FINANCIAL STATEMENTS

APRIL 30, 2019

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STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

The administration of the University is responsible for the preparation of the financial statements, the notes thereto and all other financial information contained in this annual report.

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations. The administration believes the financial statements present fairly, in all material respects, the University's financial position as at April 30, 2019 and the results of its operations and its cash flows for the year then ended. In order to achieve the objective of fair presentation in all material respects, the use of reasonable estimates and judgments was employed. Additionally, the administration has ensured that all financial information presented in this report has been prepared in a manner consistent with that in the financial statements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The University has retained Aon Hewitt in order to provide an estimate of the University's liability for pension and other post-employment benefits. The administration has provided the valuation actuary with the information necessary for the completion of the University's report and retains ultimate responsibility for the determination and estimation of the reported pension and other benefit liabilities.

The Board of Governors carries out its responsibility for review of the financial statements and this annual report principally through its Finance and Audit Committee (the "Committee"). The majority of the members of the Committee are not officers or employees of the University. The Committee meets regularly with the administration, as well as the internal auditors and the external auditors, to discuss the results of audit examinations and financial reporting matters, and to satisfy itself that each party is properly discharging its responsibilities. The auditors have full access to the Committee with and without the presence of the administration.

Ernst & Young LLP, Chartered Professional Accountants, the auditors appointed by the Board of Governors, have reported on the financial statements for the year ended April 30, 2019. The independent auditor's report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

C. McAulay

Carol McAulay
Vice-President, Finance and Administration

Rhonda L. Lenton
President and Vice-Chancellor

YORK
UNIVERSITÉ
UNIVERSITY

INTRODUCTION TO YORK UNIVERSITY

FINANCIAL STATEMENTS – 2018-2019

The fiscal year was highlighted by the completion of four major projects at York. Schulich's new Rob and Cheryl McEwen Graduate Study & Research Building will provide a home for research activities and graduate students. The renovation and upgrading of the Farquharson Life Science Facility will provide the University with modern research and lab space. The new student center also officially opened in September 2018, and will add 126,000 square feet of student space to the campus. The updating of the University's Central Utilities and Cogeneration Facility was also completed in the fiscal year. The completion of these projects will enhance the campus experience for students, faculty and staff.

Enrolment and financial results for 2018-19 were affected by the labour disruption by CUPE 3903, which represents over 3,000 individuals employed as contract faculty, teaching and graduate assistants by the University. The labour disruption began on March 5, 2018 and ended July 25, 2018, when the provincial government passed back-to-work legislation.

The labour disruption adversely affected the summer session in 2018. The session length was reduced and was conducted at approximately 50% of normal academic operations. As a consequence, undergraduate enrolment for the summer session was lower than normal. However, with the conclusion of the labour disruption, enrolments for both the fall and winter terms were above plan. Notwithstanding, for the full year, domestic enrolments were slightly below plan and international enrolments were close to plan.

As reported in 2017-18, a number of classes and exams were suspended and some students were not able to complete their terms by the end of April 2018, which would have been the normal conclusion of instruction and exams. The University conducted remediation efforts in fiscal 2018-19 for those students who were unable to complete their term by the end of the 2017-18 fiscal year. Students were also given the option of withdrawing from courses and receiving an equivalent tuition credit to be used before the end of the winter term of fiscal 2019. In addition, certain services provided to students related to housing and parking were extended beyond the 2017-18 fiscal year. As a consequence, approximately $64 million in student fees and other revenue for services, which was deferred in fiscal 2017-18, was realized in fiscal 2018-19.

Government grants, which consist largely of provincial operating grants and other research related funding, amounted to $418 million (2017-18 – $390 million). Provincial operating grants were unchanged relative to the prior fiscal year. This is consistent with the University's Strategic Mandate Agreement with the Province and the funding formula, which has established government operating grants at the 2016-17 level. The University, however, was able to realize additional funding directed to research.

Investment income from operating funds increased to $19 million (2017-18 – $13 million), largely the result of more favourable short-term interest rates. The University follows the deferral method for accounting for investment income on external endowments, and recognizes investment income in the Statement of Operations as related expenses are incurred. The amount of investment income recognized in the Statement of Operations for both internal and external endowments was just over $14 million (2017-18 – $8 million).

The market value of the University's endowments was $496 million at April 30, 2019, compared to $467 million, for the prior year. The University's rate of return was 9.1% in 2018-19 (2017-18 – 2.3%) as capital markets in general were stronger this year, compared to last year. The investment income credited to endowments was $40 million this year compared to $8 million last year.

The University's operating cash and cash equivalents amounted to $124 million at April 30, 2019 (2017-18 – $157 million). The University maintains cash and cash equivalent balances to maintain liquidity for capital projects and to leverage favourable returns offered by the University's banking institutions. Operating resources invested in short to medium term fixed income products amounted to $701 million at April 30, 2019 (2017-18 – $530 million).

