



UNIVERSITY OF TORONTO



FINANCIAL REPORT
2004 - 2005

UNIVERSITY OF TORONTO
FINANCIAL REPORT
APRIL 30, 2005

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FINANCIAL HIGHLIGHTS

April 30, 2005

The University of Toronto's vision is to be a leader among the world's best public teaching and research universities in its discovery, preservation and sharing of knowledge through its teaching and research and its commitment to excellence and equity. Key opportunities and challenges are the need to accommodate student enrolment growth, program quality enhancements and research growth, together with their associated capital requirements.

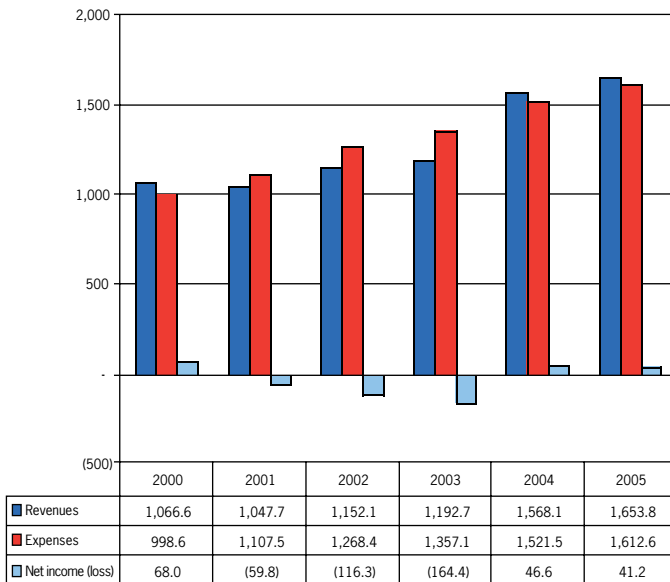
Revenues for the year were \$1.65 billion, expenses were \$1.61 billion and net income was \$41.2 million. Although revenues have grown by 55.1% since 2000, this growth is primarily due to increased numbers of students and increased research activities. Expenses have nevertheless, continued to increase due both to inflation and increased numbers of faculty and staff to accommodate these increased levels of activities.

At April 30, 2005, assets were \$3.3 billion, liabilities were \$1.65 billion and net assets were \$1.64 billion. Assets, liabilities and net assets have grown due to construction of additional space to accommodate the increased number of students and increased research activity and due to growth in endowment. Net assets consist of the following:

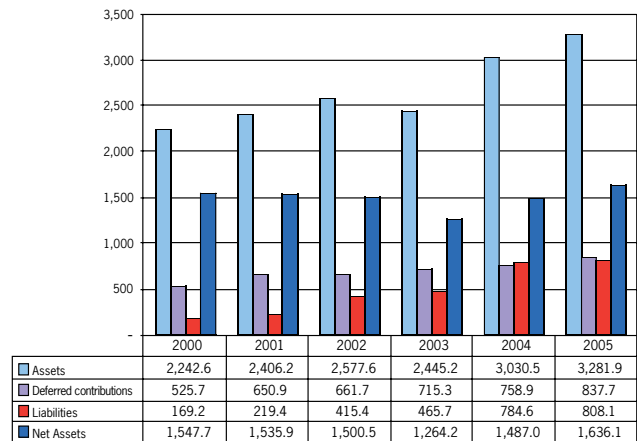
- \$1.42 billion of endowments (representing 87% of net assets),
- \$266.4 million in investment in capital assets,
- \$91.7 million of internally restricted net assets and
- (\$144.8) million of unrestricted deficit.

The unrestricted deficit is due largely to internal financing of some capital construction.

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



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



It is important to remember that the University also faces liabilities of \$347.0 million for deferred maintenance and \$264.0 million in employee future benefits that are not included in the financial results.

To deal with the financial resource issue, the University is pursuing a strategy of increasing revenues and containing expenses. The strategy for increasing revenues has already resulted in obtaining full average funding for enrolment growth and quality enhancement funds from the provincial government and funding for the indirect costs of federally funded research from the federal government.

The Ontario Budget released on May 11, 2005 provides a major funding allocation of \$6.2 billion for universities and colleges over the period from 2004-05 to 2009-10.

During 2004-05, the University received the following with respect to this budget: \$27.0 million for endowments to provide fellowships for outstanding graduate students, which has been added directly to endowments, and \$26.0 million to begin needed repairs to buildings. The \$26.0 million was added to revenues thereby increasing net income and was also set aside and internally restricted for future repairs expenditures.

Beyond 2004-05, the impact of this budget is not known. It will be better understood over the next several months once program details have been released by the Province and once allocations between universities and colleges and among universities are decided.

The long-range academic and budget plan for 2004-05 through 2009-10 addresses the financial resource issue by means of planned expense reductions to be implemented throughout the plan. The impact of the budget announcement on these planned reductions is not yet known but it is expected that reductions will continue to be needed since a major part of the new funding was already anticipated in the budget and much of the new funding will result in additional expenses.

Investment Earnings

Investment earnings for the year were \$118.0 million. Of that total, \$35.2 million investment earnings on externally restricted endowments,

was added directly to endowments and \$82.8 million was reported as investment income. The \$82.8 million comprised \$24.2 million of investment income on expendable funds and \$58.6 million of investment income on endowments, of which \$49.4 million was allocated for spending for program purposes.

Endowments

Endowments are RESTRICTED FUNDS which must be used in accordance with purposes agreed between the University and donors, or by Governing Council. Endowments are NOT available for use in support of general operating activities.

Endowments are expected to provide to future generations the same level of economic support for specified purposes as they provide today. To achieve this, they are subject to the University's policy for preservation of capital of endowment funds, the purpose of which is to ensure that the rate of growth in the value of endowments matches or exceeds the rate of inflation over time. This policy limits the amount of earnings made available for spending and requires the reinvestment of excess earnings.

The target investment return is a 4.0% real investment return, with a risk tolerance of plus or minus 10% (-6% to +14%) two thirds of the time over a 10 year period.

