UNIVERSITY OF TORONTO FACULTY ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2013 AND JUNE 30, 2012

INDEPENDENT AUDITOR'S REPORT

To the Members,
University of Toronto Faculty Association:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Toronto Faculty Association, which comprise the balance sheet as at June 30, 2013, June 30, 2012 and July 1, 2011 and the statements of changes in fund balances, operations and cash flows for the years ended June 30, 2013 and June 30, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion
In common with many not-for-profit organizations, the organization derives revenue from membership fees, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the organization, and we were not able to determine whether any adjustments might be necessary to membership fee revenue, excess of revenue over expenses for the years, assets and fund balances.

Qualified Opinion
In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of membership fee revenue, the financial statements present fairly, in all material respects, the financial position of the University of Toronto Faculty Association as at June 30, 2013, June 30, 2012 and July 1, 2011 and its financial performance and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Cowperthwaite Mehta

Chartered Accountants
Licensed Public Accountants

October 7, 2013
Toronto, Canada

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

BALANCE SHEET

AS AT JUNE 30, 2013, JUNE 30, 2012 AND JULY 1, 2011

	JUNE 30 2013	JUNE 30 2012	JULY 1 2011
ASSETS			
Current assets			
Cash (note 4)	$ 1,141,575	$ 434,903	$ 233,422
Marketable securities (note 5)	2,303,096	2,399,526	2,407,890
Accounts receivable	14,614	14,032	13,666
Prepaid expenses	12,155	12,010	9,124
	3,471,440	2,860,471	2,664,102
Capital assets (note 6)	10,867	28,144	59,426
	$ 3,482,307	$ 2,888,615	$ 2,723,528
LIABILITIES AND FUND BALANCES			
Current liabilities			
Accounts payable and accrued liabilities	$ 109,491	$ 150,076	$ 249,066
Fund balances			
Invested in capital assets	10,867	28,144	59,426
Contingency reserve (note 7)	750,000	750,000	750,000
Unrestricted	2,611,949	1,960,395	1,665,036
	3,372,816	2,738,539	2,474,462
	$ 3,482,307	$ 2,888,615	$ 2,723,528

Approved on behalf of the UTFA Council:

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see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

	Unrestricted	Invested in capital assets	Contingency reserve (note 7)	Total
Balance, July 1, 2011	$ 1,665,036	$ 59,426	$ 750,000	$ 2,474,462
Excess of revenue over expenses for the year ended June 30, 2012	264,077			264,077
Amortization	31,282	(31,282)		
Balance, June 30, 2012	1,960,395	28,144	750,000	2,738,539
Excess of revenue over expenses for the year ended June 30, 2013	634,277			634,277
Amortization	17,277	(17,277)		
Balance, June 30, 2013	$ 2,611,949	$ 10,867	$ 750,000	$ 3,372,816

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

STATEMENT OF OPERATIONS

FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

	2013	2012
REVENUE		
Membership fees (note 8)	$ 2,661,905	$ 2,530,086
Operating subsidies (note 9)	95,323	95,258
Investment income (loss)	185,041	(6,725)
	2,942,269	2,618,619
EXPENSES		
Staffing and related	799,737	718,175
Canadian Association of University Teachers fees	378,700	372,975
Ontario Confederation of University Faculty Assoc. fees	355,217	320,944
Legal, audit and consulting	380,203	549,892
Stipends	100,447	87,080
Rent (note 9)	88,227	88,227
Meetings, conferences and training	58,448	33,037
Office and general	45,701	33,883
Committee expenses	19,865	11,488
Outreach	14,426	18,382
Office equipment	14,152	14,952
Advertising and communications	10,809	912
Insurance	8,696	8,710
Donations and contributions	7,541	55,200
Tuition scholarships	5,992	6,046
Library	2,554	3,357
Amortization	17,277	31,282
	2,307,992	2,354,542
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	$ 634,277	$ 264,077

