193.7	195.8	200.4	206.3	222.2	212.6
Salaries and benefits	907.8	936.3	1,012.3	1,061.9	1,127.4	1,224.0	1,319.5	1,459.9	1,805.1	1,443.0

It is important to note that 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). Additional details are provided in the "Salaries and Benefits" section of this document. Materials and supplies amounted to $212.6 million, or 8.9% of total expenses. Scholarships, fellowships and bursaries were $186.3 million, or 7.8%. Repairs and maintenance amounted to $88.2 million or 3.7%. Utilities expense amounted to $51.9 million, or 2.2%. Most renovations to buildings are not expensed but are capitalized during the year as capital assets in accordance with the University's accounting policies.

The Balance Sheet

At April 30, 2013, assets were $7.32 billion, liabilities were $4.33 billion and net assets were $2.99 billion. Assets and liabilities have grown since 2004 mainly due to the construction of additional space to accommodate the increased number of students and increased research activities due to growth in endowments as a result of receiving endowed donations, and due to favourable investment returns. The adoption of new accounting standards increased assets by $2,075.2 million (of which $2,067.9 million related to capital assets) and increased liabilities by $934.5 million (unfunded employee future benefits) thus resulting in a net increase of $1,140.7 million in net assets at May 1, 2011.

Assets, Liabilities and Net Assets
at April 30
(millions of dollars)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net assets	1,487.0	1,636.1	1,876.4	2,176.5	2,174.3	1,617.1	1,800.0	1,896.4	2,693.5	2,988.2
Liabilities	784.6	840.0	913.9	1,030.6	1,066.8	1,132.5	1,253.3	1,387.5	2,872.8	2,882.0
Deferred contributions	758.9	837.7	861.9	993.7	1,064.2	1,159.4	1,239.6	1,356.6	1,389.5	1,449.1
Assets	3,030.5	3,313.8	3,652.2	4,200.8	4,305.3	3,909.0	4,292.9	4,640.5	6,955.8	7,319.3

Net assets reflect the University's net worth. Net assets change over time only through:

- the net income or net loss for the year, and
- the change in endowments derived from 1) endowed donations and grants, and 2) from investment income on externally restricted endowments (which is not made available for spending) which does not flow through the income statement but rather is added directly to the endowment balance in accordance with current GAAP.

Net assets increased from $2.69 billion in 2012 to $2.99 billion in 2013 as a result of a net income of $173.3 million, an $86.8 million gain on externally restricted endowments and endowed donations of $34.6 million.

Net assets consisted of the following:

- $1,663.7 million of endowments, representing 55.7% of net assets.
- $1,454.2 million of internally restricted net assets.
- ($129.7 million) of unrestricted deficit.

The $129.7 million unrestricted deficit is largely due to the internal financing of capital construction in accordance with the University's debt strategy (see the "Debt" section of this document).

The $1,454.2 million in internally restricted net assets comprises:

- $2,178.5 million in land
- $372.7 million of other investment in capital assets (representing internal monies previously spent by the University for capital projects which will be reduced over time as these capital assets are amortized.)
- ($1,781.8 million) in net unfunded liability associated with employee future benefits.
- $684.8 million of cash reserves.

The $1.66 billion in endowments represent over 5,500 individual endowment funds, which are restricted in nature based on the direction of donors or Governing Council.

The Role of the Government of Ontario

In fiscal 2013, $1.65 billion or 64.3% of revenues comprised student fees and government grants provided in support of student enrolments. The Provincial Government provides operating grants and regulates tuition fees for domestic students in publicly-funded programs. The Provincial Government also invests in student support, research and infrastructure.

Operating Grants

The University continues on a path originally set by the 2005 Ontario Budget which announced a major funding allocation of $6.2 billion for universities and colleges. The funding was originally allocated over the period from 2004 to 2010 and included allocations for undergraduate and graduate enrolment expansion, additional undergraduate medical spaces, tuition freeze compensation, quality enhancement funds and increased financial aid for low and middle income students. Funding has now been extended to 2017 and it provides for 60,000 new spaces in colleges and universities. This includes 6,000 graduate and 35,000 undergraduate spaces for the university sector.

To date, the Ministry has announced allocation details for only 800 of the 6,000 graduate spaces. Specific details on allocation of the remaining 5,200 spaces to individual universities are not yet available. The 2009 Ontario Budget announced $10.0 million to expand graduate fellowship endowments, of which the University received $2.4 million at April 30, 2009. Funding for graduate expansion was accompanied by the addition of 1,000 new Ontario Graduate Scholarships in support of innovative and creative graduate students as an essential component of Ontario's future, announced in the 2010 Ontario budget. The University intends to further expand graduate enrolment, consistent with its long-term planning framework, Towards 2030, and the Strategic Mandate Agreement, submitted to the Ministry of Training, Colleges and Universities (MTCU) in the fall of 2012.

To date, the University has grown by 3,924 graduate FTEs and 10,624 undergraduate FTEs since 2004 and all grant-eligible undergraduate and graduate growth has been fully funded by the Province. Plans are in place for additional undergraduate growth of 4,092 FTEs and graduate growth of 2,884 FTEs by 2017-18. In the 2012 Ontario Budget the Provincial Government released a Policy Levers Savings Target, effectively reducing the value of the Basic Income Unit by 2% by 2014, and thereby reducing the University's operating grants by $10.5 million.

In 2010, the Province announced a commitment to encourage the brightest students world-wide to study in Ontario by committing to increase international enrolment by 50% over the next five years while still ensuring that all qualified domestic students are able to attend university. The 2012 Ontario also announcemed two International Student Recovery (ISR) operating grant reductions. The first reduction eliminates the previous subsidies for non-PhD international students that were provided to institutions to pay their portion of municipal taxes. The second ISR is a reduction, in the words of the Government, of the "indirect support through operating grants" that it provides to non-PhD international students. In total, projections indicate that University's operating grants will be reduced by $9.5 million related to these two recoveries by 2016-17. In 2012-13 international students comprised 14% of total enrolment, doubling the percentage over the last ten years.

Tuition Fees and Student Aid

University tuition fees for domestic students are regulated by the Provincial Government. For the last seven years ending in 2012-13, the University has been regulated under a tuition framework permitting universities to increase tuition fees by up to 4.5% for domestic students entering most programmes and by no more than 4% for in-programme students. Tuition fees could increase by a maximum of 8% in professional programmes such as Law, Medicine and Engineering and in graduate programmes. The overall institutional average increase could not exceed 5%.

This Framework was accompanied by an accessibility guarantee. A Tuition Set Aside formula requires a specific amount to be set aside by universities for student aid, so that universities ensure accessibility, regardless of the students' financial means; this is in line with the long-established policy of the University. When the Framework was extended in 2009, there were also some improvements made to Ontario Student Assistance Program funding. In January 2012 the Provincial Government introduced the Ontario Tuition Grant program (OTG). The OTG initially awarded eligible students with family incomes below $160,000 up to $800 per term of non-repayable grant support up to a maximum of two terms per academic year. The OTG value was increased to $840 per term up to a maximum of two terms for 2012-13.

On March 28, 2013, the Government of Ontario announced a new four-year tuition framework effective 2013-14 to 2016-17. The new framework allows universities to increase fees by up to 3% for domestic students entering most programmes and for in-programme students. Tuition fees may increase by a maximum of 5% in professional programmes and the new framework reduces the overall annual cap from 5% to 3%. The Tuition Set Aside and accessibility requirements continue under the new framework. The University remains committed to the goal of accessibility and to working with the Provincial and Federal Governments to achieve this goal. In 2013, the University spent $186.3 million on student support, a significant increase from $108.8 million in 2004.

Capital Funding

In the 2008 Ontario Budget the Government pledged a range of investments for post-secondary education and research. The Ontario Budget included an investment of an additional $200.0 million under the University Campus Renewal funding program for the maintenance and renewal of university facilities. In 2008-09, the University received $37.7 million as its share of funding under this program. The funds were used to improve energy efficiency, for campus safety and security, and to renew aging infrastructure. In 2008-09, the University also received another $25.0 million in capital funding to lever other funds for the new School of Global Affairs.

The Ontario Government released its 2009-10 budget centered on helping the Province weather the economic downturn and preparing for its recovery by moving to a more innovative, high-value, and green economy. To that end, the Ontario Budget made a large-scale capital investment in Ontario's colleges and universities by earmarking the following capital funding related to post-secondary education:

- $780.0 million in funding for universities and colleges over two years, to be matched with Federal funding through its Knowledge Infrastructure Program in support of campus renewal and new infrastructure. The University spent $151.0 million to build instructional and laboratory complexes at its Mississauga and Scarborough campus as well as an Innovation Centre for the Canadian Mining Industry at its St. George campus. An additional $52.0 million in funding to support Mississauga campus' Davis and North building renovations was committed by the Province in the following year as part of Phase 2 of their long-term capital strategy.

Other recent capital investments made by the Province include:

- $24.9 million to support construction of the Mississauga campus' Health Science Centre.
- $22.5 million to support the construction of the Goldring Centre for High Performance Sport.
- An estimated $47.4 million from both the Federal and Provincial Governments to support the construction of the Pan Am Aquatics Centre at the Scarborough campus.

Other Recent Ontario Budget Priorities

The 2012 Ontario Budget concentrated on the Government's plan to eliminate the deficit while protecting investments in health care and education. Overall it provided for 1.9% average annual growth increases for the post-secondary sector for 2012-13 to 2014-15. While the Government's commitments to growth and the Ontario Tuition Grant have been maintained, some expenditure reductions have been implemented. These include the elimination of the Ontario Trust for Student Support matching program and the Ontario Work Study Program support, resulting in further reductions in Provincial support of $5.8 million per year.

The 2013 Ontario Budget concentrated on making strategic investments for a prosperous future and protecting public services, while working towards balancing the books. The Government will make a $295.0 million investment over two years to support employment opportunities for youth. Beginning in 2014-15, the Government will phase out the Graduate Nursing Tuition Waivers program that provides support to graduate nursing students.

Financial Planning

Revenues are expected to increase modestly over the next several years as a result of continuing growth at the Scarborough and Mississauga campuses and the Government announcements outlined above, although the University's capacity to take more students is impacted by physical space limitations. With the potential for new revenues tied primarily to enrolment growth, ongoing expense containment measures, including productivity improvements, will continue to be required.

As a result of the 2008 economic crisis, the 2009-10 operating budget was structured to enable individual academic divisions to run deficits, where necessary, to ensure that their commitments were met. Under this structure, $17.8 million in divisional deficits will be repaid by 2014-15, of which $10.7 million was repaid by 2012-13. The long-range academic and budget plan for 2013-14 to 2017-18 incorporated policy levers savings targets of $5.3 million in 2013-14 and $10.5 million thereafter, as announced in the 2012 Ontario Budget. The plan assumes the pension deficit payment plans will continue, as well as other updated assumptions. The Provincial Government announcement of a four-year tuition framework, effective 2013-14 to 2016-17, was made after the budget plan for 2013-14 to 2017-18 was finalized and approved by Business Board. Over the next year the University will plan for the reduction in tuition revenue in the future years.

Student Enrolment

The demand for student spaces has increased significantly as a result of increased population growth and participation rates since 2004. More than 66% of the direct entry undergraduate student body is drawn from the greater Toronto area.

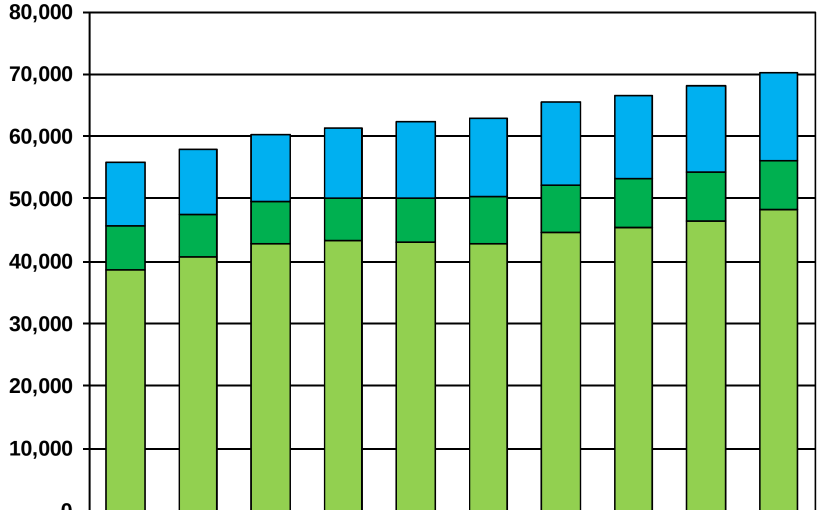
The University has increased enrolment to accommodate this additional student demand and student full-time equivalent enrolment increased from 55,763 in 2004 to 70,311 in 2013, an increase of 26.1%.

Tuition fees for domestic students increased in accordance with the tuition framework set by the Provincial Government. Student fees revenue increased to $944.7 million for 2013 from $847.4 million for 2012 as a result of student fee increases and enrolment growth.

Although the University has received full average funding for additional students, neither on-going government grants nor regulated tuition fees have dealt adequately with the issue of inflation, which has resulted in the need for continuing cost containment through productivity improvements to maintain financial health.

Since 2004, student aid (scholarships, fellowships and bursaries) has increased by 71.2% to $186.3 million. This amount excludes student aid provided by the federated universities. The University of Toronto has a commitment under our policy on student financial aid which ensures that no qualified student will be prevented from beginning or completing his or her education due to financial need.

Number of Undergraduate and Graduate Student FTEs as at November 1



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Graduate	10,230	10,485	10,534	10,990	12,142	12,598	13,116	13,385	13,754	14,154
Second-entry Undergraduate [i]	6,855	6,613	6,785	6,981	7,187	7,495	7,628	7,786	7,806	7,765
First-entry Undergraduate	38,678	40,789	42,884	43,239	42,972	42,841	44,658	45,440	46,528	48,392

[i] Second-entry undergraduate programmes include professional programmes in the Faculty of Medicine, Law, Nursing, Pharmacy, Dentistry and OISE/UT.

Research and Capital Infrastructure

Enabling research is a strategic objective of the University. Research, scholarship, and research training constitute integral elements of the academic programme. The University's long-standing strategic approach to research planning has been to highlight research strengths in six broad academic areas:

- the Humanities;
- the Social Sciences;
- Advanced Science and Technologies;
- Biomedical, Health and Life Sciences;
- Physical, Environmental, Earth and Space Science-Related Studies; and
- Mathematical and Computational Science-Related Studies.

The focus on research strength and excellence across the spectrum of academic disciplines has positioned the University well to mobilize research clusters and respond to the research funding opportunities and university-government-private sector partnership opportunities arising out of the Federal Government's Science and Technology Strategy priorities and the research and innovation priorities set out in the Provincial Government's Ontario Innovation Agenda.

The 2012 Ontario Budget capped the Ontario Research Fund (ORF) at current levels rather than forging ahead with planned additional investments. This decision still allowed ORF to match funding for awards from the Canada Foundation for Innovation, which helps to recruit and retain top researchers from around the world, however rounds 6 and 7 of ORF's Research Excellence program, as well as a special round for the Social Sciences, Arts and Humanities, had to be cancelled.

The 2012 Federal Budget reallocated $37.0 million in basic research support to industry-academic research, and extended funding for advanced research infrastructure through the Canada Foundation for Innovation for a further five years. No new funding was announced for the Indirect Costs Program in which the University receives only a 17% recovery rate although the estimated true indirect costs amount to more than 50% of direct costs.

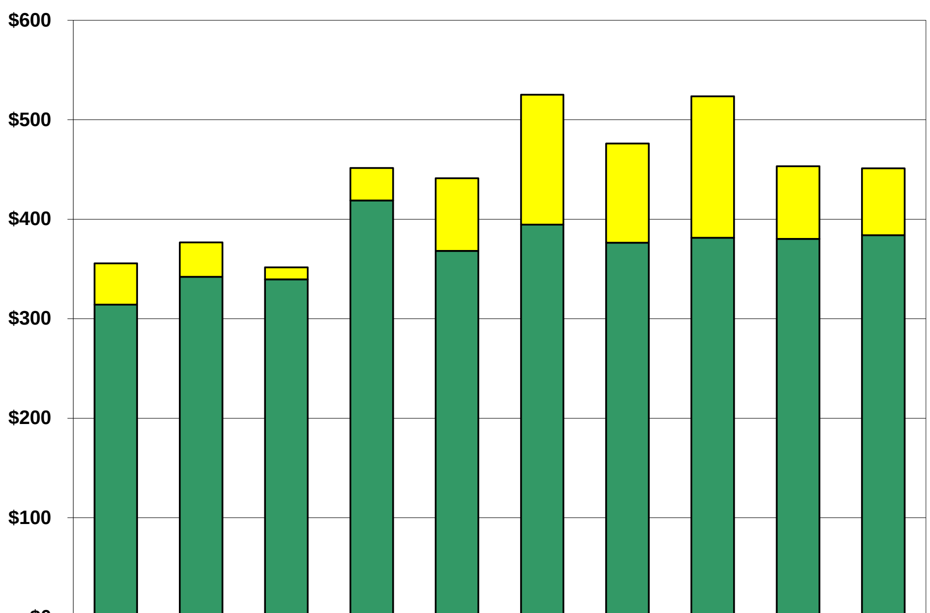
From digital media and regenerative medicine to alternative energy technologies and clean technologies, the University is working with and facilitating collaborative work in its research community to take best advantage of research and related industry partnership and commercialization funding opportunities resulting from these new government strategies. The University is allocating resources as necessary to take advantage of funding related to the federal and provincial priority sectors and also to seek to advance research in these areas, joining with other universities, and drawing on the support of government programs and private sector partners in Canada and around the world.

In recent years, both the Federal and Provincial Governments have invested heavily in research infrastructure as well as in their more traditional area of direct support for research. The University has been successful in a number of competitions for research funding and research infrastructure (see the "Space" section of this document for further details).

These financial statements do not account for grants awarded but account for research funding received as follows:

- Research grants and contracts are recorded as revenue when spent.
- Unspent research grants and contracts are recorded as deferred contributions.

