

**Audited Consolidated Financial Statements**

**April 30, 2018**

## 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, 2018 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, 2018 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.

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*(signed)*  
Sheila Brown  
Chief Financial Officer

\_\_\_\_\_  
*(signed)*  
Merik 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, 2018 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, 2018 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.

Toronto, Canada  
June 27, 2018

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



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

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Student fees	1,583	1,431
Government grants for general operations	723	713
Government and other grants for restricted purposes (note 17)	413	418
Sales, services and sundry income	352	333
Investment income (notes 3 and 12)	180	220
Donations (note 16)	128	101
	<u>3,379</u>	<u>3,216</u>
<b>EXPENSES</b>		
Salaries	1,398	1,326
Employee benefits (note 5)	319	343
Scholarships, fellowships and bursaries	239	217
Materials, supplies and services	227	218
Amortization of capital assets	178	165
Inter-institutional contributions	121	103
Repairs, maintenance and leases	118	115
Cost of sales and services	113	106
Utilities	56	63
Travel and conferences	54	51
Interest on long-term debt	38	38
Other	53	54
	<u>2,914</u>	<u>2,799</u>
<b>NET INCOME</b>	<u>465</u>	<u>417</u>

(See accompanying notes)

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

	<u>Deficit</u>	<u>Internally restricted (note 11)</u>	<u>Endowments (note 12)</u>	<u>2018 Total</u>	<u>2017 Total</u>
Net assets, beginning of year	(59)	3,136	2,380	5,457	4,349
Net income	465			465	417
Net change in internally restricted (note 11)	(371)	371			
Remeasurements and other items (note 5)	(79)			(79)	452
Investment gain on externally restricted endowments (note 12)			61	61	203
Externally endowed contributions - donations (note 16)			39	39	36
Transfer to internally restricted endowments (note 12) - investment gain	(10)		10		
Transfer to endowments (note 12) - donations	(6)		6		
- matching funds	(8)		8		
Net assets, end of year	<u>(68)</u>	<u>3,507</u>	<u>2,504</u>	<u>5,943</u>	<u>5,457</u>

(See accompanying notes)

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

	<u>2018</u>	<u>2017</u>
<b>OPERATING ACTIVITIES</b>		
Net income	465	417
Add (deduct) non-cash items:		
Amortization of capital assets	178	165
Amortization of deferred capital contributions	(74)	(70)
Net capital gains from investments	(149)	(194)
Employee future benefits expense	171	199
Employee future benefits contributions	(230)	(221)
Net change in other non-cash items (note 15)	115	116
	<u>476</u>	<u>412</u>
<b>INVESTING ACTIVITIES</b>		
Net purchase of short-term investments	(93)	(282)
Net sale (purchase) of investments	7	(5)
Purchase of capital assets	(576)	(284)
	<u>(662)</u>	<u>(571)</u>
<b>FINANCING ACTIVITIES</b>		
Contributions for capital asset purchases	117	113
Other long-term debt repayments	(2)	(2)
Endowment contributions		
- donations	39	36
	<u>154</u>	<u>147</u>
<b>Net decrease in cash and cash equivalents during the year</b>	<b>(32)</b>	<b>(12)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>102</b>	<b>114</b>
<b>Cash and cash equivalents, end of year</b>	<b>70</b>	<b>102</b>
<b>Supplemental cash flow information</b>		
Increase in capital asset acquisitions funded by accounts payable and accrued liabilities	<u>19</u>	<u>5</u>
Increase in contributions receivable related to capital asset purchases	<u>21</u>	<u>1</u>

(See accompanying notes)

**UNIVERSITY OF TORONTO**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2018**

## **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 *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, forward contracts and repurchase agreements. 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. Senior 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, government assistance receivable and accounts payable and accrued liabilities, 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 most 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%

The University allocates salary and benefit costs related to personnel who work directly on managing capital projects through a project management fee based on 3.25% of construction, furnishings and equipment, and landscaping costs for projects up to \$75 million and 2.50% of construction, furnishings and equipment, and landscaping costs for projects above \$75 million.

The value of contributed library, art and other special collections has been excluded from the consolidated balance sheet except for a nominal value of \$1. Donated collections are recorded as revenue at values based on appraisals by independent appraisers and are expensed in the year received. Purchased collections are expensed in the year they are acquired.

When collections are deaccessioned and then sold, proceeds from the sale are included in deferred contributions and recognized as revenue when the cost of insurance, cleaning, restoration and conservation of works in the collection are expensed.

