UNIVERSITY OF TORONTO FACULTY ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016, 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 years ended June 30, 2016 and 2015, assets as at June 30, 2016 and 2015 and fund balances as at July 1 and June 30 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended June 30, 2015 was modified accordingly because of the possible effects of this limitation in scope.

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, 2016, 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

October 11, 2016
Toronto, Canada

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

BALANCE SHEET

AS AT JUNE 30, 2016

	2016	2015
ASSETS		
Current assets		
Cash (note 3)	$ 1,169,703	$ 1,191,994
Marketable securities (note 4)	2,853,157	3,034,195
Accounts receivable	15,558	10,856
Prepaid expenses	11,452	11,273
	4,049,870	4,248,318
Capital assets (note 5)	347,470	11,226
	$ 4,397,340	$ 4,259,544
LIABILITIES AND FUND BALANCES		
Current liabilities		
Accounts payable and accrued liabilities	$ 52,614	$ 364,200
Fund balances		
Invested in capital assets	347,470	11,226
Contingency reserve (note 6)	750,000	750,000
Unrestricted	3,247,256	3,134,118
	4,344,726	3,895,344
	$ 4,397,340	$ 4,259,544

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, 2016

				2016	2015
	Unrestricted	Invested in capital assets	Contingency reserve (note 6)	Total	Total
Balance, beginning of year	$ 3,134,118	$ 11,226	$ 750,000	$ 3,895,344	$ 4,064,146
Excess (deficiency) of revenue over expenses for the year	449,382			449,382	(168,802)
Purchase of capital assets	(342,417)	342,417			
Amortization	6,173	(6,173)			
Balance, end of year	$ 3,247,256	$ 347,470	$ 750,000	$ 4,344,726	$ 3,895,344

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
REVENUE		
Membership fees (note 7)	$ 3,036,248	$ 2,372,288
Operating subsidies (note 8)	115,508	102,457
Investment income (loss) (note 9)	(17,637)	124,952
	3,134,119	2,599,697
EXPENSES		
Staffing and related	812,224	966,270
Legal, audit and consulting	546,823	610,041
Canadian Association of University Teachers fees	422,729	402,189
Ontario Confederation of University Faculty Association fees	411,807	388,238
Rent (note 8)	124,515	101,427
Stipends	105,928	99,906
Member services and meetings	62,825	28,442
Office and general	43,783	49,074
Committee expenses	28,154	26,867
Special projects	24,458	1,000
Conferences and training	21,237	9,575
Office equipment	20,230	20,153
Donations and contributions	15,803	9,200
Tuition scholarships and awards	14,740	12,413
Outreach and communications	11,361	27,988
Insurance	8,925	8,733
Library	3,022	2,561
Amortization	6,173	4,422
	2,684,737	2,768,499
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	$ 449,382	$ (168,802)

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CASH INFLOW (OUTFLOWS)		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$ 449,382	$ (168,802)
Non-cash items:		
Amortization	6,173	4,422
Net change in non-cash working capital items (below)	(316,467)	247,004
Cash provided from operations	139,088	82,624
INVESTING ACTIVITIES		
Decrease (increase) in marketable securities	181,038	(134,828)
Purchase of capital assets	(342,417)	(3,670)
Cash used in investing activities	(161,379)	(138,498)
NET CASH ACTIVITY FOR THE YEAR	(22,291)	(55,874)
CASH, BEGINNING OF YEAR	1,191,994	1,247,868
CASH, END OF YEAR	$ 1,169,703	$ 1,191,994

	2016	2015
Net change in non-cash working capital items:		
Accounts receivable	$ (4,702)	$ 3,829
Prepaid expenses	(179)	12,733
Accounts payable and accrued liabilities	(311,586)	230,442
	$ (316,467)	$ 247,004

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

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 (loss) in the statement of operations. The investment income (loss) 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 8).

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, 2016, the allowance for doubtful accounts was nil (nil in 2015).

Currency risk

Currency risk is the risk that the fair value of 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 of 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 of 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:

	2016	2015
Cash in bank	$ 993,369	$ 1,179,062
TD Waterhouse cash balance	176,034	12,632
Petty cash	300	300
	$ 1,169,703	$ 1,191,994

4. MARKETABLE SECURITIES

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

	2016	2015
Exchange traded funds	$ 2,022,843	$ 2,114,871
Term deposits	788,479	901,783
Money market mutual funds	41,835	17,541
	$ 2,853,157	$ 3,034,195

5. CAPITAL ASSETS

Capital assets, recorded at cost, are as follows:

	Cost	Accumulated Amortization	2016	2015
Furniture and equipment	$ 121,838	$ 50,316	$ 71,522	$ 8,168
Computer equipment	39,314	33,683	5,631	3,058
Leasehold improvements	270,317		270,317	
	$ 431,469	$ 83,999	$ 347,470	$ 11,226

Amortization of the leasehold improvements and related furniture and equipment for the additional office space will begin in fiscal 2017 when the renovations are complete and the space is occupied.

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:

	2016	2015
University of Toronto	$ 2,964,814	$ 2,313,816
Retired members	25,150	24,056
University of Victoria College	23,816	18,171
University of St. Michael's College	17,381	12,269
University of Trinity College	5,087	3,976
	$ 3,036,248	$ 2,372,288

The membership fees received in 2015 were lower than those received in 2016 because of a two-month fees holiday in 2015. Thus fees were received for 10 months in 2015 but 12 months in 2016.

8. 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") (3.500 FTE in 2015). For the year ended June 30, 2016, the release times were allocated as follows:

	2016 FTE	2015 FTE
President	0.600	0.600
Vice President - Grievances	0.500	0.500
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	0.339
Special project	0.032	
	3.321	3.289

In fiscal 2016, only 3.321 release time was claimed by the Association (3.289 FTE in fiscal 2015). 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.

9. INVESTMENT INCOME

Investment income (loss) is composed of:

	2016	2015
Realized and unrealized investment (losses) gains	$ (93,040)	$ 68,498
Exchange traded fund distributions	55,541	49,178
Interest	19,862	7,276
	$ (17,637)	$ 124,952

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:

2017	$ 19,062
2018	19,062
2019	19,062
2020	19,062
	$ 76,248

11. COMPARATIVE FIGURES

Certain of the 2015 comparative figures have been restated to conform to the method of presentation adopted in 2016.