Government and Other Grants and Contracts
Received for Restricted Purposes
for the year ended April 30
(millions of dollars)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Capital infrastructure and other	41.5	34.3	12.2	32.7	73.1	130.7	99.7	142.2	73.0	67.2
Research	314.1	342.2	339.5	418.8	368.1	394.4	376.4	381.2	380.2	383.9

Government and other grants and contracts received in 2013 for restricted purposes totalled $451.1 million and comprised $383.9 million for research and $67.2 million mostly for capital infrastructure. These were reported as follows: $391.5 million as revenue from grants and contracts for restricted purposes and $59.6 million as deferred contributions and deferred capital contributions.

Research funding has grown by 22.2% since 2004, mainly due to increased federal and provincial support. University of Toronto researchers were initially very successful in attracting these research awards but a shift toward more partnership funding by the three federal granting agencies has resulted in the University's loss of several Canada Research Chairs (CRC). Efforts to reverse this trend have resulted in an allocation of ten new CRCs for the University of Toronto and partner hospitals starting in 2014.

It is important to note that research revenues can only be spent on research activities, but the amounts received do not adequately cover the full direct and indirect costs of research activities.

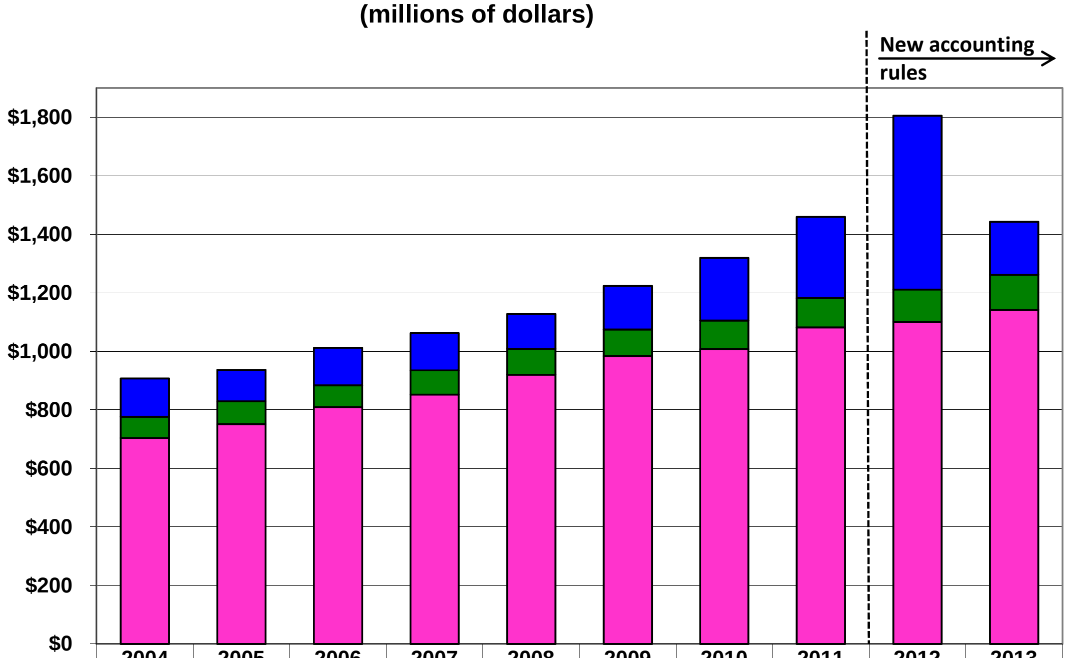
Capital infrastructure funding decreased in 2012 mainly as a result of receiving Knowledge Infrastructure Program funding in 2010 and 2011.

Salaries and Benefits

Salaries and benefits represent 73.0% of operating fund expenses.

Over the period 2004 to 2013, salaries and benefits increased from $907.8 million to $1.44 billion. This is the result of negotiated compensation increases for employee groups as well as an increase of 26.6% in the total number of faculty and staff over that time period. In 2013, the University had 12,589 active faculty with teaching/research responsibilities, 156 librarians, 810 sessional lecturers, 6,153 administrative staff and 4,487 teaching and graduate assistants.

Salaries and Benefits
for the year ended April 30
(millions of dollars)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Employee future benefits	131.0	107.3	128.4	126.7	118.8	149.6	214.4	278.3	593.6	181.0
Other Benefits	72.7	77.4	74.4	83.0	88.7	90.8	97.2	99.6	111.0	119.9
Salaries	704.1	751.6	809.5	852.2	919.9	983.6	1,007.9	1,082.0	1,100.5	1,142.1

The University has entered into the following settlements:

- Three year agreement with administrative staff represented by the United Steelworkers for across-the-board salary increases of 1.75% on July 1, 2011, 2.0% on July 1, 2012, and 2.25% effective July 1, 2013. Employee pension contributions will increase to 6.8% below and 8.4% above the year's maximum pensionable earnings under the Canada Pension Plan by July 1, 2013. A similar pattern of increases has been negotiated with other unionized staff groups.

- Three year agreement with teaching assistants starting May 1, 2011 to April 30, 2014 for across-the-board salary increases of 1.5% effective May 1, 2011, 1.75% effective May 1, 2012 and 2.0% effective May 1, 2013.

- Three year agreement with its faculty and librarians for across-the-board salary increases of 1.0% on July 1, 2011 plus $1,000, 1.0% on July 1, 2012 plus $1,520, and 1.0% effective July 1, 2013 plus $1,815. Employee pension contributions will increase to 6.3% below and 8.4% above the year's maximum pensionable earnings under the Canada Pension Plan by June 30, 2014.

- Two year agreement with sessional lecturers and instructional assistants (non-student) and writing instructors starting September 1, 2012 to August 31, 2014.

Benefits expense for the year of $300.9 million is made up of employee future benefits expense of $181.0 million and other benefits expense of $119.9 million. Other benefits expense includes, for example, the cost of legislative benefits (e.g. Canada Pension Plan and Employment Insurance), medical benefits, educational support, life insurance and several types of leaves.

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. The decrease in employee future benefits expense from last fiscal year is mainly due to a $423.3 million reduction in pension expense resulting from recording actuarial gains of $4.5 million in 2013 compared to actuarial losses of $186.6 million in 2012, combined with recording actual investment returns above expected returns of $128.7 million in 2013 compared to recording actual investment returns below expected returns of $124.9 million in 2012. There was also an increase of $21.4 million in pension current service cost in 2013 from 2012.

The University records its pension obligation net of the fair value of plan assets on its balance sheet using funding assumptions. The plans' annual current service cost and any actuarial gains or losses, are included in the statement of operations. The pension plan deficit at April 30, 2013 is $1.12 billion. Its status is similar to other defined benefit plans within the broader public sector in Canada and in the United States.

The University has developed plans to deal with the pension deficit and to enhance the long-term sustainability of the plans while mitigating the impact on the core operating budget. The University received governance approval for internal borrowing of up to $150.0 million to be transferred into the pension plans as required. Prior to June 2011, the University transferred a $150.0 million lump sum payment ($112.6 million of which was internally borrowed) into the pension plans and anticipates making another $150.0 million lump sum payment by June 2014. The University has increased its ongoing special payments and related cost budget to $77.2 million per year and plans to increase this amount to $97.2 million per year by 2015-16.

Provincial regulations normally require that any solvency deficit must be eliminated over a five year period. The Ontario Government has not agreed to exempt universities from these solvency payments but has agreed that universities should be given some flexibility through a two-stage temporary solvency relief program. If the University meets certain metrics and provides some evidence to the Provincial Government that the long-term sustainability of the pension plans has been enhanced, the solvency deficit can be amortized over a longer period than five years. This longer term horizon ensures that the

University may benefit from potential improvements in investment returns and possible increases in interest rates. The University was approved to Stage 1 of the temporary solvency relief program as a result of developing a plan to make its pension plans more sustainable. Provided that plan is implemented the University should meet the requirements for Stage 2.

The Ontario Government would like to see a more equal sharing of the cost of providing pension benefits between employees and the University. The University has successfully negotiated an increase in employee pension contributions as part of labour negotiations with all but two of its employee groups that have members in the University's pension plans, and negotiations with those two unions are ongoing.

When the contribution increases are implemented and if the Government is satisfied with the measures taken, the University may be accepted to Stage 2 of the temporary solvency relief program which will enable the University to deal with its solvency deficit over 10 years after July 1, 2014. The University is confident that the current deficit problem can and will be resolved by a rational amortization plan. The Ontario Government continues to work with the Greater Public Sector to develop longer term solutions to address the ongoing pension issue such as the creation of a pooled asset management entity that will oversee pooled asset management for public-sector pension plans and the creation of jointly sponsored pension plans.

The obligation for employee future benefits other than pensions at April 30, 2013 is $734.7 million. It is determined based on actuarial valuations using accounting assumptions and therefore is valued using current long-term corporate bond rates. The annual current service cost and any actuarial gains or losses are included in the statement of operations.

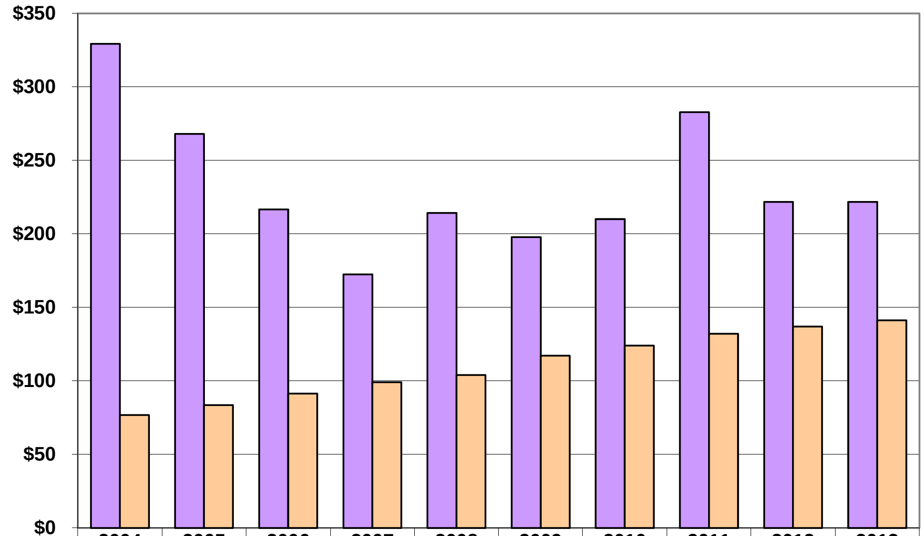
April 30, 2013	Pension plans	Other benefit plans
Plan status:		
Assets	**$2.92 billion**	**$55.7 million***
Obligations	**$4.04 billion**	**$734.7 million**
Deficit	**$1.12 billion**	**$679.0 million**
April 30, 2012	**Pension plans**	**Other benefit plans**
Plan status:		
Assets	$2.61 billion	$55.1 million*
Obligations	$3.86 billion	$616.8 million
Deficit	$1.25 billion	$561.7 million

*Assets set aside by the University

Space

The University has undertaken an ambitious capital construction program to significantly expand space capacity to accommodate increased numbers of students and to expand and update research infrastructure. This program began in 1999 and included a significant expansion of the Mississauga and Scarborough campuses and considerable expansion and renovation on the St. George campus. Space capacity is being further expanded due to the additional space requirements arising from graduate student expansion and undergraduate medical student expansion.

Capital Investment in Infrastructure
for the year ended April 30
(millions of dollars)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Additions to capital assets	329.3	268.0	216.7	172.4	214.3	197.8	210.1	282.8	221.8	221.8
Amortization	76.8	83.5	91.4	99.1	104.1	117.2	124.1	132.1	137.0	141.2

Additionally, the University has future obligations for deferred and pending maintenance, which are currently estimated at $594.0 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. The University is participating with all other Ontario universities in a continuing study that is analyzing, in some detail and on a uniform basis, the deferred and pending maintenance obligations of every university in the Province. The long-range academic and budget plan for 2013-14 through 2017-18 includes funding to arrest further deterioration of the physical infrastructure.

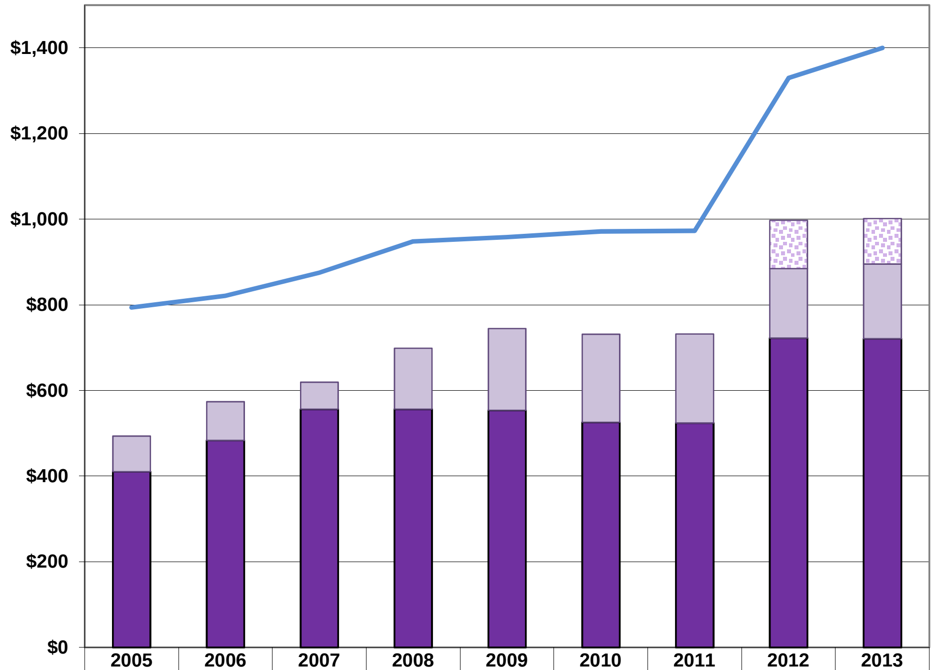
Governments have also provided funding over the years to assist the University. The 2009 Federal Budget announced $2.0 billion for university and college infrastructure refurbishment and new construction initiatives to advance research and development in universities and pledged $750.0 million over three years to the Canada Foundation for Innovation to support leading edge research infrastructure. In 2012 and 2013, the University received $3.2 million from the Province of Ontario's Facilities Renewal Program.

In 2010 and 2011, the University spent $151.0 million allocated from the Knowledge Infrastructure Program towards the construction of instructional and laboratory facilities at its Mississauga and Scarborough campus as well as an Innovation Centre for the Canadian Mining Industry at its St. George campus.

Debt

In November 2012, the University revised its debt strategy resulting in a change in its 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 allocate debt to high priority capital projects and to provide support for the pension plans. The debt strategy provides for a total debt limit of $1,400.0 million at April 30, 2013, made up of external debt of $1,050.0 million plus $350.0 million in internal financing, of which $150.0 million is for pensions.

Outstanding Debt and Debt Policy Limit
for the year ended April 30
(millions of dollars)



	2005	2006	2007	2008	2009	2010	2011	2012	2013
Internal debt - pension								112.6	106.7
Internal debt - other	83.2	90.1	62.6	142.7	190.9	205.4	207.9	162.3	174.1
Total external debt	410.6	483.7	556.7	556.3	554.0	525.9	524.1	722.6	721.0
Policy - Maximum total debt limit	793.9	821.1	875.2	948.0	958.4	971.5	973.1	1,329.6	1,400.0

In 2013, the actual outstanding external debt is made up of $710.0 million (gross of $1.3 million of issue costs and premiums) of debentures and $11.0 million (net of fair value impact of $6.4 million of interest rate swaps less $0.1 million due to an interest-free loan) of other long-term debt. At April 30, 2013, the actual debt burden ratio was 3.7%, well below its 5.0% policy limit.

The University's credit ratings are Aa2 (Moody's), AA (Standard and Poor's) and AA (Dominion Bond Rating Service), which ranks the University as a strong investment-grade credit and above the Province of Ontario by two credit rating agencies.

Donations

Academic priorities that cannot be completely funded through internal resources become approved priorities for fundraising. Priorities are assessed on an annual basis and revised as necessary. The Provost must approve all initiatives before they become priorities for fundraising.

The decision to hold fundraising as servant to the academic plans of its faculties, colleges, schools, and divisions, overseen by the Provost with the involvement of principals, deans and faculty, continues to play a critical role in the success of all advancement programs at the University. The clear link with institutional planning enables the University to assure donors that the priorities they are being asked to support are critical to the achievement of teaching and research objectives. As it has in the past, this link is an essential element in the success of the University's Boundless fundraising campaign publicly launched in November 2011. This campaign is the largest fundraising campaign in Canadian university history. With a historic $2.0 billion campaign goal, it will help expand the University's global leadership capacity across critical areas of knowledge and help develop the talent, ideas and solutions for the defining challenges of our time.

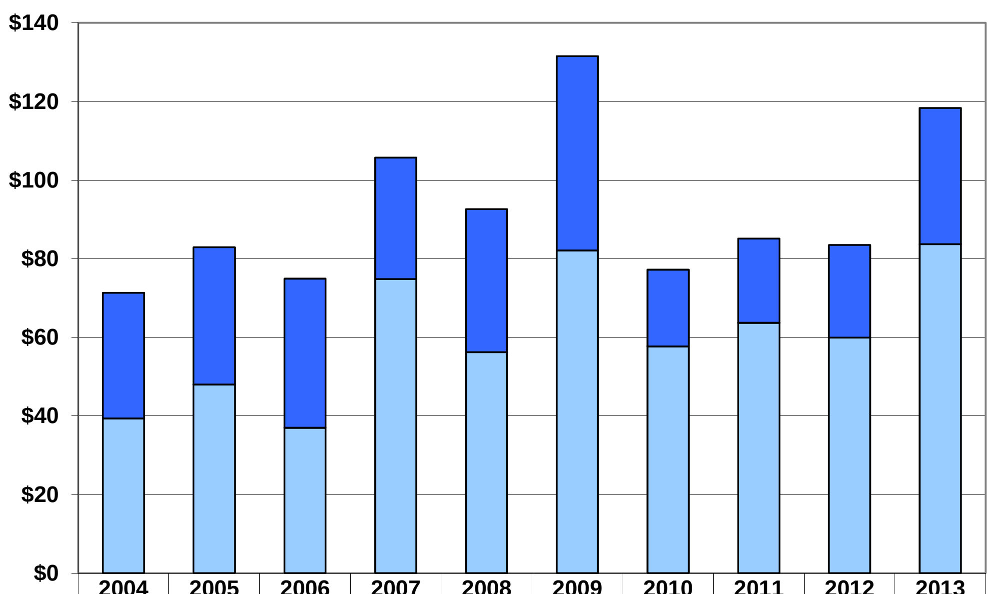
The first anniversary of Boundless in November 2012 sees the campaign themes of preparing global citizens and meeting global challenges taking root, both across the University's divisions and throughout the University's international community of alumni and friends. The University surpassed the $1.2 billion mark towards its $2.0 billion campaign goal. The University owes tremendous thanks to the many donors who have made this possible with their generous support of our faculty, programmes and students. The financial contributions of our donors have, for decades, supported the University's institutional independence and academic freedom. In more practical terms, the financial support of our donors has lifted the student experience, created jobs and improved the working lives for our dedicated staff, and augmented the opportunities for our faculty to exercise their independence of thought and their innate creativity.

