
**UNIVERSITY OF TORONTO FACULTY
ASSOCIATION**

FINANCIAL STATEMENTS

JUNE 30, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members,
University of Toronto Faculty Association:

Qualified Opinion

We have audited the financial statements of the University of Toronto Faculty Association which comprise the statement of financial position as at June 30, 2019 and 2018, and the statements of operations and changes in net assets and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the University of Toronto Faculty Association as at June 30, 2019 and 2018 and the results of operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the University of Toronto Faculty Association derives revenue from membership fees, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the University of Toronto Faculty Association. Therefore, we are not able to determine whether any adjustments might be necessary to membership revenue, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2019 and 2018, current assets as at June 30, 2019 and 2018, and net assets as at July 1 and June 30 for both the 2019 and 2018 years.

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 organization 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 qualified audit 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 University of Toronto Faculty Association's ability 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 University of Toronto Faculty Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University of Toronto Faculty Association's financial reporting process.

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

INDEPENDENT AUDITOR'S REPORT (continued)

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 these financial statements.

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 University of Toronto Faculty Association's internal control.
- 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 University of Toronto Faculty Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw your 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 University of Toronto Faculty 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.

Cowperthwaite Mehta

Chartered Professional Accountants
Licensed Public Accountants

November 7, 2019
Toronto, Canada

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

BALANCE SHEET

AS AT JUNE 30, 2019

	2019	2018
ASSETS		
Current assets		
Cash (note 3)	\$ 112,595	\$ 211,919
Investments (note 4)	3,851,005	4,012,551
Accounts receivable	425,587	394,847
Prepaid expenses	<u>17,307</u>	<u>14,127</u>
	<u>4,406,494</u>	<u>4,633,444</u>
Long-term investments (note 4)	<u>351,148</u>	
Capital assets (note 5)	<u>147,795</u>	<u>248,113</u>
	<u>\$ 4,905,437</u>	<u>\$ 4,881,557</u>
LIABILITIES AND FUND BALANCES		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 394,037</u>	<u>\$ 481,488</u>
Fund balances		
Invested in capital assets	147,795	248,113
Contingency reserve (note 6)	750,000	750,000
Unrestricted	<u>3,613,605</u>	<u>3,401,956</u>
	<u>4,511,400</u>	<u>4,400,069</u>
	<u>\$ 4,905,437</u>	<u>\$ 4,881,557</u>

Approved on behalf of the UTFA Council:

Louis Thorne, Treasurer
Col Messing, President

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2019

	2019			2018	
	<u>Unrestricted</u>	<u>Invested in capital assets</u>	<u>Contingency reserve (note 6)</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 3,401,956	\$ 248,113	\$ 750,000	\$ 4,400,069	\$ 4,386,064
Excess of revenue over expenses for the year	111,331			111,331	14,005
Purchase of capital assets	(15,149)	15,149			
Amortization	<u>115,467</u>	<u>(115,467)</u>			
Balance, end of year	<u>\$ 3,613,605</u>	<u>\$ 147,795</u>	<u>\$ 750,000</u>	<u>\$ 4,511,400</u>	<u>\$ 4,400,069</u>

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
REVENUE		
Membership fees (note 7)	\$ 3,478,958	\$ 3,318,470
Operating subsidies (note 8)	1,226,613	786,820
Investment income (note 9)	<u>181,594</u>	<u>207,913</u>
	<u>4,887,165</u>	<u>4,313,203</u>
EXPENSES		
Legal, audit and consulting (note 8)	1,872,575	1,486,579
Staffing and related	1,128,980	1,141,968
Ontario Confederation of University Faculty Association fees	478,128	458,586
Canadian Association of University Teachers fees	477,251	463,226
Rent (note 8)	259,636	195,262
Stipends	105,079	101,768
Member services and meetings	82,100	53,732
Office and general	76,827	99,677
Conferences and training	74,192	30,046
Committee expenses	28,081	34,569
Office equipment	22,594	23,807
Tuition scholarships and awards	16,792	21,447
Outreach and communications	10,514	11,996
Insurance	9,247	8,995
Special projects	7,147	33,278
Donations and contributions	6,453	15,698
Library	4,771	3,205
Amortization	<u>115,467</u>	<u>115,359</u>
	<u>4,775,834</u>	<u>4,299,198</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ 111,331</u>	<u>\$ 14,005</u>

