UNIVERSITY OF
TORONTO

FINANCIAL REPORT

April 30, 2016

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HIGHLIGHTS

Year Ended April 30, 2016

(with comparative figures at April 30, 2015)

(millions of dollars)

	2016	2015	% Increase (decrease)
Statement of Operations			
Revenues	$ 2,909.0	$ 2,839.4	2.5%
Expenses	$ 2,698.4	$ 2,551.6	5.8%
Net Income	$ 210.6	$ 287.8	-26.8%
Balance Sheet			
Assets	$ 8,432.6	$ 8,217.8	2.6%
Liabilities	$ 4,083.7	$ 3,841.9	6.3%
Net Assets	$ 4,348.9	$ 4,375.9	-0.6%
Net Assets Composed of:			
Endowments	$ 2,097.7	$ 2,142.1	-2.1%
Internally Restricted			
Cash reserves for future spending	$ 948.2	$ 873.1	
Other reserves	$ 1,355.0	$ 1,450.2	
	$ 2,303.2	$ 2,323.3	-0.9%
Unrestricted Deficit	$ (52.0)	$ (89.5)	-41.9%
	$ 4,348.9	$ 4,375.9	
Total Debt Policy Limit	$ 1,469.0	$ 1,401.1	4.8%
Policy Debt Burden Ratio	5.0%	5.0%	
Actual Debt Burden Ratio	3.5%	3.7%	
Student FTEs (November 1)	77,130	74,516	3.5%
Total Number of Students (November 1)	87,639	85,383	2.6%

HIGHLIGHTS

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

The University has 87,639 full-time and part-time students (77,130 full-time equivalents), making it 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.

Financial Health and Challenges

Over more than a decade, the University benefited from the Ontario and Federal governments' visionary investments in higher education and research, ensuring access, fostering growth in graduate enrolment, and financing vital infrastructure. However, there is cause for concern if the fiscal position of our government partners deteriorates in the future thereby putting increased pressure on public funding, an already scarce resource. Societal changes are challenging our status as a preferred producer of knowledge. We continue to face intense competition from multiple sources, as the dissemination of knowledge explodes throughout the online world.

We will also need to continue to draw on the ingenuity, creativity and efficiency of our faculty and staff, and the loyalty and generosity of our benefactors in order to meet these formidable challenges if we hope to maintain and advance our global standing. Other strategies that will ensure our success in meeting these challenges include exploring new and imaginative ways to take advantage of our location in the Toronto region, and to deepen our relationships with our local partners. We must think more strategically about how we strengthen our international partnerships with other great universities in other great world cities, allowing us to foster not just student mobility and faculty exchanges, but also joint research projects, joint conferences, joint teaching and even joint degrees. The rise of digital technologies and the need for 'job-ready' graduates demands that we re-examine and perhaps even reinvent undergraduate education. We will need to build on the excellent work in this area and rededicate ourselves to the enrichment of undergraduate teaching and learning.

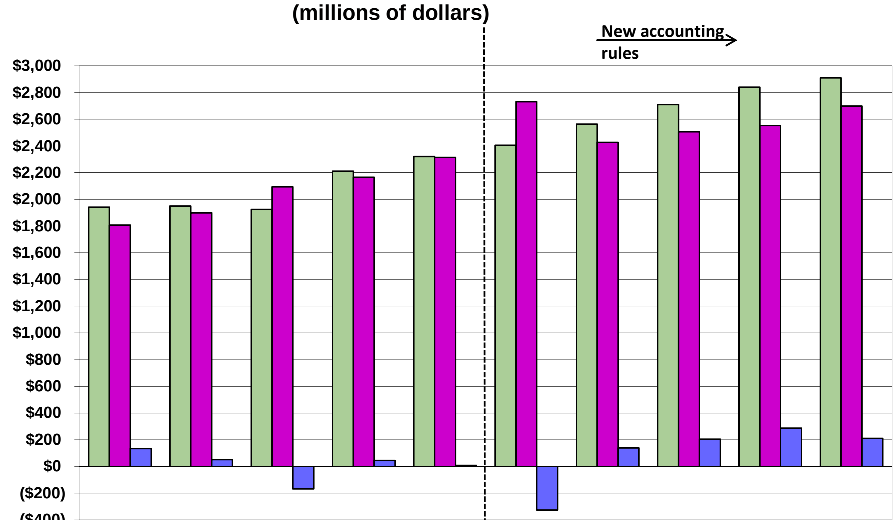
We will need the support from our government partners, at all levels, to recognize through their funding and their policies, that institutions like the University play a unique and differentiated role within Canadian higher education.

The Statement of Operations

The consolidated 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 and related salary increases. This growth has increased the need for construction and renovations which impact operating expenses, interest and amortization expense.

Revenues for the year ended April 30, 2016 were \$2.9 billion and expenses[1] were \$2.7 billion for a net income of \$210.6 million, primarily reflecting funds being set aside in accordance with multi-year divisional academic plans that called for prudent and deliberate use of reserves for future capital investment in academic facilities and for faculty hiring. Funds were also set aside for capital construction and renovation.

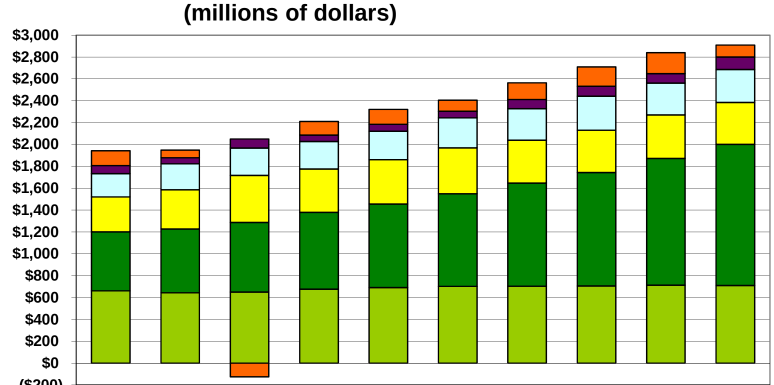
Revenues and Expenses
for the year ended April 30
(millions of dollars)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues	1,942.0	1,948.9	1,924.7	2,210.9	2,321.1	2,406.0	2,563.3	2,710.2	2,839.4	2,909.0
Expenses	1,807.5	1,898.3	2,093.9	2,165.5	2,313.9	2,732.0	2,425.6	2,505.9	2,551.6	2,698.4
Net income (loss)	134.5	50.6	(169.2)	45.4	7.2	(326.0)	137.7	204.3	287.8	210.6

In 2016, \$2.0 billion or 68.8% of revenues were from student fees and government grants provided in support of student enrolments. An additional \$382.9 million represented government and other grants and contracts for restricted purposes. Together these three sources accounted for 82.0% of revenues for the year.

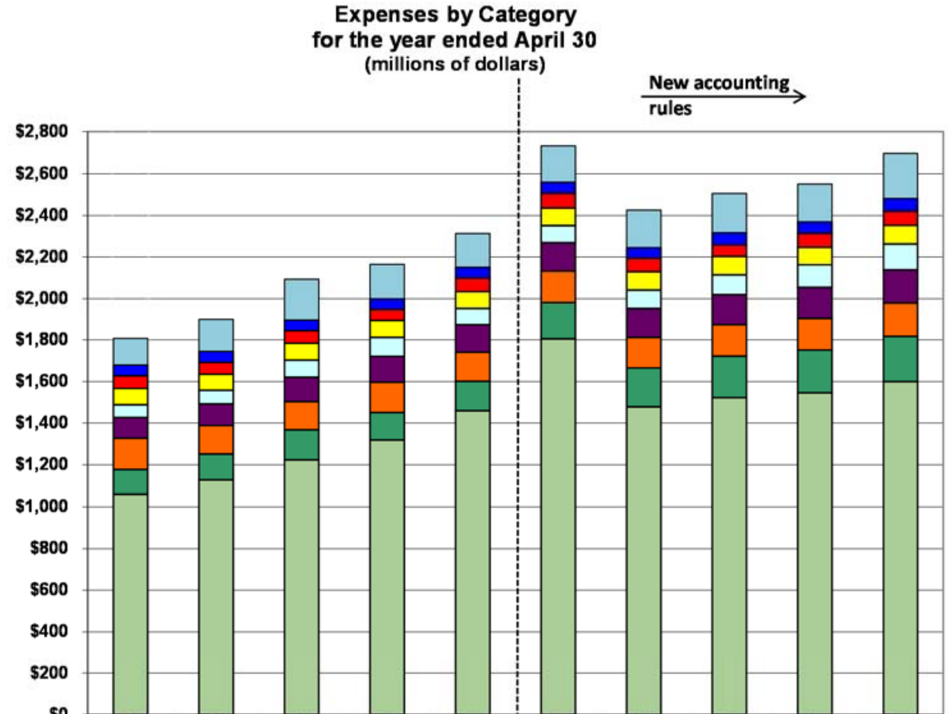
Revenues by Category
for the year ended April 30
(millions of dollars)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total revenues	1,942.0	1,948.9	1,924.7	2,210.9	2,321.1	2,406.0	2,563.3	2,710.2	2,839.4	2,909.0
Investment income (loss)	134.4	69.9	(125.3)	124.9	135.6	102.9	151.3	178.6	191.8	109.1
Expendable donations	74.8	56.2	82.1	57.7	63.7	59.9	83.7	90.3	85.8	113.6
Sales, services and sundry income	212.9	237.4	251.0	253.1	260.1	273.3	288.5	309.8	292.0	301.6
Grants for restricted purposes	319.7	358.3	429.9	395.9	406.4	420.3	391.5	386.5	397.1	382.9
Student fees	538.9	583.6	636.4	701.3	764.3	847.4	944.7	1,039.0	1,158.6	1,291.7
Grants for general operations	661.3	643.5	650.6	678.0	691.0	702.2	703.6	706.0	714.1	710.1

[1] Effective May 1, 2011, the adoption of new accounting rules resulted in recording the full impact of the deficits in its employee future benefit plans on the consolidated balance sheet and the changes in the deficits in the consolidated statement of operations. Effective May 1, 2012, any remeasurements are recognized directly in net assets instead of being recorded in the consolidated statement of operations.

In 2016, expenses for the year amounted to $2.7 billion, of which $1.6 billion, or 59.3%, was for salaries and benefits.

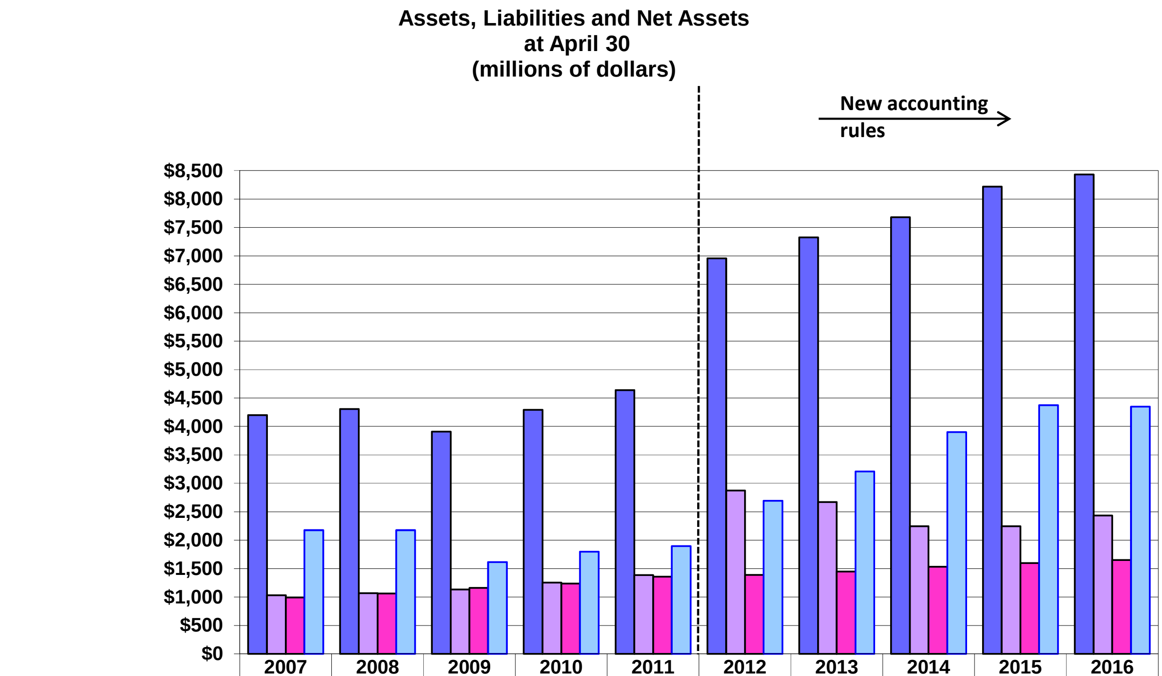


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total expenses	1,807.5	1,898.3	2,093.9	2,165.5	2,313.9	2,732.0	2,425.6	2,505.9	2,551.6	2,698.4
Other	127.3	153.4	198.3	165.5	163.0	172.1	178.9	188.4	181.4	216.5
Utilities	52.5	53.0	51.0	51.3	51.0	53.0	51.9	59.1	55.5	61.4
Inter-institutional research contributions	61.2	57.5	60.8	55.4	66.3	70.7	65.1	55.3	67.0	68.3
Cost of sales and services	77.7	76.5	80.5	80.5	80.4	84.6	87.9	87.7	85.0	88.7
Repairs and maintenance	61.4	65.2	82.5	92.1	79.8	81.7	88.2	96.0	107.3	124.8
Amortization of capital assets	99.1	104.1	117.2	124.1	132.1	137.0	141.2	146.2	152.1	158.6
Materials and supplies	150.5	136.2	135.0	145.0	140.0	151.5	147.5	151.2	151.8	162.3
Scholarships, fellowships, bursaries	115.9	125.0	144.6	132.1	141.4	176.3	186.3	199.1	206.0	218.5
Salaries and benefits	1,061.9	1,127.4	1,224.0	1,319.5	1,459.9	1,805.1	1,478.6	1,522.9	1,545.5	1,599.3

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 these highlights. Scholarships, fellowships and bursaries were $218.5 million, or 8.1%. Materials and supplies amounted to $162.3 million, or 6.0% of total expenses. Repairs and maintenance amounted to $124.8 million or 4.6%. Utilities expense amounted to $61.4 million, or 2.3%.

The Balance Sheet

At April 30, 2016, assets were $8.4 billion, liabilities were $4.1 billion and net assets were $4.3 billion. Assets and liabilities have grown since 2007 mainly due to the growth in endowments as a result of good investment returns in most years, receiving endowed donations, combined with the construction of additional space to accommodate the increased number of students. In addition, the adoption of changes in accounting standards effective May 1, 2011, resulted in recording some of the University's land at fair value and full recording of its pensions and other employee future benefit obligations on the consolidated balance sheet. The impact was a $2.1 billion increase in assets (capital assets), a $934.5 million increase in liabilities (unfunded employee future benefits), and a net increase of $1.1 billion in net assets at May 1, 2011.



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assets	4,200.8	4,305.3	3,909.0	4,292.9	4,640.5	6,955.8	7,325.2	7,681.0	8,217.8	8,432.6
Liabilities	1,030.6	1,066.8	1,132.5	1,253.3	1,387.5	2,872.8	2,669.2	2,245.9	2,247.5	2,433.7
Deferred contributions	993.7	1,064.2	1,159.4	1,239.6	1,356.6	1,389.5	1,449.1	1,534.9	1,594.4	1,650.0
Net assets	2,176.5	2,174.3	1,617.1	1,800.0	1,896.4	2,693.5	3,206.9	3,900.2	4,375.9	4,348.9

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

- the net income or net loss for the year,
- the change in endowments derived from 1) endowed donations, and 2) from investment income on externally restricted endowments (which is not made available for spending) which does not flow through the consolidated statement of operations but rather is added directly to the endowment balance in accordance with current generally accepted accounting principles for not-for-profit organizations, and
- Effective May 1, 2012, any difference between the actual investment return on plan assets and the investment return used in valuing employee future benefits obligations and net actuarial gains and losses (remeasurements and other items), are recognized directly in net assets instead of being recorded in the consolidated statement of operations.

Net assets essentially remained unchanged from 2015 at $4.3 billion as a result of a net income of $210.6 million and endowed donations of $28.8 million offset by a $72.7 million decrease in externally restricted endowments and negative $193.7 million in remeasurements and other items relating to employee future benefits (primarily due to investment returns below expected returns on assets of the pension plan).

Net assets are composed of the following:

- $2.1 billion of endowments, representing 48.2% of net assets,
- $2.3 billion of internally restricted net assets, and
- ($52.0 million) of unrestricted deficit.

The unrestricted deficit of $52.0 million is largely due to the internal financing of capital construction in accordance with the University's debt strategy (see the "Debt" section of these highlights).

The $2.3 billion of internally restricted net assets comprises:

- $2.2 billion in land,
- $553.2 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),
- ($1.4 billion) in net unfunded liability associated with pension and other employee future benefits, and
- $948.2 million of cash reserves held for various purposes for future spending.

The $2.1 billion of endowments represent over 5,900 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 2016, $2.0 billion or 68.8% of revenues comprised student fees and government operating 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 financial 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 initially 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 was later extended to 2017 and provided for 60,000 new spaces in universities and colleges. This included 6,000 graduate and 35,000 undergraduate spaces for the university sector. 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.

In November 2013, the Province released its new framework for the postsecondary sector entitled *Ontario's Differentiation Policy Framework for Postsecondary Education*. The new framework will rely on differentiation as a primary policy driver for the system, which looks to build on, and focus on, the unique strengths of each institution. In April, 2014 the Province signed Strategic Mandate Agreements (SMAs) with all universities and colleges covering the period of 2014-17. The central premise of the University's SMA is based on provincial recognition of the University as a "globally recognized, comprehensive, and research-intensive institution with a distinct leadership role in Ontario's postsecondary education system. The University's broad range of program offerings and research activity has a major economic and social impact, locally and globally."

A key feature of differentiation and the SMAs lies in the allocation of graduate spaces, one measure of a university's research intensity. In December 2013, the Province distributed 750 new Master's spaces to the system to support further growth for 2014-15. The University received 223 of the Master's spaces. Through the 2014-17 SMAs, the Province distributed another 2,353 spaces for graduate growth to 2016-17, of which the University received 428 Master's spaces and 152 Doctoral spaces. After the SMA allocations, approximately 2,000 spaces remain from the commitment of 6,000 spaces of growth beyond the original 2005 Ontario Budget expansion program. It is anticipated that allocation of these spaces will be incorporated into the next round of SMA negotiations. The University's SMA agreement also included approval of the conversion of the grant funding for OISE's undergraduate Bachelor of Education programs into 502 additional Master's level spaces for growth in its Master of Teaching (MT) and Master of Arts in Child Study & Education (MACSE) programs. These 502 spaces are outside of and in addition to the spaces allocated through the formal SMA process.