For the period May 1, 2012 to April 30, 2013, a total of $211.1 million in new pledges and gifts, some of which are multi-year, was raised for the University (including federated universities and other affiliated institutions, and excluding philanthropic grants and donations to partner hospitals) representing a new fundraising record. The previous record was $196.8 million in 2001.

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. Donations 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 spent;
- Unspent restricted expendable donations are recorded as liabilities (deferred contributions or deferred capital contributions); and
- Endowed donations are not recorded as revenue. They are added directly to endowments, as additions to net assets.

Total Cash and Gifts-in-Kind Donations Received
for the year ended April 30
(millions of dollars)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total donations	71.3	82.9	74.9	105.7	92.6	131.5	77.2	85.1	83.5	118.3
Endowed donations	31.9	34.9	37.9	30.9	36.4	49.4	19.5	21.4	23.6	34.6
Expendable donations	39.4	48.0	37.0	74.8	56.2	82.1	57.7	63.7	59.9	83.7

In 2013, donations received by the University (excluding receipts by the federated universities, other affiliated institutions, philanthropic grants and donations to partner hospitals) totalled $118.3 million and were reported as follows: $83.7 million in expendable donations was reported as revenue and $34.6 million was added directly to endowments. It should be noted that the graph tracks the cash received by fiscal year. There is usually a lag between the growth in pledges and related commitments, and the actual cash receipt of funds.

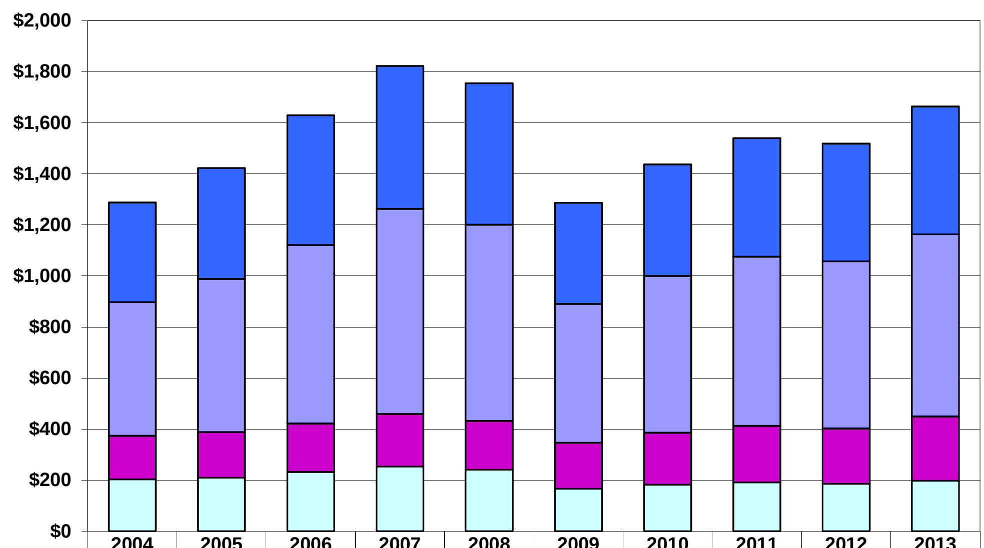
Endowments

Endowments are restricted funds which must be used in accordance with purposes agreed between the University and donors, or 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 cushion 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 within a corridor of 3% to 5% of opening market value of endowments.

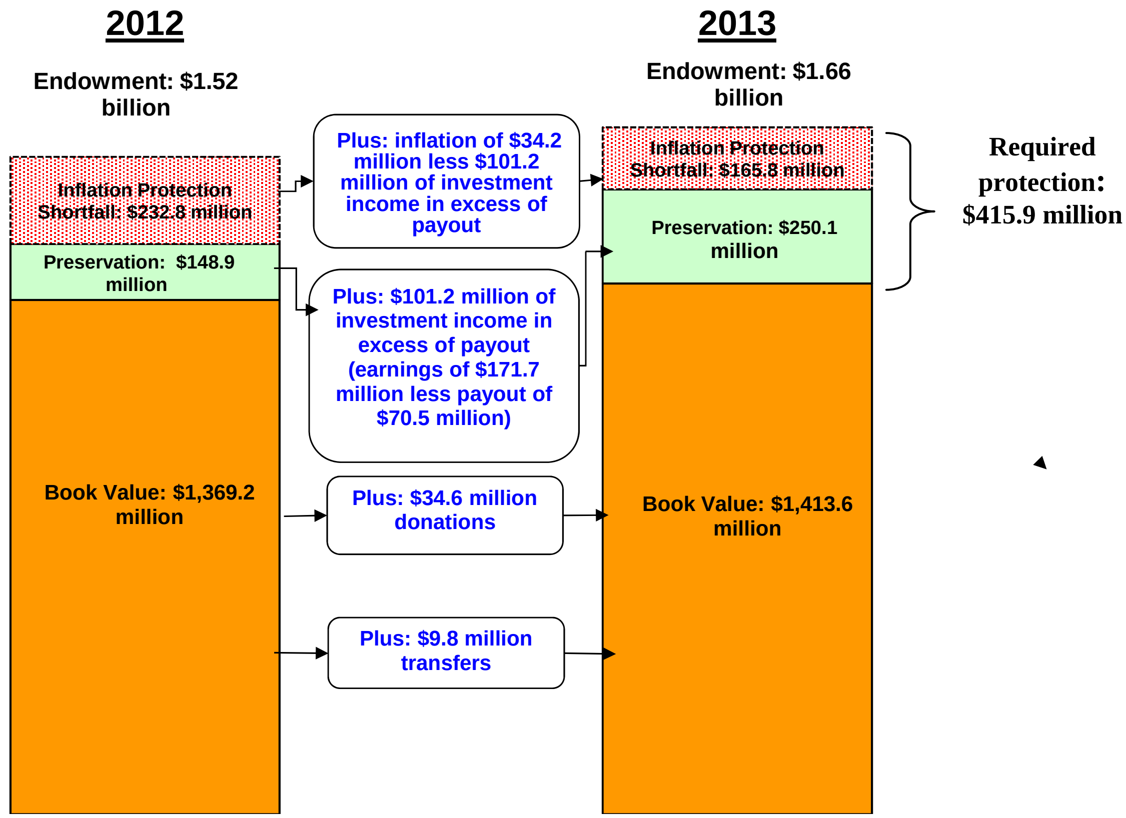
In 2009, as a result of severe financial market losses, the University suspended the endowment distribution in order to preserve the underlying value of its endowments. The University decided not to erode the endowment capital further by suspending the endowment spending allocation so as not to change the baseline for future growth in our endowed funds. The endowment reserve, so carefully and responsibly built up as a protective cushion, did its job by absorbing the brunt of the extreme volatility in the financial markets. Without this suspension, the University could have impeded its ability to return to the usual endowment distribution levels as the investments supporting the endowments recover their value. Meanwhile, critical commitments such as endowed professorships and chairs, as well as endowed support for needs-based student aid were met from other sources of funds. With an improvement in the financial markets in 2010 the University reinstated its annual endowment distribution.

Endowments at Fair Value
at April 30
(millions of dollars)



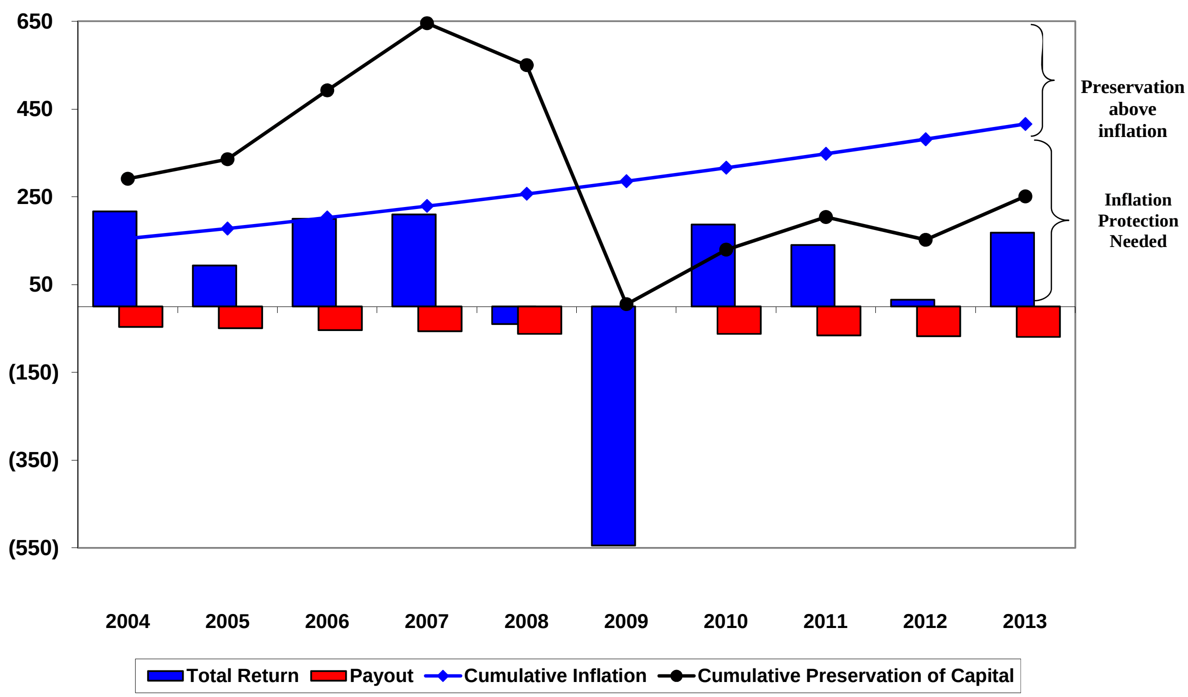
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total endowments	1,287.7	1,422.8	1,628.8	1,822.7	1,754.8	1,286.3	1,437.2	1,539.4	1,518.1	1,663.7
Chairs and professorships	390.7	434.8	507.6	560.5	554.4	395.5	437.4	464.6	460.4	500.5
Student aid	522.8	599.7	699.4	802.4	768.1	543.9	614.1	662.0	655.2	713.0
Academic programs	170.3	179.0	189.0	205.9	191.8	180.3	203.1	220.8	217.1	252.5
Research	203.9	209.3	232.8	253.9	240.5	166.6	182.6	192.0	185.4	197.7

In 2013, the University's endowment value was $1.66 billion and its endowment reserve was $250.1 million.



The following diagram shows the preservation of capital and payout over a ten year period starting in 2004:

Endowment cumulative preservation of capital compared to cumulative inflation with total return and payout for the year ended April 30 (in millions)



At April 30, 2013, there were over 5,500 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 total fair value of endowments increased by $145.6 million as follows:

- $86.8 million investment gain on externally restricted endowments;
- $14.4 million investment gain on internally restricted endowments;
- $34.6 million of externally endowed donations; and
- $9.8 million transfer from unrestricted deficit.

Investment Earnings

Total investment earnings for the year amounted to $238.1 million (gross of $17.6 million in fees and other expenses). These earnings were recorded in the financial statements as follows:

- $185.3 million on endowments (gross of $13.6 million in fees and other expenses) of which $98.5 million was recorded in the statement of operations and $86.8 million was recorded as a direct increase to endowments in the statement of changes in net assets.
- $52.8 million on other investments (gross of $4.0 million in fees and other expenses) in the 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 objective for each of these pools, reflecting the liability requirements, and with the aim of producing steady, predictable returns for the University. It is important to note that, 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 fiscal year.

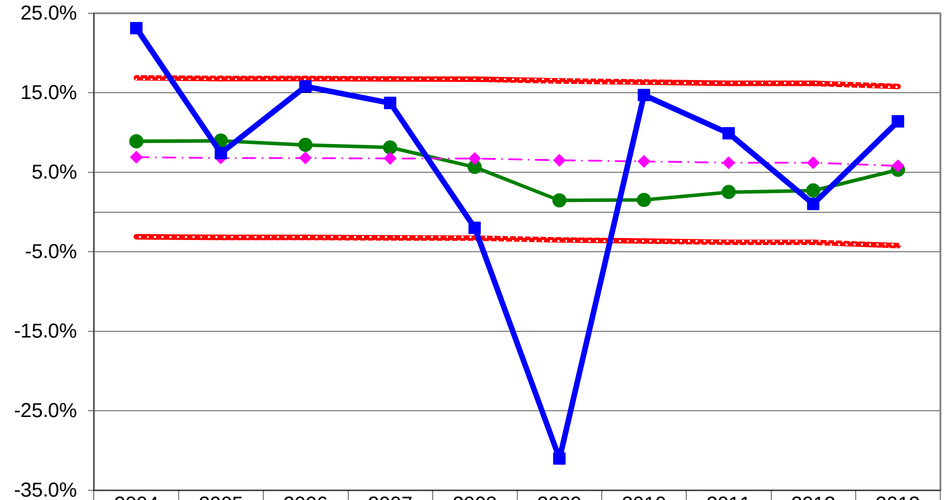
The University of Toronto Asset Management Corporation (UTAM) is a wholly owned investment management subsidiary of the University, governed by its own Board of Directors. UTAM develops and executes appropriate investment strategies and recommends the policy asset mix, based on the risk and return objectives established by the University. 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.

Financial and investment oversight rests with the Business Board. It is executed through the following: an Investment Advisory Committee which provides investment advice to the President, the UTAM Board which provides oversight of the operation of the corporation, UTAM management which focuses on risk management, and the Business Board (for University funds) and the Pension Committee of Governing Council (for pension funds).

LTCAP

The fair value of LTCAP was $1.91 billion at April 30, 2013, of which $1.61 billion was for endowments, representing 84.3% of the balance invested in LTCAP.

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



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Ten-Year rolling average return	8.9%	9.0%	8.4%	8.1%	5.6%	1.5%	1.5%	2.5%	2.7%	5.3%
Ten-Year rolling target return +10%	16.9%	16.8%	16.8%	16.7%	16.7%	16.5%	16.4%	16.2%	16.2%	15.8%
Ten-Year rolling target return*	6.9%	6.8%	6.8%	6.7%	6.7%	6.5%	6.4%	6.2%	6.2%	5.8%
Ten-Year rolling target return -10%	-3.1%	-3.2%	-3.2%	-3.3%	-3.3%	-3.5%	-3.6%	-3.8%	-3.8%	-4.2%
Annual investment return	23.1%	7.4%	15.8%	13.7%	-2.0%	-31.0%	14.7%	9.9%	1.0%	11.4%

*** The target return was set at 4% plus CPI with a 10% standard deviation. The ten-year rolling returns are geometric average returns.**

The investment return and risk targets for LTCAP are a 4% investment return plus inflation, net of investment fees, and a 10% return volatility risk target (representing one standard deviation), over a ten year period. This means that the actual return is expected to be within 10% of the nominal target return (4% plus inflation), two thirds of the time over a ten year period. The University's overriding objective with respect to investment performance is the achievement of this return target within the specified risk target.

EFIP

The investment policy for EFIP reflects its three categories of funds: very short-term investments managed by the University, funds loaned internally to support capital projects and funds managed by 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 U of T in money market fund and bank	Minimal risk	30-day Treasury bill return
Funds managed by UTAM	Minimal risk (standard deviation measure is not appropriate for short-term durations)	1-year Treasury bill return + 50 basis points within minimal risk targets

The returns for the 2013 fiscal year were as follows:

	Fair Value at April 30, 2013	Total Return for Year Ended April 30, 2013
Investments managed by U of T in money market fund and bank	**$85.1 million**	**1.27%**
Funds managed by UTAM	**$1,134.9 million**	**2.03%**

The returns for the 2012 fiscal year were as follows:

	Fair Value at April 30, 2012	Total Return for Year Ended April 30, 2012
Investments managed by U of T mainly in a money market fund	$104.4 million	1.10%
Funds managed by UTAM	$1,007.6 million	2.12%

Audited Consolidated Financial Statements

April 30, 2013

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 Canadian Institute of Chartered Accountants. The administration believes the consolidated financial statements present fairly the University's financial position as at April 30, 2013 and 2012, and May 1, 2011, and the results of its operations and its cash flows for the years ended April 30, 2013 and 2012. 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 Hewitt 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 years ended April 30, 2013 and 2012 have been reported on by Ernst & Young LLP, Chartered Accountants, the auditors appointed by Governing Council. The independent auditors' report outlines the scope of their audits and their opinion on the presentation of the information included in the consolidated financial statements.

Sheila Brown
Chief Financial Officer

David Naylor
President

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the **University of Toronto**, which comprise the balance sheets as at April 30, 2013 and 2012, and May 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended April 30, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2013 and 2012, and May 1, 2011 and the results of its operations and its cash flows for the years ended April 30, 2013 and 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada,
June 27, 2013.