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

	2013	2012
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 634,277	$ 264,077
Non-cash items:		
Amortization	17,277	31,282
Net change in non-cash working capital items (below)	(41,312)	(102,242)
Cash provided from operations	610,242	193,117
INVESTING ACTIVITIES		
Decrease in marketable securities	96,430	8,364
NET CASH ACTIVITY FOR THE YEAR	706,672	201,481
CASH, BEGINNING OF YEAR	434,903	233,422
CASH, END OF YEAR	$ 1,141,575	$ 434,903

Net change in non-cash working capital items:		
Accounts receivable	$ (582)	$ (366)
Prepaid expenses	(145)	(2,886)
Accounts payable and accrued liabilities	(40,585)	(98,990)
	$ (41,312)	$ (102,242)

see accompanying notes

The University of Toronto Faculty Association (the "Association") is an unincorporated association that was formed in 1940. The purpose of the Association is to promote the welfare of current and retired faculty, librarians and research associates of the University of Toronto, the University of St. Michael's College, the University of Trinity College and Victoria University and generally to advance the interests of teachers, researchers and librarians in Canadian universities.

The affairs of the Association are managed by a Council of about 60 people, who are elected by the membership on a constituency basis for three-year terms.

The Association is exempt from income taxes under section 149(1)(l) of the Income Tax Act.

1. SIGNIFICANT ACCOUNTING POLICIES

In preparing its financial statements, the Association follows Canadian accounting standards for not-for-profit organizations, which is one of the financial reporting frameworks included in Canadian generally accepted accounting principles. The significant accounting policies used are as follows:

Prepaid expenses

Prepaid expenses are recorded for goods and services that have been paid for but which will be received the following year. The balance at year end is composed primarily of prepaid insurance and professional dues.

Marketable securities

The marketable securities are recognized at fair value based on market prices. Gains and losses from dispositions and fluctuations in market value are recognized in the statement of operations in the period in which they arise.

Capital assets

Capital assets are recorded at cost. Amortization is provided on a straight line basis over the assets' estimated useful lives as follows:

Furniture and equipment	Straight-line over 5 years
Computer equipment	Straight-line over 3 years
Leasehold improvements	Straight-line over 5 years

In the year of acquisition, amortization is charged at one-half the normal rates.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an assets with its expected future net undiscounted cash flows from use together with its residual value (net recoverable value). If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed its fair value. Any impairment results in a write-down of the asset and charge to income during the year.

Revenue recognition

The Association follows the deferral method of accounting for revenue. Membership fee revenue is composed of unrestricted contributions that are recognized as revenue when received or receivable, if the amount to be received is readily determinable and collection is reasonably assured.

Restricted contributions, if any, are recognized as revenue in the year in which the related expenses are incurred. Unspent restricted contributions are reported as deferred revenue on the statement of financial position.

Membership fees are calculated by multiplying a mill rate, as set by the Association, by the member's salary.

Operating subsidies are recognized in the period that the corresponding expense is incurred.

The change in fair value of the marketable securities for the year is included in investment income in the statement of operations. The investment income is composed of realized gains or losses for the year, unrealized gains or losses for the year, and interest and dividend income earned during the year.

Expense recognition

Expenses are recognized when incurred. The free rent is recorded at its contractual value (note 9).

Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used when accounting for certain items such as asset impairments, the useful life of capital assets, accrued liabilities and disclosure of contingent assets and liabilities.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

2. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective July 1, 2012, the Association elected to adopt the Canadian accounting standards for not-for-profit organizations. These are the first financial statements prepared in accordance with this new framework, which has been applied retrospectively.

Management reviewed the exemptions provided on transition to the Canadian accounting standards for not-for-profit organizations and has elected to designate all investments to be subsequently measured at fair value, which is consistent with the accounting policy in place at the time of the transition. The adoption of Canadian accounting standards for not-for-profit organizations had no impact on the previously reported assets, liabilities and net assets of the Association, and accordingly, there has been no restatement of previously reported amounts as at the date of the transition, being July 1, 2011. The presentation and disclosures in the financial statements reflect the requirements under the new accounting framework.

3. FINANCIAL INSTRUMENTS AND RISKS

Fair value

Canadian generally accepted accounting principles require that the Association disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The short-term investments are carried at market value, which approximates their fair value.

