UNIVERSITY OF TORONTO FACULTY ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015, and the statements of changes in fund balances, operations and cash flows for the year then ended, 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 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 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 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 year, assets and fund balances.

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the University of Toronto Faculty Association as at June 30, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Cowperthwaite Mehta

Chartered Accountants
Licensed Public Accountants

September 22, 2015
Toronto, Canada

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

BALANCE SHEET

AS AT JUNE 30, 2015

	2015	2014
ASSETS		
Current assets		
Cash (note 3)	$ 1,191,994	$ 1,247,868
Marketable securities (note 4)	3,034,195	2,899,367
Accounts receivable	10,856	14,685
Prepaid expenses	11,273	24,006
	4,248,318	4,185,926
Capital assets (note 5)	11,226	11,978
	$ 4,259,544	$ 4,197,904
LIABILITIES AND FUND BALANCES		
Current liabilities		
Accounts payable and accrued liabilities	$ 364,200	$ 133,758
Fund balances		
Invested in capital assets	11,226	11,978
Contingency reserve (note 6)	750,000	750,000
Unrestricted	3,134,118	3,302,168
	3,895,344	4,064,146
	$ 4,259,544	$ 4,197,904

Approved on behalf of the UTFA Council:

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2015

				2015	2014
	Unrestricted	Invested in capital assets	Contingency reserve (note 6)	Total	Total
Balance, beginning of year	$ 3,302,168	$ 11,978	$ 750,000	$ 4,064,146	$ 3,372,816
Excess (deficiency) of revenue over expenses for the year	(168,802)			(168,802)	691,330
Purchase of capital assets	(3,670)	3,670			
Amortization	4,422	(4,422)			
Balance, end of year	$ 3,134,118	$ 11,226	$ 750,000	$ 3,895,344	$ 4,064,146

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
REVENUE		
Membership fees (note 7)	$ 2,372,288	$ 2,541,525
Investment income (note 8)	124,952	338,346
Operating subsidies (note 9)	102,457	95,394
	2,599,697	2,975,265
EXPENSES		
Staffing and related	966,270	832,526
Legal, audit and consulting	610,041	293,725
Canadian Association of University Teachers fees	402,189	386,676
Ontario Confederation of University Faculty Association fees	388,238	364,624
Rent (note 9)	101,427	88,227
Stipends	99,906	96,559
Office and general	50,033	48,846
Meetings, conferences and training	43,494	47,508
Committee expenses	32,446	30,460
Office equipment	20,153	11,913
Donations and contributions	13,232	24,632
Tuition scholarships	12,413	18,681
Advertising and communications	11,589	12,937
Insurance	8,733	8,833
Library	2,561	2,778
Outreach	1,352	5,657
Amortization	4,422	9,353
	2,768,499	2,283,935
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	$ (168,802)	$ 691,330

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
CASH INFLOW (OUTFLOWS)		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$ (168,802)	$ 691,330
Non-cash items:		
Amortization	4,422	9,353
Net change in non-cash working capital items (below)	247,004	12,345
Cash provided from operations	82,624	713,028
INVESTING ACTIVITIES		
Decrease (increase) in marketable securities	(134,828)	(596,271)
Purchase of capital assets	(3,670)	(10,464)
Cash used in investing activities	(138,498)	(606,735)
NET CASH ACTIVITY FOR THE YEAR	(55,874)	106,293
CASH, BEGINNING OF YEAR	1,247,868	1,141,575
CASH, END OF YEAR	$ 1,191,994	$ 1,247,868

Net change in non-cash working capital items:		
Accounts receivable	$ 3,829	$ (71)
Prepaid expenses	12,733	(11,851)
Accounts payable and accrued liabilities	230,442	24,267
	$ 247,004	$ 12,345

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 plus accrued interest. 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. 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 investments are carried at market value or face value plus accrued interest, 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 collectibility of its accounts receivable and provides an allowance for doubtful accounts as appropriate. At June 30, 2015, the allowance for doubtful accounts was nil (nil in 2014).

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.

3. CASH

Cash is composed of:

	2015	2014
Cash in bank	$ 1,179,062	$ 1,225,059
TD Waterhouse cash balance	12,632	22,509
Petty cash	300	300
	$ 1,191,994	$ 1,247,868

4. MARKETABLE SECURITIES

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

	2015	2014
Exchange traded funds	$ 2,114,871	$ 2,042,701
Term deposits	901,783	784,210
Money market mutual funds	17,541	72,456
	$ 3,034,195	$ 2,899,367

5. CAPITAL ASSETS

Capital assets, recorded at cost, are as follows:

	Cost	Accumulated Amortization	2015	2014
Furniture and equipment	$ 54,292	$ 46,124	$ 8,168	$ 11,978
Computer equipment	34,760	31,702	3,058	NIL
	$ 89,052	$ 77,826	$ 11,226	$ 11,978

6. 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.

7. MEMBERSHIP FEES

Membership fees are from the following sources:

	2015	2014
University of Toronto	$ 2,313,816	$ 2,477,681
Retired members	24,056	28,905
University of Victoria College	18,171	18,781
University of St. Michael's College	12,269	11,855
University of Trinity College	3,976	4,303
	$ 2,372,288	$ 2,541,525

The membership fees received in 2015 were lower than those received in 2014 because of a two-month fees holiday in 2015 compared to a one-month dues holiday in 2014. Thus fees were received for 10 months in 2015 but 11 months in 2014.

8. INVESTMENT INCOME

Investment income is composed of:

	2015	2014
Realized and unrealized investment gains	$ 68,498	$ 277,590
Exchange traded fund distributions	49,178	44,523
Interest	7,276	16,233
	$ 124,952	$ 338,346

9. OPERATING SUBSIDIES

Under an agreement, the University of Toronto provides the Association with various services, the most significant of which are free rent for one office, subsidized rent for an additional office, and a telephone line subsidy. The market value of the rent and telephone line expense paid by the University have been recorded as expenses and corresponding subsidies as revenue 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 course release times equivalent to 3.500 full time equivalents ("FTE") (3.5 FTE in 2014). For the year ended June 30, 2015, the release times were allocated as follows:

	2015 FTE	2014 FTE
President	0.600	0.600
Vice President - Grievances	0.500	0.450
Vice President - Salary, Benefits and Pension	0.500	0.500
Vice President - University and External affairs	0.300	0.300
Treasurer	0.175	0.175
Chair - Appointments Committee	0.175	0.175
Chair - Equity Committee	0.175	0.175
Chair - Librarians Committee	0.175	0.175
Chair - Teaching Stream Committee	0.175	0.175
Chair - Membership	0.175	0.175
Members at large (3)	0.339	0.439
	3.289	3.339

In fiscal 2015, only 3.289 release time was claimed by the Association (3.339 FTE in fiscal 2014). The remaining release time will be used in the future.

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

10. COMMITMENTS

The Association is committed to reimburse the University of Toronto for half of the cost of additional office space acquired during fiscal 2015. The estimated cost, excluding HST, over the remaining term of the lease is as follows:

2016	$ 19,928
2017	19,928
2018	19,928
2019	19,928
2020	19,928
	$ 99,640