Chartered Accountants
Licensed Public Accountants

Statement 1

UNIVERSITY OF TORONTO
CONSOLIDATED BALANCE SHEETS
(millions of dollars)

	April 30, 2013	April 30, 2012	May 1, 2011
			(note 2B)
ASSETS			
Current			
Cash and cash equivalents	**104.1**	121.0	99.3
Short-term investments (note 3)	**645.1**	663.9	535.1
Accounts receivable (notes 3 and 22)	**82.7**	84.7	104.8
Inventories and prepaid expenses	**18.6**	23.5	16.9
	850.5	893.1	756.1
Long-term accounts receivable	**46.4**	45.2	36.8
Investments (note 3)	**2,403.6**	2,095.6	2,085.7
Capital assets, net (note 4)	**4,018.8**	3,921.9	3,837.1
	7,319.3	6,955.8	6,715.7
LIABILITIES			
Current			
Accounts payable and accrued liabilities (notes 3, 6 and 12)	**298.4**	278.1	248.0
Deferred contributions (note 13)	**372.7**	371.2	370.3
	671.1	649.3	618.3
Accrued pension liability (note 5)	**1,122.9**	1,250.2	1,040.3
Employee future benefit obligation other than pension (note 5)	**734.7**	616.8	506.9
Series A senior unsecured debenture (note 7)	**158.9**	158.9	158.9
Series B senior unsecured debenture (note 8)	**199.1**	199.1	199.1
Series C senior unsecured debenture (note 9)	**74.7**	74.7	74.7
Series D senior unsecured debenture (note 10)	**74.4**	74.4	74.4
Series E senior unsecured debenture (note 11)	**201.6**	201.5	
Other long-term debt (note 12)	**17.3**	19.1	19.7
Deferred capital contributions (note 14)	**1,076.4**	1,018.3	986.3
	4,331.1	4,262.3	3,678.6
NET ASSETS (Statement 3)			
Unrestricted deficit	**(129.7)**	(134.9)	(173.6)
Internally restricted (note 15)	**1,454.2**	1,310.3	1,670.6
Endowments (notes 16, 17 and 18)	**1,663.7**	1,518.1	1,540.1
	2,988.2	2,693.5	3,037.1
	7,319.3	6,955.8	6,715.7

Contingencies and commitments (notes 3, 24 and 25)

(See accompanying notes)

On behalf of Governing Council:

Richard B. Nunn
Chair

David Naylor
President

Statement 2

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

	2013	2012
REVENUES		
Student fees	**944.7**	847.4
Government grants for general operations	**703.6**	702.2
Government and other grants for restricted purposes and contract research (note 21)	**391.5**	420.3
Sales, services and sundry income	**288.5**	273.3
Investment income (notes 3 and 16)	**151.3**	102.9
Donations (note 20)	**83.7**	59.9
	2,563.3	2,406.0
EXPENSES		
Salaries	**1,142.1**	1,100.5
Employee future benefits (note 5)	**181.0**	593.6
Other employee benefits	**119.9**	111.0
Materials and supplies	**212.6**	222.2
Scholarships, fellowships and bursaries	**186.3**	176.3
Amortization of capital assets	**141.2**	137.0
Repairs and maintenance	**88.2**	81.7
Cost of sales and services	**87.9**	84.6
Utilities	**51.9**	53.0
External contracted services	**46.6**	46.5
Travel and conferences	**43.2**	43.6
Interest on long-term debt	**39.9**	34.3
Telecommunications	**12.3**	11.9
Other	**36.9**	35.8
	2,390.0	2,732.0
NET INCOME (LOSS)	**173.3**	(326.0)

(See accompanying notes)

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

	Unrestricted deficit	**Internally restricted (note 15)**	**Endowments (note 16)**	**2013 Total**	2012 Total
Net assets, beginning of year (note 2B)	**(134.9)**	**1,310.3**	**1,518.1**	**2,693.5**	3,037.1
Net income (loss)	**173.3**			**173.3**	(326.0)
Net change in internally restricted (note 15)	**(143.9)**	**143.9**			
Investment gain (loss) on externally restricted endowments (note 16)			**86.8**	**86.8**	(43.7)
Externally endowed contributions					
- donations (note 20)			**34.6**	**34.6**	23.6
- grants and other					2.5
Transfer from internally restricted endowments (note 16)					
- investment gain	**(14.4)**		**14.4**		
Transfer to endowments					
- donations	**(4.4)**		**4.4**		
- matching funds	**(5.4)**		**5.4**		
Net assets, end of year	**(129.7)**	**1,454.2**	**1,663.7**	**2,988.2**	2,693.5

(See accompanying notes)

Statement 4

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

	2013	2012
OPERATING ACTIVITIES		
Net income (loss)	**173.3**	(326.0)
Add (deduct) non-cash items:		
Amortization of capital assets	**141.2**	137.0
Amortization of bond issue costs	**0.1**	
Amortization of deferred capital contributions	**(65.6)**	(64.0)
Net capital gains from investments	**(39.9)**	(10.7)
Net change in accrued pension liability	**(127.3)**	209.9
Net change in employee future benefit obligation other than pension	**117.9**	109.9
Net change in other non-cash items (note 19)	**28.6**	42.3
	228.3	98.4
INVESTING ACTIVITIES		
Net purchase (sale) of short-term investments	**18.8**	(128.8)
Net purchase of investments	**(197.6)**	(42.9)
Purchase of capital assets	**(204.7)**	(219.6)
	(383.5)	(391.3)
FINANCING ACTIVITIES		
Series E senior unsecured debenture issue (net of issue costs)		201.5
Contributions for capital asset purchases	**105.5**	87.6
Other long-term debt repayments	**(1.8)**	(0.6)
Endowment contributions		
- donations	**34.6**	23.6
- grants and other		2.5
	138.3	314.6
Net increase (decrease) in cash and cash equivalents during the year	**(16.9)**	21.7
Cash and cash equivalents, beginning of year	**121.0**	99.3
Cash and cash equivalents, end of year	**104.1**	121.0

(See accompanying notes)

Supplemental cash flow information		
Capital asset acquisitions funded by accounts payable and accrued liabilities	**0.1**	2.2
Contributions receivable related to capital asset purchases	**1.2**	8.4
Contributed capital assets	**17.0**	

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 the 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 and first-time adoption of accounting standards for not-for-profit organizations.

A. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Part III of the Canadian Institute of Chartered Accountants' ("CICA") Accounting Handbook – Accounting Standards for Not-for-profit Organizations, 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:

1. Short-term notes and treasury bills are valued at fair value.

2. Publicly traded equities are valued based on the latest closing prices. Bonds are recorded at fair value, which is determined based on valuation techniques.

3. Investments in pooled funds are valued at their reported net asset value per unit.

4. Infrequently traded securities are valued based on quoted market yields or prices of comparable securities as appropriate.

5. 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.

6. The values of private investments, which comprise private externally managed pooled funds with underlying investments in equities, debt, real estate assets, infrastructure assets and commodities, are determined based on the latest valuations provided by the external investment managers of the fund (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.

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

Investment income, consisting of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, is recorded as revenue in the consolidated statements 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 debt, equity and currency futures, options, swaps and forward contracts. These contracts are generally supported by liquid assets with a fair value approximately equal to the fair value of the instruments underlying the derivative contract. 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 statements of operations.

c) Other financial instruments -

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

d) 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.

e) Inventory valuation -

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

f) Employee benefit plans -

The University maintains defined benefit plans providing pension, other retirement and post-employment benefits for substantially all 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 sheets. Actuarial gains and losses and past service costs are included in the cost for the year. The accrued liability for pension plans is determined based on an actuarial valuation report prepared for funding purposes. This report is required to be prepared at least on a triennial basis by the applicable regulations. The pension plans' assets are measured at fair value at the date of the consolidated balance sheets. The accrued liability for employee future benefits other than pension plans is determined based on an actuarial valuation using accounting assumptions that are prepared at least every three years. In years where an actuarial valuation is not prepared, the University uses a roll-forward technique to estimate the accrued liability using assumptions from the most recent actuarial valuation report.

g) Capital assets -

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%
Equipment and furnishings	5% - 20%
Library books	20%

Contributed rare books and other collections are expensed in the year received. Fine art and rare book collections are valued by the appropriate University officers.

h) 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. Unsecured debentures and other long-term debt are reported net of related premiums, discounts and transaction issue costs.

i) Revenue recognition -

The University follows the deferral method of accounting for contributions, which include donations and government grants. Contributions externally restricted for purposes other than endowment are recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for amortizable capital assets are deferred and amortized over the lives of the related capital assets. Deferred contributions and amortization of deferred capital contributions recognized as revenue in the current year are first presented in the consolidated statements of operations as donations and investment income to the extent that restricted amounts have been received in the current year, excluding amounts recorded as a direct increase in endowments. Any difference is recorded as government and other grants for restricted purposes. Endowment contributions and contributions of non-amortizable capital assets are recognized as direct increases in net assets in the year in which they are received. The University actively fundraises and unrestricted donations, contributed rare books and other collections are recorded in the consolidated statements of operations when received since pledges are not legally enforceable claims. Student fees are recognized as revenue when courses and seminars are held. Sales and services revenues are recognized at point of sale for goods or when the service has been provided.

j) 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 they relate to investments, in which case they are recognized in the same manner as investment income.

k) 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 relate to the assumptions used in the determination of the fair value of financial instruments, the valuation of pension and other retirement benefit obligations and the recording of contingencies. Actual results could differ from those estimates.

l) 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.

m) Allocation of costs -

The University allocates salary and benefit costs related to personnel who work directly on managing capital projects to construction in progress and also allocates a project management fee based on 3.5% of construction, furnishings and equipment and landscaping costs.

B. First-time adoption of accounting standards for not-for-profit organizations

These consolidated financial statements are the first financial statements that the University has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada. In preparing its opening consolidated balance sheet as at May 1, 2011 (the “Transition Date”), the University has applied CICA 1501, *First-time Adoption*.

The accounting policies that the University has used in the preparation of its May 1, 2011 opening consolidated balance sheet have resulted in certain adjustments to balances that were presented in the balance sheet prepared in accordance with Part V of the CICA Handbook – Accounting (“Previous GAAP”). These adjustments were recorded directly to the University’s net assets at the Transition Date using the transitional provisions set out in CICA 1501 and are described below. CICA 1501 provides a number of elective exemptions related to standards in Part III of the CICA Handbook. The University has elected to value some of its land at fair value.

The following table provides a reconciliation of the net assets as at May 1, 2011 and the net loss for the year ended April 30, 2012 as presented under Previous GAAP with those computed under GAAP:

	Net loss for the year ended April 30, 2012	**Net assets as at May 1, 2011**
Net loss and net assets - Previous GAAP	**(34.5)**	1,896.4
Employee future benefits:		
Recognition of unamortized transitional asset (i)	**(19.2)**	67.2
Immediate recognition approach (ii)	**(272.2)**	(995.4)
Election to recognize land at fair value (iii)		2,067.9
Measurement of publicly traded securities (iv)	**(0.1)**	1.0
Net loss and net assets – GAAP	**(326.0)**	3,037.1

i) Recognition of unamortized transitional asset

Under Previous GAAP, a $67.2 million net transitional asset related to employee future benefits had not been recognized in the consolidated financial statements. GAAP requires this amount to be recognized in opening net assets at the Transition Date. As at the Transition Date, the employee future benefit obligation other than pension increased by $30.6 million, the accrued pension liability decreased by $97.8 million and internally restricted net assets increased by $67.2 million. The University's net loss for the year ended April 30, 2012 increased by $19.2 million.

ii) Immediate recognition approach

The University has made the accounting policy choice to apply the immediate recognition approach to account for its employee future benefits. As such, the deficit related to these plans, after recognizing the impact of the net transitional asset, was recorded in the consolidated balance sheet as at the Transition Date. As at the Transition Date, the employee future benefit obligation other than pension increased by $97.1 million, the accrued pension liability increased by $904.6 million, investments increased by $6.3 million and internally restricted net assets decreased by $995.4 million. The University's net loss for the year ended April 30, 2012 increased by $272.2 million, comprising an increase in employee future benefits expense of $274.9 million offset by an increase in investment income of $0.7 million and an increase of $2.0 million representing employee contributions.

iii) Election to recognize land at fair value

Using an elective exemption available at the Transition Date, the University has measured its land at estimated fair values at the Transition Date. As at the Transition Date, the carrying amount of capital assets increased by $2,067.9 million with a corresponding increase in internally restricted net assets.

iv) Measurement of publicly traded securities

Under Previous GAAP, the University was required to use bid prices to value its publicly traded securities instead of closing prices. GAAP permits the use of closing prices. The initial recognition of publicly traded securities at closing prices rather than bid prices at the Transition Date resulted in an increase in investments of $1.0 million with a corresponding decrease of $0.3 million in unrestricted deficit and a $0.7 million increase in endowments. The University's net loss for the year ended April 30, 2012 also increased by $0.1 million related to internally designated endowments.

3. Investments

Direct investments are classified by asset-mix category based on the intent of the investment strategies of the underlying portfolio. This classification resulted in

- $108.0 million (April 30, 2012 - $78.3 million) of cash, money market funds, short-term notes and treasury bills,
- $258.4 million (April 30, 2012 - $214.2 million) in private equity and debt interests,
- $115.7 million (April 30, 2012 - $113.8 million) in real asset interests, and
- $260.2 million (April 30, 2012 - $265.4 million) in hedge funds

being reclassified as:

- $133.2 million (April 30, 2012 - $104.3 million) in government and corporate bonds,
- $117.4 million (April 30, 2012 - $107.4 million) in Canadian equities,
- $212.9 million (April 30, 2012 - $199.3 million) in United States equities,
- $54.5 million (April 30, 2012 - $48.2 million) in international equities,
- $39.5 million (April 30, 2012 - $35.2 million) in emerging markets equities, and
- $184.8 million (April 30, 2012 - $177.3 million) in other investments.

The fair values of investments are as follows:

	(millions of dollars)	
	April 30, 2013	April 30, 2012
Short-term investments	**645.1**	663.9
Government and corporate bonds	**973.6**	860.4
Canadian equities	**301.9**	434.7
United States equities	**349.6**	311.0
International equities	**318.2**	277.0
Emerging markets equities	**195.5**	35.2
Other	**264.8**	177.3
	3,048.7	2,759.5
Less amounts reported as short-term investments:	**(645.1)**	(663.9)
	2,403.6	2,095.6

Short-term investments consist of cash, money market funds, short-term notes and treasury bills. Other investments consist mainly of absolute return hedge funds.

The University's investments are managed using two pools. The long-term capital appreciation pool ("LTCAP") mainly includes endowment funds. The asset mix for each pool is as follows:

	(millions of dollars)			
	April 30, 2013		April 30, 2012	
	EFIP	**LTCAP**	EFIP	LTCAP
Short-term investments	**645.0**	**0.1**	656.5	7.4
Government and corporate bonds	**390.7**	**582.9**	334.3	526.1
Canadian equities	**0.2**	**301.7**	0.2	434.5
United States equities		**349.6**		311.0
International equities		**318.2**		277.0
Emerging market equities		**195.5**		35.2
Other	**80.0**	**184.8**		177.3
	1,115.9	**1,932.8**	991.0	1,768.5

Subsequent to May 1, 2011, all of the University's publicly traded investments held for LTCAP are held in unitized investment pooled funds, which are managed by the University of Toronto Asset Management Corporation, a wholly owned subsidiary of the University. These funds include two fixed income funds, a Canadian equity fund, a United States equity fund and an international equity fund. As at April 30, 2013, the total fair value of the University's investments in these pooled funds is $824.4 million (April 30, 2012 - $820.4 million).

In 2013, the University's investment income of $151.3 million (2012 - $102.9 million) recorded in the consolidated statements of operations consists of income related to investments held for endowments of $98.5 million (2012 - $75.3 million) (note 16) and income of $52.8 million (2012 - $27.6 million) on investments other than those held for endowments.

During the year, the University recognized an investment gain of $12.8 million (2012 - $2.5 million) as a change in fair value that was 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.

Derivative financial instruments

The notional and fair values of derivative financial instruments are as follows:

	(millions of dollars)			
	2013		2012	
	Notional value	**Fair value**	Notional value	Fair value
Foreign currency forward contracts				
- U.S. dollars	**453.8**	**8.8**	477.2	6.1
- Other international	**231.4**	**2.3**	253.0	(0.4)
		11.1		5.7
Equity and commodity index futures contracts				
- United States	**75.2**	**(0.2)**	43.4	0.9
- Other international	**46.8**	**(0.4)**	34.6	0.2
		(0.6)		1.1
Interest rate swap contracts (note 12)	**24.3**	**(6.4)**	26.0	(6.7)

The fair value of the foreign currency forward and equity and commodity index futures contracts of $10.5 million (April 30, 2012 - $6.8 million) is reported as $13.5 million (April 30, 2012 - $7.8 million) in accounts receivable and $3.0 million (April 30, 2012 - $1.0 million) in accounts payable and accrued liabilities.

The interest rate swap contracts result in the University fixing a weighted average long-term interest rate of 6.68% (April 30, 2012 - 6.67%) on certain debt obligations instead of paying a weighted average short-term floating interest rate of 1.47% (April 30, 2012 - 1.28%). These long-term contracts were entered into during those years when interest rates were higher than current rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The cash settlement is the difference between the contractual rate of interest and the current market rate, based on a notional amount. The fair value of the interest rate swap contracts of $6.4 million (April 30, 2012 - $6.7 million) is included in other long-term debt (note 12).

Uncalled commitments

As at April 30, 2013, approximately 12.1% (April 30, 2012 - 11.7%) of the University's investment portfolio is 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 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, 2013, the University had uncalled commitments of approximately $107.8 million (April 30, 2012 - $90.4 million). The capital committed is called by the manager over a pre-defined investment period, which varies by fund, but is generally about 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 very rarely all called.

4. Capital assets

(millions of dollars)

	April 30, 2013		April 30, 2012		May 1, 2011	
	Total cost	**Accumulated amortization**	Total cost	Accumulated amortization	Total cost	Accumulated amortization
Land	**2,178.5**		2,162.1		2,144.5	
Buildings (note 12)	**2,364.9**	**869.7**	2,247.6	819.2	2,146.5	771.6
Equipment and furnishings	**1,349.2**	**1,056.5**	1,274.3	995.4	1,195.7	932.9
Library books	**553.2**	**500.8**	526.8	474.3	502.3	447.4
	6,445.8	**2,427.0**	6,210.8	2,288.9	5,989.0	2,151.9
Less accumulated amortization	**(2,427.0)**		(2,288.9)		(2,151.9)	
Net book value	**4,018.8**		3,921.9		3,837.1	

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 $4.2 billion and contents is approximately $2.2 billion, which includes library books of approximately $0.9 billion. As at April 30, 2013, the University had $150.0 million (April 30, 2012 - $136.1 million; May 1, 2011 - $147.2 million) in construction in progress that was included in buildings which will not be amortized until the buildings are put into use.