In December 2015, the Province released its University Funding Model Reform Consultation Report, entitled *Focus on Outcomes, Centre on Students*. The 2016 Ontario Budget confirmed the Government's intention to move forward with implementing changes to the university funding formula with a focus on student success and outcomes. Further work will continue with sector partners over the next several months with the following key objectives: improving student outcomes; promoting differentiation by linking funding to SMAs; and, providing additional stability to institutions through enrolment planning and predictability.

To date, the University has grown by 5,237 graduate full-time equivalents (FTEs) and 10,683 undergraduate FTEs since 2007 and all grant-eligible undergraduate and graduate growth has been fully funded by the Province. Plans are in place for additional undergraduate growth of 1,899 FTEs and graduate growth of 2,113 FTEs by 2020-21.

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 five years to 2015 while still ensuring that all qualified domestic students are able to attend university. The 2012 Ontario Budget also announced 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. The second ISR component is a reduction in operating grants of $750 for each international student enrolled and is being phased in over four years with full implementation by 2016-17. In total, projections indicate that the University's operating grants will be reduced by $10.5 million related to these two recoveries by 2016-17 (and will continue to grow with international enrolment increases). In 2015-16 international students comprised 18.9% of total undergraduate enrolment and 16.1% of total graduate enrolment, more than 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 seven-year period ending in 2012-13, the University was 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%.

In 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 Framework continues to be 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. In 2014-15, the provincial formula required the University to allocate $20.0 million to student financial aid while the University in fact spent $58.0 million in need-based student financial aid that year. The University remains committed to the goal of accessibility and to working with the Provincial and Federal Governments to achieve the goal of access. In 2016, the University spent $218.5 million on scholarships, fellowships and bursaries, a significant increase from $115.9 million in 2007.

In addition, in 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 is indexed each year in line with average tuition increases.

Capital Funding

In the 2008 Ontario Budget, the Government pledged a range of investments for postsecondary 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 Munk 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 $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 campuses as well as an Innovation Centre for the Canadian Mining Industry at its St. George campus. An additional $52.5 million in funding to support the 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.
- $50.4 million from each of the Federal and Provincial Governments to support the construction of the Pan Am Aquatics Centre at the Scarborough campus.

The 2016 Ontario Budget provided $15.0 million in funding for the Centre for Engineering Innovation and Entrepreneurship to continue strengthening the Innovation SuperCorridor and help support the expansion of experiential learning opportunities for engineering students.

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 postsecondary sector for 2012-13 to 2014-15. While the Government's commitments to growth and the OTG 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 agreed to make a $295.0 million investment over two years to support employment opportunities for youth. During 2014-15, the Government phased out the Graduate Nursing Tuition Waivers program that provided support to graduate nursing students.

The 2014 Ontario Budget contained very little related to the postsecondary sector. The 2014 Ontario Budget was passed in July 2014 after the June 12, 2014 election.

The 2015 Ontario Budget again focused on managing growth in spending. The postsecondary sector was provided with net 0% increase in spending with undergraduate and graduate enrolment growth funding being offset by reductions in other areas of sector spending. Most notably, the Policy Levers Savings Targets and student recovery reductions to operating grants implemented in 2013 remained in place.

The 2016 Ontario and Federal Budgets included significant changes to the provincial student aid programs, OSAP and Canada Student Grants (CSG). While no new funding will be invested, the OSAP program will be streamlined and made more transparent to students by creating a single major upfront grant – the Ontario Student Grant, starting in 2017-18. Some additional funding has been invested by the Federal Government in the CSG with increased amounts for low and middle-income recipients and to expand eligibility thresholds. No student will have to repay their Canada Student Loan debt until they are earning more than $25,000.

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, graduate expansion, and increasing international enrolment. With the potential for new revenues tied primarily to enrolment growth, ongoing expense containment measures, including productivity improvements, will continue to be required.

The long-range academic and budget plan for 2016-17 to 2020-21 incorporates the latest provincial information on tuition and operating grants. The plan assumes various updated assumptions and also assumes that the pension deficit payments will continue, and in fact, increase.

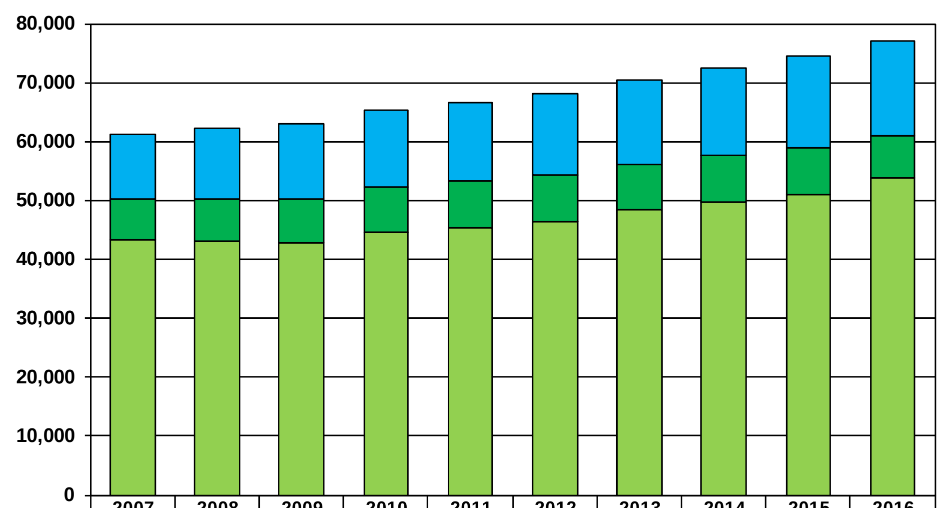
Student Enrolment

The demand for student spaces has increased significantly as a result of increased population growth in Ontario and participation rates since 2007. The University has increased enrolment to accommodate this additional student demand with student FTE enrolment increasing from 61,210 in 2007 to 77,130 in 2016, an increase of 26.0%. More than 63% of the direct entry undergraduate student body is drawn from the Greater Toronto Area.

Tuition fees for domestic students increased in accordance with the tuition framework set by the Provincial Government. Student fees revenue increased by $133.1 million to $1.3 billion in 2016 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 continued cost containment through productivity improvements to maintain financial health.

Number of Undergraduate and Graduate Student FTEs as at November 1



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Graduate	10,990	12,142	12,598	13,116	13,385	13,754	14,154	14,843	15,650	16,227
Second-entry Undergraduate [i]	6,981	7,187	7,495	7,628	7,786	7,806	7,765	7,743	7,764	7,200
First-entry Undergraduate	43,239	42,972	42,841	44,658	45,440	46,528	48,392	49,785	51,102	53,703

[i] Second-entry undergraduate programmes include professional programmes in the Faculty of Medicine, Law, Nursing, Pharmacy, Dentistry and OISE/UT (prior to 2016).

Since 2007, student aid (scholarships, fellowships and bursaries) has increased by 88.5% to $218.5 million. This amount excludes amounts provided by the federated universities. The University 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 and also makes substantial funds available over and above the amounts outlined here, in support of this commitment.

Research and Capital Infrastructure

In 2012, following months of research and broad consultation, the University launched a new five-year Strategic Research Plan (SRP), "Excellence, Innovation, Leadership". The SRP is a strong, yet flexible framework that engages the University research community and partners in the challenges that face humanity in the 21st century - and it helps ensure that our scholars can continue to do the outstanding work they already do in a climate that will enable them to thrive.

The plan identifies seven thematic areas that are designed to facilitate excellence and collaboration both within the University and with partner institutions, as well as address issues of local, national, and global importance:

- EXPLORE: Our Place in the Universe
- SUSTAIN: Humanity and the Environment
- PROMOTE: Healthy People, Healthy Communities, Healthy World
- ENGAGE: Mind, Language, Culture, Values
- ADVANCE: Institutions, Peace, and Prosperity
- ENABLE: Technologies for the 21st Century
- BUILD: Community and Liveable Societies

The SRP helps advance the University's research capacity and productivity by attracting and retaining superb talent; by building strategic research programs and linkages of research, education, and training; and by leveraging strategic partnerships and resources for the benefit of Canada and the world.

Strong research funding support from both the Provincial and Federal governments are key to the realization of the objectives of the SRP. In recent years, both levels of government have maintained their investments in the direct support for research and research infrastructure, and added new areas of focus for investment, such as economic development, innovation and entrepreneurship.

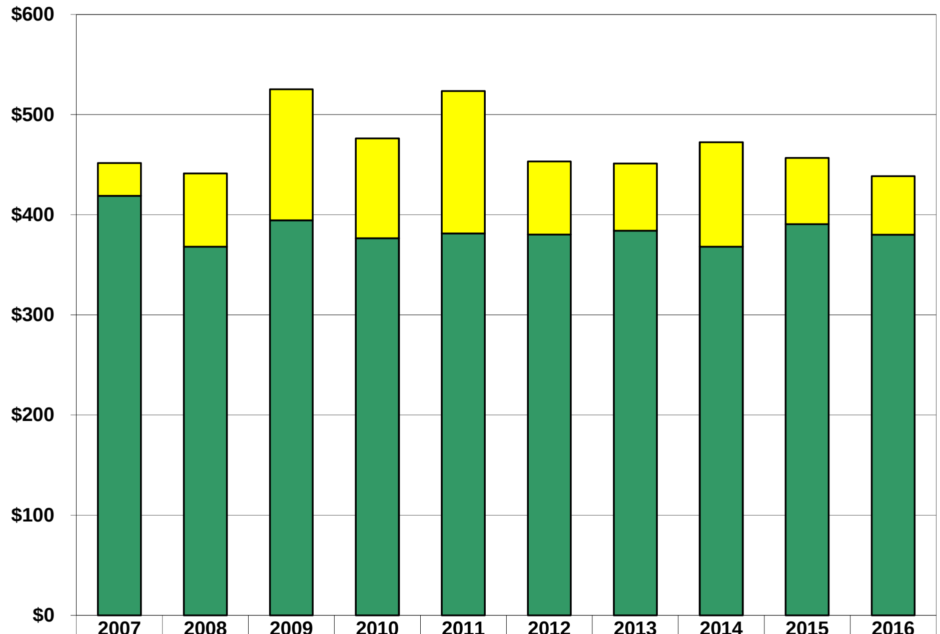
A major research-related element of the 2013 Ontario Budget was innovation and entrepreneurship. The Youth Entrepreneurship Fund was allocated $45.0 million over two years and the Youth Innovation Fund $10.0 million over two years. On-Campus accelerator centres were allocated $20.0 million over two years. The Budget made a broad commitment to support "research capacity" through the Ontario Research Fund (ORF), but a specific dollar amount and matching level of the Canada Foundation for Innovation (CFI) funds was not included. In addition, the 2013 Federal Budget reallocated $37.0 million to the Granting Councils (this new investment offsets the net $37.0 million in cuts that were announced in Budget 2012) in support of industry-academic research partnerships, and extended funding for advanced research infrastructure through the CFI for a further five years. Funding for entrepreneurship and innovation hubs was also announced, as was the renewal of the FedDev Ontario program. No new funding was announced for the Indirect Costs Program through which the University receives approximately 17 cents on the direct-cost dollar, representing less than one-third of the true level of indirect costs at the University.

The 2014 Federal Budget forged ahead with new investments including the proposed creation of the new Canada First Research Excellence Fund (available to all postsecondary institutions on a competitive, peer-reviewed basis) with $1.5 billion in funding over the next decade in support of research to create long-term economic advantages for Canada. The first round of competition for this fund, with $350.0 million available over 7 years was completed, and the second round, with $900.0 million available is currently underway. There was also an additional $46.0 million per year allocated to the Granting Councils in support of research and scientific discoveries, including $9.0 million per year for the Indirect Costs Program.

The 2015 Federal Budget demonstrated the Federal Government's ongoing commitment to research and innovation despite the restrained fiscal environment associated with the 50% drop in the price of oil and the resulting reduced revenues. The Budget included a re-investment of $1.33 billion in CFI over six years starting in 2017-18 and a modest (and targeted to specific types of research programs) investment of $46.0 million in the Granting Councils starting in 2016-17. There were also notable investments in large science and research support initiatives including: $243.5 million over 10 years to secure Canada's participation in the Thirty Meter Telescope and related work on leading-edge domestic components; $45.0 million over 5 years to enable TRIUMF to continue to advance world-leading research activities; and $105.0 million over 5 years to support CANARIE, Canada's high-speed research and education network. Finally, the additional investment of $56.4 million over 4 years, starting in 2016-17, to support 6,000 new graduate-level research and development internships through Mitacs is also noteworthy.

The University continues to be successful at generating funding for research, including direct and infrastructure funding.

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



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Capital infrastructure and other	32.7	73.1	130.7	99.7	142.2	73.0	67.2	104.3	66.0	58.5
Research	418.8	368.1	394.4	376.4	381.2	380.2	383.9	368.0	390.6	380.0

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

- Research grants are recorded as revenue when the related expenditures are incurred.
- Unspent research grants are recorded as deferred contributions.

Government and other grants received in 2016 for restricted purposes totalled $438.5 million and comprised $380.0 million for research and $58.5 million for capital infrastructure and other purposes. These were reported as follows: $382.9 million as revenue from grants for restricted purposes and $55.6 million as deferred contributions and deferred capital contributions.

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

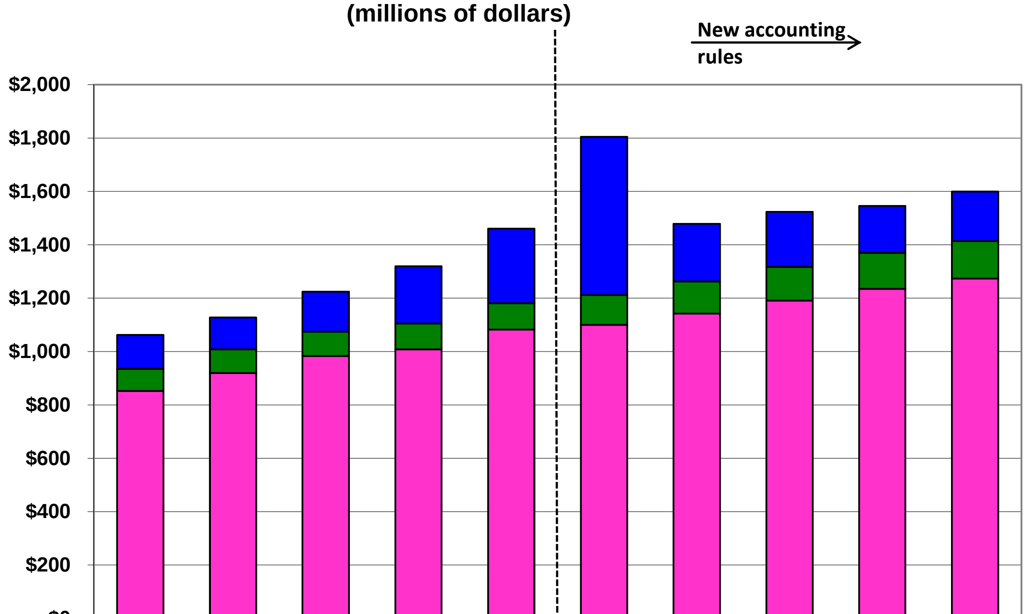
Research funding has been fairly stable in the past few years due to continued federal and provincial support. One hallmark of the successful combination of the innate strength of the University researcher community and the intense institutional focus is the achievement of the goal of an increased Canada Research Chair allocation above our target of 250, to 255.

Capital infrastructure funding decreased in 2012 mainly as a result of receiving Knowledge Infrastructure Program funding in 2010 and 2011. In 2014, the increase in funding was mainly as a result of the University receiving funding for the construction of the Pan Am Aquatics Centre and Field House.

Salaries and Benefits

Over the period 2007 to 2016, salaries and benefits[2] increased from $1.1 billion to $1.6 billion. This is the result of negotiated compensation increases for employee groups as well as an increase of 27.6% in the total number of faculty and staff over that time period. In 2016, the University had 2,988 faculty, 160 librarians, 6,315 administrative staff and 5,275 teaching and graduate assistants.[3]

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



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Employee future benefits	126.7	118.8	149.6	214.4	278.3	593.6	216.6	206.2	175.5	185.6
Other employee benefits	83.0	88.7	90.8	97.2	99.6	111.0	119.9	126.0	135.0	140.9
Salaries	852.2	919.9	983.6	1,007.9	1,082.0	1,100.5	1,142.1	1,190.7	1,235.0	1,272.8

The following agreements were in effect in fiscal 2016:

- Three-year agreement with administrative and technical staff, represented by the United Steelworkers, starting July 1, 2014 to June 30, 2017 for across-the-board salary increases of 0.5% on July 1, 2014 (plus $150 one-time only upon ratification), an additional 0.5% on January 1, 2015 (based on June 30, 2014 salary), 0.5% effective July 1, 2015 (plus $150 one-time only), an additional 0.5% on January 1, 2016 (based on June 30, 2015 salary), and 1.25% on July 1, 2016 (plus $200 one-time only).

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[2] Effective May 1, 2011, the University started to account 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 plan and employee future benefits other than pensions on the consolidated balance sheet and the changes in the deficits in the consolidated statement of operations. Effective May 1, 2012, remeasurements (which include any difference between the actual return on plan assets and the return used in valuing employee future benefits obligations, and any actuarial gains and losses) are recognized directly in net assets instead of being recorded in the consolidated statement of operations.

[3] A total of 11,589 Sessional, Clinical and Research Associates also have teaching and research responsibilities.

- Three-year agreement with its faculty and librarians starting July 1, 2014 to June 30, 2017 for across-the-board salary increases of 1.0% on June 30, 2014, 0.9% on December 31, 2014, 1.0% on June 30, 2015, 0.9% on December 31, 2015, and an additional 1.75% on June 30, 2016. The agreement also included faculty and librarians pension plan contribution increases and increases to amounts made available for distribution as progress through the ranks.

- Three-year agreement with sessional lecturers and instructional assistants (non-student) and writing instructors starting September 1, 2014 to August 31, 2017 for across-the-board salary increases of 1.0% on September 1, 2014, 1.5% on September 1, 2015, an additional 0.5% on January 1, 2016 (based on August 31, 2015 salary), 0.5% on September 1, 2016, and an additional 0.75% on January 1, 2017 (based on August 31, 2016 salary). In addition, the University agreed to pay various lump sum payments throughout the agreement.

- Three-year agreement with teaching assistants starting May 1, 2014 to April 30, 2017. Compensation increases of 0.5% will occur on May 1, 2015, and January 1, 2016 and May 1, 2016 followed by compensation increases of 0.75% on January 1, 2017 and 1.0% on May 1, 2017.

Benefits expense for the year of $326.5 million is made up of employee future benefits expense of $185.6 million and other employee benefits expense of $140.9 million. Other employee benefits expense includes, for example, the cost of legislative benefits (e.g. Canada Pension Plan and Employment Insurance), medical benefits for active staff, 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.