Salaries and benefits increased from $715 million in 2017-18 to $754 million in 2018-19. The increase in salaries and benefits was largely the result of salary increments from collective agreements and remediation costs to complete the academic terms as a result of the labour disruption.

The University continues to support students with financial assistance. Scholarships and bursaries amounted to $84 million in 2018-19 and reflects the University's ongoing support for both graduate and undergraduate students.

Interest on long-term debt remained relatively unchanged at $26 million for 2018-19, compared to $27 million for 2017-18. As previously reported, the University issued a new debenture of $100 million on May 26, 2016. The proceeds from this debenture together with government assistance from the Strategic Investment Fund and support from University donors have been invested in some of the aforementioned capital projects to support the University's academic mission.

Planning, design and procurement for the Markham Centre Campus was well underway when, on October 23, 2018, the provincial government cancelled capital funding for the project. The Ontario government had committed to provide $127.3 million towards the cost of the new Campus. The University remains committed to the Campus and is reviewing options.

Operating costs for 2018-19 were $166 million compared to $155 million for 2017-18. A portion of the increase is the result of the expensing of soft costs related to the Markham project.

As summarized on the balance sheet, the University's unrestricted accumulated deficit has decreased from $36 million in 2018 to $33 million in 2019. The decrease in the accumulated deficit is the result of a small surplus in the University's ancillary operations. Surpluses related to academic operations are internally restricted and do not affect the University's unrestricted deficit.

Going forward, the University will be challenged by the provincial government's announcements concerning both the tuition framework and government grants. On January 17, 2019, the provincial government announced a 10% cut to tuition fees for domestic students. The University has estimated that this will cost the institution approximately $46 million in 2019-20 and $60 million in 2020-21 in incremental budgeted tuition revenue. The University relies on tuition revenue to deliver high quality academic programs to students. It is also unclear what the provincial government's policy will be with respect to the tuition framework in fiscal 2021-22 which will make long-range planning challenging. The government released its budget on April 11, 2019 and announced major changes to operating grants. Beginning in 2020-21, 25% of the University's operating grants will become linked to certain performance metrics. An additional 10% will be added in each of the three subsequent years, and 5% will be added in the last year, 2024-25, when the proportion of funds tied to performance will reach 60%. The University will work with the sector and the provincial government to assess the impact on the University's finances, once further details are released by the provincial government. These announcements introduce some uncertainty in the University's financial plans. The University will have to navigate the future carefully to ensure the institution's resources deliver on high quality academic programs.

C. McAulay

Carol McAulay
Vice-President, Finance and Administration

SUMMARY OF REVENUE AND EXPENSES

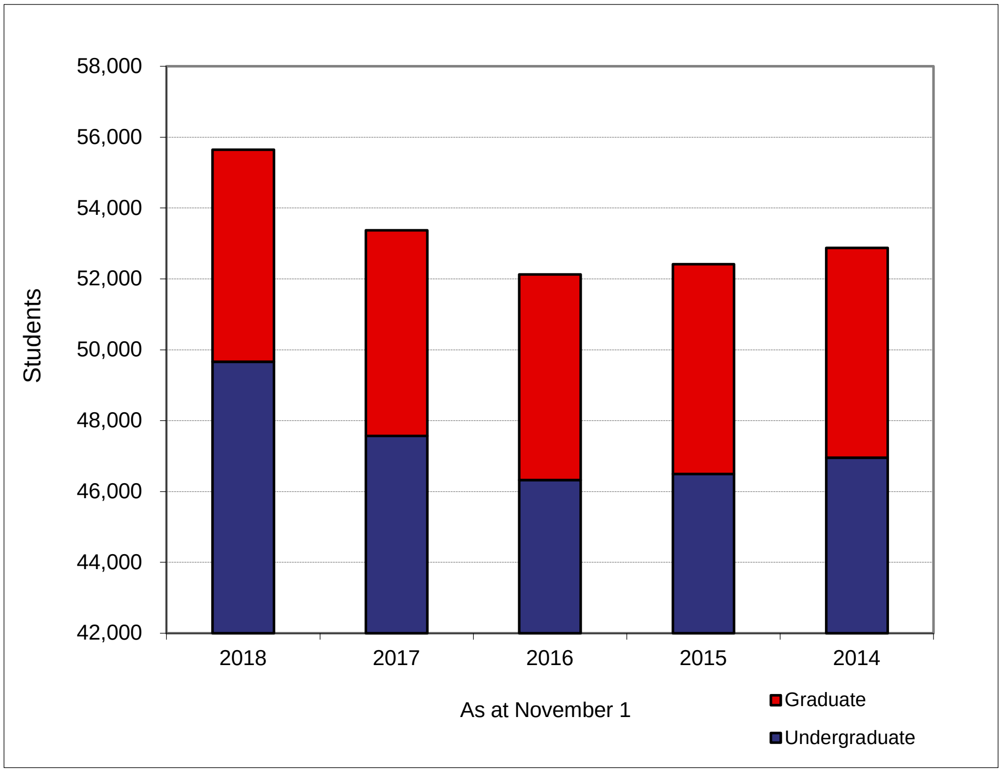
Total Revenue and Expenses
(Millions of dollars)