5. Employee benefit plans

The University has a number of funded and unfunded defined benefit plans that provide pension, other retirement and post-employment benefits to most of its employees. Its defined benefit pension plans (including the supplemental retirement arrangement) are based on years of service and the highest average salary received in any 36 months. Pension benefits will increase annually by 75% of the increase in the Consumer Price Index ("CPI") to a maximum CPI increase of 8%, plus 60% of the increase in CPI in excess of 8%. 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 future benefits expense for the year includes pension expense of $41.3 million (2012 - $464.6 million) and other retirement benefits expense of $139.7 million (2012 - $129.0 million) comprising the following:

	(millions of dollars)			
	April 30, 2013		April 30, 2012	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
Current service and finance costs	**174.5**	**52.6**	153.1	44.4
Difference between actual and expected return on plan assets	**(128.7)**		124.9	
Actuarial (gains) losses	**(4.5)**	**87.1**	186.6	84.6
	41.3	**139.7**	464.6	129.0

The latest actuarial valuation for the pension plans and for other retirement benefit plans was performed as at July 1, 2012. The next required actuarial valuations for the registered plans will be as at July 1, 2014. The University measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at April 30 of each year.

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

	(millions of dollars)					
	April 30, 2013		April 30, 2012		May 1, 2011	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Accrued benefit obligation	**4,044.2**	**734.7**	3,855.7	616.8	3,493.5	506.9
Fair value of plan assets	**2,921.3**		2,605.5		2,453.2	
Plan deficit	**(1,122.9)**	**(734.7)**	(1,250.2)	(616.8)	(1,040.3)	(506.9)

In addition to the plan assets, at April 30, 2013 the University has investments set aside of $126.7 million (April 30, 2012 - $123.7 million; May 1, 2011 - $130.1 million) for its pension and supplemental retirement arrangement obligations (note 15) and $55.7 million (April 30, 2012 - $55.1 million; May 1, 2011 - $48.1 million) for its other benefit plans.

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

To measure the accrued benefit obligation other than pension as at May 1, 2011, a 7.5% annual rate of increase in the per capita cost of covered health care benefits was assumed with the rate of increase decreasing gradually to 5.0% in 2017. As at April 30, 2012, an 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed with the rate of increase decreasing gradually to 4.5% by 2021 and remaining at that level thereafter. There were no changes to these trend rates in measuring the obligation for the year ended April 30, 2013.

	April 30, 2013		April 30, 2012		May 1, 2011	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Accrued benefit obligation:						
Discount rate	**6.25%**	**4.10%**	6.25%	4.80%	6.50%	5.60%
Rate of compensation increase	**4.50%**	**4.50%**	4.50%	4.50%	4.50%	4.50%
Rate of inflation	**2.50%**	**2.50%**	2.50%	2.50%	2.50%	2.50%
Benefits cost:						
Discount rate	**6.25%**	**4.80%**	6.50%	5.60%		
Expected long-term rate of return on plan assets	**6.25%**	**N/A**	6.25%	N/A		
Rate of compensation increase	**4.50%**	**4.50%**	4.50%	4.50%		
Rate of inflation	**2.50%**	**2.50%**	2.50%	2.50%		

6. Government remittances payable

As at April 30, 2013, accounts payable and accrued liabilities include government remittances payable of $27.6 million (April 30, 2012 - $24.8 million; May 1, 2011 - $24.4 million).

7. Series A senior unsecured debenture

On July 18, 2001, the University issued Series A senior unsecured debenture in the aggregate principal amount of $160.0 million at a unit price of $999.62 for proceeds of $159.9 million. The debenture bears interest at 6.78%, which is payable semi-annually on January 18 and July 18, with the principal amount to be repaid on July 18, 2031. The proceeds of the issuance have been used primarily to finance capital projects. The University has spent all of the proceeds of the debenture.

8. Series B senior unsecured debenture

On December 15, 2003, the University issued Series B senior unsecured debenture in the aggregate principal amount of $200.0 million at a unit price of $1,000 for proceeds of $200.0 million. The debenture bears interest at 5.841%, which is payable semi-annually on June 15 and December 15, with the principal amount to be repaid on December 15, 2043. The proceeds of the issuance have been used primarily to finance capital projects. The University has spent all of the proceeds of the debenture.

9. Series C senior unsecured debenture

On November 16, 2005, the University issued Series C senior unsecured debenture in the aggregate principal amount of $75.0 million at a unit price of $1,000 for proceeds of $75.0 million. The debenture bears interest at 4.937%, which is payable semi-annually on May 16 and November 16, with the principal amount to be repaid on November 16, 2045. The proceeds of the issuance have been used primarily to finance capital projects. The University has spent all of the proceeds of the debenture.

10. Series D senior unsecured debenture

On December 13, 2006, the University issued Series D senior unsecured debenture in the aggregate principal amount of $75.0 million at a unit price of $1,000 for proceeds of $75.0 million. The debenture bears interest at 4.493%, which is payable semi-annually on June 13 and December 13, with the principal amount to be repaid on December 13, 2046. The proceeds of the issuance have been used primarily to finance capital projects. The University has spent all of the proceeds of the debenture.

11. Series E senior unsecured debenture

On December 7, 2011, the University issued Series E senior unsecured debenture in the aggregate principal amount of $100.0 million at a unit price of $1,000 for proceeds of $100.0 million. On February 7, 2012, the University issued additional Series E senior unsecured debenture in the aggregate principal amount of $100.0 million at a unit price of $1,026 for proceeds of $102.6 million. The debenture bears interest at 4.251%, which is payable semi-annually on June 7 and December 7, with the principal amount to be repaid on December 7, 2051. To date, the University has spent $91.7 million of the proceeds on capital assets.

12. Other long-term debt

Other long-term debt consists of mortgages of $5.5 million (April 30, 2012 - $6.0 million; May 1, 2011 - $6.6 million) maturing in 2019 and 2020 against which the related properties are pledged as security, term loans of $7.0 million (April 30, 2012 - $7.9 million; May 1, 2011 - $8.7 million) maturing from 2017 to 2020 and the fair value of interest rate swap contracts of $6.4 million (April 30, 2012 - $6.7 million; May 1, 2011 - $5.8 million) (note 3). The current portion of other long-term debt of $1.6 million (April 30, 2012 - $1.5 million; May 1, 2011 - $1.4 million) is included in accounts payable and accrued liabilities. The weighted average effective interest rate of the mortgages and term loans, after giving effect to the interest rate swap contracts, was 5.6% (April 30, 2012 - 5.6%; May 1, 2011 - 5.6%) and 6.5% (April 30, 2012 - 6.5%; May 1, 2011 - 6.5%), respectively. Anticipated requirements to meet the principal portion of the other long-term debt repayments over the next five years are as follows: 2014 - $1.6 million, 2015 - $1.7 million, 2016 - $1.7 million, 2017 - $1.8 million, and 2018 - $1.9 million.

13. 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, 2013	April 30, 2012	May 1, 2011
Balance, beginning of year	**371.2**	370.3	357.9
Grants, donations and investment income	**469.6**	451.6	454.1
Recognized as revenue during the year	**(468.1)**	(450.7)	(441.7)
Balance, end of year	**372.7**	371.2	370.3

The deferred contributions must be spent as follows:

	(millions of dollars)		
	April 30, 2013	April 30, 2012	May 1, 2011
Research	**180.7**	185.6	200.3
Student aid	**65.9**	62.3	58.0
Other restricted purposes	**126.1**	123.3	112.0
	372.7	371.2	370.3

14. 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 recorded as revenue in the consolidated statements of operations as government and other grants and contracts for restricted purposes. The changes in the deferred capital contributions balance for the year are as follows:

	(millions of dollars)		
	April 30, 2013	April 30, 2012	May 1, 2011
Balance, beginning of year	**1,018.3**	986.3	881.7
Less amortization of deferred capital contributions	**(65.6)**	(64.0)	(65.1)
Add contributions recognized for capital asset purchases	**123.7**	96.0	169.7
Balance, end of year	**1,076.4**	1,018.3	986.3

This balance represents:

	(millions of dollars)		
	April 30, 2013	April 30, 2012	May 1, 2011
Amount used to purchase capital assets	**1012.4**	958.2	935.3
Amount to be spent on capital assets	**64.0**	60.1	51.0
	1,076.4	1,018.3	986.3

15. Internally restricted net assets

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

a) Investment in capital assets -

Investment in 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) Operating fund reserves -

Divisions set aside, as reserves, funds that have not been spent at the end of each year. These amounts include reserves for operating contingencies, reserves for future commitments and other employee future benefit costs and unfilled purchase orders that have been committed for goods or services to be received in the following year. These reserves have been reduced by the vacation pay accrual, representing the unfunded cost of vacation credits earned but not taken by administrative employee groups at year-end and by the voluntary early retirement liability for faculty and librarians, representing the unfunded liability of voluntary early retirement incentive costs paid to or committed to specific faculty members. This category has also been reduced by the portion of employee future benefits obligations to be funded by future operating budgets offset by funds set aside to meet the future obligations of the supplemental retirement arrangement and a pension plan reserve.

c) Departmental trust funds -

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

d) Capital projects reserves -

These represent unspent funds in respect of approved capital projects and alterations and renovations in progress at the end of the fiscal year less amounts spent without funding on hand.

e) Research overhead -

Research overhead represents recoveries from customers in calendar year 2012 are appropriated and available for spending in the following fiscal year.

f) Other funds -

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

	(millions of dollars)		
	April 30, 2013	April 30, 2012	May 1, 2011
Investment in capital assets	**2,551.2**	2,503.1	2,508.2
Operating fund reserves			
Net divisional reserves	**485.7**	437.2	360.7
Employee benefits			
Pensions	**(1,229.5)**	(1,360.0)	(1,040.3)
Other plans	**(679.0)**	(561.7)	(458.8)
Supplemental retirement arrangement (note 5)	**124.3**	121.3	130.1
Pension plan reserve (note 5)	**2.4**	2.4	
Departmental trust funds	**74.1**	71.5	69.8
Capital projects reserves	**105.9**	75.3	82.7
Research overhead	**17.2**	19.7	16.9
Other funds	**1.9**	1.5	1.3
	1,454.2	1,310.3	1,670.6

16. 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.

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. The investment policy has set the real rate of return objective at 4% with the aim of providing steady, predictable investment returns. The amount made available for spending must normally fall between a range 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 individual endowment funds without sufficient accumulated reinvestment income, endowment capital is used in the current year. This amount is expected to be recovered by future net investment income. In fiscal 2013, $7.56 (2012 - $7.56) per unit of LTCAP was made available for spending, representing 4.67% (2012 – 4.51%) of the opening fair value per unit of the endowment pool.

In 2013, investment earnings of $171.7 million (net of fees and expenses of $13.6 million) were earned on endowments, of which $70.5 million was made available for spending and recorded as investment income, $14.4 million was for the preservation of capital on internally restricted endowments, which was recorded as investment income and then transferred from unrestricted net assets to endowments, and the balance of $86.8 million was for the preservation of capital on externally restricted endowments, which was recorded as a direct increase in endowments.

In 2012, investment earnings of $17.5 million (net of fees and other expenses of $14.0 million) were earned on endowments, of which $15.2 million was earned on externally restricted endowments and $2.3 million on internally restricted endowments. An amount of $58.9 million was made available for spending on externally restricted endowments and recorded as investment income and the difference of $43.7 million between the amount made available for spending and the investment earnings was recorded as a direct decrease in endowments. An amount of $10.0 million was made available for spending on internally restricted endowments, of which $2.3 million was recorded as investment income and the difference was transferred from endowments to unrestricted net assets.

Net assets restricted for endowments consist of the following:

	(millions of dollars)		
	April 30, 2013	April 30, 2012	May 1, 2011
Externally restricted endowments	**1,415.8**	1,287.3	1,302.3
Internally restricted endowments	**247.9**	230.8	237.8
	1,663.7	1,518.1	1,540.1

17. 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. The University also matched certain of these endowed donations.

Phase 1:	(thousands of dollars)	
	2013	2012
Endowments at book value, beginning of year	**289,903**	291,476
Transfer to expendable funds	**(998)**	(1,573)
Endowments at book value, end of year	**288,905**	289,903
Cumulative unrealized losses	**(4,479)**	(23,285)
Endowments at fair value, end of year	**284,426**	266,618
Expendable funds available for awards, beginning of year	**22,870**	20,958
Realized investment income	**11,540**	10,854
Transfer from endowment balance	**998**	1,573
University contribution	**2**	3
Bursaries awarded	**(10,844)**	(10,518)
Expendable funds available for awards, end of year	**24,566**	22,870
Number of award recipients	**3,914**	3,449

Phase 2:

	(thousands of dollars)			
	2013		2012	
	University of Toronto	**Affiliates**	University of Toronto	Affiliates
Endowments at book value, beginning of year	**39,267**	**4,967**	39,464	4,972
Transfer from (to) expendable funds	**(117)**	**90**	(197)	(5)
Endowments at book value, end of year	**39,150**	**5,057**	39,267	4,967
Cumulative unrealized losses	**(4,960)**		(7,214)	
Endowments at fair value, end of year	**34,190**		32,053	
Expendable funds available for awards, beginning of year	**3,014**	**256**	2,627	256
Realized investment income	**1,382**	**315**	1,303	167
Transfer from (to) endowment balance	**117**	**(90)**	197	5
Bursaries awarded	**(1,563)**	**(247)**	(1,113)	(172)
Expendable funds available for awards, end of year	**2,950**	**234**	3,014	256
Number of award recipients	**553**	**136**	512	100

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 13) on the consolidated balance sheets. 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.

18. 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 of these endowed donations.

(for the year ended March 31)*	2013 University of Toronto	2013 Affiliates	2012 University of Toronto	2012 Affiliates
	(thousands of dollars)			
Endowments at book value, beginning of year	**66,846**	**13,581**	60,979	11,541
Donations received	**561**	**221**	3,434	1,140
Government matching received			2,479	949
University matching	**176**		113	174
Transfer from (to) expendable funds	**(269)**	**309**	(159)	(223)
Endowments at book value, end of year	**67,314**	**14,111**	66,846	13,581
Cumulative unrealized losses	**(5,184)**		(8,161)	
Endowments at fair value, end of year	**62,130**		58,685	
Expendable funds available for awards, beginning of year	**3,327**	**357**	2,623	436
Realized investment income	**2,433**	**812**	2,311	65
Donations received	**3**	**11**	6	5
University matching and contribution	**104**		121	
Transfer from (to) endowment balance	**269**	**(309)**	159	223
Bursaries awarded	**(2,397)**	**(419)**	(1,893)	(372)
Expendable funds available for awards, end of year	**3,739**	**452**	3,327	357
Number of award recipients	**1,157**	**220**	870	181

*As per Ministry of Training, Colleges and Universities guidelines.

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 13) on the consolidated balance sheets. 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.

19. Net change in other non-cash items

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

	(millions of dollars) 2013	2012
Accounts receivable	**2.0**	20.1
Inventories and prepaid expenses	**4.9**	(6.6)
Deferred contributions	**1.5**	0.9
Accounts payable and accrued liabilities	**20.2**	27.9
	28.6	42.3

20. Donations

During the year, the University received donations of $118.3 million (2012 - $83.5 million). Of that amount, $34.6 million (2012 - $23.6 million) is recorded as a direct addition to endowments and is not recorded as donations revenue.

21. Government and other grants for restricted purposes and contract reseach

During the year, the University received $383.9 million (2012 - $380.2 million) of government and other grants and contracts for research and $67.2 million (2012 - $73.0 million) for capital infrastructure, of which $391.5 million (2012 - $420.3 million) was recorded as revenue and $59.6 million (2012 - $32.9 million) was deferred.

22. Financial instruments

The University is exposed to various financial risks through transactions in financial instruments.

Currency risk

The University is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar. To manage foreign currency risk, the current hedging policy, effective May 1, 2012, is to hedge 75% of non-emerging markets' currency exposures and 0% of emerging markets' currency exposures. Previously, a 50% hedging policy was in place for the university's investments.

Credit risk

The University is exposed to credit risk in connection with its accounts receivable and its short term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. Accounts receivable are recorded net of an allowance for doubtful accounts of $7.4 million (April 30, 2012 - $6.6 million; May 1, 2011 - $5.8 million). As at April 30, 2013, $425.0 million (April 30, 2012 - $510.0 million, May 1, 2011- $422.5 million) or 43.7% (April 30, 2012 – 59.3%, May 1, 2011 – 64.2%) of government and corporate bonds have AAA or AA credit ratings.

Interest rate risk

The University is exposed to interest rate risk with respect to its investments in fixed income securities and a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates.

Liquidity risk

The University is exposed to liquidity risk to the extent that it will encounter difficulty in meeting obligations associated with its financial liabilities.

Other price risk

The University is exposed to other price risk through changes in market prices (other than changes arising from interest rate or currency risks) in connection with its investments in equity securities and pooled funds.

23. TRIUMF

The University is a member, with ten other universities, of a joint venture called TRIUMF, Canada's national laboratory for particle and nuclear physics located on the University of British Columbia ("UBC") campus. TRIUMF is an unincorporated registered charity and each university has an undivided 1/11 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 (see also note 25(b)).

The following financial information for TRIUMF was prepared in accordance with Canadian generally accepted accounting principles 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, 2013 (unaudited)	March 31, 2012 (unaudited)	April 1, 2011 (unaudited)
Total assets	**28.6**	28.1	24.9
Total liabilities	**20.2**	19.2	16.9
Total fund balances	**8.4**	8.9	8.0
Revenues	**87.7**	77.4	70.3
Expenses	**88.2**	76.5	66.2
Excess (deficiency) of revenues over expenses	**(0.5)**	0.9	4.1

24. Other commitments

a) The estimated cost to complete construction and renovation projects in progress at April 30, 2013, which will be funded by government grants, donations and operations, is approximately $252.0 million (2012 - $229.5 million).

b) The future annual payments under various operating leases are approximately $14.6 million.

25. 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, 2013, the amount of loans guaranteed was $6.6 million (2012 - $7.2 million). The University's estimated exposure under these guarantees is not material.

b) The members of the TRIUMF joint venture 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, which were estimated at $44.2 million as of November 2011, 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, the University's share was estimated at $4.0 million at April 30, 2013. TRIUMF has put in place a plan for funding the cost of decommissioning that does not require any payments from the joint venture partners.

c) 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, 2013, the University believes that it has valid defenses 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 exists 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 determined to be required.