April 30, 2016	**Pension plan**	**Other benefit plans**
Plan status:		
Assets	**$4.0 billion**	**$85.5 million***
Obligations	**$4.8 billion**	**$567.3 million**
Deficit	**$797.4 million**	**$481.8 million**
April 30, 2015	**Pension plan**	**Other benefit plans**
Plan status:		
Assets	$4.1 billion	$84.3 million*
Obligations	$4.7 billion	$580.8 million
Deficit	$617.4 million	$496.5 million

*Assets set aside by the University

The University records its pension obligation net of the fair value of plan assets on its balance sheet using funding assumptions.

The pension plan's deficit increased from $617.4 million in 2015 to $797.4 million in 2016. This increase of $180.0 million is mainly due to investment returns on pension plan assets which were below expected returns partially offset by required special going concern payments into the plan of $76.6 million.

In 2010, the Province introduced a two-stage pension solvency funding relief process to allow certain public sector entities to amortize their solvency deficits over ten years instead of five. The University was approved for Stage 1 of the provincial solvency funding relief in 2011 and adopted a pension contribution strategy in May 2012 (based on an actuarial valuation as at July 1, 2011) to deal with the pension deficit and to enhance the long-term sustainability of the plan while mitigating the impact on the core operating budget to the extent possible. This strategy included: (1) two lump sum payments of $150.0 million, in fiscal year 2012 and in fiscal year 2014, made into the registered plan, (2) increased annual special payments and (3) the use of non-cash letters of credit to address net solvency special payments. This strategy called for an increase in the annual pension special payments budget to $97.2 million by 2015-16 from $27.2 million in 2010-11. In 2014-15, the University was approved for Stage 2 of the solvency funding relief program, largely because of employee contribution increases that were implemented to bring the employer-employee contribution ratio closer to 1.5:1. The current long-term operating budget increases the pension special payments allocation by an additional $5.0 million per year from $97.2 million in 2015-16 to $122.2 million in 2020-21. The Province has amended the solvency funding relief regulation, which has delayed the requirement to make net solvency payments until July 2018, with any solvency deficit at that time amortized over seven years.

The University received governance approval for internal borrowing of up to $150.0 million to be transferred into the pension plan as required. As stated above, the University transferred a $150.0 million lump sum payment ($112.6 million of which was internally borrowed) into the pension plan during fiscal year 2012. In fiscal 2014, the University made another $150.0 million lump sum payment ($121.8 million from funds set aside for its supplemental retirement arrangement and $28.2 million which was internally borrowed).

The Ontario Government continues to work with the Broader Public Sector to develop longer term solutions for the future, such as the possible creation of jointly sponsored pension plan. The University also has an agreement with the Faculty Association, USW and CUPE to engage in discussions regarding the University’s pension plan – including the possibility of moving to a jointly sponsored pension plan structure. The Joint Working Committee is actively meeting and includes representatives from the Governing Council and the Administration, as well as from employee groups represented by UTFA, USW and CUPE, plus non-represented staff.

The obligation for employee future benefits other than pension at April 30, 2016 is $567.3 million. This obligation is also determined based on actuarial valuations using funding assumptions. The annual current service and finance costs are included in the consolidated statement of operations and any actuarial gains or losses are recorded directly in net assets instead of being reported in the consolidated statement of operations.

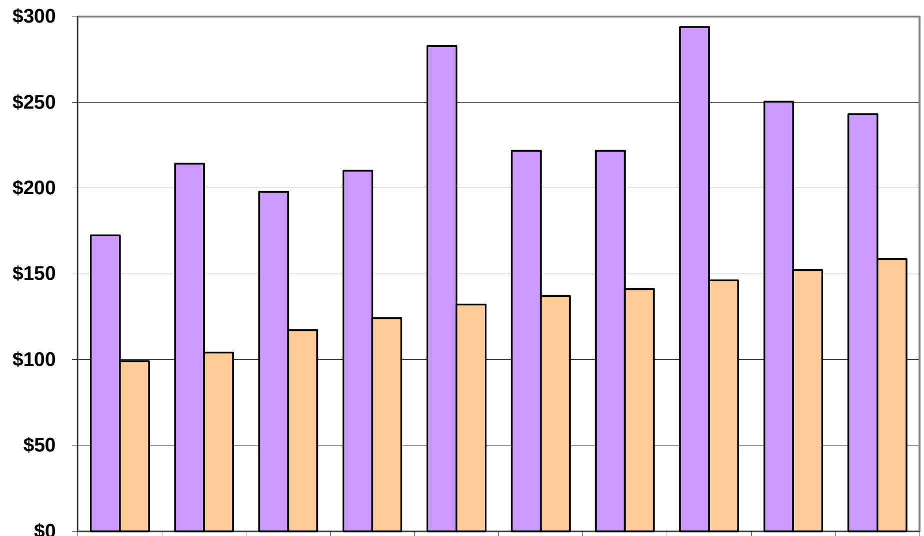
Space

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.

Additionally, the University has future obligations for deferred and pending maintenance, which are currently estimated at $666.0 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 2016-17 through 2020-21 includes funding to arrest further deterioration of the physical infrastructure.

Governments have also provided funding for capital projects 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.

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



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Additions to capital assets	172.4	214.3	197.8	210.1	282.8	221.8	221.8	293.9	250.4	243.1
Amortization	99.1	104.1	117.2	124.1	132.1	137.0	141.2	146.2	152.1	158.6

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 campuses as well as an Innovation Centre for the Canadian Mining Industry at its St. George campus. In 2014, the increase in additions to capital assets was mainly as a result of the University receiving funding for the construction of the Pan Am Aquatics Centre and Field House. In 2016, the University received $4.8 million from the Province of Ontario's Facilities Renewal Program.

Debt

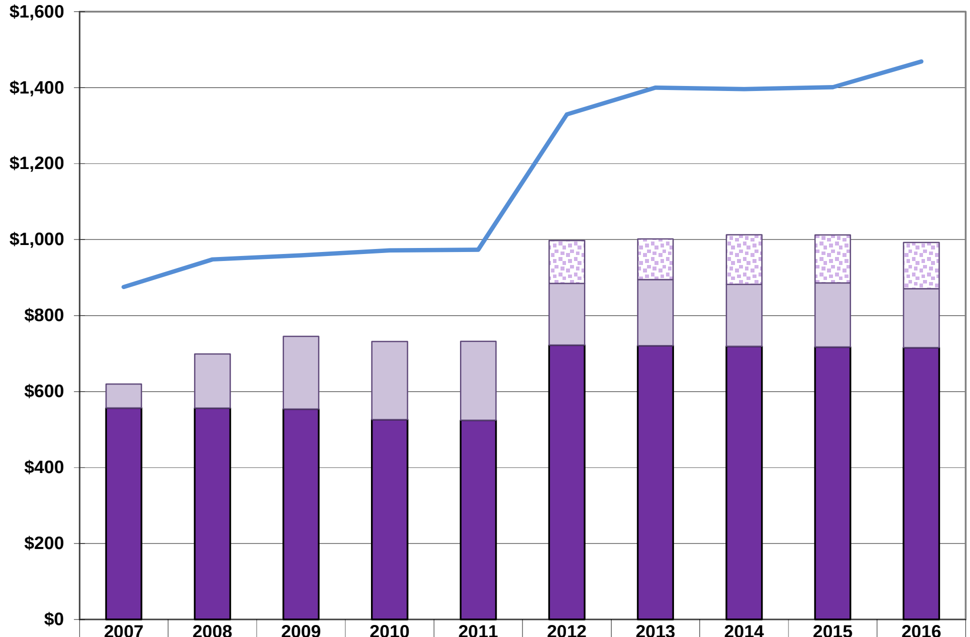
In November 2012, the University revised its debt strategy resulting in a change to a debt policy limit based on a debt burden ratio of 5.0% (interest plus principal repayments divided by adjusted total expenditures).

The University is committed to prudently and strategically allocating debt to high priority capital projects and to support the pension plan. The debt strategy provides for a total debt limit of about $1.5 billion at April 30, 2016, made up of external debt of $1.1 billion plus $350.0 million in internal financing, of which $150.0 million is for pensions.

In 2016, the actual outstanding external debt is made up of $710.0 million (gross of $1.2 million of issue costs and premiums) of debentures and $5.8 million (net of fair value impact of $4.0 million of interest rate swap contracts) of other long-term debt. At April 30, 2016, the actual debt burden ratio was 3.5%, well below the 5.0% policy limit.

The University's credit ratings are Aa2 (Moody's), AA+ (Standard & Poor's) and AA (DBRS Limited), which ranks the University as a strong investment-grade credit, with two credit rating agencies rating the University above the Province of Ontario.

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



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Internal debt - pension						112.6	106.7	130.8	126.4	121.7
Internal debt - other	62.6	142.7	190.9	205.4	207.9	162.3	174.1	162.7	168.3	155.0
Total external debt	556.7	556.3	554.0	525.9	524.1	722.6	721.0	719.4	717.6	715.8
Policy - Maximum total debt limit	875.2	948.0	958.4	971.5	973.1	1,329.6	1,400.0	1,396.5	1,401.1	1,469.0

Donations

Academic priorities that cannot be completely funded through internal resources may become approved priorities for fundraising. The Provost must approve all initiatives before they become priorities for fundraising.

Holding fundraising in support of academic plans of the University's 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 University has now surpassed the $1.9 billion mark towards its $2.0 billion campaign goal, establishing a new benchmark in Canadian philanthropy. 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, 2015 to April 30, 2016, a total of $233.1 million was raised for the University (including federated universities and other affiliated institutions, but excluding donations to partner hospitals). This amount includes $196.7 million in pledges and gifts (donations) and $36.4 million in philanthropic research grants that are recorded as government and other grants revenue for restricted purposes.

Total Fundraising Performance (pledges, gifts and grants)
for the year ended April 30
(millions of dollars)

Year	Pledges and Gifts Raised	Philanthropic Research Grants	Total
2016	196.7	36.4	233.1
2015	194.9	53.0	247.9
2014	168.8	33.0	201.8
2013	211.7	15.2	226.9
2012	129.8	16.1	145.9
2011	99.3	13.9	113.2
2010	119.8	28.4	148.2
2009	104.4	34.1	138.5
2008	184.8	23.2	208.0
2007	158.4	25.0	183.4

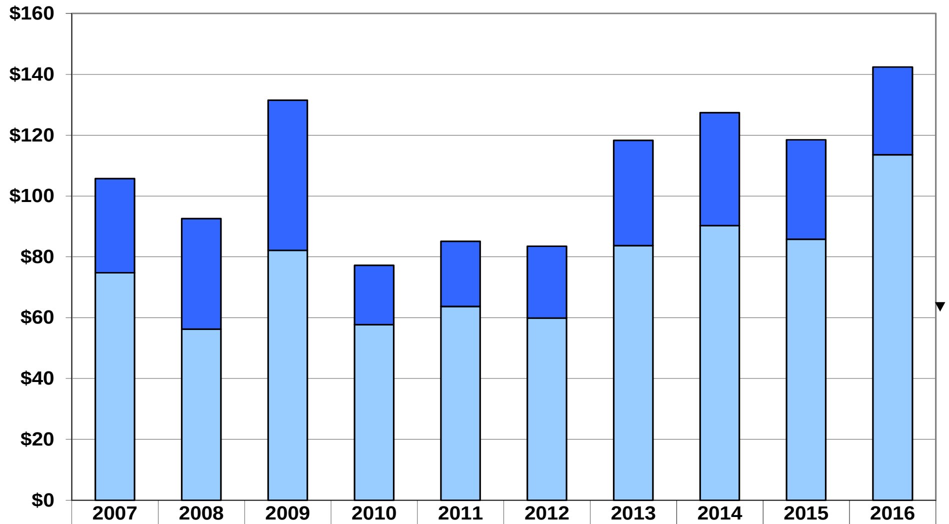
Donations revenue recorded in the University's financial statements does not include donations to the federated universities – Victoria University, University of St. Michael's College, and The University of Trinity College – nor does it include philanthropic research grants (which are recorded as government and other grants revenue for restricted purposes).

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 the related expenditures are incurred;
- 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.

In 2016, donations received by the University (excluding receipts by the federated universities, other affiliated institutions, philanthropic research grants and donations to partner hospitals) totalled $142.4 million and were reported as follows: $113.6 million in expendable donations was reported as revenue and $28.8 million was added directly to endowments. It should be noted that the following graph tracks donations received by fiscal year. There is usually a lag between the growth in pledges and related commitments, and the actual cash receipt of funds.

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

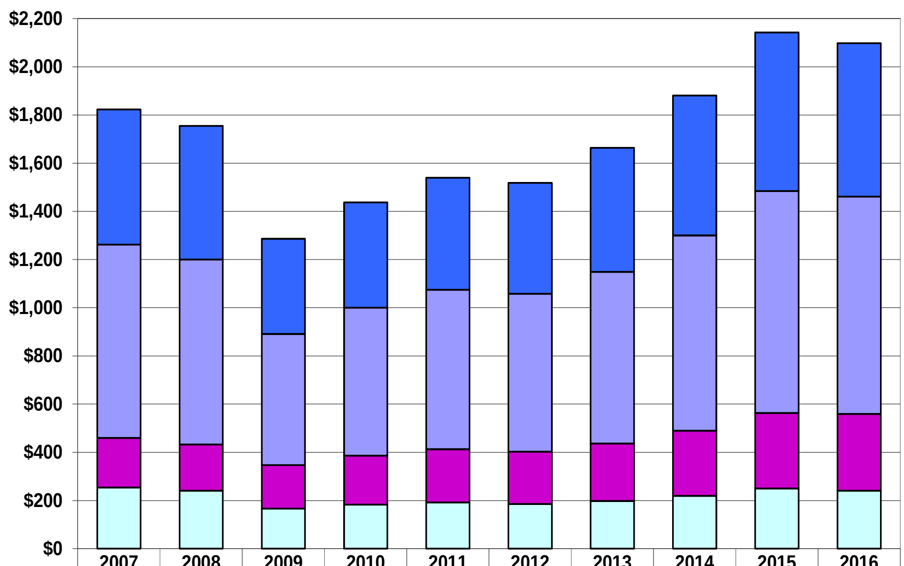


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total donations	105.7	92.6	131.5	77.2	85.1	83.5	118.3	127.4	118.5	142.4
Endowed donations	30.9	36.4	49.4	19.5	21.4	23.6	34.6	37.1	32.7	28.8
Expendable donations	74.8	56.2	82.1	57.7	63.7	59.9	83.7	90.3	85.8	113.6

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 at Fair Value
at April 30
(millions of dollars)

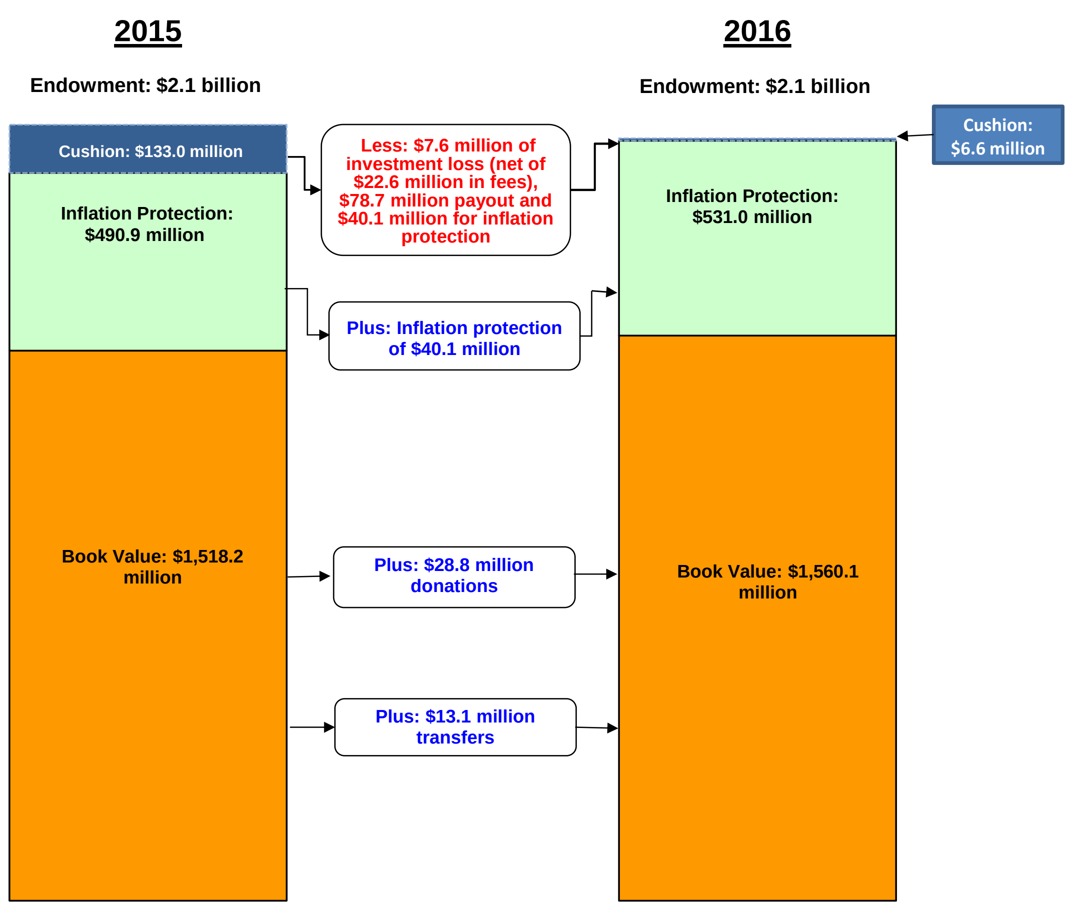


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total endowments	1,822.7	1,754.8	1,286.3	1,437.2	1,539.4	1,518.1	1,663.7	1,880.8	2,142.1	2,097.7
Chairs and professorships	560.5	554.4	395.5	437.4	464.6	460.4	514.4	580.5	657.6	636.8
Student aid	802.4	768.1	543.9	614.1	662.0	655.2	713.0	810.5	921.8	901.8
Academic programs	205.9	191.8	180.3	203.1	220.8	217.1	238.6	270.8	312.4	318.8
Research	253.9	240.5	166.6	182.6	192.0	185.4	197.7	219.0	250.3	240.3

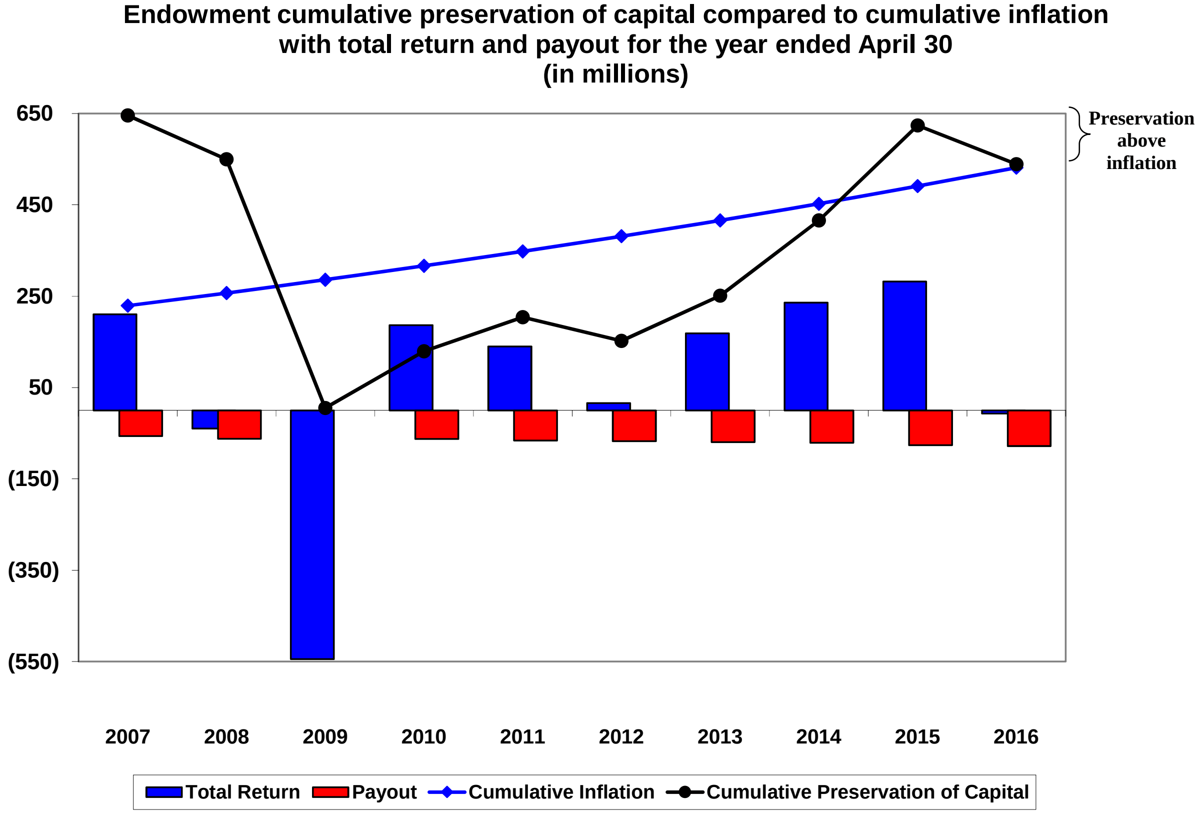
Endowments are managed in a unitized pool with an annual spending rate. The University's endowment spending objective is to provide a predictable amount for spending (payout) each year that increases with inflation. To do this, the University preserves capital by constraining the annual spending rate 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, 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 recovered 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.