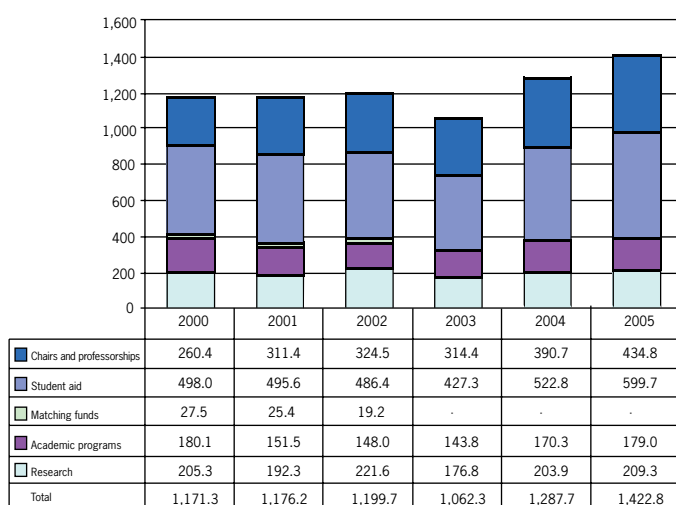
The target allocation for spending is about 4% of fair value of the endowment. This allocation is expressed as a payout per investment unit. The payout is expected to increase annually by the rate of inflation and it should also fall within a range of 3% to 5% of fair value per unit of endowment.

At April 30, 2005, there were over 4,200 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 was \$1.42 billion at April 30, 2005,

a net increase of \$135.1 million from April 30, 2004, comprising:

- \$34.9 million of externally endowed donations,
- \$37.8 million of endowed government grants,
- \$18.0 million of transfers from expendable funds to endowments,
- \$93.8 million in investment earnings, and
- (\$49.4 million) allocated for program spending.

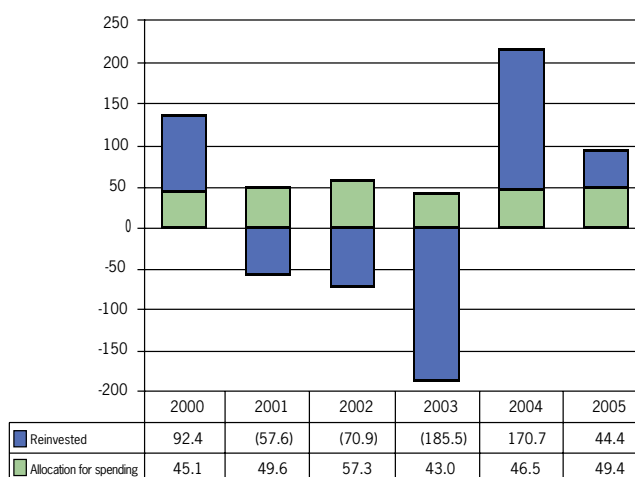
**Endowments at Fair Value
as at April 30
(millions of dollars)**



The investment return on endowments was 7.0% for 2005 as compared to 19.9% for 2004, net of fees and expenses. With inflation running at about 2%, the real return for the year of 5% (7%-2%) was 1% over the long-term target of 4%.

Total investment earnings were \$93.8 million, net of fees and expenses. The spending allocation was \$49.4 million for 2005 as compared to \$46.5 million for 2004. The amount reinvested to preserve capital and to provide a cushion to maintain the spending allocation in years where investment returns are poor was \$44.4 million for 2005 as compared to \$170.7 million for 2004. The per unit allocation to endowment account holders for spending on endowment program purposes increased by 2% over the previous year.

**Investment Income on Endowments
for the year ended April 30
(millions of dollars)**



Enrolment Growth

The University has increased enrolment to accommodate additional student demand due to demographic growth and increased participation rates. Student full-time enrolment equivalent increased from 44,681 in 2000 to 57,887 in 2005.

The Provincial government provides full average funding for each additional student beyond the numbers enrolled in 2000-01. Government grants for general operations increased to \$553.5 million for 2005 from \$484.3 million for 2004, an increase of 14.3% due primarily to student enrolment growth.

Tuition fees for domestic students did not increase in 2004-05 due to a tuition freeze imposed by the Ontario Government. Student fees revenue increased to \$472.3 million for 2005 from \$433.1 million for 2004 reflecting primarily student enrolment growth and an overall increase in international tuition and self-funded program fees.

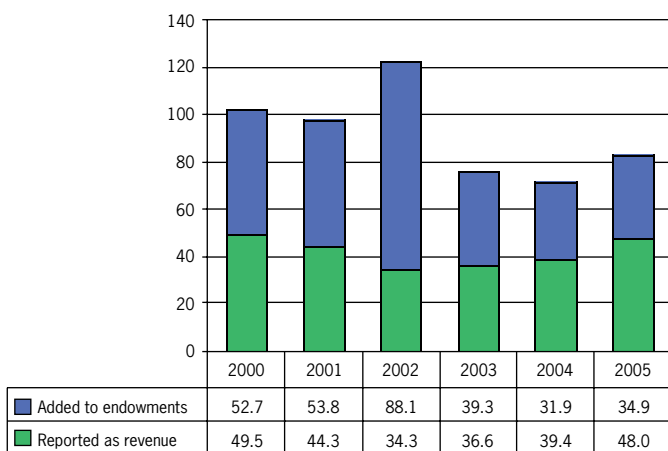
Student aid (scholarships, fellowships and bursaries) increased to \$110.9 million for 2005 from \$108.8 million for 2004. Over the six years from 2000 to 2005, student fees revenue increased by 71.7% while student aid expense increased by

98.4%. Student aid comprises 42.2% of the University's endowment.

Donations

Donations received were \$82.9 million for 2005 as compared to \$71.3 million for 2004. The \$82.9 million of donations received this year were reported as follows: \$48.0 million expendable donations was reported as revenue and \$34.9 million was added directly to endowments.

