



UNIVERSITY OF TORONTO

FINANCIAL REPORT

April 30, 2012



University College

Photo by Caz Zyvatkauskas

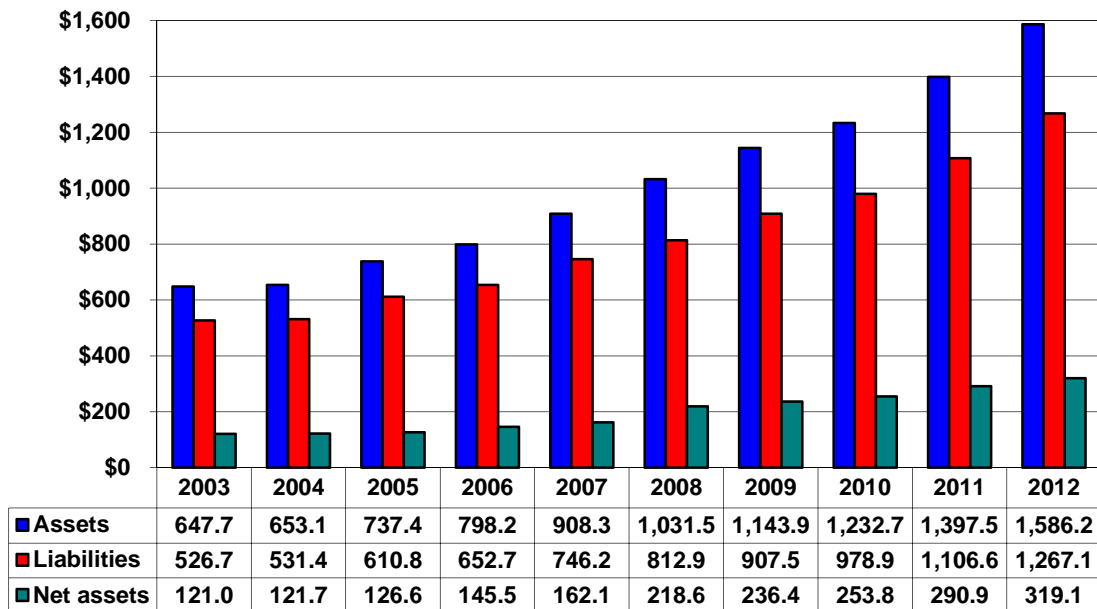
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Capital fund assets were \$1,586.2 million, liabilities were \$1,267.1 million and net assets were \$319.1 million. Net assets comprised \$339.4 million investment in capital assets, partially offset by \$20.3 million in unrestricted deficit and internally restricted funds.

The assets of the capital fund have grown from \$647.7 million in 2003 to \$1,586.2 million in 2012 primarily as a result of the University's large capital construction program. Liabilities have also grown from \$526.7 million in 2003 to \$1,267.1 million in 2012. This growth in liabilities reflects the increase in long-term debt to \$713.7 million, and growth in deferred capital contributions to \$1,010.0 million. This growth is partly offset by internal loans of \$492.9 million because the external borrowing of long-term debt is recorded in the capital fund and internal loans are provided to departments or operations that have the responsibility to repay the loans. These internal 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)**



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.