In 2016, the University's endowment value was $2.1 billion with full inflation protection of $531.0 million and preservation above inflation (cushion) of $6.6 million against any possible future market downturn.



The following diagram shows the preservation of capital and payout over the ten-year period starting in 2007:



At April 30, 2016, there were over 5,900 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 decreased by $44.4 million as follows:

- ($72.7 million) decrease on externally restricted endowments, consisting of a $5.8 million investment loss and $66.9 million withdrawn for payout;
- ($13.6 million) decrease on internally restricted endowments, consisting of a $1.8 million investment loss and $11.8 million withdrawn for payout;
- $28.8 million of externally endowed donations; and
- $13.1 million transfer from unrestricted deficit.

Investment Earnings

Total investment earnings for the year amounted to $9.8 million (net of $26.6 million in fees and other expenses) consisting of $7.6 million loss on investments held for endowments and $17.4 million income on investments other than those held for endowments. These earnings were recorded in the financial statements as follows:

- Of the $7.6 million loss on investments held for endowments (net of $22.6 million in fees and other expenses), $72.7 million was recorded as a direct decrease to endowments in the consolidated statement of changes in net assets, and $65.1 million (payout for externally restricted endowments offset by the investment loss on internally restricted endowments) was recorded as investment income in the consolidated statement of operations.
- $17.4 million on investments other than those held for endowments (net of $4.0 million in fees and other expenses) in the consolidated 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 separate non-share capital corporation whose members are appointed by the University. 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.

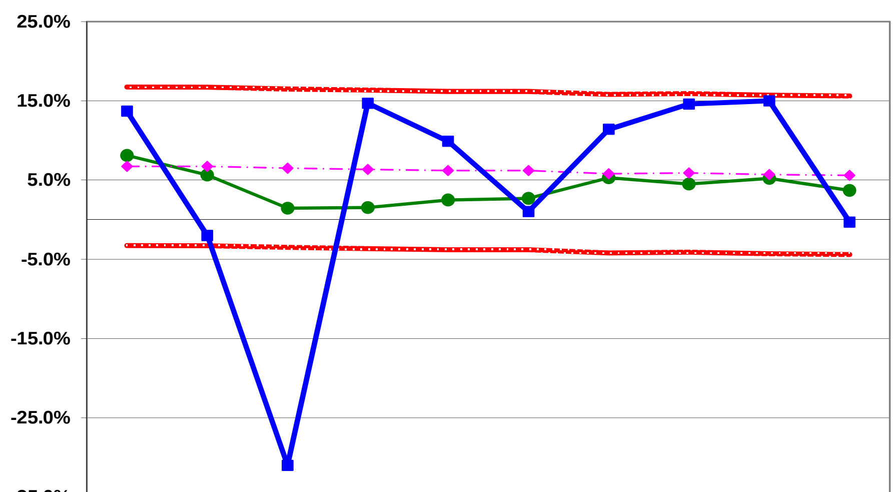
Financial and investment oversight rests with the Business Board. It is executed through the following: an investment advisory committee which provides investment advice to the President, the UTAM Board which provides oversight of the operation of the corporation, UTAM management which focuses on risk 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 $2.4 billion at April 30, 2016, of which $2.1 billion was for endowments, representing 87.7% of the balance invested in LTCAP.

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.

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



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ten-Year rolling average return	8.1%	5.6%	1.5%	1.5%	2.5%	2.7%	5.3%	4.5%	5.2%	3.7%
Ten-Year rolling target return +10%	16.7%	16.7%	16.5%	16.4%	16.2%	16.2%	15.8%	15.9%	15.7%	15.6%
Ten-Year rolling target return*	6.7%	6.7%	6.5%	6.4%	6.2%	6.2%	5.8%	5.9%	5.7%	5.6%
Ten-Year rolling target return -10%	-3.3%	-3.3%	-3.5%	-3.6%	-3.8%	-3.8%	-4.2%	-4.1%	-4.3%	-4.4%
Annual investment return	13.7%	-2.0%	-31.0%	14.7%	9.9%	1.0%	11.4%	14.6%	15.0%	-0.3%

*The ten-year rolling returns are geometric average returns.

EFIP

The investment policy for EFIP reflects its two categories of funds: very short-term investments managed by the University 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 the University	Minimal risk	30-day Treasury bill return
Funds managed by UTAM	Minimal risk	1-year Treasury bill return + 50 basis points within minimal risk targets

The returns for the 2016 fiscal year were as follows:

	Fair Value at April 30, 2016	**Total Return for Year Ended April 30, 2016**
Investments managed by the University	**$114.0 million**	**1.07%**
Funds managed by UTAM	**$1,446.1 million**	**1.32%**

The returns for the 2015 fiscal year were as follows:

	Fair Value at April 30, 2015	Total Return for Year Ended April 30, 2015
Investments managed by the University	$144.0 million	1.26%
Funds managed by UTAM	$1,288.8 million	1.92%

Audited Consolidated Financial Statements

April 30, 2016

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 Chartered Professional Accountants of Canada. The administration believes that the consolidated financial statements present fairly the University's financial position as at April 30, 2016 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, 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 year ended April 30, 2016 have been reported on by Ernst & Young LLP, the auditors appointed by Governing Council. The independent auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the consolidated financial statements.

(signed)
Sheila Brown
Chief Financial Officer

(signed)
Meric S. Gertler
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 consolidated balance sheet as at April 30, 2016 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 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 of Toronto** as at April 30, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 23, 2016

Statement 1

UNIVERSITY OF TORONTO
CONSOLIDATED BALANCE SHEET
AS AT APRIL 30
(millions of dollars)

	2016	2015
ASSETS		
Current		
Cash and cash equivalents	**114.0**	144.0
Short-term investments (note 3)	**1,039.3**	883.8
Accounts receivable (notes 3 and 18)	**115.7**	91.5
Inventories and prepaid expenses	**20.3**	20.6
	1,289.3	1,139.9
Long-term accounts receivable	**60.7**	46.2
Investments (notes 3 and 18)	**2,733.3**	2,766.9
Capital assets, net (note 4)	**4,349.3**	4,264.8
	8,432.6	8,217.8
LIABILITIES		
Current		
Accounts payable and accrued liabilities (notes 3, 6, 8 and 18)	**350.4**	328.2
Deferred contributions (note 9)	**504.1**	454.2
	854.5	782.4
Accrued pension liability (note 5)	**797.4**	617.4
Employee future benefit obligation other than pension (note 5)	**567.3**	580.8
Senior unsecured debentures (note 7)	**708.8**	708.8
Other long-term debt (note 8)	**9.8**	12.3
Deferred capital contributions (note 10)	**1,145.9**	1,140.2
	4,083.7	3,841.9
NET ASSETS (Statement 3)		
Unrestricted deficit	**(52.0)**	(89.5)
Internally restricted (note 11)	**2,303.2**	2,323.3
Endowments (notes 12, 13 and 14)	**2,097.7**	2,142.1
	4,348.9	4,375.9
	8,432.6	8,217.8

Contingencies and commitments (notes 3, 20, 21 and 22)

(See accompanying notes)

On behalf of Governing Council:

(signed)
Judy G. Goldring
Chair

(signed)
Meric S. Gertler
President

Statement 2

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

	2016	2015
REVENUES		
Student fees	**1,291.7**	1,158.6
Government grants for general operations	**710.1**	714.1
Government and other grants for restricted purposes (note 17)	**382.9**	397.1
Sales, services and sundry income	**301.6**	292.0
Investment income (notes 3 and 12)	**109.1**	191.8
Donations (note 16)	**113.6**	85.8
	2,909.0	2,839.4
EXPENSES		
Salaries	**1,272.8**	1,235.0
Employee future benefits (note 5)	**185.6**	175.5
Other employee benefits	**140.9**	135.0
Scholarships, fellowships and bursaries	**218.5**	206.0
Materials and supplies	**162.3**	151.8
Amortization of capital assets	**158.6**	152.1
Repairs and maintenance	**124.8**	107.3
Cost of sales and services	**88.7**	85.0
Inter-institutional research contributions	**68.3**	67.0
Utilities	**61.4**	55.5
External contracted services	**54.8**	55.6
Travel and conferences	**47.8**	46.3
Interest on long-term debt	**38.5**	38.6
Telecommunications	**11.1**	11.3
Other	**64.3**	29.6
	2,698.4	2,551.6
NET INCOME	**210.6**	287.8

(See accompanying notes)

Statement 3

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

	Unrestricted deficit	Internally restricted (note 11)	Endowments (note 12)	2016 Total	2015 Total
Net assets, beginning of year	**(89.5)**	**2,323.3**	**2,142.1**	**4,375.9**	3,900.2
Net income	**210.6**			**210.6**	287.8
Net change in internally restricted (note 11)	**20.1**	**(20.1)**			
Remeasurements and other items (note 5)	**(193.7)**			**(193.7)**	(20.9)
Investment gain (loss) on externally restricted endowments (note 12)			**(72.7)**	**(72.7)**	176.1
Externally endowed contributions - donations (note 16)			**28.8**	**28.8**	32.7
Transfer from internally restricted endowments (note 12) - investment loss	**13.6**		**(13.6)**		
Transfer to endowments - donations	**(12.0)**		**12.0**		
- matching funds	**(1.1)**		**1.1**		
Net assets, end of year	**(52.0)**	**2,303.2**	**2,097.7**	**4,348.9**	4,375.9

(See accompanying notes)

Statement 4

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

	2016	2015
OPERATING ACTIVITIES		
Net income	**210.6**	287.8
Add (deduct) non-cash items:		
Amortization of capital assets	**158.6**	152.1
Amortization of bond issue costs		0.1
Amortization of deferred capital contributions	**(68.3)**	(67.7)
Net capital losses (gains) from investments	**31.2**	(53.2)
Employee future benefits expense	**185.6**	175.5
Employee future benefits contributions	**(212.8)**	(196.4)
Net change in other non-cash items (note 15)	**33.8**	68.8
	338.7	367.0
INVESTING ACTIVITIES		
Net purchase of short-term investments	**(155.5)**	(100.8)
Net purchase of investments	**(71.0)**	(74.5)
Purchase of capital assets	**(227.7)**	(258.8)
	(454.2)	(434.1)
FINANCING ACTIVITIES		
Contributions for capital asset purchases	**58.5**	66.8
Other long-term debt repayments	**(1.8)**	(1.8)
Endowment contributions		
- donations	**28.8**	32.7
	85.5	97.7
Net (decrease) increase in cash and cash equivalents during the year	**(30.0)**	30.6
Cash and cash equivalents, beginning of year	**144.0**	113.4
Cash and cash equivalents, end of year	**114.0**	144.0
Supplemental cash flow information		
Increase (decrease) in capital asset acquisitions funded by accounts payable and accrued liabilities	**14.4**	(16.3)
Increase in contributions receivable related to capital asset purchases	**14.5**	2.3
Contributed capital assets	**1.0**	7.9

(See accompanying notes)

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 postsecondary 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

These consolidated financial statements have been prepared in accordance with Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook – Accounting, 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 statement 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. The fair value of derivative financial instruments reflects 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.

Derivative financial instruments are carried at fair value, with changes in fair value during the year recorded in the consolidated statement of operations.

c) Investments in significantly influenced entities and interests in joint venture arrangements -

Joint ventures and investments in for-profit entities subject to significant influence are accounted for using the equity method, whereby the investment is initially recorded at cost, net of any impairment and adjusted thereafter for the University's share of the entity's net surplus or deficit and any further impairments. Any distributions received are accounted for as a reduction in the investment.

d) 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.

e) Other financial instruments -

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

f) 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.

g) Inventory valuation -

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

h) 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 sheet. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized as a direct increase or decrease in net assets. The accrued liability for funded employee future benefit plans is determined using a roll-forward technique to estimate the accrued liability using funding assumptions from the most recent actuarial valuation report prepared at least every three years. The accrued liability for unfunded plans is prepared on a basis consistent with funded plans. Employee future benefit plans' assets are measured at fair value as at the date of the consolidated balance sheet.

i) 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.

j) Revenue recognition -

The University follows the deferral method of accounting for contributions, which include donations and government grants.

The University actively fundraises and unrestricted donations, contributed rare books and other collections are recorded as revenue when received or receivable if amounts can be reasonably estimated and collection is reasonably assured. Due to the uncertainty involved in collecting pledged donations, they are not recognized until received.

Contributions externally restricted for purposes other than endowment are deferred when initially recorded in the accounts and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties. Externally restricted contributions received towards the acquisition of capital assets are deferred when initially recorded in the accounts and amortized to revenue on the same basis as the related depreciable capital assets are amortized.

Endowment contributions and contributions of non-amortizable capital assets are recorded as direct increases in net assets in the year in which they are received or receivable.

Student fees are recorded as revenue when courses and seminars are held. Sales and services revenues are recorded at point of sale for goods or when the service has been provided.

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

l) Use of 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.

m) 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.

n) 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 3.25% of construction, furnishings and equipment and landscaping costs for projects up to $75.0 million and 2.5% of construction, furnishings and equipment and landscaping costs for projects above $75.0 million.

3. Investments

Direct investments are classified based on the intent of the investment strategies of the underlying portfolio.

The fair values of investments are as follows:

	(millions of dollars)	
	April 30, 2016	April 30, 2015
Short-term investments	**1,039.3**	883.8
Government and corporate bonds	**1,167.0**	1,125.0
Canadian equities	**358.3**	361.6
United States equities	**393.9**	412.6
International equities	**357.4**	383.7
Emerging markets equities	**219.6**	246.5
Other	**237.1**	237.5
	3,772.6	3,650.7
Less amounts reported as short-term investments	**(1,039.3)**	(883.8)
	2,733.3	2,766.9

Short-term investments consist of cash, money market funds, short-term notes and treasury bills. Investments in the “other” category consist mainly of absolute return hedge funds.

Included in the above investment classification are hedge funds, private investments and real assets which have been classified as follows:

	April 30, 2016 (millions of dollars)						
	Government and corporate bonds	**Canadian equities**	**United States equities**	**International equities**	**Emerging markets equities**	**Other**	**Total**
Hedge funds	**40.2**		**27.1**		**41.1**	**237.1**	**345.5**
Private investments	**158.3**	**36.5**	**92.7**	**23.9**	**29.2**		**340.6**
Real assets	**22.5**	**33.2**	**36.1**	**31.2**			**123.0**
	221.0	**69.7**	**155.9**	**55.1**	**70.3**	**237.1**	**809.1**

	April 30, 2015 (millions of dollars)						
	Government and corporate bonds	Canadian equities	United States equities	International equities	Emerging markets equities	Other	Total
Hedge funds	66.6		24.3		48.6	237.5	377.0
Private investments	116.4	32.4	105.8	33.3	25.2		313.1
Real assets	21.4	44.6	39.8	42.1			147.9
	204.4	77.0	169.9	75.4	73.8	237.5	838.0

The University's investments are managed using two pools: the expendable funds investment pool ("EFIP") and the long-term capital appreciation pool ("LTCAP"). The LTCAP mainly includes endowment funds. Investments for each pool consisted of the following:

	(millions of dollars)			
	April 30, 2016		April 30, 2015	
	EFIP	**LTCAP**	EFIP	LTCAP
Short-term investments	**1,021.3**	**18.0**	880.8	3.0
Government and corporate bonds	**424.6**	**742.4**	407.8	717.2
Canadian equities	**0.2**	**358.1**	0.2	361.4
United States equities		**393.9**		412.6
International equities		**357.4**		383.7
Emerging markets equities		**219.6**		246.5
Other		**237.1**		237.5
	1,446.1	**2,326.5**	1,288.8	2,361.9

Some of the University's publicly traded investments held in LTCAP are invested in a unitized investment pooled fund, which is managed by the University of Toronto Asset Management Corporation ("UTAM"), a separate non-share capital corportation whose members are appointed by the University. As of April 30, 2016, UTAM managed the Canadian equity pooled fund with a fair value of $171.7 million (2015 - $182.9 million).

In fiscal 2016, the University's investment income of $109.1 million (2015 - $191.8 million) recorded in the consolidated statement of operations consists of income related to investments held for endowments of $87.7 million (2015 - $128.4 million), gross of $22.6 million (2015 - $22.3 million) in fees and other expenses, and income of $21.4 million (2015 - $63.4 million) on investments other than those held for endowments, gross of $4.0 million (2015 - $4.5 million) in fees and other expenses.

During the year, the University recognized an investment loss of $17.7 million (2015 – gain of $30.7 million) as a result of the 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.

Uncalled commitments

As at April 30, 2016, approximately 12.3% (2015 - 12.5%) 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, 2016, the University had uncalled commitments of approximately $228.2 million (2015 - $182.2 million). The capital committed is called by the manager over a pre-defined investment period, which varies by fund, but is generally between 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.