**Donations Received
for the year ended April 30
(millions of dollars)**



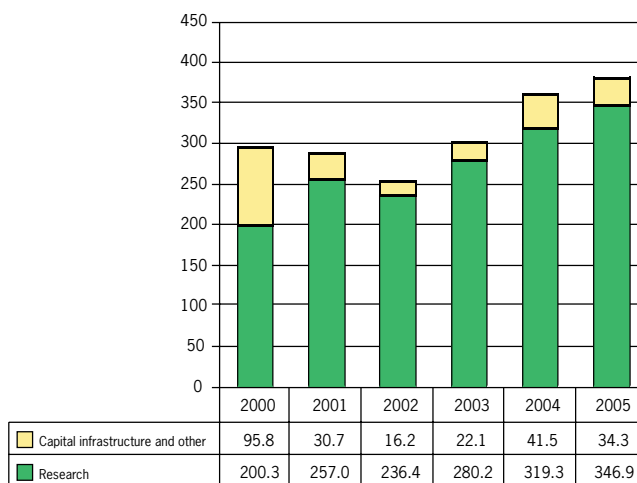
For the six-year period from 2000 to 2005, the University received \$552.8 million in donations, of which \$252.1 million was reported as revenue and \$300.7 million was added directly to endowments. These amounts do not include donations to the federated universities – Victoria, St. Michael's and Trinity.

Government and Other Grants and Contracts for Restricted Purposes

Government and other grants and contracts for restricted purposes totalled \$381.2 million for 2005, compared to \$360.8 million for 2004, and were reported as follows: \$280.2 million as revenue from grants for restricted purposes, \$22.2 million as contract research revenue and \$78.8 million as deferred contributions and deferred capital contributions.

Grant funding has increased by 28.7% since 2000. The \$381.2 million comprised \$346.9 million for research and \$34.3 million mostly for capital infrastructure. This increase in research is mainly due to the increase in research funding from the federal and provincial governments.

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



Compensation

Salaries and benefits expense increased to \$936.3 million for 2005 from \$907.8 million in 2004, an increase of 3.1%. The increase is mainly due to increased numbers of staff to deal with increased number of students and increased research activity, and to salary increases agreed with employee groups. The University provides benefits such as pension, long-term disability coverage and medical benefits to pensioners, which create liabilities for future payments. The University's liability for such future benefits includes an accrued pension liability of \$102.3 million and an employee future benefit obligation other than pension of \$142.9 million.

The pension plan is a defined benefit plan. The pension plan's assets were \$2.35 billion and the liabilities were \$2.72 billion resulting in a deficit of \$369.5 million at April 30, 2005.

The University has made employer contributions of \$68.7 million to the registered pension plan during 2005. The pension plan funding strategy approved by governance includes contributions of 100% of the required employer current service cost and special payments of no less than \$26.4 million annually in order to address the pension plan and supplemental retirement arrangement obligations. The supplemental retirement arrangement, an unregistered defined benefit pension plan, provides pensions in excess of the Income Tax Act maximum salary of \$102,000 to a maximum of \$150,000.

Capital Plan

The University has undertaken an ambitious capital construction plan to significantly expand space capacity to accommodate increased number of students and to expand and update research infrastructure. This program began in 1999 and is expected to be largely completed by 2007. It includes a significant expansion of the University of Toronto at Mississauga and at Scarborough and considerable expansion and renovation on the St. George campus. The estimated cost of the projects currently approved and initiated since 1999 is \$898.4 million. An additional \$153.8 million is needed for other requirements, bringing the total cost to \$1.05 billion. Of this sum, \$370.8 million has been assembled from donations, research infrastructure grants, ATOP and SuperBuild funds. The balance of \$681.4 million is being financed. To date, \$410.6 million has been borrowed externally and \$89.6 million has been financed internally. The approved borrowing strategy provides for maximum external borrowing of 40% of net assets smoothed over 5 years (\$593.9 million) plus \$200.0 million in internal financing.

The additional borrowing to be undertaken for these requirements is estimated at \$181.2 million, of which \$150.0 million was approved by Governance to be borrowed externally with the remainder to be financed internally. Additional high priority capital projects continue to be

identified that may need additional financing when borrowing capacity permits.

Deferred Maintenance and Capital Renewal

The University's deferred maintenance and capital renewal requirements are currently estimated at \$347.0 million including asbestos containment and removal. The University is currently integrating its capital programs by pooling the various funds available and prioritizing maintenance and renewal requests. In an effort to provide additional data to assist in the prioritizing of projects, the University is participating, with all other Ontario universities, in a five-year study that is analyzing, in some detail and on a uniform basis, the deferred maintenance obligations of every university in the Province. The long-range academic and budget plan for 2004-05 through 2009-10 includes funding to arrest further deterioration. The Province provided an additional \$26.0 million this year for needed repairs to buildings.



Catherine J. Riggall
Vice-President, Business Affairs



Sheila Brown
Chief Financial Officer

STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

The administration of the University is responsible for the preparation of the financial statements, the notes thereto and all other financial information contained in this annual report.

The administration has prepared the financial statements in accordance with Canadian generally accepted accounting principles developed by The Canadian Institute of Chartered Accountants. The administration believes the financial statements present fairly the University's financial position as at April 30, 2005 and the results of its operations and its cash flows for the year then ended. In order to achieve the objective of fair presentation in all material respects, the use of reasonable estimates and judgments were employed. Additionally, management has ensured that financial information presented elsewhere in this annual report has been prepared in a manner consistent with that in the 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 loss and that the accounting records are a reliable basis for the preparation of financial statements.

Hewitt Associates LLC has been retained by the University in order to provide an estimate of the University's current year position for pension and other employee future benefits. Management has provided the valuation actuary with the information necessary for the completion of the University's 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 financial statements and this annual report principally through the Business Board and its Audit Committee. The majority of 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 financial statements for the year ended April 30, 2005 have been reported on by Ernst & Young LLP, Chartered Accountants, the auditors appointed by Governing Council. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.



Catherine J. Riggall
Vice-President, Business Affairs



Frank Iacobucci
Interim President

AUDITORS' REPORT

To the Members of Governing Council of University of Toronto:

We have audited the financial statements of **University of Toronto** as at and for the year ended April 30, 2005 comprising the following:

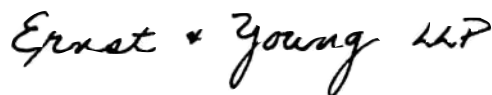
Balance sheet
Statement of operations
Statement of changes in net assets
Statement of cash flows

These financial statements are the responsibility of the administration of the University. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the administration, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
May 31, 2005.



