
**UNIVERSITY OF TORONTO FACULTY
ASSOCIATION**

FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011 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 generally accepted accounting principles 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 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, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Cowperthwaite Mehta

Chartered Accountants
Licensed Public Accountants

September 25, 2011
Toronto, Canada


UNIVERSITY OF TORONTO FACULTY ASSOCIATION

BALANCE SHEET

AS AT JUNE 30, 2011

	2011	2010
ASSETS		
Current assets		
Cash (note 4)	\$ 233,422	\$ 203,576
Marketable securities (note 5)	2,407,890	2,203,731
Accounts receivable	13,666	11,903
Prepaid expenses	<u>9,124</u>	<u>7,308</u>
	<u>2,664,102</u>	<u>2,426,518</u>
Capital assets (note 6)	<u>59,426</u>	<u>73,357</u>
	<u>\$ 2,723,528</u>	<u>\$ 2,499,875</u>
LIABILITIES AND FUND BALANCES		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 249,066</u>	<u>\$ 264,436</u>
Fund balances		
Invested in capital assets	59,426	73,357
Contingency reserve (note 7)	750,000	750,000
Unrestricted	<u>1,665,036</u>	<u>1,412,082</u>
	<u>2,474,462</u>	<u>2,235,439</u>
	<u>\$ 2,723,528</u>	<u>\$ 2,499,875</u>

Approved on behalf of the UTFA Council:



George Lute

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

				2011	2010
	<u>Unrestricted</u>	<u>Invested in capital assets</u>	<u>Contingency reserve (note 7)</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 1,412,082	\$ 73,357	\$ 750,000	\$ 2,235,439	\$ 2,386,748
Excess (deficiency) of revenue over expenses	239,023			239,023	(151,309)
Purchase of capital assets	(33,134)	33,134			
Amortization	<u>47,065</u>	<u>(47,065)</u>	<u> </u>	<u> </u>	<u> </u>
Balance, end of year	<u>\$ 1,665,036</u>	<u>\$ 59,426</u>	<u>\$ 750,000</u>	<u>\$ 2,474,462</u>	<u>\$ 2,235,439</u>

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
REVENUE		
Membership fees (note 8)	\$ 2,492,309	\$ 2,282,174
Investment income	177,768	62,700
Operating subsidies (note 9)	<u>66,393</u>	<u>67,033</u>
	<u>2,736,470</u>	<u>2,411,907</u>
EXPENSES		
Legal, audit and consulting	786,295	827,063
Staffing and related	666,901	709,247
CAUT (Canadian Association of University Teachers) fees	366,475	338,755
OCUFA (Ontario Confederation of University Faculty Assoc.) fees	312,537	289,699
Stipends	101,122	98,608
Rent	59,312	59,312
Outreach	47,352	77,018
Meetings, conferences and training	38,717	39,881
Office and general	34,915	36,215
Office equipment	9,297	9,265
Insurance	8,592	8,403
Committee expenses	8,442	18,323
Tuition scholarships	6,406	4,991
Library	2,400	2,993
Advertising and communications	819	2,498
Donations and contributions	800	
Amortization	<u>47,065</u>	<u>40,945</u>
	<u>2,497,447</u>	<u>2,563,216</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ 239,023</u>	<u>\$ (151,309)</u>

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 239,023	\$ (151,309)
Non-cash items:		
Amortization	47,065	40,945
Net change in non-cash working capital items (below)	<u>(18,949)</u>	<u>152,841</u>
Cash provided from operations	<u>267,139</u>	<u>42,477</u>
INVESTING ACTIVITIES		
Increase in marketable securities	(204,159)	(34,046)
Purchase of capital assets	<u>(33,134)</u>	<u>(6,543)</u>
Cash used for investing activities	<u>(237,293)</u>	<u>(40,589)</u>
NET CASH ACTIVITY FOR THE YEAR	29,846	1,888
CASH, BEGINNING OF YEAR	<u>203,576</u>	<u>201,688</u>
CASH, END OF YEAR	<u>\$ 233,422</u>	<u>\$ 203,576</u>
Net change in non-cash working capital items:		
Accounts receivable	\$ (1,763)	\$ 4,072
Prepaid expenses	(1,816)	991
Accounts payable	<u>(15,370)</u>	<u>147,778</u>
	<u>\$ (18,949)</u>	<u>\$ 152,841</u>

see accompanying notes

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

1. THE FUND

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.