Year ended April 30	2019	2018	2017	2016	2015
	$	$	$	$	$
REVENUE					
Student fees	694.2	550.4	555.5	519.8	498.2
Grants and contracts	418.1	390.0	380.3	371.7	371.7
Sales and services	69.1	64.4	66.2	64.8	62.0
Fees, recoveries and other income	38.6	37.4	39.7	37.1	35.1
Investment income	33.1	21.0	25.1	23.6	25.6
Amortization of deferred capital contributions	17.5	15.2	16.2	15.6	13.9
Donations	8.5	15.0	12.1	8.6	10.5
	1,279.1	**1,093.4**	**1,095.1**	**1,041.2**	**1,017.0**
EXPENSES					
Salaries and benefits	754.4	715.1	715.4	696.8	691.1
Operating costs	166.5	154.9	142.9	138.9	132.8
Scholarships and bursaries	84.1	85.7	80.8	68.8	61.0
Amortization of capital assets	46.1	43.4	45.3	42.7	41.5
Taxes and utilities	25.2	31.3	33.3	33.0	33.2
Interest on long-term debt	26.1	26.8	26.8	23.5	23.5
Cost of sales and services	12.4	13.6	14.2	14.2	14.0
	1,114.8	**1,070.8**	**1,058.7**	**1,017.9**	**997.1**

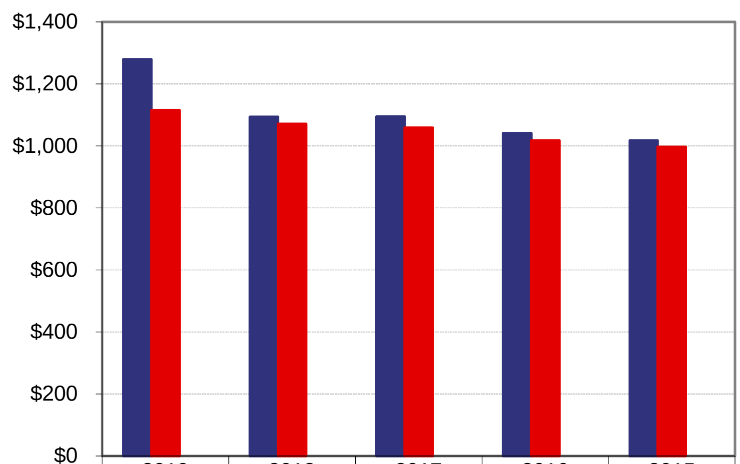
% of Total Revenue and Expenses

Year ended April 30	2019	2018	2017	2016	2015
	%	%	%	%	%
REVENUE					
Student fees	54.3	50.3	50.7	49.9	49.0
Grants and contracts	32.7	35.7	34.7	35.7	36.5
Sales and services	5.4	5.9	6.0	6.2	6.1
Fees, recoveries and other income	2.9	3.4	3.7	3.6	3.5
Investment income	2.6	1.9	2.3	2.3	2.5
Amortization of deferred capital contributions	1.4	1.4	1.5	1.5	1.4
Donations	0.7	1.4	1.1	0.8	1.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**
EXPENSES					
Salaries and benefits	67.8	66.7	67.6	68.5	69.3
Operating costs	14.9	14.5	13.5	13.6	13.3
Scholarships and bursaries	7.5	8.0	7.6	6.8	6.1
Amortization of capital assets	4.1	4.1	4.3	4.2	4.2
Taxes and utilities	2.3	2.9	3.1	3.2	3.3
Interest on long-term debt	2.3	2.5	2.6	2.3	2.4
Cost of sales and services	1.1	1.3	1.3	1.4	1.4
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

STUDENT HEADCOUNT
2014 – 2018



REVENUE AND EXPENSES
Year Ended April 30
2015 – 2019
(Millions of dollars)