Chartered Accountants

University of Toronto

Statement 1

BALANCE SHEET

APRIL 30, 2005

(with comparative figures at April 30, 2004)

(millions of dollars)

	2005 \$	2004 \$
ASSETS		
Current		
Cash and cash equivalents (note 4)	28.1	49.0
Short-term investments (note 4)	257.9	118.7
Accounts receivable	79.0	87.0
Inventories and prepaid expenses	16.6	16.5
	<u>381.6</u>	<u>271.2</u>
Investments (note 4)	1,757.3	1,800.8
Capital assets, net (note 5)	1,143.0	958.5
	<u>3,281.9</u>	<u>3,030.5</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 7)	152.3	154.8
Deferred contributions (notes 10 and 14)	265.5	261.0
	<u>417.8</u>	<u>415.8</u>
Accrued pension liability (note 3)	102.3	101.8
Employee future benefit obligation other than pension (note 3)	142.9	112.9
Other long-term debt (note 7)	50.6	55.1
Series A senior unsecured debenture (note 8)	160.0	160.0
Series B senior unsecured debenture (note 9)	200.0	200.0
Deferred capital contributions (note 11)	572.2	497.9
	<u>1,645.8</u>	<u>1,543.5</u>
NET ASSETS (Statement 3)		
Unrestricted deficit	(144.8)	(47.7)
Internally restricted (note 12)	91.7	59.1
Investment in capital assets (note 6)	266.4	187.9
Endowments (notes 13 and 14)	1,422.8	1,287.7
	<u>1,636.1</u>	<u>1,487.0</u>
	<u>3,281.9</u>	<u>3,030.5</u>

On behalf of Governing Council:



Rose M. Patten
Chair



Frank Iacobucci
Interim President

(see notes to financial statements)

University of Toronto
STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED APRIL 30, 2005

Statement 2

(with comparative figures for the fiscal year ended April 30, 2004)
(millions of dollars)

	2005 \$	2004 \$
REVENUES		
Government grants for general operations	553.5	484.3
Student fees	472.3	433.1
Government and other grants for restricted purposes (note 17)	280.2	295.2
Sales, services and sundry income	194.8	170.2
Investment income (note 4)	82.8	123.9
Donations (note 16)	48.0	39.4
Contract research	22.2	22.0
	1,653.8	1,568.1
EXPENSES		
Salaries and benefits (note 3)	936.3	907.8
Materials and supplies	194.7	184.2
Scholarships, fellowships and bursaries	110.9	108.8
Amortization of capital assets (note 5)	83.5	76.8
Cost of sales and services	77.6	70.7
Utilities	44.5	38.2
Repairs and maintenance	48.8	38.3
Travel and conferences	31.3	27.7
Interest	26.6	19.8
External contracted services	17.7	15.9
Telecommunications	9.6	10.2
Other	31.1	23.1
	1,612.6	1,521.5
NET INCOME	41.2	46.6

(see notes to financial statements)

University of Toronto
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED APRIL 30, 2005

(with comparative figures for the fiscal year ended April 30, 2004)
(millions of dollars)

	Unrestricted deficit \$	Internally restricted (note 12) \$	Investment in capital assets (note 6) \$	Endowments (note 13) \$	2005 Total \$	2004 Total \$
Net assets, beginning of year	(47.7)	59.1	187.9	1,287.7	1,487.0	1,264.2
Net income	41.2				41.2	46.6
Net change in internally restricted (note 12)	(32.6)	32.6				
Net change in investment in capital assets (note 6)	(78.5)		78.5			
Transfer to internally restricted endowments (note 13)				9.2		
- investment income	(9.2)					
Transfer to endowments				1.5		
- donations	(1.5)			16.5		
- matching funds	(16.5)					
Investment income on externally restricted endowments (note 13)				35.2	35.2	137.5
Externally endowed contributions						
- donations (note 16)				34.9	34.9	31.9
- Ontario grants				37.8	37.8	6.8
Net assets, end of year	<u>(144.8)</u>	<u>91.7</u>	<u>266.4</u>	<u>1,422.8</u>	<u>1,636.1</u>	<u>1,487.0</u>

(see notes to financial statements)

University of Toronto
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED APRIL 30, 2005

Statement 4

(with comparative figures for the fiscal year ended April 30, 2004)
(millions of dollars)

	<u>2005</u> \$	<u>2004</u> \$
OPERATING ACTIVITIES		
Net income	41.2	46.6
Add (deduct) non-cash items:		
Amortization of capital assets (note 5)	83.5	76.8
Amortization of deferred capital contributions (note 11)	(36.9)	(34.3)
Net capital gain from investments	(47.6)	(103.3)
Net change in accrued pension liability	0.5	71.7
Net change in employee future benefit obligation other than pension	30.0	24.7
Net change in other non-cash items (note 15)	9.9	5.7
	<u>80.6</u>	<u>87.9</u>
INVESTING AND FINANCING ACTIVITIES		
Net sale (purchase) of short-term investments	(139.2)	16.2
Net sale (purchase) of investments	126.3	(220.9)
Purchase of capital assets (note 5)	(268.0)	(329.3)
Contributions for capital asset purchases (note 11)	111.2	83.9
Other long-term debt principal repayments	(4.5)	(1.8)
Series B senior unsecured debenture issue (note 9)		200.0
Endowment contributions		
- donations (note 16)	34.9	31.9
- Ontario grants	37.8	6.8
	<u>(101.5)</u>	<u>(213.2)</u>
Net decrease in cash and cash equivalents during the year	(20.9)	(125.3)
Cash and cash equivalents, beginning of year	49.0	174.3
Cash and cash equivalents, end of year	<u>28.1</u>	<u>49.0</u>

(see notes to financial statements)

University of Toronto
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2005

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 of Toronto’s vision is to be a leader among the world’s best public teaching and research universities in its discovery, preservation and sharing of knowledge through its teaching and research and its commitment to excellence and equity.