Derivative financial instruments

The maturity dates of the currency forward and futures contracts as at April 30, 2016 range from May 2016 to September 2016. The maturity dates of the total return equity swap contracts as at April 30, 2016 range from May 2016 to March 2019. Collateral has been provided against these contracts as of April 30, 2016 in the form of short-term investments with a fair value of $8.2 million (2015 - $2.8 million).

The interest rate swap contracts result in the University fixing a weighted average long-term interest rate of 6.75% (2015 - 6.66%) on certain debt obligations instead of paying a weighted average short-term floating interest rate of 1.11% (2015 - 1.45%). 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 the notional amount. The fair value of the interest rate swap contracts of $4.0 million (2015 - $4.7 million) is included in other long-term debt (note 8).

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

	(millions of dollars)			
	April 30, 2016		April 30, 2015	
	Notional value	**Fair value**	Notional value	Fair value
Derivative-related receivables				
Foreign currency forward contracts				
- United States dollars	**632.4**	**28.1**	748.4	18.1
- Other	**154.6**	**4.8**	160.1	3.9
		32.9		22.0
Equity and bond futures contracts				
- United States dollars	**19.4**	**0.5**	22.3	0.1
- Other	**86.7**	**2.0**	53.8	1.0
		2.5		1.1
Total return equity and bond swap contracts	**375.9**	**8.8**	103.3	2.3
Total derivative-related receivables		**44.2**		25.4
Derivative-related payables				
Foreign currency forward contracts				
- United States dollars	**22.6**	**(0.6)**	47.1	(1.2)
- Other	**99.1**	**(0.4)**	74.9	(1.9)
		(1.0)		(3.1)
Equity and bond futures contracts				
- United States dollars	**17.2**	**(0.7)**	6.4	(0.5)
- Other	**49.3**	**(1.0)**	15.6	(0.1)
		(1.7)		(0.6)
Total return equity swap contracts			62.5	(0.1)
Total interest rate swap contracts (note 8)	**18.5**	**(4.0)**	20.5	(4.7)
Total derivative-related payables		**(6.7)**		(8.5)
Derivative-related net receivable		**37.5**		16.9

The University may enter into repurchase (or reverse repurchase) agreements that involve the sale (or purchase) of bonds to (from) a financial institution and the simultaneous agreement to repurchase (resell) that same security for a fixed price, reflecting a rate of interest, on a specific date. The affected securities sold (or purchased) under these agreements are not derecognized (or recognized) as investments as the University (or the seller) retains substantially all the risks and rewards of ownership. The difference between the sale and repurchase price (or purchase and resell price) is treated as interest expense (income) and is recognized over the life of the agreement using the effective interest rate method. These transactions involve risks that the value of the securities being relinquished (acquired) may be different than the price to be paid (received) on the expiry date or that the other party to the agreement will be unable or unwilling to complete the transaction as scheduled which may result in losses to the University. As at April 30, 2016, the University had entered into a number of these agreements with expiry dates in May 2016. The amount that the University has committed to repurchase securities under repurchase agreements is recognized as investment-related payables of $225.8 million (2015 - $221.4 million).

4. Capital assets

(millions of dollars)

	April 30, 2016		April 30, 2015	
	Total cost	**Accumulated amortization**	Total cost	Accumulated amortization
Land	**2,190.9**		2,178.2	
Buildings (note 8)	**2,864.9**	**1,050.3**	2,724.4	983.2
Equipment and furnishings	**1,540.1**	**1,249.9**	1,477.7	1,184.7
Library books	**633.5**	**579.9**	606.1	553.7
	7,229.4	**2,880.1**	6,986.4	2,721.6
Less accumulated amortization	**(2,880.1)**		(2,721.6)	
Net book value	**4,349.3**		4,264.8	

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 $4.5 billion and contents is approximately $2.6 billion, which includes library books of approximately $0.9 billion.

As at April 30, 2016, the University had $149.9 million (2015 - $130.7 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 plan (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 an amount equal to the greater of 75% of the increase in the Consumer Price Index ("CPI") for the previous year up to 8%, plus 60% of the increase in CPI above 8%, or the increase in the CPI for the previous year minus four percentage points. 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.

On March 4, 2016, the Financial Services Commission of Ontario approved the University's application for a transfer of assets from the University of Toronto (OISE) Pension Plan to the University of Toronto Pension Plan effective July 1, 2014. This approval effectively merges the University of Toronto (OISE) Pension Plan into the University of Toronto Pension Plan with no change in benefits to any of its members.

The employee future benefits expense for the year includes pension expense of $135.0 million (2015 - $128.7 million) and other retirement benefits expense of $50.6 million (2015 - $46.8 million). Remeasurements, which are recorded in the consolidated statement of changes in net assets, rather than in the consolidated statement of operations, are as follows:

	(millions of dollars)			
	April 30, 2016		April 30, 2015	
	Pension benefit plan	**Other benefit plans**	Pension benefit plan	Other benefit plans
Difference between actual and expected return on plan assets	**(279.0)**		301.4	
Actuarial gains (losses)	**44.1**	**41.2**	(280.9)	(41.4)
	(234.9)	**41.2**	20.5	(41.4)

The latest actuarial valuations for the pension plan and for other retirement benefit plans was performed as at July 1, 2015. The next required actuarial valuations for the registered plans will be as at July 1, 2017. 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 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 April 30, 2015, an 8.0% 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% in 2021 and remaining at that level thereafter. There were no changes to these trend rates in measuring the obligation as at April 30, 2016.

	April 30, 2016		April 30, 2015	
	Pension benefit plan	**Other benefit plans**	Pension benefit plan	Other benefit plans
Accrued benefit obligation:				
Discount rate	**5.75%**	**5.75%**	5.75%	5.75%
Rate of compensation increase	**4.00%**	**4.00%**	4.00%	4.00%
Rate of inflation	**2.00%**	**2.00%**	2.00%	2.00%
Benefits cost:				
Discount rate	**5.75%**	**5.75%**	6.00%	6.00%
Expected long-term rate of return on plan assets	**5.75%**	**N/A**	6.00%	N/A
Rate of compensation increase	**4.00%**	**4.00%**	4.25%	4.25%
Rate of inflation	**2.00%**	**2.00%**	2.25%	2.25%

As of April 30, 2015, the University adopted the new public sector mortality table entitled Canadian Pensioner Mortality 2014 Public with Improvement Scale CPM-B for the mortality actuarial assumption, reflecting the increased longevity of defined benefit plan members.

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

	(millions of dollars)			
	April 30, 2016		April 30, 2015	
	Pension benefit plan	**Other benefit plans**	Pension benefit plan	Other benefit plans
Accrued benefit obligation	**4,847.2**	**567.3**	4,683.6	580.8
Fair value of plan assets	**4,049.8**		4,066.2	
Plan deficit	**(797.4)**	**(567.3)**	(617.4)	(580.8)

In addition to the plan assets, as at April 30, 2016, the University has set aside investments of $11.8 million (2015 - $11.8 million) for its pension obligations (note 11) and $85.5 million (2015 - $84.3 million) for its other benefit plans.

6. Government remittances payable

As at April 30, 2016, accounts payable and accrued liabilities include government remittances payable of $32.5 million (2015 - $30.2 million).

7. Senior unsecured debentures

Senior unsecured debentures comprise the following:

	(millions of dollars)	
	April 30, 2016	April 30, 2015
Series A senior unsecured debenture bearing interest at 6.78% payable semi-annually on January 18 and July 18, with the principal amount maturing on July 18, 2031	**160.0**	160.0
Series B senior unsecured debenture bearing interest at 5.841% payable semi-annually on June 15 and December 15, with the principal amount maturing on December 15, 2043	**200.0**	200.0
Series C senior unsecured debenture bearing interest at 4.937% payable semi-annually on May 16 and November 16, with the principal amount maturing on November 16, 2045	**75.0**	75.0
Series D senior unsecured debenture bearing interest at 4.493% payable semi-annually on June 13 and December 13, with the principal amount maturing on December 13, 2046	**75.0**	75.0
Series E senior unsecured debenture bearing interest at 4.251% payable semi-annually on June 7 and December 7, with the principal amount maturing on December 7, 2051	**200.0**	200.0
Net unamortized transaction costs	**(1.2)**	(1.2)
	708.8	708.8

Net unamortized transaction costs are comprised of discounts, premiums and transaction issue costs.

8. Other long-term debt

Other long-term debt consists of mortgages of $3.4 million (2015 - $4.1 million) maturing in 2019 and 2020 against which the related properties are pledged as security (note 4), term loans of $4.2 million (2015 - $5.2 million) maturing from 2017 to 2020 and the fair value of interest rate swap contracts of $4.0 million (2015 - $4.7 million) (note 3). The current portion of other long-term debt of $1.8 million (2015 - $1.8 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 5.7% (2015 - 5.7%) and 6.6% (2015 - 6.5%), respectively. Anticipated requirements to meet the principal portion of the other long-term debt repayments over the next five fiscal years are as follows: 2017 - $1.8 million, 2018 - $1.9 million, 2019 - $1.9 million, 2020 - $1.4 million, and 2021 - $0.6 million.

9. 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, 2016	April 30, 2015
Balance, beginning of year	**454.2**	404.0
Add grants, donations and investment income	**488.0**	482.3
Less recognized as revenue during the year	**(438.1)**	(432.1)
Balance, end of year	**504.1**	454.2

The deferred contributions must be spent for the following purposes as follows:

	(millions of dollars)	
	April 30, 2016	April 30, 2015
Research	**228.3**	213.6
Student aid (notes 13 and 14)	**79.3**	74.8
Other restricted purposes	**196.5**	165.8
	504.1	454.2

10. 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 recognized as revenue in the consolidated statement of operations as government and other grants for restricted purposes. The changes in the deferred capital contributions balance for the year are as follows:

	(millions of dollars)	
	April 30, 2016	April 30, 2015
Balance, beginning of year	**1,140.2**	1,130.9
Less amortization of deferred capital contributions	**(68.3)**	(67.7)
Add contributions recognized for capital asset purchases	**74.0**	77.0
Balance, end of year	**1,145.9**	1,140.2

This balance represents:	(millions of dollars)	
	April 30, 2016	April 30, 2015
Amount used to purchase capital assets	**1,110.1**	1,092.4
Amount to be spent on capital assets	**35.8**	47.8
	1,145.9	1,140.2

11. Internally restricted net assets

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

	(millions of dollars)	
	April 30, 2016	April 30, 2015
Investment in capital assets	**2,744.1**	2,678.7
Operating fund reserves		
Net divisional reserves	**606.9**	547.8
Employee benefits		
Pension	**(919.1)**	(743.8)
Other plans	**(481.8)**	(496.5)
Pension plan reserve (note 5)	**11.8**	11.8
Departmental trust funds	**68.3**	69.1
Capital projects reserves	**266.9**	243.5
Research overhead	**4.1**	10.4
Other funds	**2.0**	2.3
	2,303.2	2,323.3

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 funds, as reserves, that have not been spent at the end of each year. These amounts include reserves for operating contingencies, capital renewal and other future commitments, 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 by administrative employee groups but not taken 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 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 sponsors that are appropriated and available for spending in the following fiscal year.

f) Other funds -

These funds are held 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.

12. 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 for spending. The investment policy has set the real rate of return objective at 4% with a risk tolerance of an annual standard deviation of 10% over 10 years. 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 2016, $7.71 (2015 - $7.71) per unit of LTCAP was made available for spending, representing 3.66% (2015 - 4.06%) of the opening fair value per unit of the endowment pool.

The change in net assets restricted for endowments consists of the following:

(millions of dollars)

	April 30, 2016			April 30, 2015		
	Externally restricted	Internally restricted	Total	Externally restricted	Internally restricted	Total
Balance, beginning of year	**1,820.7**	**321.4**	**2,142.1**	1,604.8	276.0	1,880.8
Donations (note 16)	**28.8**		**28.8**	32.7		32.7
Investment income (loss), net of fees and expenses of $22.6 (2015 - $22.3)	**(5.8)**	**(1.8)**	**(7.6)**	241.5	40.7	282.2
Investment income made available for spending	**(66.9)**	**(11.8)**	**(78.7)**	(65.4)	(10.9)	(76.3)
Transfer of donations and matching funds from unrestricted deficit	**2.5**	**10.6**	**13.1**	7.1	15.6	22.7
Balance, end of year	**1,779.3**	**318.4**	**2,097.7**	1,820.7	321.4	2,142.1

13. 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.

Phase 1:

(thousands of dollars)

	April 30, 2016	April 30, 2015
Endowments at book value, beginning of year	**307,388**	299,718
Transfer from expendable funds	**8,478**	7,670
Endowments at book value, end of year	**315,866**	307,388
Cumulative unrealized gains	**17,898**	40,280
Endowments at fair value, end of year	**333,764**	347,668
Expendable funds available for awards, beginning of year	**28,226**	27,047
Realized investment income	**21,230**	20,411
Transfer to endowment balance	**(8,478)**	(7,670)
Bursaries awarded	**(10,777)**	(11,562)
Expendable funds available for awards, end of year	**30,201**	28,226
Number of award recipients	**3,114**	4,040

Phase 2:

	(thousands of dollars)			
	April 30, 2016		April 30, 2015	
	University of Toronto	**Affiliates**	University of Toronto	Affiliates
Endowments at book value, beginning of year	**41,351**	**5,120**	40,440	4,980
Transfer from (to) expendable funds	**1,026**	**(55)**	911	140
Endowments at book value, end of year	**42,377**	**5,065**	41,351	5,120
Cumulative unrealized (losses) gains	**(2,283)**		416	
Endowments at fair value, end of year	**40,094**		41,767	
Expendable funds available for awards, beginning of year	**3,290**	**366**	3,119	325
Realized investment income	**2,556**	**158**	2,442	385
Transfer (to) from endowment balance	**(1,026)**	**55**	(911)	(140)
Bursaries awarded	**(1,399)**	**(239)**	(1,360)	(204)
Expendable funds available for awards, end of year	**3,421**	**340**	3,290	366
Number of award recipients	**505**	**138**	497	113

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 9) on the consolidated balance sheet. 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.

14. 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 endowed donations.

	(thousands of dollars)			
	March 31, 2016*		March 31, 2015*	
	University of Toronto	**Affiliates**	University of Toronto	Affiliates
Endowments at book value, beginning of year	**71,489**	**15,005**	69,814	14,407
Donations received	**269**	**53**	322	66
University matching	**10**	**1**		1
Transfer from expendable funds	**1,268**	**133**	1,353	531
Endowments at book value, end of year	**73,036**	**15,192**	71,489	15,005
Cumulative unrealized gains	**1,451**		5,459	
Endowments at fair value, end of year	**74,487**		76,948	

	(thousands of dollars)			
	March 31, 2016*		March 31, 2015*	
	University of Toronto	**Affiliates**	University of Toronto	Affiliates
Expendable funds available for awards, beginning of year	**4,144**	**1,252**	3,813	761
Realized investment income	**4,092**	**903**	4,162	1,386
Donations received	**4**		3	
University matching and contribution	**96**		101	157
Transfer to endowment balance	**(1,268)**	**(133)**	(1,353)	(531)
Bursaries awarded	**(2,717)**	**(539)**	(2,582)	(521)
Expendable funds available for awards, end of year	**4,351**	**1,483**	4,144	1,252
Number of award recipients	**977**	**244**	1,270	278

*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 9) on the consolidated balance sheet. 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.

15. Net change in other non-cash items

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

	(millions of dollars)	
	April 30, 2016	April 30, 2015
Accounts receivable	**(24.2)**	(0.2)
Inventories and prepaid expenses	**0.3**	(0.8)
Accounts payable and accrued liabilities	**7.8**	19.6
Deferred contributions	**49.9**	50.2
	33.8	68.8

16. Donations

During the year, the University received donations of $142.4 million (2015 - $118.5 million). Of that amount, $28.8 million (2015 - $32.7 million) is recorded as a direct addition to endowments (note 12) and is not recorded as donations revenue.

17. Government and other grants for restricted purposes

During the year, the University received $380.0 million (2015 - $390.6 million) of government and other grants for research and $58.5 million (2015 - $66.0 million) for capital infrastructure and other purposes, of which $382.9 million (2015 - $397.1 million) was recorded as revenue and $55.6 million (2015 - $59.5 million) was deferred (see notes 9 and 10).

18. Financial instruments

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

Foreign 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 hedging policy as at April 30, 2016 is to hedge 65% (2015 - 65%) of non-emerging markets' currency exposures.

Credit risk

The University is exposed to credit risk in connection with its accounts receivable, its short-term and fixed income investments and derivative contracts 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 $8.2 million (2015 - $9.1 million). As at April 30, 2016, the University held $446.4 million (2015 - $387.4 million) of fixed income securities that 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 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 foreign currency risks) in connection with its investments in equity securities and equity pooled funds.

19. Joint ventures

a) Toronto Pan Am Sports Centre Inc. -

The Toronto Pan Am Sports Centre Inc. (TPASC) is a jointly owned and controlled corporation (a joint corporation pursuant to the Business Corporations Act (Ontario) and the City of Toronto Act (2006)) by the University and the City of Toronto for the purpose of operating the Toronto Pan Am Sports Centre facilities that include a premier aquatics centre as well as a state-of-the-art training and competition venue. This joint venture is accounted for in these consolidated financial statements using the equity method; therefore the University recognizes 50% of the joint venture's excess (deficiency) of revenues over expenses in its consolidated statement of operations and as an investment on the consolidated balance sheet.

The following financial information for TPASC was prepared in accordance with Canadian Public Sector Accounting Standards and represents the University's 50% share. Any differences in the reporting framework are not material to the University's consolidated financial statements. Separately audited financial statements are prepared for TPASC (year ended December 31, 2015).

	(millions of dollars)	
	December 31, 2015	December 31, 2014
Total financial assets	4.0	0.9
Total non-financial assets	0.2	0.1
Total financial liabilities	1.1	1.2
Accumulated surplus (deficit)	3.1	(0.2)
Revenues	4.8	2.1
Expenses	5.6	2.3
Operating deficit	(0.8)	(0.2)
Cash flows (used in) from operating activities	(0.9)	0.9
Cash flows used in capital transactions	(0.1)	(0.1)
Cash flows from financing activities	4.1	
Net increase in cash	3.1	0.8

At December 31, 2015, the University's share of the accumulated surplus of $3.1 million represents unspent funds designated in support of major maintenance and capital requirements. No amounts have been recorded in these consolidated financial statements as the University's share of the accumulated surplus is not contemplated to be and are not readily realizable by the University.

During the year, the University paid $1.9 million (2015 - $1.1 million) in user fees to TPASC representing its share of the cost for using the facilities. During the year, the City of Toronto and the University each acquired an additional 4,999 (2015 – 4,999) common shares of TPASC in exchange for a total of $4.1 million (2015 - $4.1 million) representing funding from the Legacy Funding agreement dated December 18, 2014, to be contributed to TPASC to fund capital reserves and operating costs.