The carrying amounts for accounts receivable, accounts payable and accrued liabilities on the statement of financial position approximate fair value because of the limited term of these instruments.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable. The Association expects to meet obligations as they come due primarily from cash flow from operations.

Credit and concentration risks

A concentration of credit risk arises when a group of customers has a common economic characteristic, so their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. For the Association, significant concentration of risk is related to the University of Toronto and its affiliated colleges which is the employer of all its members.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's main credit risk relates to its accounts receivable. Periodically, the Association assesses the collectible of its accounts receivable and provides an allowance for doubtful accounts as appropriate. At June 30, 2013, the allowance for doubtful accounts was nil (nil in 2012).

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Association is not exposed to this risk since there are no foreign currency transactions at this time.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk on its money market mutual fund holdings which have a floating interest rate. This exposes the Association to a cash flow risk should rates decrease.

Other price risk

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

The Association is exposed to other price risk because it has investments in exchange traded funds.

4. CASH

Cash is composed of:

	June 30 2013	June 30 2012	July 1 2011
Cash in bank	$ 859,942	$ 433,568	$ 232,492
TD Waterhouse cash balance	281,333	1,035	630
Petty cash	300	300	300
	$ 1,141,575	$ 434,903	$ 233,422

5. MARKETABLE SECURITIES

Marketable securities, which are held by TD Waterhouse, are composed of the following, at market value:

	June 30 2013	June 30 2012	July 1 2011
Exchange traded funds	$ 1,773,269	$ 1,637,699	$ 301,715
Money market mutual funds	529,827		1,356,175
Canadian short-term notes and equivalents		761,827	750,000
	$ 2,303,096	$ 2,399,526	$ 2,407,890

6. CAPITAL ASSETS

Capital assets, recorded at cost, are as follows:

	Cost	Accumulated Amortization	June 30 2013	June 30 2012	July 31 2011
Furniture and equipment	$ 43,827	$ 37,052	$ 6,775	$ 14,514	$ 24,699
Computer equipment	31,090	26,998	4,092	13,365	23,728
	$ 74,917	$ 64,050	10,867	27,879	48,427
Leasehold improvements				265	10,999
			$ 10,867	$ 28,144	$ 59,426

7. CONTINGENCY RESERVE

The Association's Council has restricted $750,000 of its net assets to be held as a reserve for salary, benefits and pension negotiations, major grievances, academic freedom and other contingencies. This internally-restricted amount is not available for other purposes without the approval of the Council.

8. MEMBERSHIP FEES

Membership fees are from the following sources:

	2013	2012
University of Toronto	$ 2,601,308	$ 2,460,034
Retired members	23,548	35,797
University of Victoria College	20,262	18,603
University of St. Michael's College	11,851	10,993
University of Trinity College	4,936	4,659
	$ 2,661,905	$ 2,530,086

9. OPERATING SUBSIDIES

Under an agreement, the University of Toronto provides the Association with various services, the most significant of which are free rent and a telephone line subsidy. The market value of the rent and telephone line have been recorded as expenses and corresponding subsidies in the statement of operations.

In addition, the Association has an agreement with the University of Toronto for the university administration staff to provide for teaching release times equivalent to 3.000 full time employees ("FTE") (2.5 FTE in 2012). For the year ended June 30, 2013, the release times were allocated as follows:

	2013 FTE	2012 FTE
President	0.650	0.825
Vice President - Grievances	0.500	0.400
Vice President - Salary, Benefits and Pension	0.500	0.400
Vice President - University and External affairs	0.300	0.125
Treasurer	0.175	0.125
Chair - Appointments Committee	0.175	0.125
Chair - Equity Committee	0.175	0.125
Chair - Librarians Committee	0.175	0.125
Chair - Teaching Stream Committee	0.175	0.125
Chair - Membership	0.175	0.125
	3.000	2.500

In 2012, only 2.175 FTE release time was claimed by the Association. The remaining 0.325 FTE release time has been used in 2013.

The value of these salaries and benefits paid by the University of Toronto is not reflected in the financial statements.