These financial statements include the assets, liabilities, revenues, expenses and other transactions of all of the operations and organizations under the jurisdiction of Governing Council. These 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 & Women’s College Health Sciences Centre (“Sunnybrook & Women’s”) 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 the Sunnybrook Campus of Sunnybrook & Women’s. 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 & Women’s, a separate corporation, under a ground lease, which is perpetually renewable every twenty-one years at the option of the Board of Directors of Sunnybrook & Women’s.

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 reporting practices

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

a) Investments -

Investments are carried at fair value. Fair value amounts represent estimates of the consideration that would be agreed upon 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. Changes in fair values from one year to the next are reflected in the statement of operations.

Fair value of investments is determined as follows:

1. Publicly traded bonds and equities are determined based on quoted market values.
2. Investments in pooled funds are valued at their net asset value per unit.
3. Unlisted or infrequently traded securities are based on quoted market yields or prices of comparable securities, as appropriate.
4. Real estate is generally valued through an appraisal process, which utilizes discounted future cash flows. In estimating future cash flows, certain assumptions are made with respect to future economic conditions and rates of return. The appraisal process is carried out periodically by accredited appraisers. A year-end estimate is then arrived at by considering the appraisals performed.

b) Derivative financial instruments -

Derivative financial instruments are used to manage particular market and currency exposures for hedging and risk management purposes 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 supported by liquid assets with a fair value approximately equal to the fair value of the instruments underlying the derivative contract.

The University follows hedge accounting for its interest rate swaps which results in interest expense related to certain long-term debt recorded in the financial statements at the hedged rates rather than at the original contractual interest rates. In order for a derivative to qualify for hedge accounting, the hedge relationship must be identified, designated and formally documented at its inception. Changes in the cash flows on the interest rate swaps must be highly effective in offsetting changes in the amount of cash flows on the hedged long-term debt. In the event a designated hedged long-term debt is extinguished or matures prior to the termination of the related interest rate swaps, any realized or unrealized gain or loss on such interest rate swaps is recognized in income.

For all other derivative financial instruments, the gains and losses arising from changes in the fair value of such derivatives are recognized as investment income (loss) in the year in which the changes in fair value occur. The fair value of derivative financial instruments reflect the daily quoted market amount of those instruments, thereby taking into account the current unrealized gains or losses on open contracts. Investment dealer quotes or quotes from a bank are available for substantially all of the University's derivative financial instruments.

c) Cash and cash equivalents -

Cash and cash equivalents represents cash on deposit and units in a money market fund.

d) Inventory valuation -

Supplies and other inventories are carried at the lower of average cost or net realizable value.

e) Employee benefit plans -

The University maintains defined benefit plans providing pension, other retirement and post-employment benefits for substantially all of its employees.

Pension plan assets are valued at fair value for purposes of calculating expected return on plan assets. The cost of pension and other post-employment benefits (primarily medical benefits and dental care) related to the employees' current service is charged to income annually. The cost is computed on an actuarial basis using the projected benefits prorated on service method, and using estimates of the usage frequency and cost of services covered and management's best estimates of investment yields, salary changes, withdrawals, mortality rates and expected health care costs. The University's actuarial gains or losses (such as changes in actuarial assumptions and experience gains or losses), past service costs arising from plan amendments and transitional assets are amortized over the average remaining service life of active employees, currently 14 years (2004 – was 14 years). A valuation allowance is recorded against an accrued benefit asset if the asset, less unamortized past service costs and unamortized actuarial losses, exceeds the present value of future service costs of the current active employees. Liabilities are discounted using current interest rates on long-term bonds.

f) 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%
Co-generation facility	5%
Equipment and furnishings	10% - 15%
Library books	20%
Computers	20%

Contributed rare books and other collections are expensed in the year received.

g) 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 life of the related capital assets. Deferred contributions and amortization of capital contributions recognized as revenue in the current year are presented as donations revenue and investment income to the extent that restricted amounts have been received in the current year, with the difference 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 are recorded 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 or when the service has been provided.

h) Foreign currency translation -

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.

i) Accounting estimates -

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These amounts are based on management's best knowledge of current events and actions that the University may undertake in the future. Actual results could differ from those estimates.

j) 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 financial statements.

3. 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 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. A plan also provides for long-term disability income benefits after employment, but before retirement.

The latest actuarial valuation for the pension plans was performed as of July 1, 2004, and for other retirement benefits plans as of July 1, 2003. The next required actuarial valuation for pension plans will be July 1, 2007 and July 1, 2006 for other retirement benefit plans. The University has a practice of performing annual actuarial valuations for pension plans. The University measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at April 30 of each year.

The employee benefits expense for the year includes pension expense of \$69.2 million (2004 - \$95.4 million) and other retirement benefits expense of \$33.9 million (2004 - \$31.8 million).

Information about the University's defined benefit plans as at April 30 is as follows:

(millions of dollars)

	2005		2004	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Accrued benefit obligation	2,715.9	299.4	2,427.6	262.7
Fair value of plan assets	2,346.4	28.1	2,185.8	25.8
Plan deficit	(369.5)	(271.3)	(241.8)	(236.9)
Unamortized net actuarial loss	496.2	61.1	399.8	43.7
Unamortized transitional obligation (asset)	(286.3)	93.6	(316.6)	104.1
Unamortized past service cost	57.3	1.8	56.8	2.0
Plan assets recorded as investments		(28.1)		(25.8)
Accrued liability	(102.3)	(142.9)	(101.8)	(112.9)

The University has set aside \$131.6 million (2004 - \$119.0 million) as internally restricted at April 30, 2005 related to obligations of the supplemental retirement arrangement (note 12).