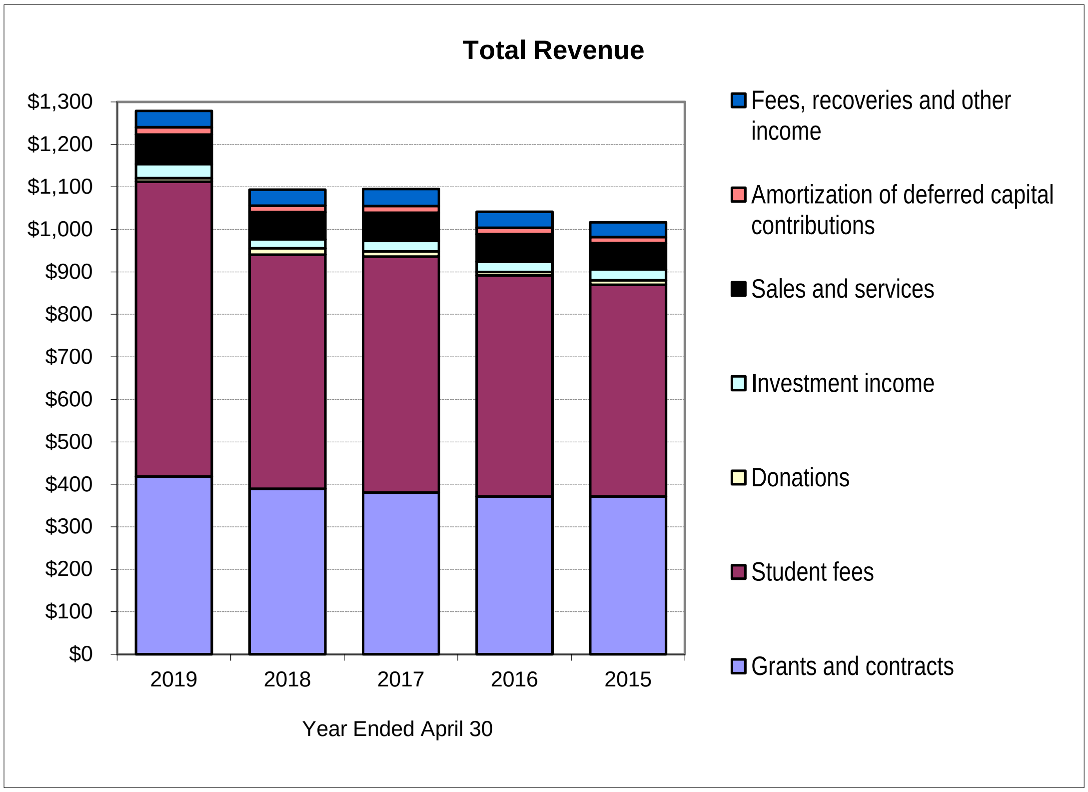


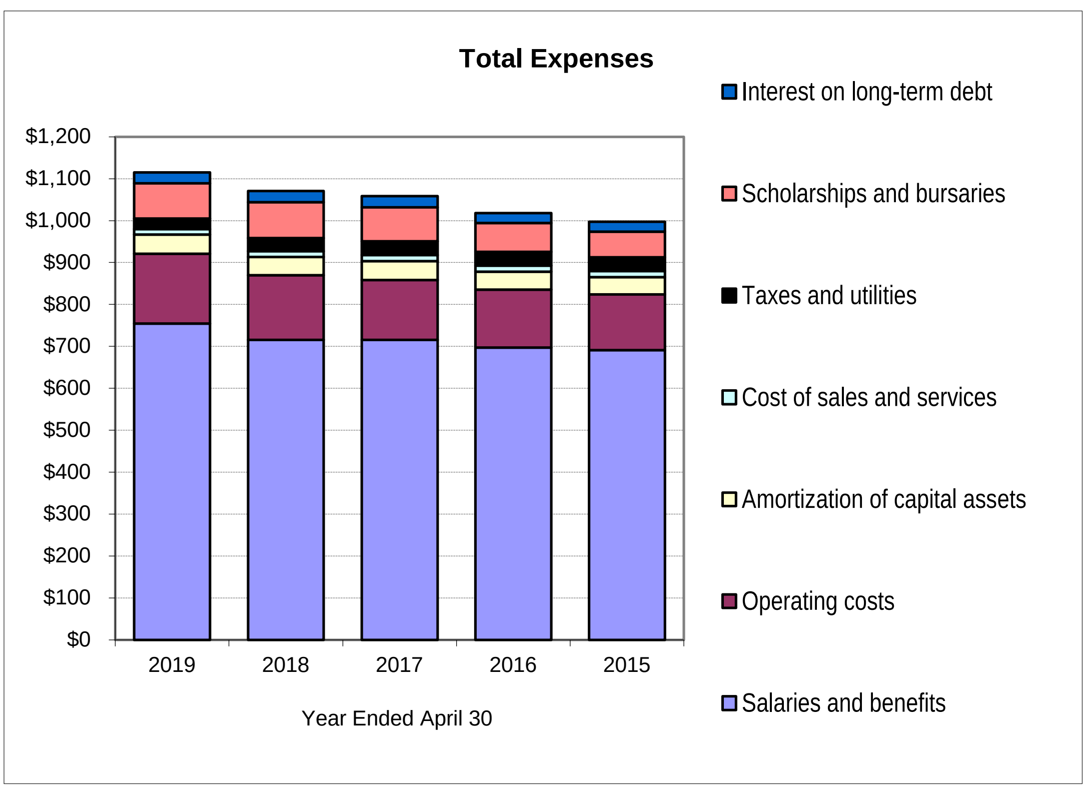
	2019	2018	2017	2016	2015
Revenue	$1,279.1	$1,093.4	$1,095.1	$1,041.2	$1,017.0
Expenses	$1,114.8	$1,070.8	$1,058.7	$1,017.9	$997.1
Revenue over Expenses	$164.3	$22.6	$36.4	$23.3	$19.9