2. SIGNIFICANT ACCOUNTING POLICIES

The Association follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

Marketable securities held-for-trading

The Association has classified their marketable securities as "held-for-trading". 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.

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Revenue recognition

The Association follows the deferral method of accounting for revenue. Membership fees revenue is comprised 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 organization, 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 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.

3. FINANCIAL INSTRUMENTS AND RISKS

Fair value of financial instruments

The fair value of cash, accounts receivable, and accounts payable and accrued liabilities is approximately equal to their carrying value due to the short-term maturity of these instruments.

The fair value of marketable securities is approximated by their quoted market value.

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.

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

4. CASH

Cash is composed of:

	<u>2011</u>	<u>2010</u>
Cash in bank	\$ 232,492	\$ 162,777
TD Waterhouse cash balance	630	27,050
Petty cash	300	300
Cash equivalents	<u> </u>	<u>13,449</u>
	<u>\$ 233,422</u>	<u>\$ 203,576</u>

5. MARKETABLE SECURITIES

Marketable securities, which are classified as held-for-trading and are held by TD Waterhouse, are composed of the following, at market value:

	<u>2011</u>	<u>2010</u>
Mutual funds	\$ 1,356,175	\$ 2,203,731
Guaranteed investment certificate	750,000	
Equities	<u>301,715</u>	<u> </u>
	<u>\$ 2,407,890</u>	<u>\$ 2,203,731</u>

6. CAPITAL ASSETS

Capital assets, recorded at cost, are as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2011</u>	<u>2010</u>
Furniture and equipment	\$ 107,821	\$ 83,121	\$ 24,700	\$ 27,540
Computer equipment	<u>31,090</u>	<u>7,363</u>	<u>23,727</u>	<u>13,880</u>
	<u>\$ 138,911</u>	<u>\$ 90,484</u>	48,427	41,420
Leasehold improvements			<u>10,999</u>	<u>31,937</u>
			<u>\$ 59,426</u>	<u>\$ 73,357</u>

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.

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

8. MEMBERSHIP FEES

Membership fees are from the following sources:

	<u>2011</u>	<u>2010</u>
University of Toronto	\$ 2,442,035	\$ 2,249,895
Retired members	21,400	11,253
University of Victoria College	15,955	13,699
University of St. Michael's College	8,819	3,400
University of Trinity College	<u>4,100</u>	<u>3,927</u>
	<u>\$ 2,492,309</u>	<u>\$ 2,282,174</u>

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 2.5 full time employees ("FTE") (2.5 FTE in 2010). For the year ended June 30, 2011, the release times were as follows:

	<u>2011</u>	<u>2010</u>
	<u>FTE</u>	<u>FTE</u>
President	1.0	1.0
Vice President - Grievances	0.4	0.5
Vice President - Salary, Benefits and Pension	0.4	0.4
Vice President - University and External affairs	0.1	0.1
Treasurer	0.1	0.1
Chair - Appointments Committee	0.1	0.1
Chair - Equity Committee	0.1	0.1
Chair - Librarians Committee	0.1	0.1
Chair - Teaching Stream Committee	0.1	0.1
Chair - Membership	<u>0.1</u>	<u> </u>
	<u>2.5</u>	<u>2.5</u>

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

UNIVERSITY OF TORONTO FACULTY ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

10. CONTRACTUAL OBLIGATION

The Association is committed to minimum payments under an operating lease agreement for office equipment expiring June 30, 2015. Future annual minimum lease payment are as follows:

2012	\$	4,906
2013		4,906
2014		4,906
2015		<u>4,906</u>
	\$	<u>19,624</u>

11. CONTINGENT LIABILITIES

Two individuals have commenced proceedings against the Association for damages. Neither the possible outcomes nor the amount of possible settlement from one of these proceedings can be foreseen at this time. A provision for the second has been made in these financial statements.