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation and benefit cost are as follows:

	2005		2004	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Accrued benefit obligation:				
Discount rate	5.75%	5.75%	6.25%	6.25%
Rate of compensation increase	3.75%	3.75%	3.75%	3.75%
Rate of inflation	2.25%	2.25%	2.25%	2.25%
Benefit cost:				
Discount rate	6.25%	6.25%	7.0%	7.0%
Expected long-term rate of return on plan assets	6.25%	N/A	7.0%	N/A
Rate of compensation increase	3.75%	3.75%	4.5%	4.5%
Rate of inflation	2.25%	2.25%	3.0%	3.0%

For measurement purposes, a 9.0% (2004 – 10.0%) annual rate of increase in the per capita cost of covered health care benefits was assumed for 2005. The rate of increase was assumed to decrease gradually to 5.0% for 2009 and remain at that level thereafter.

The plan assets are invested as follows:

	2005	2004
Equity securities	25.2%	25.8%
Debt securities	15.9%	15.8%
Pooled funds	57.8%	58.3%
Other	1.1%	0.1%
Total	100.0%	100.0%

The table below outlines the funding provided by the University and its employees and the benefits paid under the University's defined benefit plans:

(millions of dollars)

	2005		2004	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Funding by employer	68.7	10.3	31.8	9.4
Funding by employees	27.3	4.3	25.1	3.8
Benefits paid	120.4	13.7	110.8	12.3

4. Investments

The fair values of investments are as follows:

(millions of dollars)

	2005	2004
Cash, money market funds, short-term notes and treasury bills	323.9	168.1
Government and corporate bonds	743.8	718.5
Canadian equities	181.3	162.0
United States equities	201.6	324.3
Other international equities	341.4	288.0
Hedge funds	238.4	295.0
Real estate	30.8	37.2
Derivative-related net payable	(17.9)	(24.6)
	<u>2,043.3</u>	<u>1,968.5</u>
Less amounts reported as:		
Cash and cash equivalents	28.1	49.0
Short-term investments	257.9	118.7
	<u>1,757.3</u>	<u>1,800.8</u>

At April 30, 2005, \$595.4 million (2004 - \$588.3 million) of the University's investments were held in pooled funds and have been classified in the appropriate investment category.

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

(millions of dollars)

	2005		2004	
	EFIP	LTCAP	EFIP	LTCAP
Cash, money market funds, short-term notes and treasury bills	150.1	173.8	104.1	64.0
Government and corporate bonds	319.1	424.7	393.7	324.8
Canadian equities		181.3		162.0
United States equities		201.6		324.3
Other international equities		341.4		288.0
Hedge funds	76.6	161.8	91.4	203.6
Real estate		30.8		37.2
Derivative-related net payable	(2.5)	(15.4)	(3.7)	(20.9)
	543.3	1,500.0	585.5	1,383.0

Risk management relates to the understanding and active management of the risks associated with all areas of the University's financial instruments. Investments are primarily exposed to foreign currency risk, interest rate volatility, market and credit risks. The University, through its University of Toronto Asset Management Corporation, has formal policies and procedures in place governing asset mix among equity, fixed income and real estate instruments, requiring diversification within categories, and setting limits on the size of exposure to individual investments and counterparties. In addition, derivative instruments are used in the management of these risks (see below).

Derivative financial instruments

Description

The University has entered into equity index futures contracts which oblige it to pay the difference between a predetermined amount and the market value of certain equities when the market value is less than the predetermined amount, or receive the difference when the market value is more than the predetermined amount.

The University enters into foreign currency forward contracts to minimize exchange rate fluctuations and the resulting uncertainty on future financial results. All outstanding contracts have a remaining term to maturity of less than one year. The University has significant contracts outstanding held in U.S. dollars, the Euro, Japanese yen and the British pound.

The University has entered into interest rate swap contracts in order to manage the interest rate exposure associated with certain long-term debt obligations. The contracts have the effect of converting the floating rate of interest on certain debt to a fixed rate.

Risks

The notional amounts of the derivative financial instruments do not represent amounts exchanged between parties and are not a measure of the University's exposure resulting from the use of financial instrument contracts. The amounts exchanged are based on the applicable rates applied to the notional amounts.

The University is exposed to credit-related losses in the event of non-performance by counterparties to these financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings. The University limits its derivative financial instruments' credit risk by dealing with counterparties that are at least rated A.

Terms and conditions

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

	<i>(millions of dollars)</i>			
	2005		2004	
	Notional value	Fair value	Notional value	Fair value
Foreign currency forward contracts				
- U.S. dollars	397.3	(14.7)	396.9	(23.1)
- Global	138.2	(6.2)	134.2	(3.1)
		<u>(20.9)</u>		<u>(26.2)</u>
Equity index futures contracts				
- U.S. dollars	177.1	<u>3.0</u>	79.2	<u>1.6</u>
Interest rate swap contracts	36.2	<u>(5.9)</u>	37.3	<u>(4.7)</u>

The interest rate swap contracts result in the University fixing a weighted average long-term interest rate of 6.69% (2004 - 6.69%) on certain debt obligations instead of paying a weighted average short-term floating interest rate of 2.52% (2004 - 2.95%). These long-term contracts were entered into in years when interest rates were higher than current rates. These swap agreements require 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 University designates its interest rate hedge agreements as hedges of the underlying long-term debt.

The University's investment income of \$82.8 million (2004 - \$123.9 million) is made up of income on endowments of \$58.6 million (2004 - \$79.7 million) and income of \$24.2 million (2004 - \$44.2 million) on other investments.

5. Capital assets

(millions of dollars)

	2005		2004	
	Total Cost	Accumulated Amortization	Total Cost	Accumulated Amortization
Land	30.8		30.8	
Buildings	1,444.1	554.9	1,245.8	533.0
Equipment and furnishings	829.1	648.1	782.0	606.8
Library books	333.5	291.5	311.2	271.5
	<u>2,637.5</u>	<u>1,494.5</u>	<u>2,369.8</u>	<u>1,411.3</u>
Less accumulated amortization	<u>(1,494.5)</u>		<u>(1,411.3)</u>	
Net book value	<u><u>1,143.0</u></u>		<u><u>958.5</u></u>	

The University's insurer develops replacement values of buildings and contents for insurance purposes using an independent appraisal service. Fine art and rare book collections are valued by the appropriate University officers. The replacement value of buildings is \$3.1 billion (2004 - \$2.8 billion); contents is \$3.1 billion (2004 - \$3.2 billion), which includes library books of \$2.0 billion (2004 - \$2.2 billion).