**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 depreciable capital assets are deferred when initially recorded in the accounts and amortized to revenue on the same basis as the related 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 , services and sundry income 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.

### **3. Investments**

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

Short-term investments consist of cash, money market funds, short-term notes and treasury bills. International equities include developed equity markets in Europe, Australasia and the Far East (EAFE) and exclude the United States and Canada. Global equities include all developed equity markets as well as various emerging equity markets. Investments in the “other” category consist mainly of absolute return hedge funds.

The fair values of investments are as follows:

	(millions of dollars)	
	<b>April 30, 2018</b>	April 30, 2017
Short-term investments	<b>1,414</b>	1,321
Government and corporate bonds	<b>1,373</b>	1,241
Canadian equities	<b>291</b>	265
United States equities	<b>585</b>	546
International equities	<b>443</b>	415
Emerging markets equities	<b>287</b>	277
Global equities	<b>146</b>	137
Other	<b>212</b>	254
	<b>4,751</b>	4,456
Less amounts reported as short-term investments	<b>(1,414)</b>	(1,321)
	<b>3,337</b>	3,135

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

	April 30, 2018 (millions of dollars)						
	Government and corporate bonds	Canadian equities	United States equities	International equities	Emerging markets equities	Global equities and other	Total
Hedge funds	44		217	12	64	243	580
Private investments	163	37	115	12	51		378
Real assets	25	24	13	19		13	94
	<b>232</b>	<b>61</b>	<b>345</b>	<b>43</b>	<b>115</b>	<b>256</b>	<b>1,052</b>

  

	April 30, 2017 (millions of dollars)						
	Government and corporate bonds	Canadian equities	United States equities	International equities	Emerging markets equities	Global equities and other	Total
Hedge funds	44		27		3	254	328
Private investments	202	42	92	17	32		385
Real assets	24	32	19	23		13	111
	<b>270</b>	<b>74</b>	<b>138</b>	<b>40</b>	<b>35</b>	<b>267</b>	<b>824</b>

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 and the voluntary sinking fund established to repay the University's debenture principal (note 7) at maturity.

Investments for each pool consist of the following:

	(millions of dollars)			
	<b>April 30, 2018</b>		April 30, 2017	
	<b>EFIP</b>	<b>LTCAP</b>	EFIP	LTCAP
Short-term investments	<b>1,390</b>	<b>24</b>	1,284	37
Government and corporate bonds	<b>439</b>	<b>934</b>	437	804
Canadian equities		<b>291</b>		265
United States equities	<b>1</b>	<b>584</b>	1	545
International equities		<b>443</b>		415
Emerging markets equities		<b>287</b>		277
Global equities		<b>146</b>		137
Other		<b>212</b>		254
	<b>1,830</b>	<b>2,921</b>	1,722	2,734

In fiscal 2018, the University's investment income of \$180 million (2017 - \$220 million) recorded in the consolidated statement of operations consists of income related to investments held for endowments of \$120 million (2017 - \$138 million), gross of \$25 million (2017 - \$22 million) in fees and other expenses, and income of \$60 million (2017 - \$82 million) on investments other than those held for endowments, gross of \$6 million (2017 - \$5 million) in fees and other expenses.

During the year, the University recognized an investment loss of \$20 million (2017 - gain of \$16 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, 2018, approximately 9.9% (2017 - 11.1%) of the University's investments are 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, 2018, the University had uncalled commitments of approximately \$465 million (2017 - \$405 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 notional and fair values of derivative financial instruments are as follows:

	(millions of dollars)			
	April 30, 2018		April 30, 2017	
	Notional value	Fair value	Notional value	Fair value
Derivative-related receivables				
Foreign currency forward contracts				
- United States dollars	37		147	4
- Other	220	2	2	4
		<u>2</u>		<u>4</u>
Equity and bond futures contracts				
- United States dollars			104	1
- Other	51		1	1
				<u>1</u>
Total return equity and bond swap contracts	272	3	446	3
<b>Total derivative-related receivables</b>		<u>5</u>		<u>8</u>
Derivative-related payables				
Foreign currency forward contracts				
- United States dollars	569	(9)	883	(17)
- Other	16		179	(7)
		<u>(9)</u>		<u>(24)</u>
Equity and bond futures contracts				
- United States dollars	48	(2)	3	
- Other			42	
		<u>(2)</u>		
Total return equity and bond swap contracts	136	(3)		
Total interest rate swap contracts (note 8)	14	(2)	16	(3)
<b>Total derivative-related payables</b>		<u>(16)</u>		<u>(27)</u>
<b>Derivative-related net payable</b>		<u>(11)</u>		<u>(19)</u>

The maturity dates of the currency forward and futures contracts as at April 30, 2018 range from May 2018 to September 2018. The maturity dates of the total return equity swap contracts as at April 30, 2018 range from May 2018 to October 2018. Collateral has been provided against these contracts as of April 30, 2018 in the form of short-term investments with a fair value of \$2 million (2017 - \$6 million).