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
<hr/>		
CASH INFLOW (OUTFLOWS)		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 111,331	\$ 14,005
Non-cash items:		
Amortization	115,467	115,359
Net change in non-cash working capital items (below)	<u>(121,371)</u>	<u>(331,382)</u>
Cash provided from (used in) operations	<u>105,427</u>	<u>(202,018)</u>
INVESTING ACTIVITIES		
Decrease (increase) in marketable securities	(189,602)	86,766
Purchase of capital assets	<u>(15,149)</u>	<u>(26,060)</u>
Cash provided from (used in) investing activities	<u>(204,751)</u>	<u>60,706</u>
NET CASH ACTIVITY FOR THE YEAR	(99,324)	(141,312)
CASH, BEGINNING OF YEAR	<u>211,919</u>	<u>353,231</u>
CASH, END OF YEAR	<u>\$ 112,595</u>	<u>\$ 211,919</u>
Net change in non-cash working capital items:		
Accounts receivable	\$ (30,740)	\$ (325,602)
Prepaid expenses	(3,180)	(2,675)
Accounts payable and accrued liabilities	<u>(87,451)</u>	<u>(3,105)</u>
	<u>\$ (121,371)</u>	<u>\$ (331,382)</u>

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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.

Investments

The investments 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. Those investments with maturities greater than twelve months after year end are depicted as long-term investments.

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 the term of the lease

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.

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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 and rent subsidy are recorded at their estimated 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, disclosure of contingent assets and liabilities, and the valuation of free and subsidized rent.

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.

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, the allowance for doubtful accounts was nil (nil in 2018).

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.

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

3. CASH

Cash is composed of:

	<u>2019</u>	<u>2018</u>
Cash in bank	\$ 108,956	\$ 200,272
TD Direct Investing cash balance	3,339	11,347
Petty cash	<u>300</u>	<u>300</u>
	<u>\$ 112,595</u>	<u>\$ 211,919</u>

4. INVESTMENTS

Investments, which are held by TD Direct Investing, are composed of the following, at market value:

	<u>2019</u>	<u>2018</u>
Exchange traded funds	\$ 3,607,565	\$ 3,527,625
Money market mutual funds	243,440	84,097
Term deposits - short term	<u> </u>	<u>400,829</u>
	3,851,005	4,012,551
Term deposits - long term	<u>351,148</u>	<u> </u>
	<u>\$ 4,202,153</u>	<u>\$ 4,012,551</u>

5. CAPITAL ASSETS

Capital assets, recorded at cost, are as follows:

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 170,161	\$ 121,433	\$ 48,728	\$ 72,949
Computer equipment	71,464	54,693	16,771	10,572
Leasehold improvements	<u>329,185</u>	<u>246,889</u>	<u>82,296</u>	<u>164,592</u>
	<u>\$ 570,810</u>	<u>\$ 423,015</u>	<u>\$ 147,795</u>	<u>\$ 248,113</u>

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.

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

7. MEMBERSHIP FEES

Membership fees are from the following sources:

	<u>2019</u>	<u>2018</u>
University of Toronto	\$ 3,414,140	\$ 3,251,575
University of Victoria College	23,465	23,044
University of St. Michael's College	19,030	20,696
Retired members	17,956	17,750
University of Trinity College	<u>4,367</u>	<u>5,405</u>
	<u>\$ 3,478,958</u>	<u>\$ 3,318,470</u>

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 suite, subsidized rent for two additional office suites, 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 2019, the University of Toronto also contributed \$1,060,378 towards professional advice on the University Pension Plan (\$637,000 in 2018).

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 2018). For the year ended June 30, 2019, the release times were allocated as follows:

	<u>2019</u> <u>FTE</u>	<u>2018</u> <u>FTE</u>
President	0.800	0.800
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)	<u>0.339</u>	<u>0.339</u>
	<u>3.489</u>	<u>3.489</u>

In fiscal 2019, only 3.489 release time was claimed by the Association (3.489 FTE in fiscal 2018). 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 these financial statements.

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

9. INVESTMENT INCOME

Investment income is composed of:

	<u>2019</u>	<u>2018</u>
Exchange traded fund distributions	\$ 105,855	\$ 94,067
Realized and unrealized investment gains	55,127	101,433
Interest	<u>20,612</u>	<u>12,413</u>
	<u>\$ 181,594</u>	<u>\$ 207,913</u>

10. COMMITMENTS

The University of Toronto pays the rental cost for one office suite. The Association is committed to reimburse the University of Toronto for half of the cost of additional office space acquired during fiscal 2015. In addition, in 2018, the Association committed to reimburse the University of Toronto for half the cost of a third office suite and for the entire cost of a fourth office suite. The estimated annual cost to the Association of these three additional office suites over the remaining term of the lease is as follows:

June 30, 2020	\$ 109,671
2021	115,082
2022	115,082
2023	<u>115,082</u>
	<u>\$ 454,917</u>