

THE UNIVERSITY OF TORONTO ALUMNI ASSOCIATION

FINANCIAL STATEMENTS

APRIL 30, 2023

HILBORN_{LLP}

Independent Auditor's Report

To the Board of Directors of The University of Toronto Alumni Association

Opinion

We have audited the financial statements of The University of Toronto Alumni Association (the "Association"), which comprise the statement of financial position as at April 30, 2023, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at April 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the Association to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Association.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Association.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Association to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Toronto, Ontario
May 15, 2023

Chartered Professional Accountants
Licensed Public Accountants

THE UNIVERSITY OF TORONTO ALUMNI ASSOCIATION

Statement of Financial Position

April 30	2023 \$	2022 \$
ASSETS		
Current assets		
Cash	58,335	68,508
Investments (note 3)	1,131,050	1,095,017
	1,189,385	1,163,525
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	10,500	10,338
FUND BALANCES		
Soldiers' Tower Trust Fund	127,784	123,953
Operating Fund	1,051,101	1,029,234
	1,178,885	1,153,187
	1,189,385	1,163,525

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Director

Director

THE UNIVERSITY OF TORONTO ALUMNI ASSOCIATION

Statement of Operations

Year ended April 30	2023 \$	2022 \$
Revenues		
Funding agreement (note 4)	186,697	180,558
Investment income (note 3)	48,110	38,699
	234,807	219,257
Board committee and membership related expenses		
Donation to The University of Toronto 's Landmark Revitalization Initiative (note 5)	105,500	105,000
Awards and scholarships	31,990	22,000
Events	22,841	18,568
Soldiers' Tower	19,927	5,204
	180,258	150,772
Operating expenses		
Investment management	12,137	12,262
Audit	6,600	6,498
Board expenses	6,758	3,300
Board insurance	3,023	2,817
General office expenses	333	311
	28,851	25,188
Total expenses	209,109	175,960
Excess of revenues over expenses for year	25,698	43,297

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF TORONTO ALUMNI ASSOCIATION

Statement of Changes in Fund Balances

Year ended April 30

	Soldiers' Tower Trust Fund \$	Operating Fund \$	Total 2023 \$
Balance, beginning of year	123,953	1,029,234	1,153,187
Excess of revenues over expenses for year	-	25,698	25,698
Allocation of amounts internally restricted (note 1(a))	3,831	(3,831)	-
Balance, end of year	127,784	1,051,101	1,178,885

	Soldiers' Tower Trust Fund \$	Operating Fund \$	Total 2022 \$
Balance, beginning of year	121,102	988,788	1,109,890
Excess of revenues over expenses for year	-	43,297	43,297
Allocation of amounts internally restricted (note 1(a))	2,851	(2,851)	-
Balance, end of year	123,953	1,029,234	1,153,187

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF TORONTO ALUMNI ASSOCIATION

Statement of Cash Flows

Year ended April 30	2023 \$	2022 \$
Cash flows from operating activities		
Excess of revenues over expenses for year	25,698	43,297
Adjustments to determine net cash provided by (used in) operating activities		
Realized gain on sale of investments	(3,493)	(17,677)
Unrealized depreciation (appreciation) in fair value of investments	(10,662)	9,808
	11,543	35,428
Change in non-cash working capital items		
Increase in accounts payable and accrued liabilities	162	282
	11,705	35,710
Cash flows from investing activities		
Purchase of investments	(177,296)	(75,829)
Proceeds from sale of investments	155,418	57,262
	(21,878)	(18,567)
Net change in cash	(10,173)	17,143
Cash, beginning of year	68,508	51,365
Cash, end of year	58,335	68,508

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF TORONTO ALUMNI ASSOCIATION

Notes to Financial Statements

April 30, 2023

Nature and description of the organization

The University of Toronto Alumni Association (the "Association") was incorporated on April 20, 1921 without share capital under the Canada Corporations Act. The Association is committed to help advance the interests of the University of Toronto through contributions to the infrastructure, awards and scholarships of the university.

The Association is a not-for-profit organization, as described in Section 149(1)(l) of the Income Tax Act, and therefore is not subject to income taxes.

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Basis of presentation

Funds are held and presented in accordance with the objectives specified by the Board of Directors. For financial reporting purposes, the following funds have been presented:

Soldiers' Tower Trust Fund

The Board of Directors has internally restricted funds for the upkeep of the Soldiers' Tower.

The Board of Directors on an annual basis allocates investment income less bank charges and investment management fees proportionately to each fund based on beginning fund balances.

Operating Fund

The Operating Fund accounts for the day-to-day service delivery activities of the Association.

(b) Revenue recognition

The Association uses the deferral method to account for contributions.

Unrestricted contributions, including funding from the University of Toronto, are recognized as revenue of the operating fund in the year when received or receivable and the amount to be received may be reasonably estimated and its collection is reasonably assured.

Investment income comprises distributions received from index pooled funds, realized gains and losses on the sale of investments and the unrealized change in the fair value of investments. Investment income is recognized on an accrual basis.