SUMMARY OF REVENUE AND EXPENSES

2015 – 2019

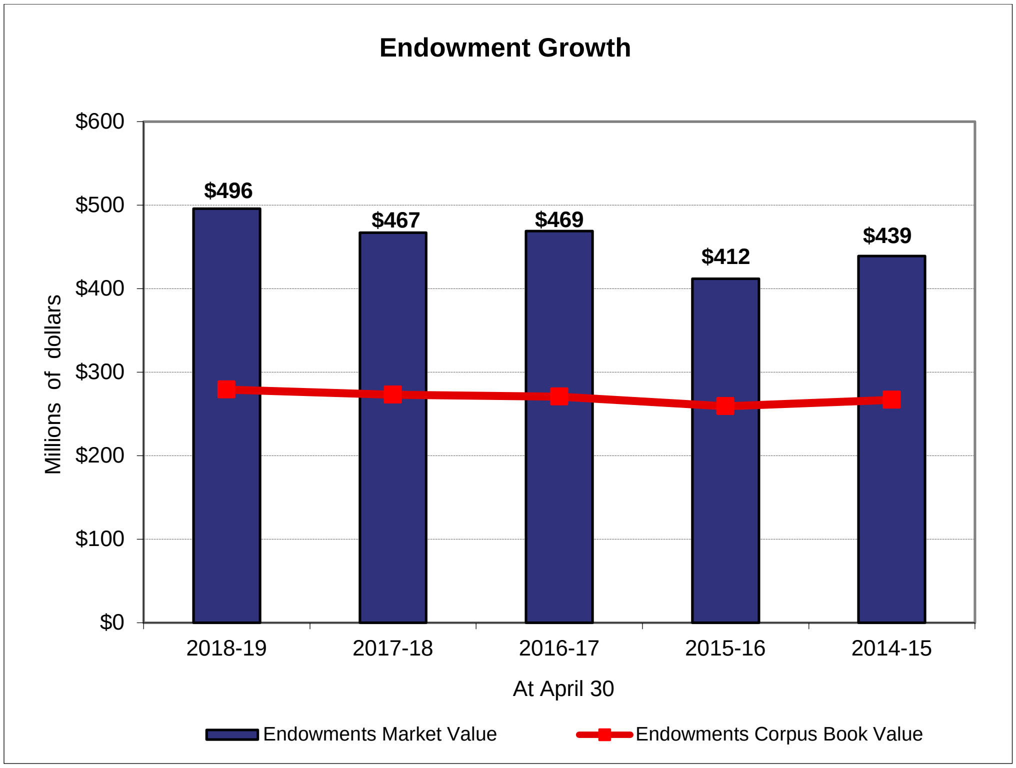
(Millions of dollars)