The construction of the Toronto Pan Am Sports Centre was governed by virtue of an agreement prior to the establishment of TPASC. The University has recorded $89.6 million (2015 - $87.9 million) in capital assets, representing the University's 50% share of the construction cost of the facility.

b) TRIUMF -

The University is a member, with 11 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 1/12 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 note 22b).

The following financial information for TRIUMF was prepared in accordance with Canadian Public Sector Accounting Standards, including accounting standards that apply to government not-for-profit organizations, 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, 2016 (unaudited)	March 31, 2015
Total assets	**32.0**	26.4
Total liabilities	**8.3**	6.3
Total fund balances	**23.7**	20.1
Revenues	**71.9**	69.1
Expenses	**68.3**	66.6
Excess of revenues over expenses	**3.6**	2.5

20. MaRS Phase 2 Investment Trust

During the year, the University acquired a 20% interest in MaRS Phase 2 Investment Trust (the "Trust"), a unit trust governed by the laws of the Province of Ontario, established by deed of trust dated July 15, 2011, with MaRS Discovery District, a charitable organization, as settlor for $31.0 million. The Trust was established to develop and manage a 20-storey state-of-the-art building that will be a world-class convergence centre dedicated to improving commercial outcomes from Canada's science, technology and social innovations. This investment is accounted for using the equity method. The University has assessed the investment value in the Trust upon acquisition and as at April 30, 2016; and as a result the University has written down the investment to nil.

During the year, the University made payments of $1.5 million to the Trust for leasing certain premises and its related operating costs.

The future base rent lease payments for space rentals are as follows:

	(millions of dollars)
2017	4.1
2018	4.4
2019	4.4
2020	4.4
2021	4.4
Thereafter	109.0
	130.7

These transactions occurred in the normal course of business and have been recorded at their exchange amounts, which is the amount agreed upon by both parties.

21. Other commitments

a) The estimated cost to complete construction and renovation projects in progress as at April 30, 2016, which will be funded by government grants, donations and operations, is approximately $422.3 million (2015 - $374.6 million).

b) The future base rent lease payments for space rentals are as follows:

	(millions of dollars)
2017	8.4
2018	8.5
2019	8.0
2020	6.7
2021	6.2
Thereafter	119.3
	157.1

c) The future annual payments under various operating equipment leases are approximately $20.2 million.

22. 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, 2016, the amount of loans guaranteed was $7.9 million (2015 - $7.4 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 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, 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, 2016, 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 exist 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 required.

23. Comparative consolidated financial statements

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2016 consolidated financial statements.

Appendix

Supplementary Report

By Fund

April 30, 2016

(Unaudited)

HIGHLIGHTS

(Unaudited)

Year Ended April 30, 2016

(millions of dollars)

	Operating Fund	Ancillary Operations	Capital Fund	Restricted Funds	Total
Statement of Operations					
Revenues	$ 2,213.2	$ 169.4	$ 77.8	$ 448.6	$ 2,909.0
Expenses	$ 1,947.5	$ 155.3	$ 137.2	$ 458.4	$ 2,698.4
Net Income (Loss)	$ 265.7	$ 14.1	$ (59.4)	$ (9.8)	$ 210.6
Balance Sheet					
Assets	$ 1,251.0	$ 309.3	$ 4,190.8	$ 2,681.5	$ 8,432.6
Liabilities	$ 1,953.0	$ 226.4	$ 1,388.8	$ 515.5	$ 4,083.7
Net Assets	$ (702.0)	$ 82.9	$ 2,802.0	$ 2,166.0	$ 4,348.9
Net Assets composed of:					
Endowments				$ 2,097.7	$ 2,097.7
Investment in Capital Assets		$ 90.4	$ 2,653.7		$ 2,744.1
Internally Restricted	$ (724.1)	$ 21.3	$ 193.6	$ 68.3	$ (440.9)
Unrestricted Surplus (Deficit)	$ 22.1	$ (28.8)	$ (45.3)		$ (52.0)
	$ (702.0)	$ 82.9	$ 2,802.0	$ 2,166.0	$ 4,348.9

HIGHLIGHTS

(Unaudited)

Year Ended April 30, 2015

(millions of dollars)

	Operating Fund	Ancillary Operations	Capital Fund	Restricted Funds	Total
Statement of Operations					
Revenues	$ 2,121.3	$ 160.9	$ 76.4	$ 480.8	$ 2,839.4
Expenses	$ 1,823.9	$ 151.0	$ 130.9	$ 445.8	$ 2,551.6
Net Income (Loss)	$ 297.4	$ 9.9	$ (54.5)	$ 35.0	$ 287.8
Balance Sheet					
Assets	$ 1,136.8	$ 299.6	$ 4,105.8	$ 2,675.6	$ 8,217.8
Liabilities	$ 1,766.9	$ 241.0	$ 1,369.6	$ 464.4	$ 3,841.9
Net Assets	$ (630.1)	$ 58.6	$ 2,736.2	$ 2,211.2	$ 4,375.9
Net Assets composed of:					
Endowments				$ 2,142.1	$ 2,142.1
Investment in Capital Assets		$ 89.7	$ 2,589.0		$ 2,678.7
Internally Restricted	$ (637.3)	$ 20.8	$ 192.0	$ 69.1	$ (355.4)
Unrestricted Surplus (Deficit)	$ 7.2	$ (51.9)	$ (44.8)		$ (89.5)
	$ (630.1)	$ 58.6	$ 2,736.2	$ 2,211.2	$ 4,375.9

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 surplus (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 mainly 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, 2016
(with comparative figures at April 30, 2015)
(millions of dollars)

	Operating fund	Ancillary operations	Capital fund	Restricted funds	2016 Total	2015 Total
ASSETS						
Current						
Cash and short-term investments	1,178.3	49.8	37.9	(112.7)	1,153.3	1,027.8
Accounts receivable	59.2	11.8		44.7	115.7	91.5
Inventories and prepaid expenses	13.5	6.8			20.3	20.6
Long-term accounts receivable			60.7		60.7	46.2
Investments				2,733.3	2,733.3	2,766.9
Capital assets, net		240.9	4,092.2	16.2	4,349.3	4,264.8
	1,251.0	309.3	4,190.8	2,681.5	8,432.6	8,217.8
LIABILITIES						
Current						
Accounts payable and accrued liabilities	266.5	25.7	46.8	11.4	350.4	328.2
Deferred contributions				504.1	504.1	454.2
Accrued pension liability	797.4				797.4	617.4
Employee future benefit obligation other than pension	567.3				567.3	580.8
Internal loans	318.2	190.3	(508.5)			
Senior unsecured debentures			708.8		708.8	708.8
Other long-term debt	3.6	3.8	2.4		9.8	12.3
Deferred capital contributions		6.6	1,139.3		1,145.9	1,140.2
	1,953.0	226.4	1,388.8	515.5	4,083.7	3,841.9
NET ASSETS						
Unrestricted surplus (deficit)	22.1	(28.8)	(45.3)		(52.0)	(89.5)
Internally restricted	(724.1)	21.3	193.6	68.3	(440.9)	(355.4)
Investment in capital assets		90.4	2,653.7		2,744.1	2,678.7
Endowments				2,097.7	2,097.7	2,142.1
	(702.0)	82.9	2,802.0	2,166.0	4,348.9	4,375.9
	1,251.0	309.3	4,190.8	2,681.5	8,432.6	8,217.8

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

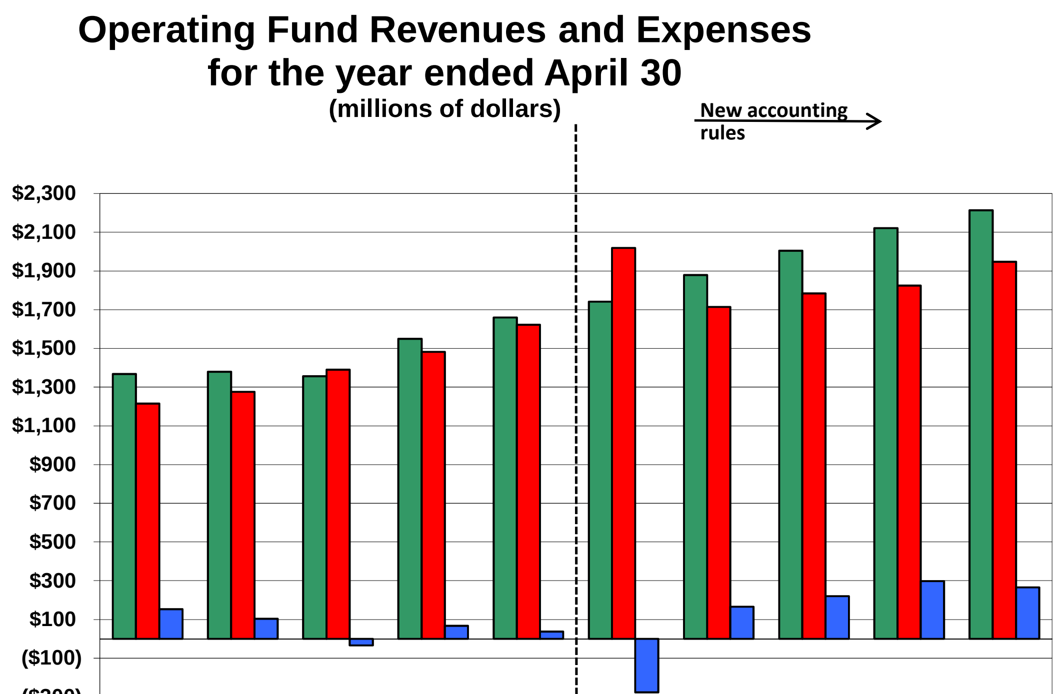
	Operating fund	Ancillary operations	Capital fund	Restricted funds	2016 Total	2015 Total
REVENUES						
Student fees	1,281.8	9.1	0.8		1,291.7	1,158.6
Government grants for general operations	710.1				710.1	714.1
Government and other grants for restricted purposes		0.5	55.0	327.4	382.9	397.1
Sales, services and sundry income	142.6	159.0			301.6	292.0
Investment Income	78.7	0.5	1.4	28.5	109.1	191.8
Donations		0.3	20.6	92.7	113.6	85.8
	2,213.2	169.4	77.8	448.6	2,909.0	2,839.4
EXPENSES						
Salaries	1,077.7	7.4		187.7	1,272.8	1,235.0
Employee future benefits	185.6				185.6	175.5
Other employee benefits	118.1	2.1		20.7	140.9	135.0
Scholarships, fellowships and bursaries	189.0			29.5	218.5	206.0
Materials and supplies	81.0	1.8		79.5	162.3	151.8
Amortization of capital assets	13.9	15.9	127.1	1.7	158.6	152.1
Repairs and maintenance	95.6	15.7	6.1	7.4	124.8	107.3
Cost of sales and services		88.7			88.7	85.0
Inter-institutional research contributions				68.3	68.3	67.0
Utilities	48.3	10.3		2.8	61.4	55.5
External contracted services	25.6			29.2	54.8	55.6
Travel and conferences	27.4			20.4	47.8	46.3
Interest on long-term debt	22.7	13.4		2.4	38.5	38.6
Telecommunications	9.6			1.5	11.1	11.3
Other	53.0		4.0	7.3	64.3	29.6
	1,947.5	155.3	137.2	458.4	2,698.4	2,551.6
Net income (loss)	265.7	14.1	(59.4)	(9.8)	210.6	287.8
Net transfer between funds	(42.7)	10.3	23.9	8.5		
Transfer of capital assets funding	(101.2)		101.2			
Change in internally restricted	(106.9)	(0.5)	(1.6)	0.8	(108.2)	(133.3)
Change in investment in capital assets		(0.8)	(64.6)		(65.4)	(66.9)
Transfers of donations to endowments				(13.1)	(13.1)	(22.7)
Transfer to internally restricted endowments				13.6	13.6	(29.8)
Net change in unrestricted surplus (deficit) for the year	14.9	23.1	(0.5)	0.0	37.5	35.1
Unrestricted surplus (deficit), beginning of year	7.2	(51.9)	(44.8)		(89.5)	(124.6)
Unrestricted surplus (deficit), end of year	22.1	(28.8)	(45.3)	0.0	(52.0)	(89.5)

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 $2.2 billion; expenses were $1.9 billion resulting in a net income of $265.7 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 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 plan and employee future benefits other than pensions on the balance sheet and statement of operations. The net loss in 2012 resulted from recording the actual return on plan assets and actuarial gains and losses in the statement of operations. Beginning in fiscal 2013, the difference between actual and expected return on plan assets and actuarial gains (losses) (remeasurements) are recognized directly in net assets and do not flow through the statement of operations.



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues	1,367.6	1,379.2	1,356.1	1,549.1	1,658.9	1,741.4	1,879.2	2,004.1	2,121.3	2,213.2
Expenses	1,214.4	1,275.9	1,389.6	1,482.0	1,622.1	2,018.3	1,713.5	1,783.9	1,823.9	1,947.5
Net income (loss)	153.2	103.3	(33.5)	67.1	36.8	(276.9)	165.7	220.2	297.4	265.7

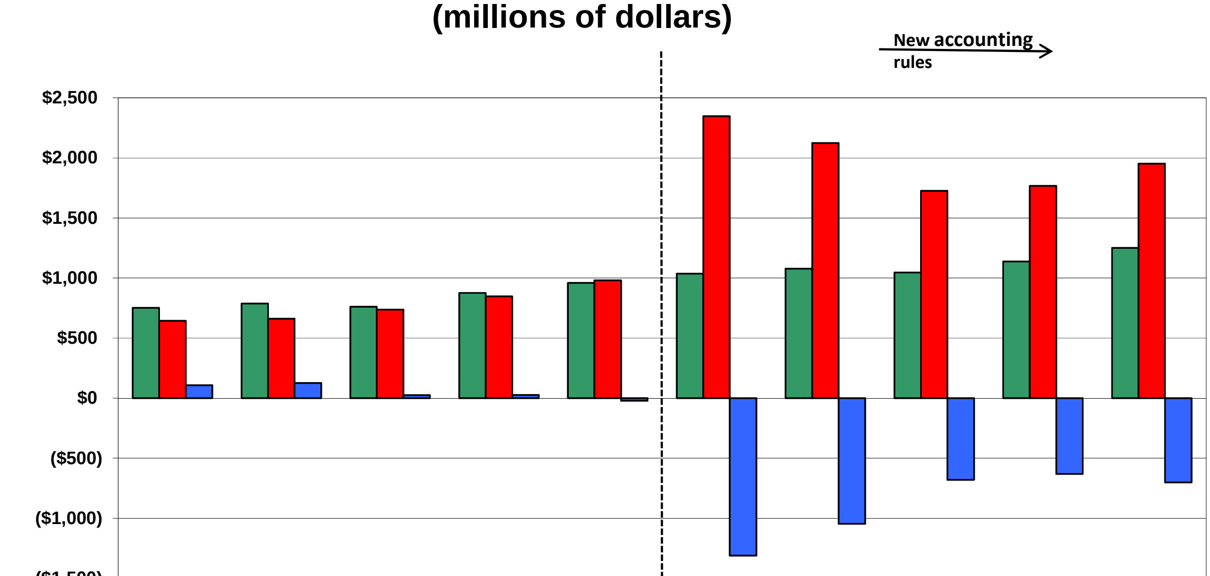
The cumulative operating surplus at April 30, 2016 is $22.1 million, whereas the long-range operating budget called for a break even position. Academic divisions will receive $22.1 million in 2016-17 to bring the actual surplus to a break even position with the planned long-range budget.

The 2016 net income in the operating fund is a result of:

Capital asset expenditures not shown as expenses but transferred to the capital fund and added to the balance sheet as capital assets	**101.2**
Net change in employee future benefit obligations (excluding remeasurements)	**33.1**
Transfers to other funds not expensed in the operating fund	**42.7**
Last year’s general university saving distributed to academic divisions	**(7.2)**
General university saving to be distributed to academic divisions in 2016-17	**22.1**
Academic funding recovered from divisions	
Unspent divisional funds added to reserves	**73.8**
	265.7

Operating fund assets at April 30, 2016 were $1.3 billion, liabilities were $2.0 billion, and net assets were negative $702.0 million.

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



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assets	751.1	788.5	761.3	875.6	958.5	1,036.8	1,077.7	1,045.3	1,136.8	1,251.0
Liabilities	643.8	661.4	736.6	847.7	979.9	2,346.5	2,123.6	1,724.9	1,766.9	1,953.0
Net Assets	107.3	127.1	24.7	27.9	(21.4)	(1,309.7)	(1,045.9)	(679.6)	(630.1)	(702.0)

The negative net assets for the year increased from $630.1 million in 2015 to $702.0 million mainly due to the following:

- $265.7 million net income for the year.
- ($193.7 million) increase in employee future benefit obligations from remeasurement calculations reported as a direct decrease in net assets.
- ($143.9 million) net transfers to other funds.

The transfers to other funds were as follows:

- $101.2 million to the capital fund to reflect operating funding of capital asset expenditures recorded as capital assets in the capital fund.
- $25.0 million to the capital fund for various projects.
- $7.9 million to restricted funds in support of various matching funds initiatives.
- $9.8 million to various ancillary operations in support of various capital expansions.

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

- $22.1 million unrestricted surplus.
- ($724.1 million) of negative internally restricted net assets.

The $22.1 million unrestricted surplus is the "cumulative surplus" of the operating fund which is referenced in the University's Operating Budget Report. The cumulative surplus has increased from $7.2 million at April 30, 2015 to $22.1 million at April 30, 2016, due to the following:

- $265.7 million net income.
- ($143.9 million) net transfers to other funds as noted above.
- ($106.9 million) change in internally restricted net assets, mainly due to an increase in the unfunded portion of employee future benefits offset by an increase in divisional and central reserves.

Internally restricted net assets of negative $724.1 million mainly includes divisional reserves of $606.9 million, funds set aside for capital projects of $52.0 million and funds set aside from research overhead of $4.1 million offset by $1.4 billion of net unfunded liabilities consisting of $907.2 million associated with its pension plan and $481.9 million associated with its employee future benefits other than pensions that will have to be paid from future years' operating fund revenues.

Schedule 3 is a summary of operating fund reserves that comprise the negative $724.1 million in internally restricted net assets. Included in this schedule are plans by 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:

1. **Infrastructure Reserve -** This category is intended to capture funds that have been reserved by the division in anticipation of new building construction, renovations to facilities, infrastructure upgrades such as computer networking, equipment replacement, etc.

2. **Research -** Funds reserved for research are to be included in this category. This includes funds allocated to Principal Investigators as a result of the expense reimbursement program for Faculty and Librarians, overheads, research allowance or start-up funds. Also included are funds reserved for Canada Research Chairs and any related research allowance.

3. **Student Assistance -** This category captures funds reserved for scholarships, bursaries and other student assistance.

4. **Endowment Matching -** This category captures funds reserved to match future external donor contributions. The division must have a written plan that defines what type of contributions it will match (i.e. chairs and professorships, student aid, academic programs and research), with a set limit for the matching.