Appendix

Supplementary Report

By Fund

April 30, 2013

(Unaudited)

HIGHLIGHTS

(Unaudited)

Year Ended April 30, 2013

(millions of dollars)

	Operating Fund	Ancillary Operations	Capital Fund	Restricted Funds	Total
Statement of Operations					
Revenues	$ 1,879.2	$ 160.3	$ 69.3	$ 454.5	$ 2,563.3
Expenses	$ 1,677.9	$ 153.2	$ 121.2	$ 437.7	$ 2,390.0
Net Income (Loss)	$ 201.3	$ 7.1	$ (51.9)	$ 16.8	$ 173.3
Balance Sheet					
Assets	$ 1,071.8	$ 292.7	$ 3,828.2	$ 2,126.6	$ 7,319.3
Liabilities	$ 2,336.4	$ 258.4	$ 1,347.5	$ 388.8	$ 4,331.1
Net Assets	$ (1,264.6)	$ 34.3	$ 2,480.7	$ 1,737.8	$ 2,988.2
Net Assets composed of:					
Endowments				$ 1,663.7	$ 1,663.7
Investment in Capital Assets		$ 93.9	$ 2,457.3		$ 2,551.2
Internally Restricted	$ (1,253.0)	$ 13.6	$ 68.3	$ 74.1	$ (1,097.0)
Unrestricted Deficit	$ (11.6)	$ (73.2)	$ (44.9)		$ (129.7)
	$ (1,264.6)	$ 34.3	$ 2,480.7	$ 1,737.8	$ 2,988.2

HIGHLIGHTS

(Unaudited)

Year Ended April 30, 2012

(millions of dollars)

	Operating Fund	Ancillary Operations	Capital Fund	Restricted Funds	Total
Statement of Operations					
Revenues	$ 1,741.4	$ 154.2	$ 71.0	$ 439.4	$ 2,406.0
Expenses	$ 2,018.3	$ 148.0	$ 119.9	$ 445.8	$ 2,732.0
Net Income (Loss)	$ (276.9)	$ 6.2	$ (48.9)	$ (6.4)	$ (326.0)
Balance Sheet					
Assets	$ 1,036.8	$ 294.2	$ 3,654.1	$ 1,970.7	$ 6,955.8
Liabilities	$ 2,346.5	$ 267.6	$ 1,267.1	$ 381.1	$ 4,262.3
Net Assets	$ (1,309.7)	$ 26.6	$ 2,387.0	$ 1,589.6	$ 2,693.5
Net Assets composed of:					
Endowments				$ 1,518.1	$ 1,518.1
Investment in Capital Assets		$ 95.8	$ 2,407.3		$ 2,503.1
Internally Restricted	$ (1,295.3)	$ 12.5	$ 18.5	$ 71.5	$ (1,192.8)
Unrestricted Deficit	$ (14.4)	$ (81.7)	$ (38.8)		$ (134.9)
	$ (1,309.7)	$ 26.6	$ 2,387.0	$ 1,589.6	$ 2,693.5

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 unrestricted 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 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, 2013
(with comparative figures at April 30, 2012)
(millions of dollars)

	Operating fund	Ancillary operations	Capital fund	Restricted funds	2013 Total	2012 Total
ASSETS						
Current						
Cash and short-term investments	1,013.6	0.7	47.3	(312.4)	749.2	784.9
Accounts receivable	50.1	16.7		15.9	82.7	84.7
Inventories and prepaid expenses	8.1	7.2		3.3	18.6	23.5
Long-term accounts receivable			46.4		46.4	45.2
Investments				2,403.6	2,403.6	2,095.6
Capital assets, net		268.1	3,734.5	16.2	4,018.8	3,921.9
	1,071.8	292.7	3,828.2	2,126.6	7,319.3	6,955.8
LIABILITIES						
Current						
Accounts payable and accrued liabilities	223.8	22.1	36.4	16.1	298.4	278.1
Deferred contributions				372.7	372.7	371.2
Accrued pension liability	1,122.9				1,122.9	1,250.2
Employee future benefit obligation other than pension	734.7				734.7	616.8
Internal loans	249.7	220.9	(470.6)			
Series A - senior unsecured debenture			158.9		158.9	158.9
Series B - senior unsecured debenture			199.1		199.1	199.1
Series C - senior unsecured debenture			74.7		74.7	74.7
Series D - senior unsecured debenture			74.4		74.4	74.4
Series E - senior unsecured debenture			201.6		201.6	201.5
Other long-term debt	5.3	7.5	4.5		17.3	19.1
Deferred capital contributions		7.9	1,068.5		1,076.4	1,018.3
	2,336.4	258.4	1,347.5	388.8	4,331.1	4,262.3
NET ASSETS						
Unrestricted deficit	(11.6)	(73.2)	(44.9)		(129.7)	(134.9)
Internally restricted	(1,253.0)	13.6	68.3	74.1	(1,097.0)	(1,192.8)
Investment in capital assets		93.9	2,457.3		2,551.2	2,503.1
Endowments				1,663.7	1,663.7	1,518.1
	(1,264.6)	34.3	2,480.7	1,737.8	2,988.2	2,693.5
	1,071.8	292.7	3,828.2	2,126.6	7,319.3	6,955.8

Schedule 2
(Unaudited)
UNIVERSITY OF TORONTO
STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED DEFICIT
FOR THE YEARS ENDED APRIL 30
(millions of dollars)

	Operating fund	Ancillary operations	Capital fund	Restricted funds	2013 Total	2012 Total
REVENUES						
Government grants for general operations	703.6				703.6	702.2
Student fees	935.3	7.9	1.5		944.7	847.4
Government and other grants and contracts for restricted purposes		0.4	30.5	360.6	391.5	420.3
Sales, services and sundry income	137.9	150.7	(0.1)		288.5	273.3
Investment Income						
Endowments	53.0			45.5	98.5	75.3
Other	49.4	0.6	1.2	1.6	52.8	27.6
Donations		0.7	36.2	46.8	83.7	59.9
	1,879.2	160.3	69.3	454.5	2,563.3	2,406.0
EXPENSES						
Salaries	945.4	6.2		190.5	1,142.1	1,100.5
Employee future benefits	181.0				181.0	593.6
Other employee benefits	98.8	1.8		19.3	119.9	111.0
Materials and supplies	70.4	2.0		140.2	212.6	222.2
Scholarships, fellowships and bursaries	161.8			24.5	186.3	176.3
Amortization of capital assets	9.9	13.7	115.8	1.8	141.2	137.0
Cost of sales and services		87.9			87.9	84.6
Utilities	41.7	9.2		1.0	51.9	53.0
Repairs and maintenance	66.8	16.8	1.3	3.3	88.2	81.7
Travel and conferences	23.4			19.8	43.2	43.6
Interest on long-term debt	22.4	15.6		1.9	39.9	34.3
External contracted services	25.8			20.8	46.6	46.5
Telecommunications	11.0			1.3	12.3	11.9
Other	19.5		4.1	13.3	36.9	35.8
	1,677.9	153.2	121.2	437.7	2,390.0	2,732.0
Net income (loss)	201.3	7.1	(51.9)	16.8	173.3	(326.0)
Net transfer between funds	(56.5)	0.6	45.8	10.1		
Transfer of capital assets funding	(99.8)		99.8			
Change in internally restricted	(42.2)	(1.1)	(49.8)	(2.7)	(95.8)	355.2
Change in investment in capital assets		1.9	(50.0)		(48.1)	5.1
Transfers of donations to endowments				(9.8)	(9.8)	(3.3)
Transfer to internally restricted endowments				(14.4)	(14.4)	7.7
Net change in unrestricted deficit for the year	2.8	8.5	(6.1)		5.2	38.7
Unrestricted deficit, beginning of year	(14.4)	(81.7)	(38.8)		(134.9)	(173.6)
Unrestricted deficit, end of year	(11.6)	(73.2)	(44.9)		(129.7)	(134.9)

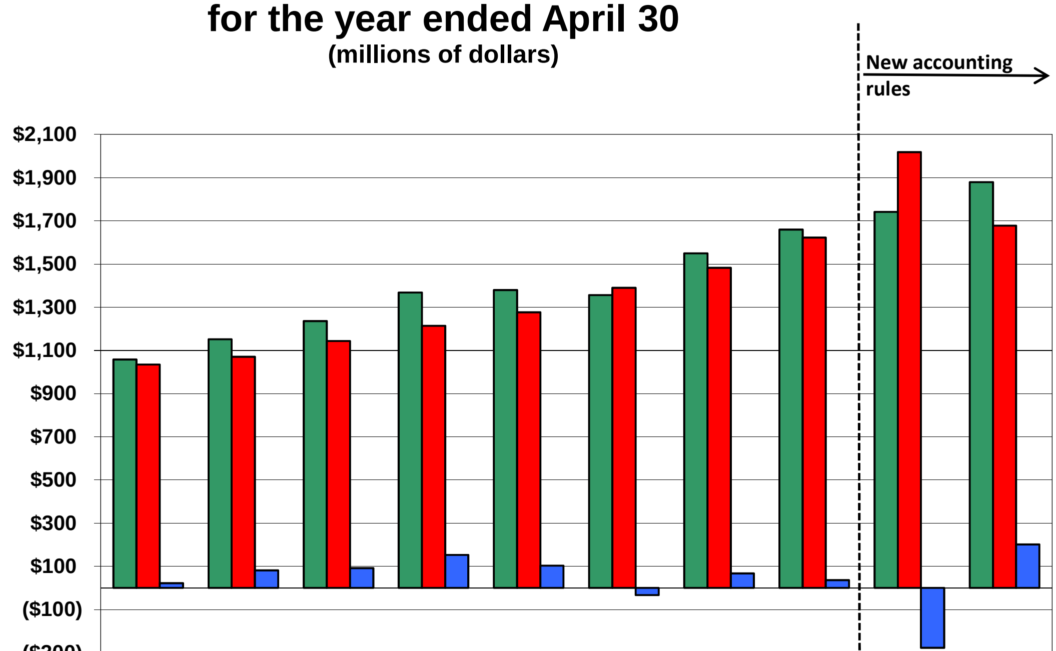
OPERATING FUND

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 $1.88 billion, expenses were $1.68 billion resulting in a net income of $201.3 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 now 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 plans and employee future benefit obligation other than pensions on the balance sheet and statement of operations. The net income for 2012 decreased from $14.5 million as previously reported to a net loss of $276.9 million and liabilities increased by $1,227.0 million with a corresponding decrease in internally restricted net assets as a result of adopting these new standards.

Operating Fund Revenues and Expenses
for the year ended April 30
(millions of dollars)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues	1,057.9	1,152.0	1,235.4	1,367.6	1,379.2	1,356.1	1,549.1	1,658.9	1,741.4	1,879.2
Expenses	1,035.1	1,071.0	1,143.8	1,214.4	1,275.9	1,389.6	1,482.0	1,622.1	2,018.3	1,677.9
Net income (loss)	22.8	81.0	91.6	153.2	103.3	(33.5)	67.1	36.8	(276.9)	201.3

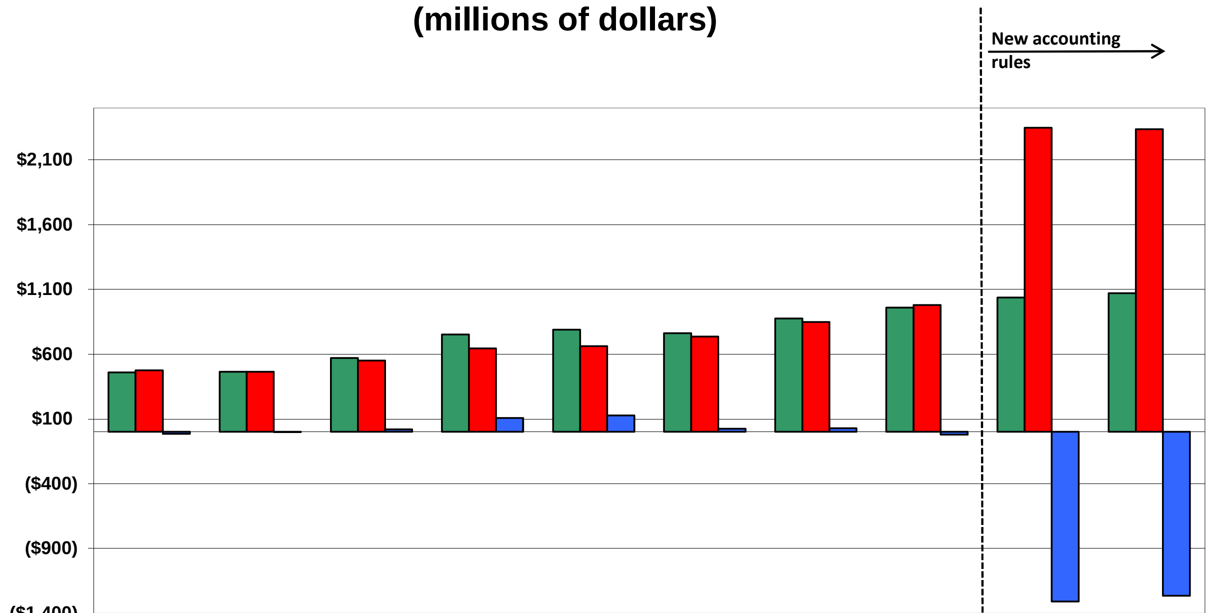
The cumulative operating deficit at April 30, 2013 is $11.6 million, whereas the long-range operating budget called for a cumulative operating deficit of $7.1 million. Academic divisions will be charged $4.5 million in 2013-14 to bring the actual cumulative surplus in line with the planned long-range budgeted deficit.

The 2013 net income in the operating fund is a result of:

Capital expenditures not shown as expenses but transferred to the capital fund and added to the balance sheet as capital assets	**99.8**
Net decrease in employee future benefit obligations	**16.0**
Transfers to other funds not expensed in the operating fund	**56.5**
Reduction in expenses by divisions required to cover the deficit	**10.3**
Last year's general university savings distributed to academic divisions	**(6.5)**
General University deficit to be allocated to academic divisions in 2013-14	**(4.5)**
Academic funding recovered from divisions (2 years remaining)	**3.5**
Unspent divisional funds added to reserves carried forward	**26.2**
	201.3

Operating fund assets at April 30, 2013 were $1.07 billion, liabilities were $2.34 billion, and net assets were negative $1.26 billion.

Operating Fund Assets, Liabilities and Net Assets as at April 30 (millions of dollars)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assets	458.8	463.8	569.6	751.1	788.5	761.3	875.6	958.5	1,036.8	1,071.8
Liabilities	473.9	465.2	550.4	643.8	661.4	736.6	847.7	979.9	2,346.5	2,336.4
Net Assets	(15.1)	(1.4)	19.2	107.3	127.1	24.7	27.9	(21.4)	(1,309.7)	(1,264.6)

The net assets for the year improved from negative $1.31 billion in 2012 to negative $1.26 billion mainly due to the following:

- $201.3 million net income for the year.
- ($156.3 million) net transfers to other funds.

The transfers to other funds were as follows:

- $99.8 million to the capital fund to reflect operating funding of capital asset expenditures recorded as capital assets in the capital fund.
- $9.5 million to restricted funds in support of various matching funds initiatives.
- $45.5 million to the capital fund for various projects.
- $1.5 million to ancillary operations to reduce the Innovations Foundation deficit.

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

- ($11.6 million) unrestricted deficit.
- ($1.25 billion) of negative internally restricted net assets.

The $11.6 million unrestricted deficit is the "cumulative deficit" of the operating fund which is referenced in the University's Operating Budget Report. The cumulative deficit has decreased from $14.4 million at April 30, 2012 to $11.6 million at April 30, 2013, due to the following:

- $201.3 million net income.
- ($156.3 million) net transfers to other funds as noted above.
- ($42.2 million) change in internally restricted, mainly due to a decrease in the unfunded portion of employee future benefits combined with an increase in divisional and central reserves.

Internally restricted net assets of negative $1.25 billion mainly include divisional reserves of $485.7 million and funds set aside for capital projects of $24.0 million offset by $1.78 billion of net unfunded liabilities consisting of $1.1 billion associated with its pension plans and $679.0 million associated with its employee future benefits other than pension plans which will have to be paid from future years' operating fund revenues.

Schedule 3 is a summary of operating fund reserves that comprise the negative $1.25 billion in internally restricted net assets. Included in this schedule are plans by academic 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:

a) Independently funded projects:

Included in this section are a number of projects housed in operating units which exist because they generate their own source of funds (i.e. self-funded units). Examples are continuing education programmes and "fee for service" contracts. The funds generated are expected to only be applied to future expenses of that unit.

b) Research:

Funds set aside for research are included in this section. This includes funds allocated to Principal Investigators as a result of the expense reimbursement program for Faculty and Librarians, overheads, research allowances or start-up funds. Also included are funds set aside for Canada Research Chairs and Endowed Chairs including any related research allowance.

c) Student assistance:

This category captures all funds set-aside for scholarships, bursaries and other student assistance.

d) Infrastructure:

This category is intended to capture funds that have been set-aside by the unit in anticipation of a major renovation to their facility; infrastructure upgrades, such as computer networking, security, equipment and furniture renewal; and associated moving costs.

e) Other academic purposes:

This section includes divisional funds that are used for purposes other than those identified above. Funds in this category include funds set-aside for anticipated budget reductions or to reserve against other fluctuations in revenues that impact divisions in accordance with the new budget model, voluntary early academic retirements, professional development, and start-up funds.

Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2013
(with comparative figures at April 30, 2012)
(thousands of dollars)

	2013	2012
	Total	Total
Divisional Reserves		
Academic	406,396	361,514
Academic services	6,787	5,352
Student services	11,070	9,250
Student assistance	7,581	5,588
Facilities & services	13,730	13,129
Administration	29,026	32,597
University Information systems	13,153	16,099
General university	1,459	(1,595)
U of T Campaign	(3,521)	(4,706)
Total divisional reserves	485,681	437,228
Central reserves		
Research overhead	17,234	19,730
Capital projects reserves	24,002	44,275
University investment infrastructure fund	1,000	1,337
Transitional fund	4	
Priorities fund	6,239	5,622
Loss on interest rate swaps	(5,303)	(5,458)
Total central reserves	43,176	65,506
Employee benefit reserves		
Pension	(1,229,512)	(1,359,957)
Pension plan reserve	2,356	2,356
Supplemental retirement arrangement	124,263	121,327
Other plans		
Medical benefits	(666,121)	(549,720)
COLA	5,196	4,719
Long term disability	(18,093)	(16,676)
Total employee benefit reserves	(1,781,911)	(1,797,951)
Total internally restricted net assets	(1,253,054)	(1,295,217)

Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2013
(with comparative figures at April 30, 2012)
(thousands of dollars)

	2013						2012
	Independently Funded Projects	Research	Student Assistance	Infrastructure	Other	Total	Total
ACADEMIC DIVISIONS:							
Arts and Science, colleges and schools:							
Faculty of Arts and Science	6,462	35,916	1,447	15,001	(2,984)	55,842	31,084
University College	-	-	-	-	879	879	723
Transitional Year Programme	39	38	21	70	109	277	236
UTSC academic	(860)	9,498	83	25,227	13,615	47,563	39,850
UTM academic	-	7,291	-	4,741	(1,049)	10,983	23,257
School of Continuing Studies	-	-	-	1,944	-	1,944	1,535
School of Graduate Studies	-	-	24	100	786	910	1,344
Graduate institutes and centres	-	12	4,127	-	2,933	7,072	5,439
	5,641	52,755	5,702	47,083	14,289	125,470	103,468
Health sciences:							
Faculty of Dentistry	2,339	2,645	20		897	5,901	5,906
Faculty of Medicine	12,939	25,374	9,369	3,516	74,019	125,217	121,415
Lawrence S. Bloomberg Faculty of Nursing	501	1,668	417	2,000	2,590	7,176	12,845
Leslie Dan Faculty of Pharmacy	4,377	4,266	28	-	15,051	23,722	17,673
Faculty of Kinesiology & Physical Education	1,342	902	50	2,050	2,836	7,180	4,970
	21,498	34,855	9,884	7,566	95,393	169,196	162,809
Other professional faculties:							
Faculty of Applied Science and Engineering	2,432	12,022	238	21,787	5,199	41,678	30,517
John H. Daniels Faculty of Architecture, Landscape and Design	-	213	197	-	470	880	939
Rotman School of Management	435		-		(4,889)	(4,454)	3,476
OISE/UT	5,700	2,600	-	5,500	12,537	26,337	37,694
Faculty of Forestry	18	1,483	500	-	(210)	1,791	1,886
Faculty of Law	-	1,082	521	-	2,952	4,555	7,643
Faculty of Information	(11)	363	161	-	432	945	549
Faculty of Music	-	281	129	-	682	1,092	2,865
Factor-Inwentash Faculty of Social Work	358	237	714	6,602	135	8,046	7,971
	8,932	18,281	2,460	33,889	17,308	80,870	93,540
Other academic costs:							
Provost Reserve Contingency					19,670	19,670	18,551
Transitional Fund					5,566	5,566	1,451
Faculty Recruitment Costs					5,649	5,649	4,495
Other					30,475	30,475	4,561
					61,360	61,360	29,058
Vacation Pay accrual					(25,454)	(25,454)	(14,099)
Voluntary Early Academic Retirement Program accrual					(5,046)	(5,046)	(13,262)
TOTAL ACADEMIC DIVISIONS	36,071	105,891	18,046	88,538	157,850	406,396	361,514

Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2013
(with comparative figures at April 30, 2012)
(thousands of dollars)

	2013	2012
	Total	Total
ACADEMIC SERVICES:		
Robarts library	1,970	677
Information Commons	43	137
UTSC library	2,934	2,398
UTM library	804	985
Library - Electronic Acquisitions	1,036	1,155
TOTAL ACADEMIC SERVICES	6,787	5,352
STUDENT SERVICES:		
St. George campus	3,343	2,753
UTSC campus	6,226	4,957
UTM campus	1,501	1,540
TOTAL STUDENT SERVICES	11,070	9,250
STUDENT ASSISTANCE:		
Graduate fellowships	1,066	1,710
UTSC campus	78	8
UTM campus	20	26
St. George campus	6,417	3,844
TOTAL STUDENT ASSISTANCE	7,581	5,588
FACILITIES & SERVICES		
St. George campus	3,909	4,944
UTSC campus	6,713	6,824
UTM campus	3,108	1,361
TOTAL FACILITIES & SERVICES	13,730	13,129

Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2013
(with comparative figures at April 30, 2012)
(thousands of dollars)

	2013	2012
	Total	Total
CENTRAL ADMINISTRATION:		
Office of the Governing Council	413	389
Office of the President	87	28
Institutional costs	340	609
Chief Financial Officer	2,055	2,047
Vice-President and Provost	7,096	6,803
Vice-President - Research	1,469	1,919
Vice-President and Chief Advancement Officer	3,881	5,161
Vice-President - University Relations	3,401	3,966
Vice-President - University Operations	7,948	5,154
Vice-President - Human Resources and Equity	1,947	2,021
UTSC campus	5,125	3,770
UTM campus	2,133	4,017
Vacation Pay accrual	(6,869)	(3,287)
TOTAL CENTRAL ADMINISTRATION	29,026	32,597
UNIVERSITY INFORMATION SYSTEMS:		
University information systems	13,153	16,099
TOTAL UNIVERSITY INFORMATION SYSTEMS	13,153	16,099
GENERAL UNIVERSITY:		
Vice-President - Human Resources and Equity	(1,154)	2,396
Chief Financial Officer		
Long-term borrowing pool	225	(5,978)
Vice-President and Provost	2,388	1,987
TOTAL GENERAL UNIVERSITY	1,459	(1,595)
U of T Campaign	(3,521)	(4,706)
TOTAL DIVISIONAL RESERVES	485,681	437,228

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 ("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 Canadian GAAP, while the operating budget includes the projected cash premiums and funding to be paid in the year.

These differences require an ($16.2 million) adjustment to the financial statements' revenues and a $19.8 million adjustement to expenses to make the numbers comparable to budget. Once these adjustments have been made, it is possible to compare the operating fund 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	Original budget	Favourable (unfavourable) variance	% Variance
Operating fund revenues	1,879.2	(16.2)	1,863.0	1,770.5	92.5	5.2%
Operating fund expenses	1,677.9					
Capital asset transfer	99.8					
	1,777.7	19.8	1,797.5	1,770.5	(27.0)	(1.5%)
Net income (loss)	101.5	(36.0)	65.5	0.0	65.5	

Total operating fund revenues, after adjustments, were $1,863.0 million, as compared to budgeted revenues of $1,770.5 million, resulting in a positive variance of $92.5 million, or 5.2%. This positive variance was due primarily to:

- a reduction in graduate expansion funding of $7.3 million, due to lower than expected domestic enrolments in masters and PhD programmes.
- a favourable undergraduate accessibility funding variance of $3.5 million due to higher than planned domestic enrolments,
- discontinuation of the special medical research grant of $3.5 million,
- a favourable indirect cost recovery of research grants and contracts of $7.3 million,
- a favourable tuition fee variance of $3.8 million primarily as a result of higher international enrolments,
- a favourable investment income variance of $2.7 million due to higher than budgeted invested capital in the expendable investment pool,
- a $18.2 million favourable variance in divisional provincial grants,

- a $20.8 million increase in student fees from academic programmes for which no Provincial Government funding is provided and,
- a favourable $42.3 million variance in divisional sales and services.

Total operating fund expenses, after adjustments, were $1,797.5 million, as compared to budgeted expenses of $1,770.5 million resulting in a negative variance of $27.0 million. This negative variance was primarily due to additional divisional expenses in support of the academic mission. 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, 2013

(millions of dollars)

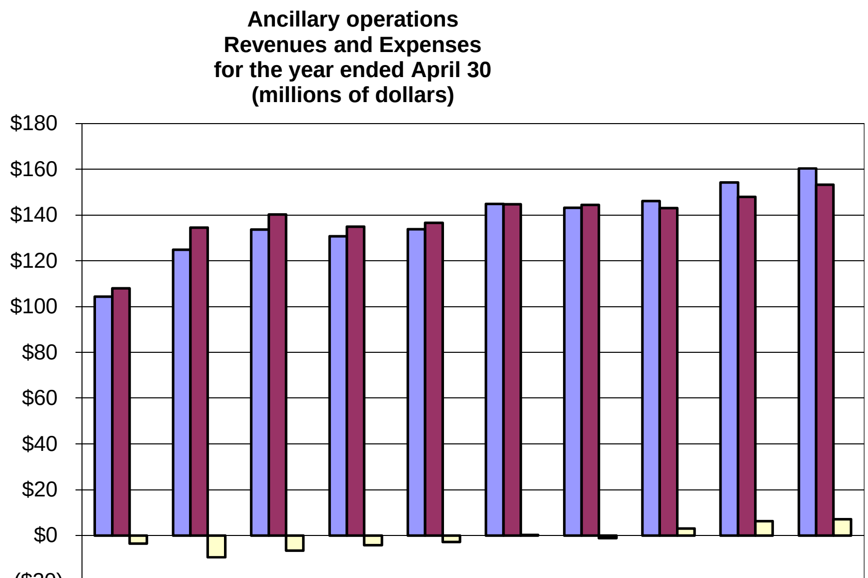
	ACTUAL			BUDGET	VARIANCE
	Financial Statements	Adjustments	Adjusted Financial Statements	Original budget	Favourable (Unfavourable)
REVENUES					
General university income:					
Provincial grants	642.9	(3.2)	639.7	648.6	(8.9)
Indirect cost recovery of grants and contracts	33.5	3.2	36.7	29.4	7.3
Student fees	762.5		762.5	758.7	3.8
Investment income:					
Endowment (chairs and student aid)	53.0		53.0	49.5	3.5
Other	49.4	(16.2)	33.2	30.5	2.7
Sundry income	17.7		17.7	14.9	2.8
Municipal Taxes	5.3		5.3	5.3	
	1,564.3	(16.2)	1,548.1	1,536.9	11.2
Divisional income:					
Provincial grants	35.0		35.0	16.8	18.2
Student fees	160.3		160.3	139.5	20.8
Sales and services	119.6		119.6	77.3	42.3
	314.9		314.9	233.6	81.3
	1,879.2	(16.2)	1,863.0	1,770.5	92.5
EXPENSES					
Academic	1,130.2	(21.3)	1,108.9	1,026.0	(82.9)
Academic services	82.9	0.2	83.1	70.8	(12.3)
Student services	47.4	0.2	47.6	70.9	23.3
Student assistance	164.3	0.2	164.5	170.9	6.4
Physical plant maintenance and services	89.9	0.3	90.2	83.2	(7.0)
Physical plant utilities	51.6	6.1	57.7	58.7	1.0
Alterations and renovations	12.7	(12.7)			
Administration	120.2	0.5	120.7	165.5	44.8
Amortization	9.9	(9.9)			
Interest expense	22.4	(22.4)			
General university expense	40.9	78.6	119.5	119.2	(0.3)
Municipal taxes	5.3		5.3	5.3	
	1,777.7	19.8	1,797.5	1,770.5	(27.0)
Operating results before the following:	101.5	(36.0)	65.5		65.5
Repayment of deficit		10.3	10.3	10.3	
Repayment of divisional deficit		3.5	3.5	3.5	
Change in internally restricted funds (Schedule 3)	(42.2)	22.2	(20.0)		(20.0)
Transfers	(56.5)		(56.5)		(56.5)
NET CHANGE IN DEFICIT FOR THE YEAR	2.8	0.0	2.8	13.8	(11.0)

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.

Since 2001, a large expansion in residence, food and beverage and parking facilities has resulted in significant growth in revenues, expenses, assets and liabilities of ancillary operations.

Ancillary revenues grew from $104.4 million in 2004 to $160.3 million in 2013, expenses grew from $108.0 million to $153.2 million, and the net result changed from a net loss of $3.6 million in 2004 to a net income of $7.1 million in 2013. Almost all the capital expansion has been financed, and the net losses were primarily due to an increase in interest expense from $12.7 million in 2004 to $15.6 million in 2013.

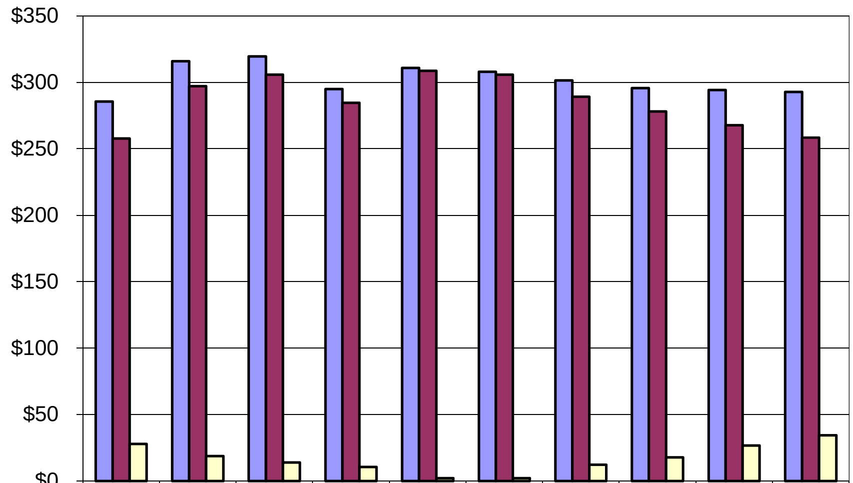


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues	104.4	124.9	133.7	130.7	133.8	144.9	143.2	146.1	154.2	160.3
Expenses	108.0	134.5	140.3	135.0	136.6	144.7	144.4	143.1	148.0	153.2
Net income (loss)	(3.6)	(9.6)	(6.6)	(4.3)	(2.8)	0.2	(1.2)	3.0	6.2	7.1

Ancillaries as a group generated a net income of $7.1 million. After transfers in of $1.9 million from the net asset category of investment in capital assets which reflected the internal financing of capital assets, other transfers in of $0.6 million and $1.1 million committed for future spending, the unrestricted deficit decreased by $8.5 million for the year to $73.2 million.

Ancillary assets grew from $285.5 million in 2004 to $292.7 million while liabilities grew from $257.7 million in 2004 to $258.4 million in 2013. Net assets grew from $27.8 million to $34.3 million over the same period, essentially reflecting the continued success of service operations of filling the residence and parking spaces with reduced debt burdens.

Ancillary operations
Balance Sheet
for the year ended April 30
(millions of dollars)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Ancillary assets	285.5	315.8	319.4	294.8	310.7	307.7	301.3	295.6	294.2	292.7
Ancillary liabilities	257.7	297.1	305.6	284.4	308.6	305.7	289.1	277.9	267.6	258.4
Ancillary net assets	27.8	18.7	13.8	10.4	2.1	2.0	12.2	17.7	26.6	34.3

At April 30, 2013, net assets were $34.3 million, an increase of $7.7 million from April 30, 2012, mainly due to the following:

- $7.1 million net income for the year.
- ($0.6 million) transferred to a restricted fund trust account for future maintenance and bursaries.
- $1.5 million from the operating fund to reduce the Innovations Foundation deficit.
- ($0.3 million) to the capital fund

There are three categories of net assets for ancillary operations which together total $34.3 million. They are:

- ($73.2 million) in unrestricted deficit.
- $13.6 million in internally restricted net assets.
- $93.9 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 unrestricted deficit. Over time, investment in capital assets will be reduced as the capital assets are amortized, and unrestricted deficit will be decrease by the amount of that amortization.

Schedule 5 shows details by ancillary operation.

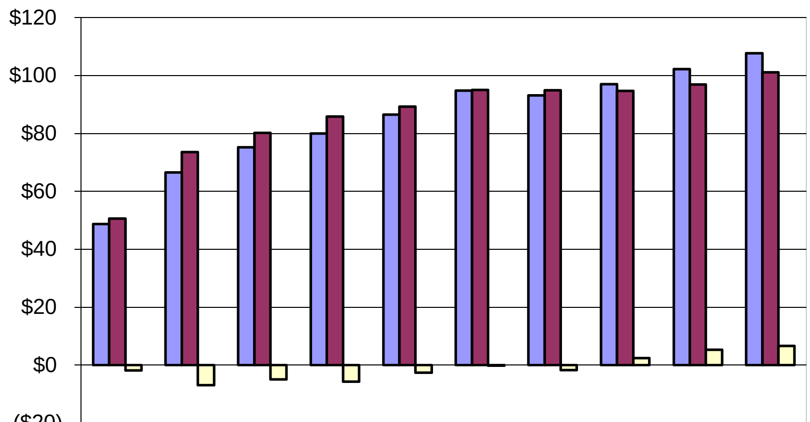
Schedule 5
UNIVERSITY OF TORONTO
ANCILLARY OPERATIONS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2013
(with comparative figures for the year ended Apr 30, 2012)
(thousands of dollars)

	Revenues	Expenses	Commitments and Transfers	Surplus/(Deficit) Opening	Surplus/(Deficit) Closing	Investment in Capital Assets	Internally Restricted	2013 Total Net Assets	2012 Total Net Assets
	$	$	$	$	$	$	$	$	$
Residences									
Graduate House	3,917	3,527	718	(13,515)	(12,407)	15,096		2,689	2,273
Scarborough	6,272	6,047	331	(2,300)	(1,744)	3,661	829	2,746	2,547
Mississauga	11,828	10,232	(305)	(13,721)	(12,430)	10,237	527	(1,666)	(3,164)
University College	5,868	5,431	102	585	1,124	2,084	1,721	4,929	4,488
Innis College	3,014	2,795	(493)	1,345	1,071	372	1,894	3,336	3,243
New College	8,264	8,714	247	(9,951)	(10,154)	3,374	600	(6,180)	(5,947)
Family Housing	8,092	7,261	(107)	2,022	2,747	330	1,250	4,327	3,751
Woodsworth College	4,070	3,961	316	(18,183)	(17,758)	22,322	1,000	5,564	5,455
89 Chestnut	20,190	20,179	(103)	(13,544)	(13,636)	2,864		(10,772)	(10,784)
	71,515	68,146	706	(67,262)	(63,188)	60,340	7,820	4,972	1,861
Food/Beverage Service									
St. George	2,730	2,437	(15)	296	575	110	750	1,435	1,099
Scarborough	548	477	(13)	227	285	130	7	421	351
Mississauga	1,988	1,715	(469)	702	507	730	(5)	1,232	959
New College	817	704	21	(797)	(663)	936	38	311	198
University College	3,398	2,982	3	2	421	25	1,000	1,446	1,030
	9,481	8,314	(473)	430	1,124	1,931	1,789	4,844	3,636
Parking									
St. George	5,352	5,739	68	3,409	3,091	6,142	500	9,732	10,324
Scarborough	2,707	2,066	(187)	(4,744)	(4,290)	6,943	347	3,000	2,819
Mississauga	3,068	2,304	391	(9,195)	(8,040)	9,895		1,855	1,090
	11,127	10,108	272	(10,530)	(9,239)	22,980	846	14,587	14,233
Hart House	15,539	14,583	(820)	209	345	2,909	3,918	7,172	6,217
University of Toronto Press	50,417	49,821	304	3,482	4,382	2,038		6,420	5,824
Residential Housing	2,178	2,235	(341)	(1,721)	(2,119)	3,602	(439)	1,044	1,100
University of Toronto - Innovations Foundation			1,499	(5,866)	(4,367)			(4,367)	(5,866)
	52,595	52,056	1,462	(4,105)	(2,104)	5,640	(439)	3,097	1,058
Total without the Swap	160,257	153,207	1,147	(81,258)	(73,062)	93,800	13,934	34,672	27,005
Fair value of Interest Rate Swap				(448)	(382)			(382)	(448)
Total with the Swap	**160,257**	**153,207**	**1,147**	**(81,706)**	**(73,444)**	**93,800**	**13,934**	**34,290**	**26,557**

Service Ancillaries

Service ancillaries had revenues of $107.7 million and expenses of $101.1 million, with a net income of $6.6 million for the year. Service ancillary revenues have increased by 121.1% since 2004 and expenses have risen by 99.8% due to expansion of residences, food and beverage and parking services to deal with the growth in student enrolment. The majority of this growth is due to the residence expansion with the addition of over 3,500 residence beds over the past nine years. This residence expansion has increased residence assets, liabilities, revenues and expenses considerably. Most residence operations have planned deficits for several years until residence fees can catch up with increased expenses, including large fixed rate principal and interest payments on borrowing.