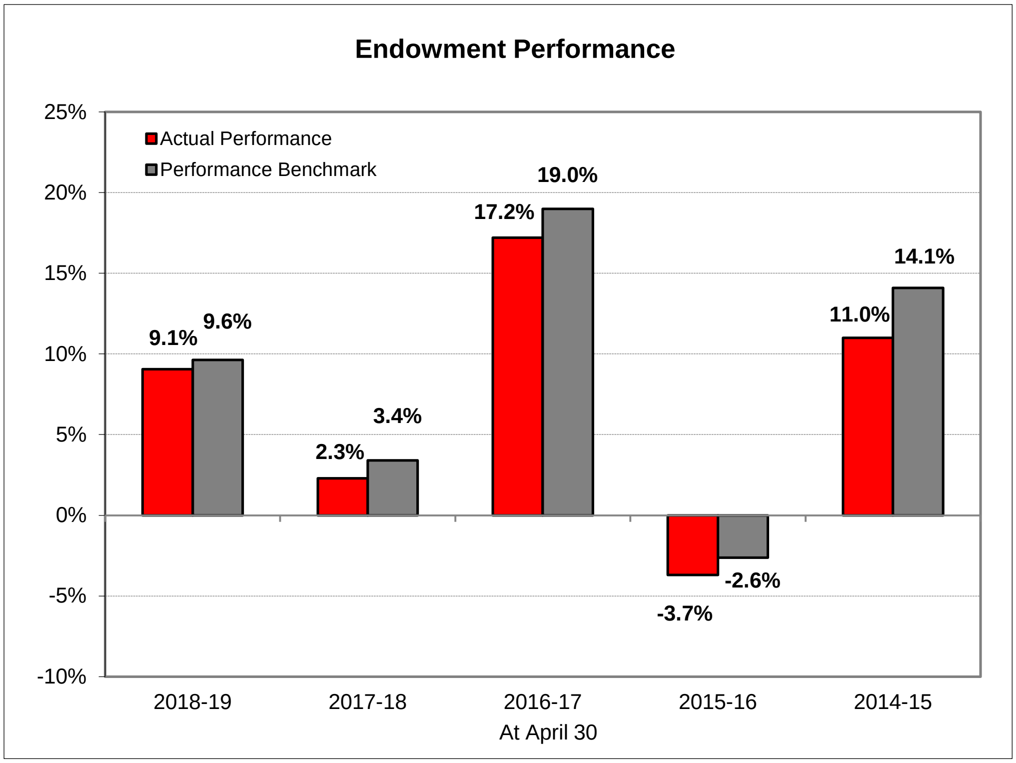




ENDOWMENT GROWTH AND PERFORMANCE

2015 – 2019





INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of
York University

Opinion

We have audited the financial statements of York University (the "University"), which comprise the balance sheet as at April 30, 2019 and the statement of operations and changes in deficit, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

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 University 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 opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the financial report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 the University'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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University'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 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'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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw 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 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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 25, 2019

YORK UNIVERSITY **Statement 1**

BALANCE SHEET
(Thousands of dollars)

As at April 30

	2019 **$**	**2018** **$**
ASSETS		
Current		
Cash and cash equivalents	**123,959**	157,413
Accounts receivable *(notes 4 and 14)*	**85,407**	115,465
Inventories	**4,435**	3,558
Prepaid expenses	**18,428**	18,746
Total current assets	**232,229**	295,182
Pension plan asset *(note 13)*	**58,589**	107,201
Investments *(note 3)*	**1,196,931**	997,472
Investment in lease *(note 4)*	**41,887**	42,333
Capital assets, net *(note 5)*	**1,521,023**	1,511,415
	3,050,659	2,953,603
LIABILITIES		
Current		
Accounts payable and accrued liabilities *(notes 8 and 14)*	**131,567**	136,484
Current portion of long-term debt *(note 9)*	**467**	505
Deferred revenue *(note 18)*	**58,917**	98,176
Total current liabilities	**190,951**	235,165
Deferred contributions *(note 6)*	**168,602**	162,819
Long-term liabilities *(notes 8 and 13)*	**148,447**	143,545
Long-term debt *(note 9)*	**498,523**	498,846
Deferred capital contributions *(note 10)*	**454,008**	464,325
Total liabilities	**1,460,531**	1,504,700
Commitments and contingent liabilities *(notes 7 and 16)*		
NET ASSETS		
Deficit	**(33,047)**	(35,736)
Internally restricted *(note 11)*	**1,140,048**	1,033,108
Endowments *(note 12)*	**483,127**	451,531
Total net assets	**1,590,128**	1,448,903
	3,050,659	2,953,603

See accompanying notes

On behalf of the Board of Governors:

Paul Tsaparis
Chair

Rhonda L. Lenton
President and Vice-Chancellor

STATEMENT OF OPERATIONS AND CHANGES IN DEFICIT
(Thousands of dollars)

Year ended April 30

	2019 $	2018 $
REVENUE		
Student fees *(note 18)*	**694,215**	550,414
Grants and contracts *(note 6)*	**418,075**	389,984
Sales and services	**69,118**	64,394
Fees, recoveries and other income	**38,615**	37,373
Investment income *(note 3)*	**33,141**	20,987
Amortization of deferred capital contributions *(note 10)*	**17,467**	15,247
Donations	**8,496**	15,005
Total revenue	**1,279,127**	1,093,404
EXPENSES		
Salaries and benefits *(note 13)*	**754,399**	715,083
Operating costs	**166,430**	154,937
Scholarships and bursaries	**84,139**	85,682
Amortization of capital assets	**46,133**	43,426
Taxes and utilities	**25,234**	31,285
Interest on long-term debt *(note 9)*	**26,110**	26,771
Cost of sales and services	**12,350**	13,600
Total expenses	**1,114,795**	1,070,784
Revenue over expenses for the year	**164,332**	22,620
Employee benefit plans – remeasurements *(note 13)*	**(53,257)**	(100,154)
Net transfers (to) from internally restricted net assets *(note 11)*	**(106,893)**	81,171
Net transfers to internally restricted endowments *(note 12)*	**(1,493)**	(251)
Change in deficit in the year	**2,689**	3,386
Deficit, beginning of year	**(35,736)**	(39,122)
Deficit, end of year	**(33,047)**	(35,736)