The change in net book value of capital assets is due to the following:

(millions of dollars)

	2005	2004
Balance, beginning of year	<u>958.5</u>	<u>706.0</u>
Purchase of capital assets funded by capital contributions	140.7	81.8
Purchase of capital assets financed by debentures (notes 8 and 9)	12.1	212.9
Purchase of capital assets internally funded	<u>115.2</u>	<u>34.6</u>
Less amortization of capital assets	<u>(83.5)</u>	<u>(76.8)</u>
Balance, end of year	<u><u>1,143.0</u></u>	<u><u>958.5</u></u>

6. Investment in capital assets

Investment in capital assets represents the following:

(millions of dollars)

	2005	2004
Capital assets, net	<u>1,143.0</u>	<u>958.5</u>
Less net book value of assets financed by:		
Long-term debt and debentures (notes 7, 8 and 9)	(358.2)	(356.1)
Deferred capital contributions (note 11)	<u>(518.4)</u>	<u>(414.5)</u>
Balance, end of year	<u><u>266.4</u></u>	<u><u>187.9</u></u>

The net change in investment in capital assets is as follows:

	<i>(millions of dollars)</i>	
	<u>2005</u>	<u>2004</u>
Other long-term debt principal repayments	4.5	1.8
Purchase of capital assets internally financed	115.2	34.6
Increase in investment in capital assets	<u>119.7</u>	<u>36.4</u>
Amortization expense	83.5	76.8
Less amount of amortization expense related to capital assets purchased with:		
a) debentures	(5.4)	(4.4)
b) restricted contributions	<u>(36.9)</u>	<u>(34.3)</u>
Decrease in investment in capital assets	<u>41.2</u>	<u>38.1</u>
Total increase (decrease)	<u><u>78.5</u></u>	<u><u>(1.7)</u></u>

7. Other long-term debt

Other long-term debt consists of mortgages of \$15.1 million (2004 - \$18.2 million) maturing from 2010 to 2020 and term loans of \$37.3 million (2004 - \$38.6 million) maturing from 2009 to 2024 of which the current portion of \$1.8 million (2004 - \$1.7 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 swaps, was 7.24% (2004 - 7.43%) and 6.68% (2004 - 6.68%) respectively. The fair value of long-term debt at April 30, 2005 was \$58.3 million (2004 - \$61.5 million) compared to a carrying amount of \$52.4 million (2004 - \$56.8 million). Anticipated requirements to meet the principal portion of the long-term debt repayments over the next five years are as follows:

2006 - \$1.8 million, 2007 - \$1.9 million, 2008 - \$2.0 million, 2009 - \$2.1 million, 2010 - \$2.2 million.

8. 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 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 are being used to finance capital projects including real estate acquisitions and the construction of student residences and parking facilities. To date, the University has spent \$159.4 million (2004 - \$157.5 million) of the proceeds of the debenture. The fair value of the debenture at April 30, 2005 was \$200.2 million (2004 - \$182.7 million) compared to a carrying value of \$160.0 million (2004 - \$160.0 million).

9. 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 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 are being primarily used to finance capital projects. To date, the University has spent \$197.6 million (2004 - \$173.4 million) of the proceeds on capital assets with the remainder to be spent in future years. The fair value of the debenture at April 30, 2005 was \$228.3 million (2004 - \$204.8 million) compared to a carrying value of \$200.0 million (2004 - \$200.0 million).

10. Deferred contributions

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

	<i>(millions of dollars)</i>	
	<u>2005</u>	<u>2004</u>
Balance, beginning of year	261.0	267.0
Grants, donations and investment income	384.6	342.5
Recognized as revenue during the year	(380.1)	(348.5)
Balance, end of year	<u>265.5</u>	<u>261.0</u>

The deferred contributions will be spent as follows:

	<i>(millions of dollars)</i>	
	<u>2005</u>	<u>2004</u>
Research	156.5	155.8
Student aid	38.8	37.6
Other restricted purposes	70.2	67.6
	<u>265.5</u>	<u>261.0</u>

11. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balance for the year are as follows:

	<i>(millions of dollars)</i>	
	<u>2005</u>	<u>2004</u>
Balance, beginning of year	497.9	448.3
Less amortization of deferred capital contributions	(36.9)	(34.3)
Add contributions received for capital asset purchases	111.2	83.9
Balance, end of year	<u>572.2</u>	<u>497.9</u>

This balance represents:

	<i>(millions of dollars)</i>	
	<u>2005</u>	<u>2004</u>
Amount used for the purchase of capital assets	518.4	414.5
Amount to be spent on capital assets	<u>53.8</u>	<u>83.4</u>
	<u>572.2</u>	<u>497.9</u>

12. Internally restricted

	<i>(millions of dollars)</i>	
	<u>2005</u>	<u>2004</u>
Supplemental retirement arrangement (note 3)	131.6	119.0
Departmental trust funds	76.0	71.5
Unexpended operating funds		
Net divisional carryforwards	93.7	69.6
Employee future benefits		
Pensions	(102.3)	(101.8)
Other	(120.6)	(93.5)
Investment income reserve	(15.4)	(25.9)
Research overhead	6.0	9.4
Infrastructure		
Alterations and renovations	45.4	16.4
Unfunded projects	(24.5)	(8.2)
Other funds	<u>1.8</u>	<u>2.6</u>
	<u>91.7</u>	<u>59.1</u>

Internally restricted funds set aside reflect the application of Governing Council policy as follows:

a) Supplemental retirement arrangement -

These funds, which will be accumulating over a number of years, have been set aside to meet future obligations of the supplemental retirement arrangement.

b) Departmental trust funds -

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

c) Unexpended operating funds -

Divisions are permitted to carry forward unspent budgets at the end of each year for expenditure in the following year. Funds for unfilled purchase orders have been committed for goods or services to be received in the following year. These amounts 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 also includes the unfunded portion of employee future benefits obligations and a portion of investment losses incurred on the expendable funds investment pool balance to be reduced over the next 2 years.

d) Research overhead -

Research overhead recoveries from customers in calendar year 2004 are appropriated and available for spending in the following year.

e) Infrastructure -

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

f) Other funds -

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

13. 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 cases, Governing Council may have the right to subsequently decide to remove the designation. The endowment principal is required to be maintained intact subject to the University's preservation of capital policy. 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.