5. **Operating Contingency -** This category is intended to capture divisional operating contingency reserves. Funds in this category include reserves for anticipated budget reductions, voluntary early retirement payouts, increases in university-wide costs, and fluctuations in revenues due to enrolment shortfalls and lower investment returns. The total operating reserve contingency would normally fall in range of 5% to 10% of the division's total operating expense budget. Divisions with greater distributed risk (i.e. large international enrolment, significant growth, high levels of external revenue, etc.) may establish larger operating contingency reserves.

Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2016
(with comparative figures at April 30, 2015)
(thousands of dollars)

	2016	2015
	Total	Total
Divisional reserves		
Academic	497,625	419,275
Academic services	10,169	8,211
Student services	12,601	22,331
Student assistance	5,746	5,817
Facilities & services	17,272	15,879
Administration	37,144	39,449
General university	26,382	36,792
Total divisional reserves	606,939	547,754
Central reserves		
Research overhead	4,055	10,378
Capital projects reserves	52,006	30,690
University investment infrastructure fund	1,306	1,219
Priorities fund	4,335	5,246
Loss on interest rate swaps	(3,618)	(4,096)
Total central reserves	58,084	43,437
Employee benefit reserves		
Pension	(919,092)	(743,797)
Pension plan reserve	11,844	11,844
Medical benefits	(498,068)	(510,441)
Other plans	16,205	13,930
Total employee benefit reserves	(1,389,111)	(1,228,464)
Total internally restricted net assets	(724,088)	(637,273)
Net change in internally restricted for the year	(86,815)	
Consisting of:		
Change in internally restricted reported in statement of operations	106,898	
Reported as remeasurements in statement of changes in net assets	(193,713)	
	(86,815)	

Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2016
(with comparative figures at April 30, 2015)
(thousands of dollars)

	2016						2015
	Infrastructure Reserve	Research	Student Assistance	Endowment Matching	Operating Contigency	Total	Total
ACADEMIC:							
Arts and Science, TYP, SCS:							
Faculty of Arts and Science	72,109	45,410	7,746	250	26,493	152,008	97,761
Transitional Year Programme	79	37	12		566	694	591
UTSC academic	24,530	10,708	297	35	22,546	58,116	34,911
UTM academic	6,204	10,764			4,972	21,940	18,962
School of Continuing Studies					5,086	5,086	3,990
	102,922	66,919	8,055	285	59,663	237,844	156,215
Health sciences:							
Faculty of Dentistry	3,724	3,317	116		3,140	10,297	7,974
Faculty of Medicine	5,857	27,299	6,029	4,324	15,224	58,733	90,276
Dalla Lana School of Public Health	1,050	2,685	595		6,254	10,584	11,130
Lawrence S. Bloomberg Faculty of Nursing	1,000	1,465	229		2,392	5,086	5,296
Leslie Dan Faculty of Pharmacy		5,144	577		12,801	18,522	24,969
Faculty of Kinesiology & Physical Education		869	9		1,341	2,219	4,502
	11,631	40,779	7,555	4,324	41,152	105,441	144,147
Other professional faculties:							
Faculty of Applied Science and Engineering	14,123	15,753	1,696		28,552	60,124	45,181
John H. Daniels Faculty of Architecture, Landscape and Design	3,000	621	391		1,444	5,456	7,906
Rotman School of Management		1,197			(11,263)	(10,066)	(10,609)
OISE/UT	3,700	3,100	500		20,293	27,593	25,587
Faculty of Forestry		880	886		1,349	3,115	3,072
Faculty of Law	4,659	1,262	626		2,361	8,908	9,285
Faculty of Information	169	291	91		123	674	404
Faculty of Music		421	80		(2,633)	(2,132)	412
Factor-Inwentash Faculty of Social Work		258			7,331	7,589	8,083
	25,651	23,783	4,270		47,557	101,261	89,321
Other academic costs:							
University-wide reserves	15,398	361	2,465		65,195	83,419	57,099
Vacation Pay accrual - Academic					(30,340)	(30,340)	(27,507)
TOTAL ACADEMIC	155,602	131,842	22,345	4,609	183,227	497,625	419,275

Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2016
(with comparative figures at April 30, 2015)
(thousands of dollars)

	2016						2015
	Infrastructure Reserve	Research	Student Assistance	Endowment Matching	Operating Contigency	Total	Total
ACADEMIC SERVICES:							
St. George Libraries		364			2,483	2,847	1,957
UTSC library	597	47			3,924	4,568	3,983
UTM library	854	29			382	1,265	1,088
Library - Electronic Acquisitions					1,489	1,489	1,183
TOTAL ACADEMIC SERVICES	1,451	440			8,278	10,169	8,211
STUDENT SERVICES:							
St. George campus					1,340	1,340	11,321
UTSC campus	4,727		53		2,602	7,382	6,314
UTM campus					2,966	2,966	2,542
Athletics and Recreation		41	574		298	913	2,154
TOTAL STUDENT SERVICES	4,727	41	627		7,206	12,601	22,331
STUDENT ASSISTANCE:							
St. George campus			2,526		3,200	5,726	5,381
UTSC campus			11			11	355
UTM campus			9			9	81
TOTAL STUDENT ASSISTANCE			2,546		3,200	5,746	5,817
FACILITIES & SERVICES							
St. George campus					4,477	4,477	3,607
UTSC campus	6,116				3,271	9,387	8,054
UTM campus	3,368				40	3,408	4,218
TOTAL FACILITIES & SERVICES	9,484				7,788	17,272	15,879

Schedule 3
(Unaudited)
UNIVERSITY OF TORONTO
SUMMARY OF OPERATING FUND RESERVES
AT APRIL 30, 2016
(with comparative figures at April 30, 2015)
(thousands of dollars)

	2016						2015
	Infrastructure Reserve	Research	Student Assistance	Endowment Matching	Operating Contigency	Total	Total
ADMINISTRATION:							
Office of the Governing Council	200				825	1,025	878
Office of the President					29	29	42
Convocation and Institutional events					260	260	322
Chief Financial Officer	300				1,547	1,847	1,921
Vice-President and Provost	1,812	206			7,836	9,854	11,066
Vice-President - Research and Innovation					1,329	1,329	1,868
Vice-President - Communications					1,467	1,467	16
Vice-President - Advancement					1,865	1,865	2,242
Vice-President - International, Government and Institutional Relations					1,456	1,456	2,609
Vice-President - University Operations	951				14,335	15,286	15,706
Vice-President - Human Resources and Equity	60				2,819	2,879	2,734
UTSC campus	910				5,819	6,729	6,359
UTM campus					1,526	1,526	1,250
Vacation Pay accrual - Administration					(8,408)	(8,408)	(7,564)
TOTAL ADMINISTRATION:	4,233	206	-		32,705	37,144	39,449
GENERAL UNIVERSITY:							
Vice-President - Human Resources and Equity					555	555	(65)
CFO - LTBP expendable funds					22,432	22,432	30,698
Vice-President - University Operations	832	42			2,521	3,395	6,159
TOTAL GENERAL UNIVERSITY	832	42			25,508	26,382	36,792
TOTAL DIVISIONAL RESERVES	176,329	132,571	25,518	4,609	267,912	606,939	547,754

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 for not-for-profit organizations in Canada ("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 GAAP, while the operating budget includes the projected cash premiums and funding to be paid in the year.

These differences require a $4.7 million adjustment to financial statement revenues and a $30 million adjustment 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	2,213.2	4.7	2,217.9	2,122.9	95.0	4.5%
Operating fund expenses	1,947.5					
Capital asset transfer	101.2					
	2,048.7	30.0	2,078.7	2,122.9	44.2	2.1%
Net income	164.5	(25.3)	139.2	0.0	139.2	

Total operating fund revenues, after adjustments, were $2,217.9 million, as compared to budgeted revenues of $2,122.9 million, resulting in a favourable variance of $95.0 million, or 4.5%. This favourable variance was due primarily to:

- a favourable provincial funding variance of $1.1 million as a result of increased domestic undergraduate enrolments, partially offset by lower than expected enrolments in masters and PhD programmes,
- a favourable tuition fee variance of $22.7 million primarily as a result of undergraduate international enrolments exceeding targets,
- an unfavourable investment income variance of $4.5 million due to lower than budgeted investment returns in the expendable investment pool,
- a $28.4 million increase in student fees from academic programmes for which no Provincial Government funding is provided, and
- a favourable $41.3 million variance in divisional sales and services.

Total operating fund expenses, after adjustments, were $2,078.7 million, as compared to budgeted expenses of $2,122.9 million resulting in a favourable variance of $44.2 million. 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, 2016

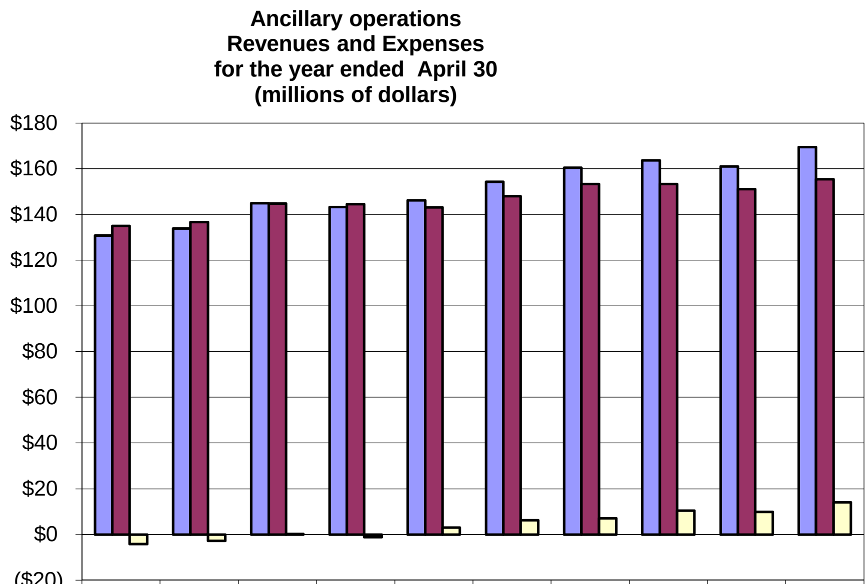
(millions of dollars)

	ACTUAL			BUDGET	VARIANCE
	Financial Statements	Adjustments	Adjusted Financial Statements	Original budget	Favourable (Unfavourable)
REVENUES					
General university income:					
Provincial grants	636.4	0.4	636.8	635.7	1.1
Indirect cost recovery of grants and contracts	41.3		41.3	45.7	(4.4)
Student fees	1,071.8	(1.4)	1,070.4	1,047.7	22.7
Investment income:					
Endowment (chairs and student aid)	60.6		60.6	55.8	4.8
Other	18.1	14.3	32.4	36.9	(4.5)
Sundry income	22.3	(8.6)	13.7	12.1	1.6
Municipal taxes	4.9		4.9	5.0	(0.1)
	1,855.4	4.7	1,860.1	1,838.9	21.2
Divisional income:					
Provincial grants	37.4	(20.5)	16.9	12.8	4.1
Student fees	197.2	20.5	217.7	189.3	28.4
Sales and services	123.2		123.2	81.9	41.3
	357.8		357.8	284.0	73.8
	2,213.2	4.7	2,217.9	2,122.9	95.0
EXPENSES					
Academic	1,173.3	50.7	1,224.0	1,284.1	60.1
Academic services	83.1	1.1	84.2	79.6	(4.6)
Student services	83.7	1.2	84.9	83.2	(1.7)
Student assistance	192.6	0.1	192.7	180.0	(12.7)
Physical plant maintenance and services	97.1	1.4	98.5	99.0	0.5
Physical plant utilities	56.4	3.9	60.3	61.7	1.4
Alterations and renovations	17.5	(17.5)			
Administration	183.0	3.5	186.5	189.9	3.4
Amortization	13.9	(13.9)			
Interest expense	22.8	(22.8)			
General university expense	119.5	22.3	141.8	139.6	(2.2)
Municipal taxes	5.8		5.8	5.8	0.0
	2,048.7	30.0	2,078.7	2,122.9	44.2
Operating results before the following:	164.5	(25.3)	139.2		139.2
Change in internally restricted funds	(106.9)	25.3	(81.6)		(81.6)
Transfers	(42.7)		(42.7)		(42.7)
NET CHANGE IN SURPLUS FOR THE YEAR	14.9	0.0	14.9	0.0	14.9

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.

Ancillary revenues grew from $130.7 million in 2007 to $169.4 million in 2016, expenses grew from $135.0 million to $155.3 million, and the net result changed from a net loss of $4.3 million in 2007 to a net income of $14.1 million in 2016. Residence fees over the past nine years have been increased to keep pace with increased expenses, including large fixed rate principal and interest payments on borrowing.

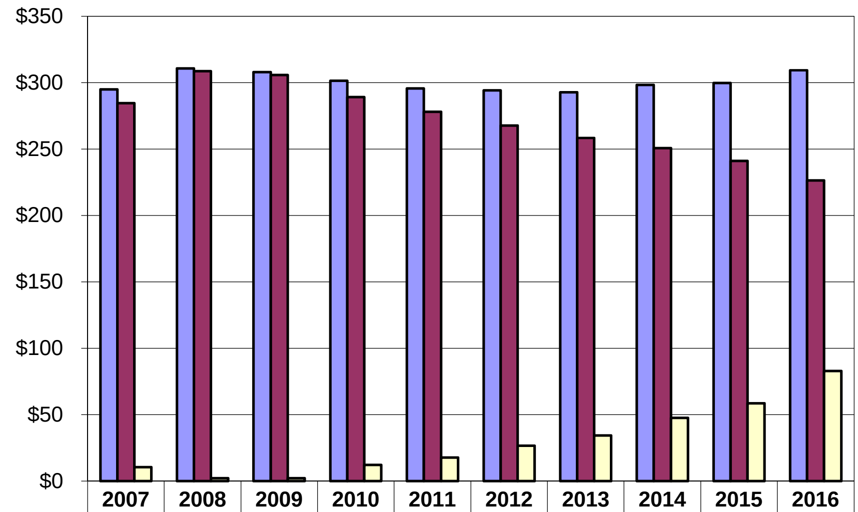


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues	130.7	133.8	144.9	143.2	146.1	154.2	160.3	163.6	160.9	169.4
Expenses	135.0	136.6	144.7	144.4	143.1	148.0	153.2	153.2	151.0	155.3
Net income (loss)	(4.3)	(2.8)	0.2	(1.2)	3.0	6.2	7.1	10.4	9.9	14.1

Ancillaries as a group generated net income of $14.1 million in 2016. After transfers out of $0.8 million from the net asset category of investment in capital assets which reflected the internal financing of capital assets, transfers in of $10.3 million less $0.5 million committed for future spending, the unrestricted deficit decreased by $23.1 million from $51.9 million at April 30, 2015 to $28.8 million at April 30, 2016.

Ancillary assets increased from $294.8 million in 2007 to $309.3 million in 2016 and liabilities decreased from $284.4 million in 2007 to $226.4 million in 2016 as ancillaries paid down their capital financing. Net assets grew from $10.4 million to $82.9 million over the same period, essentially reflecting the continued success of service operations with filling residence and parking spaces, while reducing their debt burden.

Ancillary operations
Balance Sheet
as at April 30
(millions of dollars)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ancillary assets	294.8	310.7	307.7	301.3	295.6	294.2	292.7	298.2	299.6	309.3
Ancillary liabilities	284.4	308.6	305.7	289.1	277.9	267.6	258.4	250.6	241.0	226.4
Ancillary net assets	10.4	2.1	2.0	12.2	17.7	26.6	34.3	47.6	58.6	82.9

At April 30, 2016, net assets were $82.9 million, an increase of $24.3 million from April 30, 2015, due to the following:

- $14.1 million net income for the year.
- $9.8 million from the operating fund in support of various capital expansions.
- $0.4 million from restricted funds and the capital fund.

There are three categories of net assets for ancillary operations which together total $82.9 million. They are:

- ($28.8 million) in unrestricted deficit.
- $21.3 million in internally restricted net assets.
- $90.4 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 the unrestricted deficit will be decreased by the amount of that amortization.

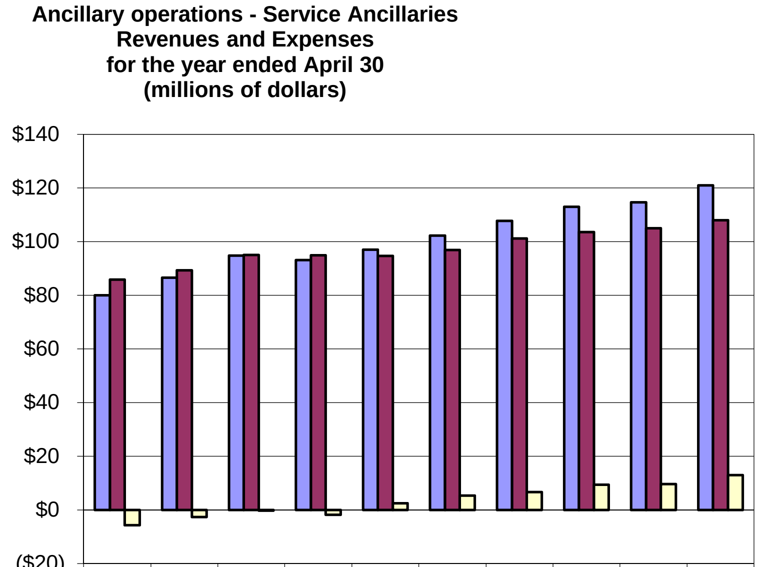
Schedule 5 shows details by ancillary operation.