See accompanying notes

STATEMENT OF CHANGES IN NET ASSETS
(Thousands of dollars)

Year ended April 30	Deficit $	Internally restricted $ (note 11)	Endowments $ (note 12)	2019 Total $	2018 Total $
Net assets, beginning of year	**(35,736)**	**1,033,108**	**451,531**	**1,448,903**	1,531,307
Revenue over expenses for the year	**164,332**	**-**	**-**	**164,332**	22,620
Employee benefit plans – remeasurements *(note 13)*	**(53,257)**	**-**	**-**	**(53,257)**	(100,154)
Net transfers to internally restricted net assets from deficit *(note 11)*	**(106,893)**	**106,893**	**-**	**-**	-
Contribution related to land and artwork	**-**	**47**	**-**	**47**	150
Investment income on externally restricted endowments less amounts made available for spending *(note 12)*	**-**	**-**	**24,344**	**24,344**	(6,797)
Contributions to externally restricted endowments *(note 12)*	**-**	**-**	**5,759**	**5,759**	1,777
Net transfers to internally restricted endowments *(note 12)*	**(1,493)**	**-**	**1,493**	**-**	-
Net assets, end of year	**(33,047)**	**1,140,048**	**483,127**	**1,590,128**	1,448,903

See accompanying notes

STATEMENT OF CASH FLOWS
(Thousands of dollars)

Year ended April 30

	2019 $	2018 $
OPERATING ACTIVITIES		
Revenue over expenses for the year	**164,332**	22,620
Add (deduct) non-cash items:		
Amortization of capital assets	**46,133**	43,426
Amortization of deferred capital contributions	**(17,467)**	(15,247)
Amortization of transaction costs	**45**	45
Employee benefit plan expense	**44,300**	38,782
Net change in non-cash balances related to operations *(note 14)*	**(803)**	81,893
Contributions to employee benefit plans	**(43,597)**	(43,157)
Cash provided by operating activities	**192,943**	128,362
INVESTING ACTIVITIES		
Sale (purchase) of investments, net *(note 14)*	**(175,115)**	28,182
Purchase of capital assets *(note 14)*	**(62,657)**	(123,904)
Cash used in investing activities	**(237,772)**	(95,722)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(406)**	(623)
Contributions restricted for capital purposes *(note 14)*	**6,022**	81,809
Contributions to externally restricted endowments	**5,759**	1,777
Cash provided by financing activities	**11,375**	82,963
Net increase (decrease) in cash and cash equivalents during the year	**(33,454)**	115,603
Cash and cash equivalents, beginning of year	**157,413**	41,810
Cash and cash equivalents, end of year	**123,959**	157,413

See accompanying notes

1. DESCRIPTION OF THE ORGANIZATION

York University ("York" or the "University") was incorporated under the *York University Act, 1959* and continued under the *York University Act, 1965* by the Legislative Assembly of Ontario. The University is dedicated to academic research and to providing post-secondary and post-graduate education. The University is a registered charity and under the provisions of Section 149 of the *Income Tax Act* (Canada) is exempt from income taxes.

York's financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all the operations of the University and organizations in which the University has a controlling shareholding. Accordingly, these financial statements include the operations, research activities and ancillary operations of the University and the York University Development Corporation (an Ontario corporation of which the University is the sole shareholder) that oversees the development of designated undeveloped York lands and which owns York Lanes shopping mall.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

a) Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and grants. Grants are recorded in the accounts when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recorded in the accounts when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions, other than endowments, are initially deferred when recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions received towards the purchase of capital assets are deferred when initially recorded in the accounts and amortized to revenue on the same basis as the related depreciable capital assets are amortized. Externally restricted endowment contributions are recognized as direct increases in net assets when initially recorded in the accounts.

Student fees are recognized as revenue when courses and seminars are held. Sales and services revenue is recognized at the point of sale or when the service has been provided.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, realized gains and losses on all investments and unrealized gains and losses on investments recorded at fair value, are recorded as investment income (loss) in the Statement of Operations and Changes in Deficit, except for investment income designated for externally restricted endowments. The amount made available for spending related to externally restricted endowments is recognized as investment income, and any restricted amounts available for spending that remain unspent at year-end are deferred and categorized as deferred contributions. Investment income on externally restricted endowments in excess of the amount made available for spending, losses on externally restricted endowments and deficiency of investment income compared to the amount available for spending are recognized as direct increases (decreases) to endowments.