The interest rate swap contracts result in the University fixing a weighted average long-term interest rate of 6.9% (2017 - 6.8%) on certain debt obligations instead of paying a weighted average short-term floating interest rate of 1.5% (2017 - 1.2%). 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 \$2 million (2017 - \$3 million) is included in other long-term debt (note 8).

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, 2018, the University had entered into a number of these agreements with expiry dates in May 2018. The amount that the University has committed to repurchase securities under repurchase agreements is recognized as a net investment-related payable of \$340 million (2017 - \$257 million).

#### 4. Capital assets

(millions of dollars)

	April 30, 2018		April 30, 2017	
	Total cost	Accumulated amortization	Total cost	Accumulated amortization
Land	2,277		2,191	
Buildings (note 8)	3,442	1,207	3,054	1,123
Equipment and furnishings	1,697	1,380	1,609	1,315
Library books	697	636	664	607
	<u>8,113</u>	<u>3,223</u>	7,518	<u>3,045</u>
Less accumulated amortization	<u>(3,223)</u>		<u>(3,045)</u>	
Net book value	<u>4,890</u>		<u>4,473</u>	

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 \$5.2 billion and contents is approximately \$2.6 billion, which includes library books of approximately \$0.9 billion.

The University holds a wide range of library, art and other special collections that are protected and preserved for public exhibition, education, research and the furtherance of public service. Rare books and special collections include manuscripts, archives, and cartographic, graphic, film, audio and video materials. The University rarely disposes of items in these collections.

As at April 30, 2018, the University had \$179 million (2017 - \$172 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) is 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 greatest 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.

The employee benefits expense for the year includes pension expense of \$119 million (2017 - \$149 million), other retirement benefits expense of \$52 million (2017 - \$50 million) and other employee benefits of \$148 million (2017 - \$144 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)

	<u>April 30, 2018</u>		<u>April 30, 2017</u>	
	<b>Pension benefit plan</b>	<b>Other benefit plans</b>	Pension benefit plan	Other benefit plans
Difference between actual and expected return on plan assets	<b>36</b>		410	
Actuarial gains (losses)	<b>(146)</b>	<b>31</b>	43	(1)
	<b>(110)</b>	<b>31</b>	453	(1)

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

	<u>April 30, 2018</u>		<u>April 30, 2017</u>	
	<b>Pension benefit plan</b>	<b>Other benefit plans</b>	Pension benefit plan	Other benefit plans
<b>Accrued benefit obligation:</b>				
Discount rate	<b>5.55%</b>	<b>5.55%</b>	5.75%	5.75%
Rate of compensation increase	<b>4.00%</b>	<b>4.00%</b>	4.00%	4.00%
Rate of inflation	<b>2.00%</b>	<b>2.00%</b>	2.00%	2.00%
<b>Benefits cost:</b>				
Discount rate	<b>5.75%</b>	<b>5.75%</b>	5.75%	5.75%
Expected long-term rate of return on plan assets	<b>5.75%</b>		5.75%	
Rate of compensation increase	<b>4.00%</b>	<b>4.00%</b>	4.00%	4.00%
Rate of inflation	<b>2.00%</b>	<b>2.00%</b>	2.00%	2.00%



To measure the accrued benefit obligation other than pension as at April 30, 2018, a 7.3% 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 2030 and remaining at that level thereafter.

The latest actuarial valuations for the pension plan and for other retirement benefit plans was performed as at July 1, 2017. The next required actuarial valuations for the registered plan will be as at July 1, 2020. The University measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at April 30 of each year.