Ancillary operations - Service Ancillaries
Revenues and Expenses
for the year ended April 30
(millions of dollars)



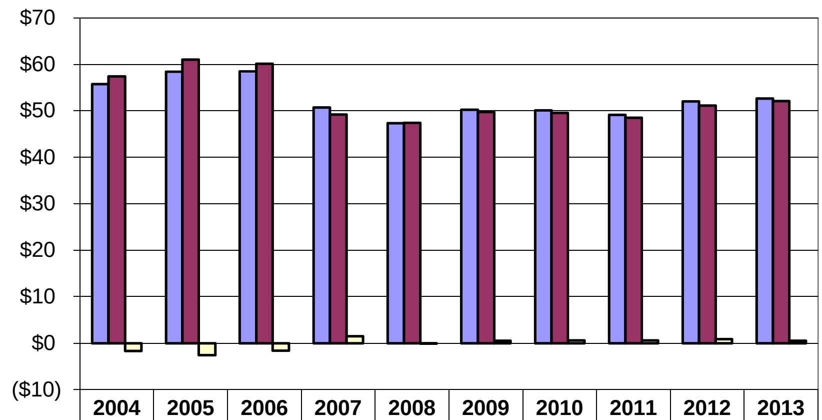
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Service ancillary revenues	48.7	66.5	75.2	80.0	86.5	94.7	93.1	97.0	102.2	107.7
Service ancillary expenses	50.6	73.5	80.2	85.8	89.2	95.0	94.9	94.6	96.9	101.1
Service ancillary net income (loss)	(1.9)	(7.0)	(5.0)	(5.8)	(2.7)	(0.3)	(1.8)	2.4	5.3	6.6

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 subsidy from the operating results of existing ancillary operations resulting in reduced operating margins. Where capital infrastructure growth has occurred, the individual ancillary operation is expected to break even annually in 5 years and cumulatively in 8 years.

Business Ancillaries

Business ancillaries had revenues of $52.6 million and expenses of $52.1 million, for a net income of $0.5 million for the year. The reduction in revenues since 2006 is a result of the transfer of the University of Toronto Innovations Foundation (UTIF) from ancillary operations to the operating fund (Vice-President, Research portfolio) effective May 1, 2006 and as a result of the U of T Press selling its printing division. The UTIF transfer within the University was made for two reasons. Firstly, UTIF had been unsuccessful at becoming economically viable as called for by its 2002 business plan. Secondly, the University has refocused its mission of transferring knowledge without taking the risks associated with investing in start-up technologies. The transfer within the University has permitted closer relations with academic divisions, more disclosure and a clearer focus on the mission of knowledge transfer.

Ancillary operations - Business Ancillaries
Revenues and Expenses
for the year ended April 30
(millions of dollars)



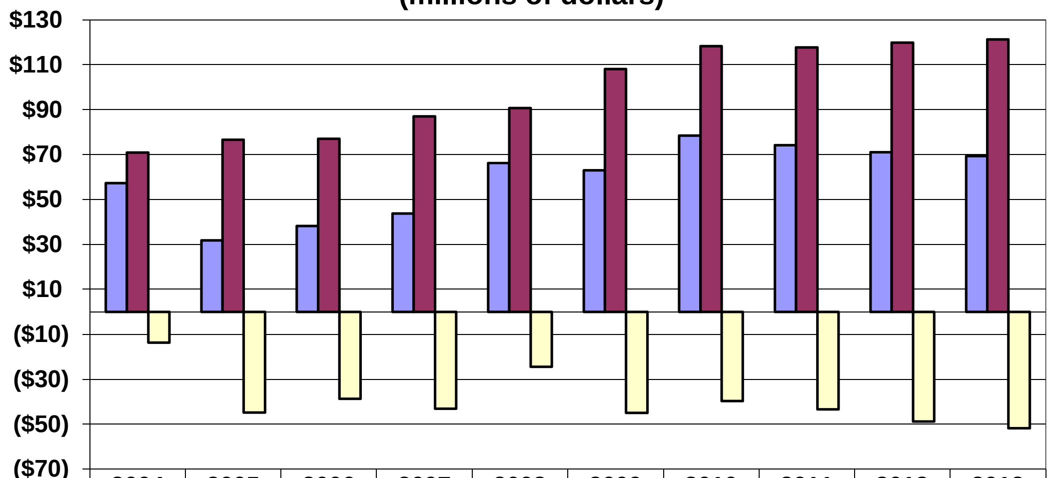
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business ancillary revenues	55.7	58.4	58.5	50.7	47.3	50.2	50.1	49.1	52.0	52.6
Business ancillary expenses	57.4	61.0	60.1	49.2	47.4	49.7	49.5	48.5	51.1	52.1
Business ancillary net income (loss)	(1.7)	(2.6)	(1.6)	1.5	(0.1)	0.5	0.6	0.6	0.9	0.5

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 the provided to departments or operations that have the responsibility to repay the loan.

Capital fund revenues for the year were $69.3 million and expenses were $121.2 million, for a net loss of $51.9 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 all capital assets.

Capital Fund
Revenues and Expenses
for the year ended April 30
(millions of dollars)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues	57.2	31.8	38.2	43.8	66.2	63.0	78.4	74.2	71.0	69.3
Expenses	70.9	76.6	77.0	87.0	90.7	108.0	118.2	117.7	119.9	121.2
Net loss	(13.7)	(44.8)	(38.8)	(43.2)	(24.5)	(45.0)	(39.8)	(43.5)	(48.9)	(51.9)

The reason for this loss 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 or expenses of the capital fund.

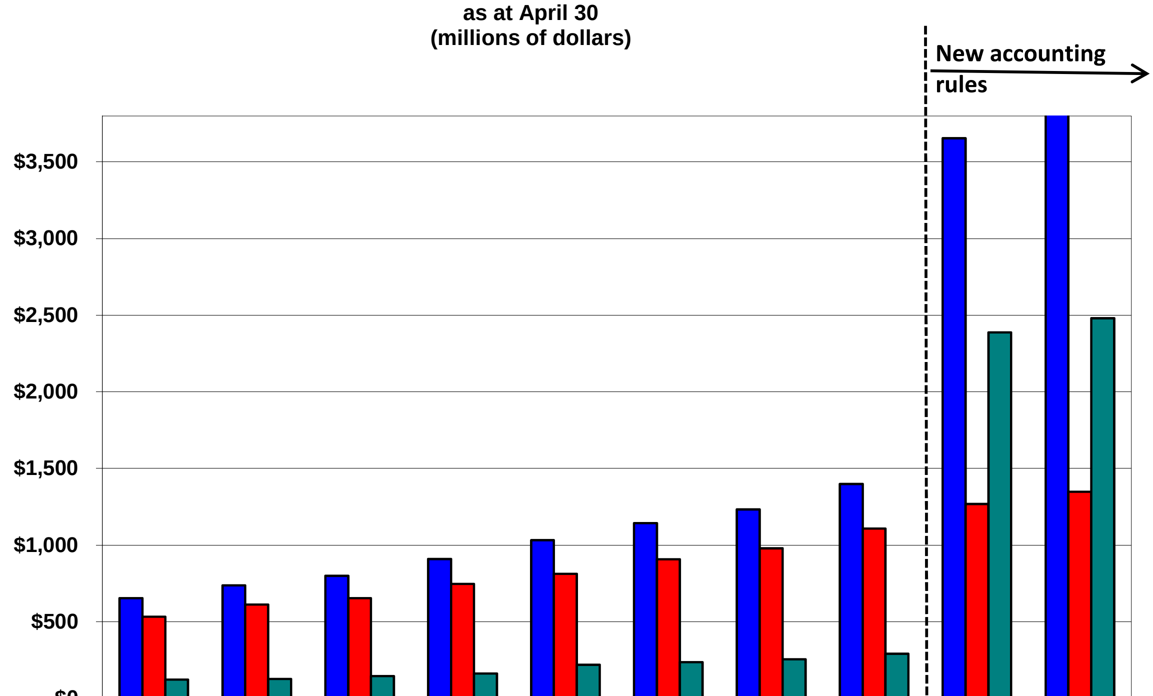
A total of $145.6 million was transferred to the capital fund. This was made up of $99.8 million in capital asset funding from the operating fund that must be transferred to the capital fund where the assets are capitalized, combined with net transfers of $45.5 million in contributions from the operating fund and $0.3 million from ancillary operations in support of various capital projects.

The University was required to adopt new accounting standards. These standards were required to be accounted for retrospectively. The University elected to recognize some of its land at fair value which increased its capital assets and internally restricted net assets in fiscal 2012 by $2,067.9 million.

Capital fund assets were $3,828.2 million, liabilities were $1,347.5 million and net assets were $2,480.7 million. Net assets comprised $2,457.3 million investment in capital assets, $68.3 million internally restricted funds offset by $44.9 million in unrestricted deficit.

The assets of the capital fund have grown from $653.1 million in 2004 to $3,828.2 million in 2013 primarily as a result of the University's large capital construction program and recording some of its lands at fair value. Liabilities have also grown from $531.4 million in 2004 to $1,347.5 million in 2013. This growth in liabilities reflects the increase in long-term debt to $713.2 million, and growth in deferred capital contributions to $1,068.5 million. This growth is partly offset by loans to other funds of $470.6 million because 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 or ancillary fund, as appropriate, and are recorded as a receivable in the capital fund.

Capital Fund
Balance Sheet
as at April 30
(millions of dollars)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assets	653.1	737.4	798.2	908.3	1,031.5	1,143.9	1,232.7	1,397.5	3,654.1	3,828.2
Liabilities	531.4	610.8	652.7	746.2	812.9	907.5	978.9	1,106.6	1,267.1	1,347.5
Net assets	121.7	126.6	145.5	162.1	218.6	236.4	253.8	290.9	2,387.0	2,480.7

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 funds. There are over 19,000 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 for the year were $454.5 million, expenses were $437.7 million resulting in a net income of $16.8 million. Net income in any particular year mainly reflects the recording of unrestricted donations and investment income as revenue that was not yet 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.

In 2009, investment losses reflected the very poor investment markets. No spending allocation was made from the endowment. Commitments normally met from the endowment payout were met from other sources of funds. After 2009, the University was able to make funds available for spending from the endowment.

Restricted Funds
Revenues, Expenses and Deferred Contributions
for the Year Ended April 30
(millions of dollars)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues	348.6	345.1	377.0	399.9	369.7	360.7	440.2	441.9	439.4	454.5
Expenses	307.5	330.5	348.2	371.1	395.1	451.6	420.9	431.0	445.8	437.7
Net income (loss)	41.1	14.6	28.8	28.8	(25.4)	(90.9)	19.3	10.9	(6.4)	16.8
Deferred contributions	261.0	265.5	265.5	341.3	346.1	328.4	357.9	370.3	371.2	372.7

Restricted funds' assets were $2.13 billion, liabilities were $388.8 million, and net assets were $1.74 billion. Net assets comprised $1.66 billion in endowments and $74.1 million in internally restricted funds.

At April 30, 2013, the restricted funds net assets increased by $148.2 million from April 30, 2012 as a result of a net income of $16.8 million and a further $131.5 million as follows:

a) transfers from other funds:

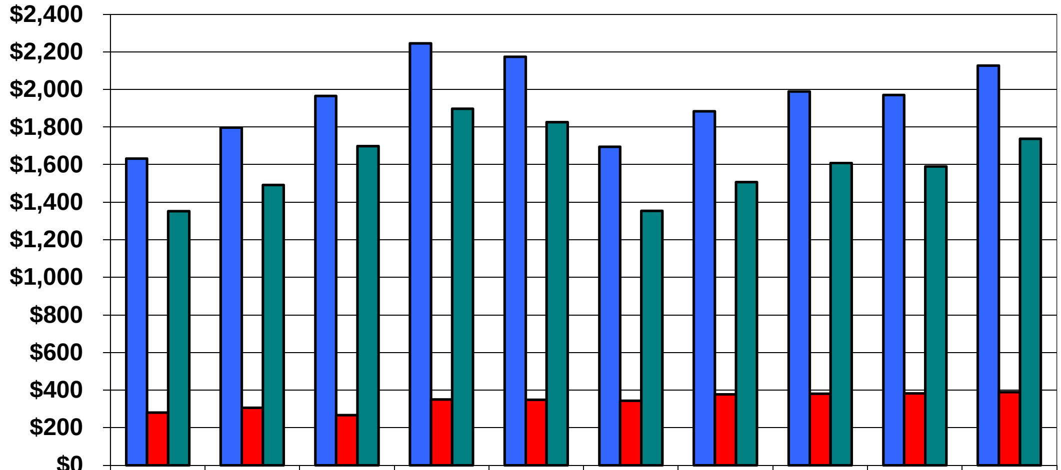
- $9.5 million from the operating fund, mainly as matching funds.
- $0.6 million net transfer to fund future maintenance and bursaries.

b) endowed contributions and investment gains (losses) on externally restricted endowments, which are not recorded as revenue, but are added (deducted) directly to (from) net assets:

- $34.6 million endowed donations.
- $86.8 million investment gain on externally restricted endowments.

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. These liabilities have grown from $280.5 million in 2004 to $388.8 million in 2013 mainly as a result of the strong growth in research activity which is reflected in the expendable restricted funds on hand that have not yet been spent.

Restricted Funds
Balance Sheet
as at April 30
(millions of dollars)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assets	1,633.1	1,796.8	1,965.0	2,246.6	2,174.6	1,696.1	1,883.3	1,988.9	1,970.7	2,126.6
Liabilities	280.5	304.6	267.1	349.9	348.1	342.1	377.2	379.7	381.1	388.8
Net assets	1,352.6	1,492.2	1,697.9	1,896.7	1,826.5	1,354.0	1,506.1	1,609.2	1,589.6	1,737.8

Net assets in restricted funds have grown from $1.35 billion in 2004 to $1.74 billion in 2013.

Schedule 6 reflects the change in endowment funds from April 30, 2012 to April 30, 2013 with the related expendable funds.

Schedule 6
(Unaudited)
UNIVERSITY OF TORONTO
RESTRICTED FUNDS
ENDOWMENT AND EXPENDABLE FUNDS AT FAIR VALUES AT APRIL 30, 2013
(thousands of dollars)

	Endowment funds					Expendable funds					
	April 30, 2012	Donations, and other additions	Preservation of capital (note 1)	Transfers	April 30, 2013	April 30, 2012	Donations, grants and other additions	Distributed Investment Income/(loss) (note 1)	Transfers	Disbursements	April 30, 2013
	$	$		$	$	$	$	$	$	$	$
Student aid (note 2)	298,386	9,760	20,394	3,239	331,779	35,389	6,290	(7,359)	2,314	-	36,634
Ontario Student Opportunity		-									
Trust Funds - Phase I (note 2)	266,618	(20)	17,787	41	284,426	22,870	20	1,715	(39)	-	24,566
Ontario Student Opportunity											
Trust Funds - Phase 2 (note 2)	32,053	-	2,137	-	34,190	3,014	-	(64)	-	-	2,950
Ontario Trust for Student Support (note 2)	58,118	596	3,887	52	62,653	3,590	3	288	89	-	3,970
Research funds	107,272	1	7,085	5	114,363	188,656	382,555	5,173	3,252	392,357	187,279
Departmental funds	186,971	17,774	13,043	3,195	220,983	151,802	37,507	23,496	(1,313)	60,982	150,510
Faculty endowment funds (note 2)	460,440	7,175	30,696	2,158	500,469	10,519	15	5,569	(481)	4,070	11,552
Connaught fund	75,814	-	5,052	-	80,866	7,776	(8)	3,599	(3,777)	255	7,335
I'Anson fund	2,357	-	157	-	2,514	793	-	118	(31)	-	880
Miscellaneous funds	30,086	(29)	956	484	31,497	18,329	25,001	156	963	23,249	21,200
	1,518,115	35,257	101,194	9,174	1,663,740	442,738		32,691	977	480,913	446,876
Comprising:											
Externally designated	1,287,335	34,584	86,783	7,145	1,415,847						
Internally designated	230,780	673	14,411	2,029	247,893						
	1,518,115	35,257	101,194	9,174	1,663,740	451,383					
Restricted						371,222	443,630	25,960	1,326	469,414	372,724
Unrestricted						71,516	7,753	6,731	(349)	11,499	74,152
						442,738	451,383	32,691	977	480,913	446,876

Notes:

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

Endowment funds	132,330
Expendable funds	1,555
	133,885

(2) Disbursements and corresponding distributed investment income for Student aid ($21,491), Ontario Student Opportunity Trust Funds ($12,407), Ontario Trust for Student Support ($2,439) and Faculty Endowments ($16,588) are reported in the Operating Fund.

UNIVERSITY OF
TORONTO