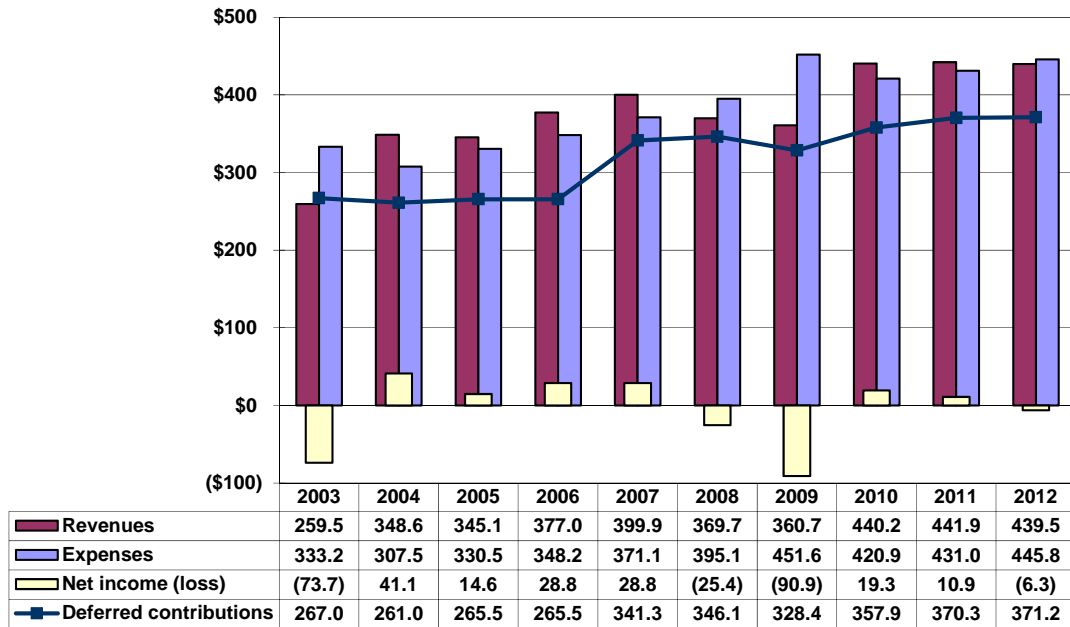
Financial reporting for restricted funds follows specific rules with respect to revenue recognition that differ from the rules for unrestricted receipts. They are:

- 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 \$439.5 million, expenses were \$445.8 million resulting in a net loss of \$6.3 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)**



Restricted funds assets were \$1.97 billion, liabilities were \$381.1 million, and net assets were \$1.59 billion. Net assets comprised \$1.52 billion in endowments and \$71.5 million in internally restricted funds.

At April 30, 2012, the restricted funds net assets decreased by \$19.6 million from April 30, 2011 as a result of a net loss of \$6.3 million and a further \$13.3 million as follows:

a) transfers from other funds:

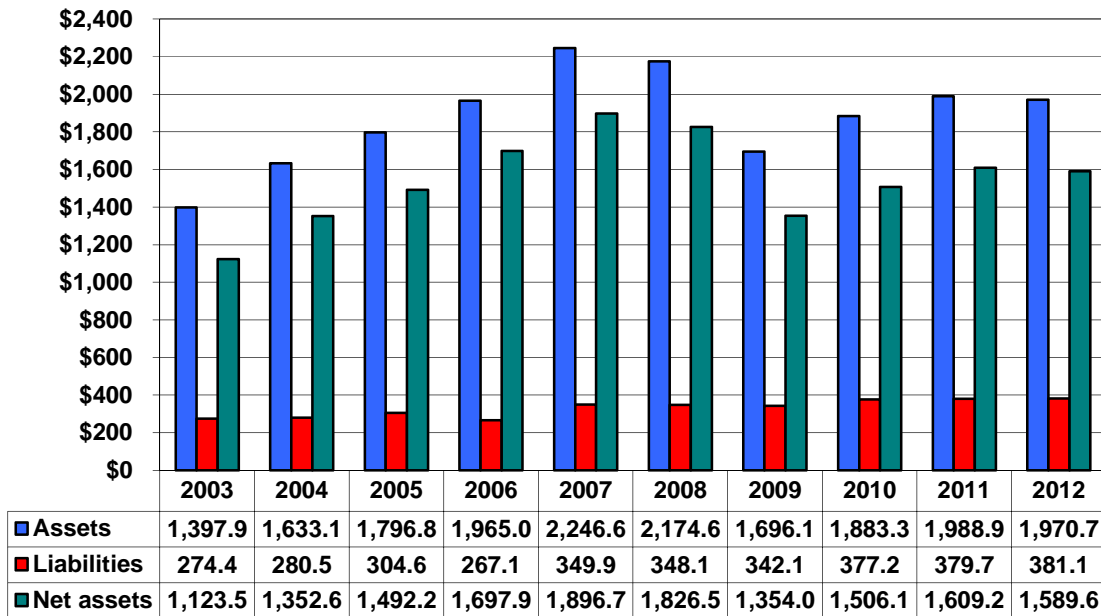
- \$3.1 million from the operating fund as matching funds.
- \$0.7 million net transfer to fund future maintenance and bursaries.