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

(millions of dollars)

	<b>April 30, 2018</b>		April 30, 2017	
	<b>Pension benefit plan</b>	<b>Other benefit plans</b>	Pension benefit plan	Other benefit plans
Accrued benefit obligation	<b>5,387</b>	<b>591</b>	5,021	594
Fair value of plan assets	<b>5,068</b>		4,725	
Plan deficit	<b>(319)</b>	<b>(591)</b>	(296)	(594)

In addition to the plan assets, as at April 30, 2018, the University has set aside investments of \$16 million (2017 - \$16 million) for its pension obligations (note 11) and \$103 million (2017 - \$97 million) for its other benefit plans.

## **6. Government remittances payable**

As at April 30, 2018, accounts payable and accrued liabilities include government remittances payable of \$38 million (2017 - \$36 million).

## 7. Senior unsecured debentures

Senior unsecured debentures comprise the following:

	(millions of dollars)	
	<b>April 30, 2018</b>	April 30, 2017
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	<b>160</b>	160
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	<b>200</b>	200
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	<b>75</b>	75
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	<b>75</b>	75
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	<b>200</b>	200
Net unamortized transaction costs	<b>(1)</b>	(1)
	<b><u>709</u></b>	<u>709</u>

Net unamortized transaction costs comprise premiums and transaction issue costs.

A voluntary sinking fund (note 3) was established for the purpose of accumulating funds to repay the University's debenture principal at maturity. The value of the fund included in investments as at April 30, 2018 amounted to \$344 million (2017 - \$281 million).

## 8. Other long-term debt

Other long-term debt consists of mortgages of \$2 million (2017 - \$3 million) maturing in 2020 and 2021 against which the related properties are pledged as security (note 4), term loans of \$2 million (2017 - \$3 million) maturing from 2019 and 2021 and the fair value of interest rate swap contracts of \$2 million (2017 - \$3 million) (note 3). The current portion of other long-term debt of \$2 million (2017 - \$2 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% (2017 - 5.7%) and 6.9% (2017 - 6.7%), respectively. Anticipated requirements to meet the principal portion of the other long-term debt repayments, net of interest rate swap contracts are as follows: 2019 - \$2 million, 2020 - \$1 million, 2021 - \$1 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)	
	<b>April 30, 2018</b>	April 30, 2017
Balance, beginning of year	<u>557</u>	<u>504</u>
Add grants, donations and investment income	552	520
Less recognized as revenue during the year	<u>(493)</u>	<u>(467)</u>
Balance, end of year	<u><u>616</u></u>	<u><u>557</u></u>

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

	(millions of dollars)	
	<b>April 30, 2018</b>	April 30, 2017
Research	<u>292</u>	<u>271</u>
Student aid (notes 13 and 14)	88	82
Other restricted purposes	<u>236</u>	<u>204</u>
	<u><u>616</u></u>	<u><u>557</u></u>

## 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)	
	<b>April 30, 2018</b>	April 30, 2017
Balance, beginning of year	<u>1,190</u>	<u>1,146</u>
Less amortization of deferred capital contributions	(74)	(70)
Add contributions recognized for capital asset purchases	<u>138</u>	<u>114</u>
Balance, end of year	<u><u>1,254</u></u>	<u><u>1,190</u></u>

This balance represents:

	(millions of dollars)	
	<b>April 30, 2018</b>	April 30, 2017
Amount used to purchase capital assets	<u>1,227</u>	<u>1,141</u>
Amount to be spent on capital assets	27	49
	<u><u>1,254</u></u>	<u><u>1,190</u></u>

## 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)	
	<u>April 30, 2018</u>	<u>April 30, 2017</u>
Investment in land and other capital assets	3,253	2,867
Employee benefits		
Pension	(431)	(413)
Other plans	(488)	(497)
Pension plan reserve (note 5)	16	16
Capital projects and infrastructure reserves	412	511
Operating contingencies	455	389
Research support	155	146
Departmental trust funds	74	70
Student assistance	44	32
Other funds	17	15
	<u>3,507</u>	<u>3,136</u>

### a) Investment in land and other capital assets -

Investment in land and other 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) Employee benefits -

Internally restricted net assets have been reduced by the portion of employee future benefits obligations to be funded by future operating budgets offset by a pension plan reserve.

### c) Capital projects and infrastructure reserves -

These represent unspent funds at the end of the fiscal year, in respect of capital projects and alterations and renovations in progress that are part of the University's major infrastructure building and renewal program less amounts spent without funding on hand.

### d) Operating contingencies -

These funds represent departmental operating reserves available for spending by divisions to protect against possible adverse circumstances such as changes in student enrolment due to geopolitical events, investment return fluctuations and salary cost escalations.