(c) Investments

Investments, consisting of units held in index pooled funds, are classified as current since they are capable of reasonably prompt liquidation.

Notes to Financial Statements (continued)

April 30, 2023

1. Significant accounting policies (continued)

(d) Contributed services

The work of the Association is dependent on the voluntary service of many individuals. Since these services are not normally purchased by the Association and because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(e) Financial instruments

Measurement of financial instruments

The Association initially measures its financial assets and financial liabilities at fair value adjusted by the amount of transaction costs directly attributable to the instrument.

The Association subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in index pooled funds that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the year in which the changes occur.

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The fair values of investments are determined by reference to the latest closing transactional net asset value of each respective index pooled fund.

Investment management fees associated with index pooled funds are expensed as incurred.

Financial assets measured at amortized cost include cash.

Financial assets measured at fair value include investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

At the end of each year, the Association assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Association, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; and bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the Association determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset.

Notes to Financial Statements (continued)

April 30, 2023

1. **Significant accounting policies (continued)**

(e) **Financial instruments (continued)**

Impairment (continued)

When the Association identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the financial asset to the greater of the following:

- the present value of the cash flows expected to be generated by holding the financial asset discounted using a current market rate of interest appropriate to the financial asset; and
- the amount that could be realized by selling the financial asset at the statement of financial position date.

Any impairment of the financial asset is recognized in income in the year in which the impairment occurs.

When the extent of impairment of a previously written-down financial asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, but not in excess of the impairment loss. The amount of the reversal is recognized in income in the year the reversal occurs.

(f) **Management estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current year. Actual results may differ from the estimates, the impact of which would be recorded in future years.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

THE UNIVERSITY OF TORONTO ALUMNI ASSOCIATION

Notes to Financial Statements (continued)

April 30, 2023

2. Financial instrument risk management

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations.

The financial instruments of the Association and the nature of the risks to which those instruments may be subject, are as follows:

Financial instrument	Credit	Liquidity	Risks		
			Currency	Interest rate	Other price
Cash	X			X	
Investments - index pooled funds: Canadian fixed income	X			X	X
Investments - index pooled funds: Canadian and foreign equities			X		X
Accounts payable and accrued liabilities		X			

Credit risk

The Association is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Association could incur a financial loss.

The maximum exposure of the Association to credit risk is as follows:

	2023 \$	2022 \$
Cash	58,335	68,508
Investments - index pooled funds: Canadian fixed income	456,783	427,242
	515,118	495,750

The Association reduces its exposure to the credit risk of cash by maintaining balances with a Canadian financial institution.

The investment policy of the Association restricts investments in index pooled funds to selected market indices. The investment policy for index pooled funds provides for an asset mix of fixed income investments and equities. The portfolio of index pooled funds is rebalanced to the asset mix on a quarterly basis.

Notes to Financial Statements (continued)

April 30, 2023

2. Financial instrument risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet a demand for cash or fund its obligations as they come due.

The liquidity of the Association is monitored by management to ensure sufficient cash is available to meet liabilities as they become due.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates.

The Association invests a portion of its investment portfolio in an index pooled fund which invests in foreign equities. The Association mitigates its currency risk exposure by investing in an index pooled fund that is comprised of investments denominated in multiple currencies.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Association invests a portion of its investment portfolio in an index pooled fund which invests in Canadian fixed income investments. The Association mitigates its interest rate exposure by investing in an index pooled fund that is comprised of investments with varying terms to maturity.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Association mitigates its exposure to other price risk by investing in index pooled funds that are comprised of investments in different countries, business sectors, corporations within a business sector and corporation sizes.

Changes in risk

There have been no significant changes in the risk profile of the financial instruments of the Association from that of the prior year.

THE UNIVERSITY OF TORONTO ALUMNI ASSOCIATION

Notes to Financial Statements (continued)

April 30, 2023

3. Investments

Investments consist of index pooled funds held with CIBC:

	2023 \$	2022 \$
Canadian fixed income	456,783	427,242
Canadian equities	295,624	328,045
Foreign equities	378,643	339,730
	<u>1,131,050</u>	<u>1,095,017</u>

Investment income for the year is comprised of the following:

	2023 \$	2022 \$
Distributions from index pooled funds - interest	12,117	9,913
Distributions from index pooled funds - dividends	21,838	20,917
Realized gain on sale of investments	3,493	17,677
Unrealized appreciation (depreciation) in fair value of investments	10,662	(9,808)
	<u>48,110</u>	<u>38,699</u>

4. Funding agreement

Pursuant to a funding agreement with The Governing Council of The University of Toronto, expiring May 31, 2026, the Association is to receive annual funding based on the previous year's payment indexed for CPI.

5. Commitment

Pursuant to an agreement with The Governing Council of The University of Toronto, the Association has pledged to donate \$1,000,000 over ten years to The University of Toronto's Landmark Revitalization Initiative for the redevelopment of the St. George Campus. To date, including fiscal 2023, payments of \$600,000 have been made. Future annual payments are as follows:

	\$
2024	100,000
2025	100,000
2026	100,000
2027	100,000
	<u>400,000</u>