Investment income on endowments, which is comprised of interest, dividend income and realized and unrealized gains and losses, is recorded in the statement of operations when this income is available for spending at the discretion of the University or is available for spending as conditions have been met. 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% which enables a less aggressive asset mix. The amount available for spending in fiscal 2005 was increased by inflation to \$6.86 per unit (2004 - \$6.73) of the long-term capital appreciation pool representing 3.8% (2004 - 4.0%) of the fair value per unit of the endowment pool. This amount must 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 2005, investment income of \$93.8 million (2004 - \$217.2 million) was earned on endowments of which \$49.4 million (2004 - \$46.5 million) was made available for spending and recorded as investment income, \$9.2 million (2004 - \$33.2 million) was 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 \$35.2 million (2004 - \$137.5 million) was the preservation of capital on externally restricted endowments which was recorded as a direct increase to endowments.

Net assets restricted for endowments consists of:

	<i>(millions of dollars)</i>	
	<u>2005</u>	<u>2004</u>
Externally restricted endowments	1,164.1	1,037.9
Internally restricted endowments	<u>258.7</u>	<u>249.8</u>
	<u><u>1,422.8</u></u>	<u><u>1,287.7</u></u>

The University transferred \$1.3 million (2004 - \$1.3 million) from internally restricted to externally restricted endowments as a result of being committed under gifting arrangements to match certain donations received during the year for the student aid program.

14. 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:	<i>(millions of dollars)</i>	
(for the year ended April 30)	<u>2005</u>	<u>2004</u>
Endowments at book value, beginning of year	302.8	293.2
University matching	(1.4)	0.2
Transfer from expendable funds	<u>10.3</u>	<u>9.4</u>
Endowments at book value, end of year	311.7	302.8
Cumulative unrealized losses	<u>(0.4)</u>	<u>(1.2)</u>
Endowments at fair value, end of year	<u><u>311.3</u></u>	<u><u>301.6</u></u>
Expendable funds available for awards, beginning of year	19.3	20.1
Realized investment income	21.7	20.9
Transfer to endowment balance	(10.3)	(9.4)
Bursaries awarded	<u>(11.0)</u>	<u>(12.3)</u>
Expendable funds available for awards, end of year	<u><u>19.7</u></u>	<u><u>19.3</u></u>
Number of bursaries awarded	<u><u>4,788</u></u>	<u><u>5,489</u></u>

Phase 2: (for the year ended March 31)	<i>(millions of dollars)</i>			
	2005		2004	
	University of Toronto	Affiliates	University of Toronto	Affiliates
Endowments at book value, beginning of year	11.7	2.3		
Donations received	11.1	1.7	6.5	1.8
Government matching received	12.8	1.8	4.2	0.5
University matching	0.7	0.1	0.9	
Transfer from expendable funds	0.7	0.1	0.1	
Endowments at book value, end of year	37.0	6.0	11.7	2.3
Cumulative unrealized gains	0.5			
Endowment at fair value, end of year	37.5	6.0	11.7	2.3
Expendable funds available for awards, beginning of year	0.1			
Transfer to endowment balance	(0.7)	(0.1)	(0.1)	
Realized investment income	1.5	0.1	0.2	
Bursaries awarded	(0.1)			
Expendable funds available for awards, end of year	0.8		0.1	
Number of bursaries awarded	50	2	NIL	NIL
Outstanding donations pledged	8.7	0.8	1.8	0.1

The endowments and expendable balances of the affiliates are not included in these financial statements. Book value in this note represents contributions received plus realized investment income.

The expendable funds available for awards are included in deferred contributions (note 10) on the balance sheet.

15. Net change in other non-cash items

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

	<i>(millions of dollars)</i>	
	2005	2004
Accounts receivable	8.0	(14.9)
Inventories and prepaid expenses	(0.1)	2.3
Deferred contributions	4.5	(6.0)
Accounts payable and accrued liabilities	(2.5)	24.3
	9.9	5.7

16. Donations

During the year, the University received donations of \$82.9 million (2004 - \$71.3 million). Of that amount, \$34.9 million (2004 - \$31.9 million) is recorded as a direct addition to endowments in accordance with the accounting policy and is not recorded as donations revenue.

17. Government and other grants for restricted purposes

During the year, the University received \$324.7 million (2004 - \$297.3 million) of government and other grants for research and \$34.3 million (2004 - \$41.5 million) for capital infrastructure, of which \$78.8 million (2004 - \$43.6 million) was deferred for future spending and \$280.2 million (2004 - \$295.2 million) was recorded as revenue.

18. Other commitments

- a) The estimated cost to complete construction and renovation projects in progress at April 30, 2005, which will be funded by government grants, donations and operations, is approximately \$204.8 million (2004 - \$297.6 million).
- b) The annual payments under various operating leases are approximately \$6.9 million (2004 - \$6.0 million).

19. 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. At April 30, 2005, the amount of loans guaranteed was \$7.9 million (2004 - \$6.7 million). The University's estimated exposure under these guarantees is not material.
- b) The nature of the University's activities is such that there is usually litigation pending or in prospect at any one time. With respect to claims at April 30, 2005, the University believes it has valid defenses and appropriate insurance coverage in place. Therefore, such claims are not expected to have a material effect on the University's financial position.
- c) The University is a member of a reciprocal exchange of insurance risks in association with 56 other Canadian universities. This self-insurance co-operative is named the Canadian Universities Reciprocal Insurance Exchange ("CURIE") and involves a contractual agreement to share the insurable property and liability risks of member universities.

The projected cost of claims is funded through members' premiums based on actuarial projections. As at December 31, 2004, the latest financial statements available, CURIE had a surplus of \$6.0 million (2003 - \$0.1 million), of which the University's pro rata share is approximately 8.9% (2003 - 8.8%) on an ongoing basis.

20. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 financial statements.



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