### e) Research support -

These funds represent departmental funds reserved for Canada Research Chairs and related research allowances, start-up research funds and funds provided to faculty and librarians under an expense reimbursement program.

### f) Departmental trust funds -

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

**g) Student assistance -**

These funds represent departmental operating funds available to provide scholarships, bursaries and other student assistance.

**h) Other funds -**

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

**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.

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

	(millions of dollars)					
	April 30, 2018			April 30, 2017		
	Externally restricted	Internally restricted	Total	Externally restricted	Internally restricted	Total
Balance, beginning of year	2,021	359	2,380	1,779	319	2,098
Donations (note 16)	39		39	36		36
Investment income, net of fees and expenses of \$25 (2017 - \$22)	134	22	156	272	47	319
Investment income made available for spending	(73)	(12)	(85)	(69)	(12)	(81)
Transfer of donations and matching funds from deficit	8	6	14	3	5	8
Balance, end of year	<u>2,129</u>	<u>375</u>	<u>2,504</u>	<u>2,021</u>	<u>359</u>	<u>2,380</u>

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 of at least 4% over 10-year periods, net of all investment fees and expenses, while taking an appropriate amount of risk to achieve this target, but without undue risk of loss. 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 endowment funds, where the fair value of the endowment is below the donated capital and does not have sufficient accumulated reinvestment income, endowment capital is used in the current year for programs as this is deemed prudent by the University. This amount is expected to be recovered by future net investment income. As at April 30, 2018, endowments with original gift value of \$28.0 million (2017 - \$7.31 million) had a fair value of \$27.9 million (2017 - \$7.27 million), and a deficiency of \$0.1 million (2017 - \$0.04 million). In fiscal 2018, \$8.02 (2017 - \$7.86) per unit of LTCAP was made available for spending, representing 3.56% (2017 - 3.88%) of the opening fair value per unit of the endowment pool.

### 13. 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, 2018*		March 31, 2017*	
	University of Toronto	Affiliates	University of Toronto	Affiliates
Endowments at book value, beginning of year	79,988	14,931	73,036	15,192
Donations received	134	8	660	16
University matching		5	163	
Transfer from (to) expendable funds	1,713	676	6,129	(277)
Endowments at book value, end of year	<u>81,835</u>	<u>15,620</u>	79,988	14,931
Cumulative unrealized gains	<u>4,904</u>		<u>2,070</u>	
Endowments at fair value, end of year	<u>86,739</u>		<u>82,058</u>	

	(thousands of dollars)			
	March 31, 2018*		March 31, 2017*	
	University of Toronto	Affiliates	University of Toronto	Affiliates
Expendable funds available for awards, beginning of year	4,378	1,697	4,351	1,483
Realized investment income	4,686	1,429	9,013	522
University matching and contribution	90		96	
Transfer from (to) endowment balance	(1,713)	(676)	(6,129)	277
Bursaries awarded	(2,892)	(614)	(2,953)	(585)
Expendable funds available for awards, end of year	<u>4,549</u>	<u>1,836</u>	<u>4,378</u>	<u>1,697</u>
Number of award recipients	<u>937</u>	<u>261</u>	<u>1,053</u>	<u>291</u>

\*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.

#### 14. Ontario Student Opportunity Trust Fund

Externally restricted endowments include grants provided by the government of Ontario from the Ontario Student Opportunity Trust Fund matching program to award student aid as a result of raising an equal amount of endowed donations.

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.

##### Phase 1:

(thousands of dollars)

	<b>April 30, 2018</b>	April 30, 2017
Endowments at book value, beginning of year	<b>338,893</b>	315,866
Donations	<b>152</b>	657
Transfer from expendable funds	<b>9,673</b>	22,370
Endowments at book value, end of year	<b>348,718</b>	338,893
Cumulative unrealized gains	<b>35,443</b>	33,742
Endowments at fair value, end of year	<b>384,161</b>	372,635
Expendable funds available for awards, beginning of year	<b>29,982</b>	30,201
Realized investment income	<b>22,998</b>	35,256
Transfer to endowment balance	<b>(9,673)</b>	(22,370)
Bursaries awarded	<b>(12,884)</b>	(13,105)
Expendable funds available for awards, end of year	<b>30,423</b>	29,982
Number of award recipients	<b>3,268</b>	3,407

**Phase 2:**

(thousands of dollars)