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:

- \$23.6 million endowed donations.
- \$2.5 million Ontario grants and other endowed funds.
- \$43.1 million investment loss 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 \$274.4 million in 2003 to \$381.1 million in 2012 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)**



Net assets in restricted funds have grown from \$1.12 billion in 2003 to \$1.59 billion in 2012.

Schedule 6 reflects the change in endowment funds from April 30, 2011 to April 30, 2012 with the related expendable funds.

Schedule 6
(Unaudited)
UNIVERSITY OF TORONTO
RESTRICTED FUNDS
ENDOWMENT AND EXPENDABLE FUNDS AT FAIR VALUES AT APRIL 30, 2012
(thousands of dollars)

	Endowment funds				Expendable funds						
	April 30, 2011	Donations, and other additions	Preservation of capital (note 1)	Transfers	April 30, 2012	April 30, 2011	Donations, grants and other additions	Distributed investment income/(loss) (note 1)	Transfers	Disbursements	April 30, 2012
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Student aid (note 2)	298,796	8,463	(10,121)	1,248	298,386	33,609	6,189	(6,332)	1,923	-	35,389
Ontario Student Opportunity Trust Funds - Phase I (note 2)	276,012	1	(9,433)	38	266,618	20,958	3	1,947	(38)	-	22,870
Ontario Student Opportunity Trust Funds - Phase 2 (note 2)	33,196	-	(1,135)	(8)	32,053	2,627	-	387	-	-	3,014
Ontario Trust for Student Support (note 2)	54,053	5,506	(1,751)	310	58,118	2,886	5	576	123	-	3,590
Research funds	111,037	-	(3,766)	1	107,272	201,908	380,487	5,168	706	399,613	188,656
Departmental funds	190,290	2,184	(6,016)	513	186,971	139,913	46,038	23,441	(688)	56,902	151,802
Faculty endowment funds (note 2)	464,559	10,477	(15,213)	617	460,440	10,589	463	5,395	(312)	5,616	10,519
Connaught fund	78,496	-	(2,682)	-	75,814	5,963	-	3,591	(1,478)	300	7,776
IAAnson fund	2,440	-	(83)	-	2,357	671	-	116	-	(6)	793
Miscellaneous funds	30,514	1	(489)	60	30,086	20,934	18,450	130	717	21,902	18,329
	<u>1,539,393</u>	<u>26,632</u>	<u>(50,689)</u>	<u>2,779</u>	<u>1,518,115</u>	<u>440,058</u>	<u>451,635</u>	<u>34,419</u>	<u>953</u>	<u>484,327</u>	<u>442,738</u>
Comprising:											
Externally designated	1,301,704	26,139	(43,118)	2,610	1,287,335						
Internally designated	237,689	493	(7,571)	169	230,780						
	<u>1,539,393</u>	<u>26,632</u>	<u>(50,689)</u>	<u>2,779</u>	<u>1,518,115</u>						
Restricted						370,293	424,261	27,329	1,389	452,050	371,222
Unrestricted						69,765	27,374	7,090	(436)	32,277	71,516
						<u>440,058</u>	<u>451,635</u>	<u>34,419</u>	<u>953</u>	<u>484,327</u>	<u>442,738</u>

Notes:

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

Endowment funds	(17,602)
Expendable funds	1,332
	<u>(16,270)</u>

(2) Disbursements and corresponding distributed investment income for Students Awards (\$20,020), Ontario Student Opportunity Trust Funds (\$11,638), Ontario Trust for Student Support (\$1,967) and Faculty Endowments (\$16,150) are reported in the Operating Fund.



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