Schedule 5
UNIVERSITY OF TORONTO
ANCILLARY OPERATIONS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED APRIL 30, 2016
(with comparative figures for the year ended Apr 30, 2015)
(thousands of dollars)

	Revenues	Expenses	Commitments and Transfers	Surplus/(Deficit) Opening	Surplus/(Deficit) Closing	Investment in Capital Assets	Internally Restricted	2016 Total Net Assets	2015 Total Net Assets
	$	$	$	$	$	$	$	$	$
Residences									
Graduate House	4,523	3,801	1,072	(10,050)	(8,256)	12,831	0	4,575	3,826
Scarborough	7,569	6,534	229	(578)	686	2,872	705	4,263	3,229
Mississauga	12,720	11,114	604	(11,789)	(9,579)	10,557	527	1,505	(966)
University College	6,754	6,093	394	2,736	3,791	1,699	1,058	6,548	6,030
Innis College	3,325	2,829	(235)	730	991	329	1,539	2,859	2,486
New College	9,233	9,224	835	(9,457)	(8,613)	2,940	600	(5,073)	(6,044)
Family Housing	8,587	7,530	(2,444)	4,432	3,045	326	1,250	4,621	6,075
Woodsworth College	4,504	4,094	516	(16,718)	(15,792)	19,593	2,500	6,301	5,839
89 Chestnut	22,796	20,976	51	(13,069)	(11,198)	8,024	0	(3,174)	(7,305)
	80,011	72,195	1,022	(53,763)	(44,925)	59,171	8,179	22,425	13,170
Food/Beverage Service									
St. George	2,861	3,090	(38)	1,240	973	243	1,000	2,216	2,403
Scarborough	939	668	(294)	571	548	260	7	815	813
Mississauga	2,168	1,797	290	1,702	2,363	727	10	3,100	2,536
New College	908	568	(392)	78	26	818	0	844	1,003
University College	3,852	4,116	(274)	491	(47)	147	1,116	1,216	1,631
	10,728	10,239	(708)	4,082	3,863	2,195	2,133	8,191	8,386
Parking									
St. George	6,090	5,473	1,001	3,679	5,297	3,998	500	9,795	9,382
Scarborough	3,354	2,244	146	(2,787)	(1,531)	6,117	310	4,896	4,028
Mississauga	3,729	2,742	6,139	(5,572)	1,554	9,510	0	11,064	3,746
	13,173	10,459	7,286	(4,680)	5,320	19,625	810	25,755	17,156
Hart House	16,895	15,024	(1,736)	952	1,086	3,275	10,333	14,695	12,651
University of Toronto Press	46,055	45,213	(50)	5,118	5,910	2,149	0	8,059	7,217
Residential Housing	2,423	2,109	1,767	(2,158)	(77)	3,961	0	3,884	1,528
University of Toronto -								0	0
Innovations Foundation			1,397	(1,397)	0	0	0	0	(1,397)
	48,478	47,322	3,114	1,563	5,833	6,110	0	11,943	7,348
Total without the Swap	169,285	155,239	8,978	(51,846)	(28,823)	90,376	21,455	83,009	58,711
Fair value of Interest Rate Swap							(120)	(120)	(197)
Total with the Swap	**169,285**	**155,239**	**8,978**	**(51,846)**	**(28,823)**	**90,376**	**21,335**	**82,889**	**58,515**

Service Ancillaries

Service ancillaries had revenues of $120.9 million and expenses of $108.0 million, with a net income of $12.9 million for the year. Service ancillary revenues have increased by 51.1% since 2007 and expenses have risen by 25.9% during the same period. This increase is due to the expansion of residences, food and beverage and parking services to deal with the growth in student enrolment. Residence fees over the past nine years have been increased to keep pace with increased expenses, including large fixed rate principal and interest payments on borrowing.



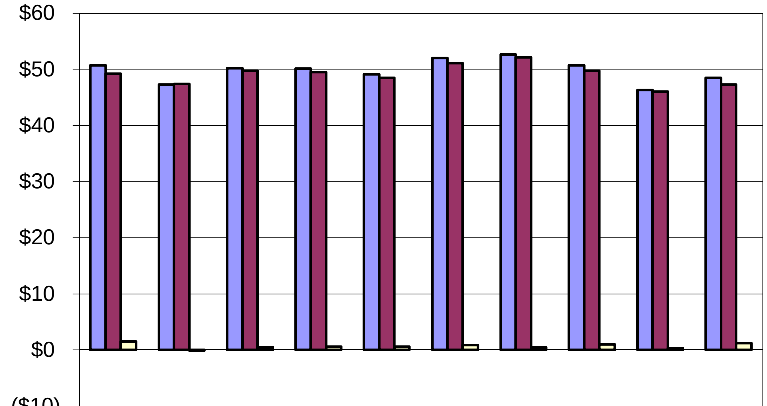
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Service ancillary revenues	80.0	86.5	94.7	93.1	97.0	102.2	107.7	112.9	114.6	120.9
Service ancillary expenses	85.8	89.2	95.0	94.9	94.6	96.9	101.1	103.5	105.0	108.0
Service ancillary net income (loss)	(5.8)	(2.7)	(0.3)	(1.8)	2.4	5.3	6.6	9.4	9.6	12.9

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 subsidies from their existing ancillary operations resulting in reduced operating margins.

Business Ancillaries

Business ancillaries consists of the University of Toronto Press and the Residential Housing operations that manages over 80 residential addresses with more than 160 rental units in the Huron-Sussex neighbourhood. These operations had combined revenues of $48.5 million and expenses of $47.3 million, for a net income of $1.2 million for the year.

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

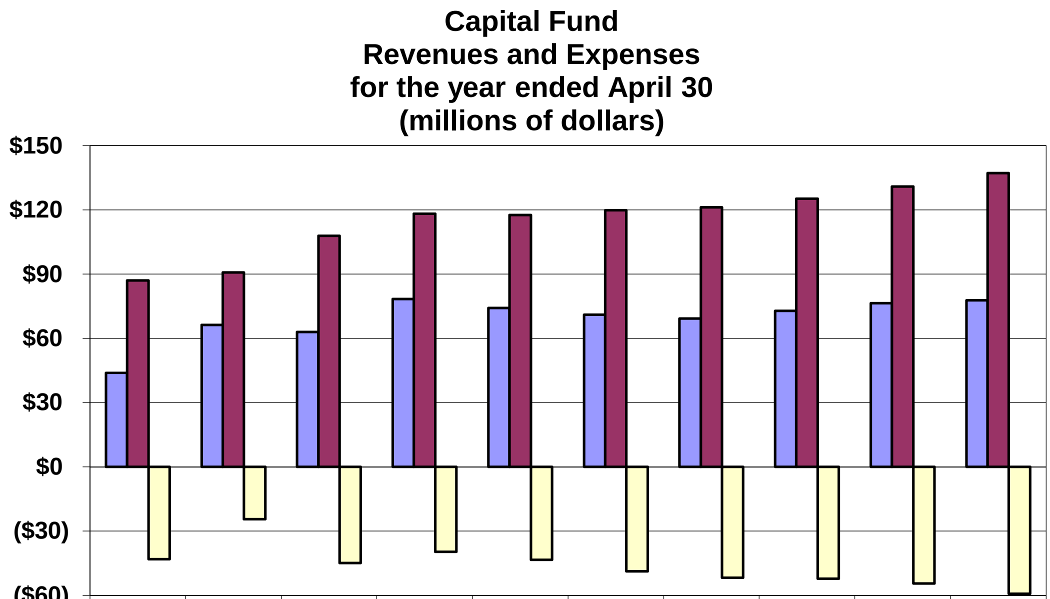


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business ancillary revenues	50.7	47.3	50.2	50.1	49.1	52.0	52.6	50.7	46.3	48.5
Business ancillary expenses	49.2	47.4	49.7	49.5	48.5	51.1	52.1	49.7	46.0	47.3
Business ancillary net income (loss)	1.5	(0.1)	0.5	0.6	0.6	0.9	0.5	1.0	0.3	1.2

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

Capital fund revenues for the year were $77.8 million and expenses were $137.2 million, for a net loss of $59.4 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 capital assets.



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues	43.8	66.2	63.0	78.4	74.2	71.0	69.3	72.9	76.4	77.8
Expenses	87.0	90.7	108.0	118.2	117.7	119.9	121.2	125.2	130.9	137.2
Net loss	(43.2)	(24.5)	(45.0)	(39.8)	(43.5)	(48.9)	(51.9)	(52.3)	(54.5)	(59.4)

The reason for annual net losses in the capital fund 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.

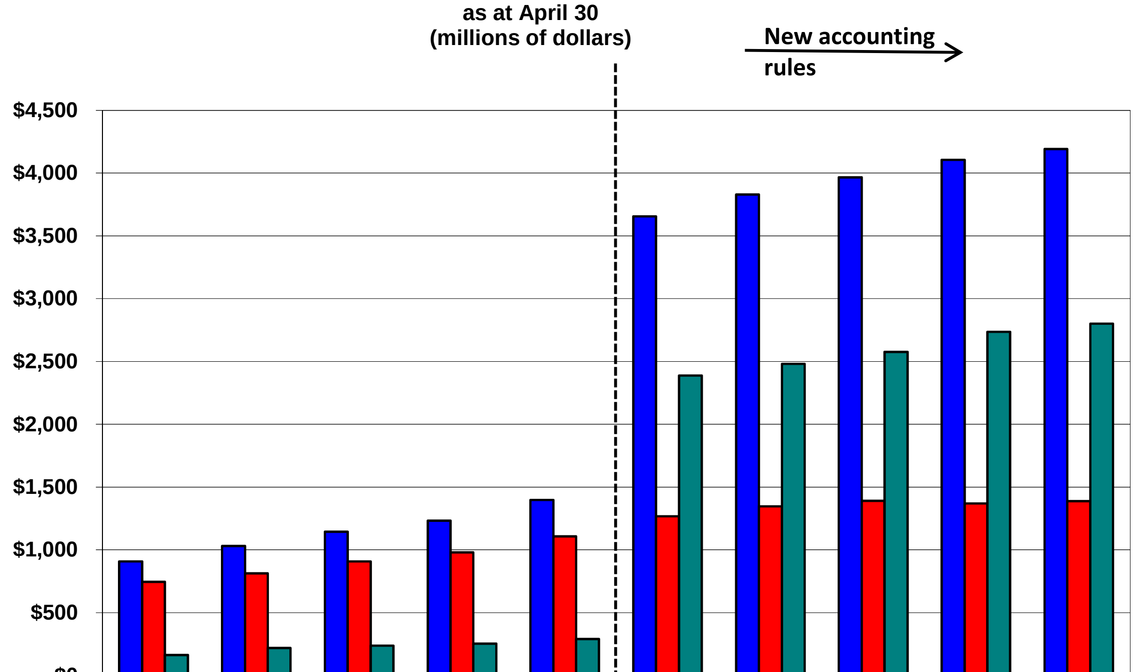
In 2016, a total of $125.1 million was transferred to the capital fund. This was made up of $101.2 million in capital asset funding from the operating fund that must be transferred to the capital fund where the assets are capitalized, combined with net transfers of $23.9 million in contributions, mainly from the operating fund, in support of various capital projects.

Effective May 1, 2011, 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.

In 2016, capital fund assets were $4.2 billion, liabilities were $1.4 billion and net assets were $2.8 billion. Net assets comprised $2.7 billion investment in capital assets, $193.6 million internally restricted funds offset by $45.3 million in unrestricted deficit.

The assets of the capital fund have grown from $908.3 million in 2007 to $4.2 billion in 2016 primarily as a result of the University's large capital construction program and recording some of its land at fair value. Liabilities have grown from $746.2 million in 2007 to $1.4 billion in 2016. This growth in liabilities reflects the increase in long-term debt to $711.2 million, and growth in deferred capital contributions to $1.1 billion. This growth is partly offset by loans to other funds of $508.5 million since 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 fund or ancillary operations, as appropriate, and are recorded as a receivable in the capital fund.

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



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assets	908.3	1,031.5	1,143.9	1,232.7	1,397.5	3,654.1	3,828.2	3,966.3	4,105.8	4,190.8
Liabilities	746.2	812.9	907.5	978.9	1,106.6	1,267.1	1,347.5	1,390.3	1,369.6	1,388.8
Net assets	162.1	218.6	236.4	253.8	290.9	2,387.0	2,480.7	2,576.0	2,736.2	2,802.0

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 18,300 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.

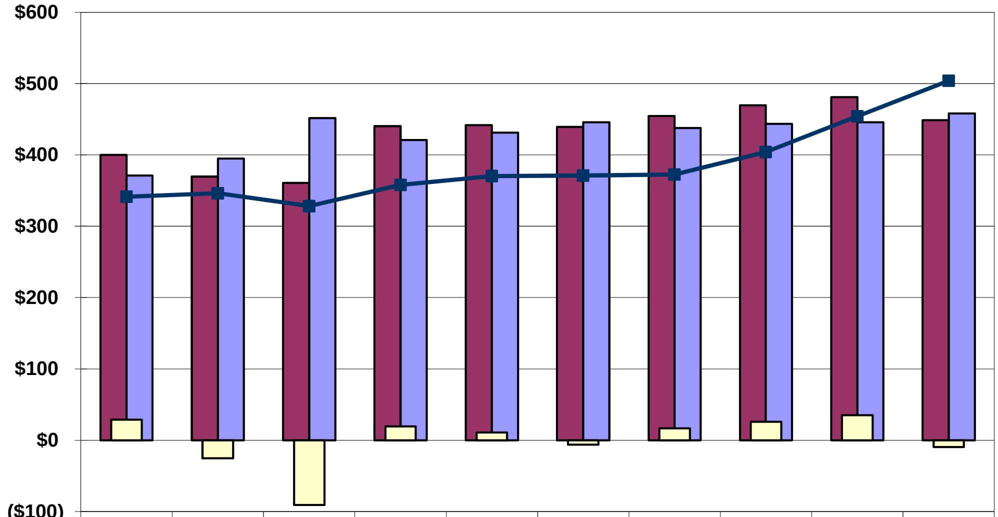
Financial reporting for restricted funds follows specific rules with respect to revenue recognition that differ from the rules for unrestricted receipts. They are:

- 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.

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.

In 2016, restricted funds revenues for the year were $448.6 million and expenses were $458.4 million, resulting in net loss of $9.8 million. Net income in any particular year mainly reflects the recording of unrestricted donations and investment income as revenue that has not yet been 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.

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



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues	399.9	369.7	360.7	440.2	441.9	439.4	454.5	469.6	480.8	448.6
Expenses	371.1	395.1	451.6	420.9	431.0	445.8	437.7	443.6	445.8	458.4
Net income (loss)	28.8	(25.4)	(90.9)	19.3	10.9	(6.4)	16.8	26.0	35.0	(9.8)
Deferred contributions	341.3	346.1	328.4	357.9	370.3	371.2	372.7	404.0	454.2	504.1

Restricted funds' assets were $2.7 billion, liabilities were $515.5 million, and net assets were $2.2 billion. Net assets comprised $2.1 billion in endowments and $68.3 million in internally restricted funds**.**

Restricted funds net assets decreased by $45.2 million between April 30, 2015 and April 30, 2016 as a result of net loss of $9.8 million and a further $35.4 million as follows:

a) transfers from other funds:

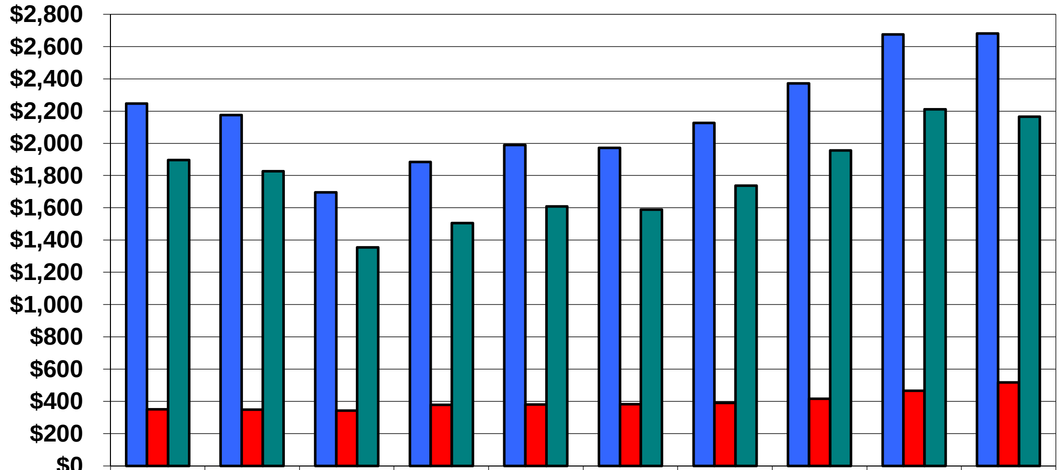
- $7.9 million from the operating fund, mainly as matching funds.
- $0.6 million net transfer to fund future maintenance, bursaries and other costs.

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

- $28.8 million endowed donations.
- ($72.7 million) decrease on externally restricted endowments, consisting of a $5.8 million investment loss and $66.9 million withdrawn for payout.

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. Total liabilities have grown from $349.9 million in 2007 to $515.5 million in 2016 mainly as a result of the growth in research activity and restricted expendable donations that are reflected in deferred contributions until they are spent.

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



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assets	2,246.6	2,174.6	1,696.1	1,883.3	1,988.9	1,970.7	2,126.6	2,371.2	2,675.6	2,681.5
Liabilities	349.9	348.1	342.1	377.2	379.7	381.1	388.8	415.0	464.4	515.5
Net assets	1,896.7	1,826.5	1,354.0	1,506.1	1,609.2	1,589.6	1,737.8	1,956.2	2,211.2	2,166.0

Net assets in restricted funds have grown from $1.9 billion in 2007 to $2.2 billion in 2016.

Schedule 6 reflects the change in endowment funds from April 30, 2015 to April 30, 2016 with the related expendable funds.

Schedule 6
(Unaudited)
UNIVERSITY OF TORONTO
RESTRICTED FUNDS
ENDOWMENT AND EXPENDABLE FUNDS AT FAIR VALUES AT APRIL 30, 2016
(thousands of dollars)

	Endowment funds					Expendable funds					
	April 30, 2015	Donations, and other additions	Preservation of capital (note 1)	Transfers	April 30, 2016	April 30, 2015	Donations, grants and other additions	Distributed investment income/(loss) (note 1)	Transfers	Disbursements	April 30, 2016
	$	$		$	$	$	$	$	$	$	$
Student aid (note 2)	455,079	14,623	(18,465)	1,805	453,042	41,242	7,796	(8,736)	3,427		43,729
Ontario Student Opportunity Trust Fund - Phase I (note 2)	347,668		(13,915)	11	333,764	28,226		1,986	(11)		30,201
Ontario Student Opportunity Trust Fund - Phase 2 (note 2)	41,767		(1,673)		40,094	3,290		131			3,421
Ontario Trust for Student Support (note 2)	77,253	696	(3,097)	13	74,865	4,358	3	126	93		4,580
Research funds	141,900	8	(5,654)		136,254	221,304	385,303	5,144	(272)	377,183	234,296
Departmental funds	277,430	20,343	(11,689)	7	286,091	172,707	74,070	33,297	2,396	72,242	210,228
Faculty endowment funds (note 2)	657,579	2,083	(26,293)	3,463	636,832	15,121	283	4,960	230	4,879	15,715
Connaught fund	105,313		(4,215)		101,098	6,464		3,876	(3,907)	772	5,661
I'Anson fund	3,071		(122)		2,949	1,147		117		500	764
Miscellaneous funds	35,047	246	(1,166)	(1,370)	32,757	29,433	24,903	1,162	2,668	34,319	23,847
	2,142,107	37,999	(86,289)	3,929	2,097,746	523,292	492,358	42,063	4,624	489,895	572,442
Comprising:											
Externally designated	1,820,649	28,761	(72,677)	2,515	1,779,248						
Internally designated	321,458	9,238	(13,612)	1,414	318,498						
	2,142,107	37,999	(86,289)	3,929	2,097,746						
Restricted						454,173	484,506	35,090	7,517	477,162	504,124
Unrestricted						69,119	7,852	6,973	(2,893)	12,733	68,318
						523,292	492,358	42,063	4,624	489,895	572,442

Notes:

(1) Consisting of investment income on:

Endowment funds	(45,628)
Expendable funds	1,402
	(44,226)

(2) Disbursements and corresponding distributed investment income for Student aid ($25,698), Ontario Student Opportunity Trust Funds ($12,176), Ontario Trust for Student Support ($2,702) and Faculty Endowments ($19,980) are reported in the Operating Fund.

UNIVERSITY OF
TORONTO