	April 30, 2018		April 30, 2017	
	University of Toronto	Affiliates	University of Toronto	Affiliates
Endowments at book value, beginning of year	45,053	5,156	42,377	5,065
Donations	1			5
Transfer from expendable funds	1,157	21	2,676	86
Endowments at book value, end of year	46,211	5,177	45,053	5,156
Cumulative unrealized losses	(180)		(384)	
Endowments at fair value, end of year	46,031		44,669	
Expendable funds available for awards, beginning of year	3,438	603	3,421	340
Realized investment income	2,753	258	4,223	583
Transfer to endowment balance	(1,157)	(21)	(2,676)	(86)
Bursaries awarded	(1,376)	(248)	(1,530)	(234)
Expendable funds available for awards, end of year	3,658	592	3,438	603
Number of award recipients	536	117	529	113

**15. Net change in other non-cash items**

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

	(millions of dollars)	
	April 30, 2018	April 30, 2017
Accounts receivable	12	26
Inventories and prepaid expenses		(2)
Accounts payable and accrued liabilities	44	39
Deferred contributions	59	53
	115	116

**16. Donations**

During the year, the University received donations of \$167 million (2017 - \$137 million). Of that amount, \$39 million (2017 - \$36 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 \$429 million (2017 - \$419 million) of government and other grants for research and \$107 million (2017 - \$96 million) for capital infrastructure and other purposes, of which



\$413 million (2017 - \$418 million) was recorded as revenue and \$123 million (2017 - \$97 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, 2018 is to hedge 50% (2017 - 50%) of the currency exposure within the United States equity and EAFE equity benchmark asset classes, and to hedge 0% (2017 - 0%) of the currency exposure in all other benchmark asset classes.

### **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 \$7 million (2017 - \$6 million). As at April 30, 2018, the University held \$491 million (2017 - \$470 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, 2017).

	(millions of dollars)	
	December 31, 2017	December 31, 2016
Total financial and non-financial assets	<u>7</u>	<u>7</u>
Total financial liabilities	<u>1</u>	<u>1</u>
Accumulated surplus	<u>6</u>	<u>6</u>
Revenues	<u>6</u>	5
Expenses	<u>6</u>	<u>6</u>
Operating deficit	<u></u>	<u>(1)</u>
Cash flows used in operating activities		(1)
Cash flows used in investing activities	(2)	(3)
Cash flows from financing activities	<u>2</u>	<u>2</u>
Net increase (decrease) in cash	<u></u>	<u>(2)</u>

As at December 31, 2017, the University's share of the accumulated surplus of \$6 million (2016 - \$6 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 is not readily realizable by the University.

During the year, the University paid \$2 million (2017 - \$2 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 2,499 (2017 - 4,999) common shares of TPASC in exchange for a total of \$2 million (2017 - \$4 million) representing funding from the Legacy Funding agreement dated December 18, 2014, to be contributed to TPASC to fund capital reserves and operating costs. 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.

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 \$90 million (2017 - \$90 million) in capital assets (note 4), representing the University's 50% share of the construction cost of the facility.

**b) TRIUMF -**

The University is a member, with 12 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 1/13 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)	
	<b>March 31, 2018 (unaudited)</b>	March 31, 2017
Total assets	<u>50</u>	<u>48</u>
Total liabilities	<u>9</u>	<u>20</u>
Total fund balances	<u>41</u>	<u>28</u>
Revenues	<u>95</u>	<u>75</u>
Expenses	<u>82</u>	<u>71</u>
Excess of revenues over expenses	<u>13</u>	<u>4</u>

## 20. MaRS Phase 2 Investment Trust

During fiscal 2016, 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 million. The Trust was established to develop and manage a 20-storey state-of-the-art building that is 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 a result, the University has written down the investment to nil at April 30, 2016. There has been no changes to the investment value as at April 30, 2017 and April 30, 2018.

During the year, the University made payments of \$11 million (2017 - \$13 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)
2019	5
2020	5
2021	5
2022	5
2023	5
Thereafter	<u>101</u>
	<u>126</u>

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, 2018, which will be funded by government grants, donations and operations, is approximately \$410 million (2017 - \$424 million).

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

	(millions of dollars)
2019	<b>10</b>
2020	<b>9</b>
2021	<b>8</b>
2022	<b>8</b>
2023	<b>7</b>
Thereafter	<b>108</b>
	<hr/> <b>150</b> <hr/>

c) The future annual payments under various operating equipment leases are approximately \$9 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, 2018, the amount of loans guaranteed was \$8 million (2017 - \$8 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, 2018, the University believes that it has valid defences 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.