Investment income (loss) designated for internally restricted endowments is recognized in the Statement of Operations and Changes in Deficit. The investment income (loss) net of all actual spending against internal endowments is transferred between the unrestricted deficit and internally restricted endowments through the Statement of Changes in Net Assets.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the administration to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenue and expenses, and disclosure of contingent assets and liabilities. Significant areas requiring the use of estimates relate to the assumptions used in the determination of the valuation of pension and other retirement benefit assets/obligations, assumptions used in the determination of the valuation of the impact of the labour disruption, and the recording of contingencies. Actual results could differ from those estimates.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and investments with a maturity of approximately three months or less at the date of purchase, unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

d) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is assigned by using the first-in, first-out method or weighted average cost method, depending on the nature and use of the inventory items. The same costing method is used for all inventories having a similar nature and use.

e) Financial instruments

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as pooled fund investments, derivative contracts and any investments in fixed income securities that the University designates upon purchase to be measured at fair value. Transactions are recorded on a trade date basis, and transaction costs are recognized in the Statement of Operations and Changes in Deficit in the period during which they are incurred.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs, which represents cost, and are subsequently measured at amortized cost using the effective interest rate method, less any provision for impairment.

Long-term debt is initially recorded at fair value, which represents cost, and subsequently measured at amortized cost using the effective interest rate method. Long-term debt is reported net of related premiums, discounts and transaction issue costs.

Other financial instruments, including cash and cash equivalents, accounts receivable and accounts payable, are initially recorded at fair value, which represents cost, and subsequently measured at cost, net of any provisions for impairment.

f) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization of capital assets is provided on a straight-line basis over their estimated useful lives as follows:

	Annual Rate	Years
Buildings, facilities and infrastructure	2.5% to 10%	10 to 40
Equipment and furnishings	10% to 33.3%	3 to 10
Library books	100%	1

Construction in progress expenditures are capitalized as incurred and are amortized as described above once the asset is placed into service. Capitalized expenditures include interest on related debt funding of such expenditures.

Donations of items included in the art collection are recorded as direct increases in capital assets and net assets at an appraised value established by independent appraisal in the period receipted by the University. The art collection is considered to have a permanent value and is not amortized.

g) Foreign exchange translation

The University accounts for revenue and expense transactions denominated in a foreign currency at the exchange rate in effect at the date of the transactions. Monetary assets and liabilities denominated in a foreign currency are translated at year-end exchange rates, and any translation gain or loss is included in the Statement of Operations and Changes in Deficit. Foreign exchange gains and losses on investments are accounted for consistent with investment income.

h) Employee benefit plans

The University has a defined contribution pension plan, which has a defined benefit component that provides a minimum level of pension benefits. The University also has other retirement and post-employment benefit plans that primarily provide medical and dental benefits. The University accounts for the cost of benefits related to the defined contribution plan as contributions are due.

The University accounts for its defined benefit employee plans using the immediate recognition approach. The University recognizes the amount of the accrued benefit obligations, net of the fair value of plan assets measured at year-end, adjusted for any valuation allowances. Current service and finance costs are expensed during the year. Remeasurements and other items related to actuarial gains and losses and differences between actual and expected returns on plan assets and past service costs are recognized as a direct increase or decrease in net assets. The accrued benefit obligations for employee benefit plans are determined based on actuarial valuation reports prepared for funding purposes. These reports are required to be prepared at least on a triennial basis. In years where actuarial valuations are not prepared, the University uses a roll-forward technique to estimate the accrued liability using assumptions from the most recent actuarial valuation reports.

3. INVESTMENTS

a) Investments consist of the following:

	2019 **$**	**2018** **$**
Cash	**8,258**	2,920
Short-term investments	**8,885**	11,254
Guaranteed investment certificates	**382,127**	220,146
Canadian government bonds	**74,376**	99,019
Canadian corporate bonds	**237,631**	181,127
Foreign bonds	**49,703**	44,495
Mortgages	**72,914**	92,051
Canadian equities	**78,015**	75,115
US equities	**103,844**	93,175
International and emerging markets	**144,822**	147,219
Infrastructure	**35,474**	30,282
Other	**882**	669
Total	**1,196,931**	997,472

Investments in pooled funds have been allocated among asset classes based on the underlying investments held in the pooled funds.

All investments are recorded at fair value, except certain bonds, mortgages and other investments, which are carried at amortized cost. As at year-end, investments are recorded in the accounts as follows:

	2019 **$**	**2018** **$**
Fair value – endowments	**496,040**	467,004
Amortized cost – operating and sinking funds	**700,891**	530,468
Total	**1,196,931**	997,472

Investments are exposed to foreign currency, interest rate, other price, and credit risks *(note 17)*. The University manages these risks through policies and procedures governing asset mix, equity and fixed income allocations, and diversification among and within asset categories.

To manage foreign currency risk, a hedging policy has been implemented for the University's foreign currency denominated investments to minimize exchange rate fluctuations and the resulting uncertainty on future financial results. All outstanding contracts have a remaining term to maturity of less than one year. The University has contracts outstanding held in foreign currencies, as detailed below.

The notional and fair values of the foreign currency forward contracts are as follows:

	2019		**2018**	
Currency sold	**Notional value (CAD $)**	**Fair value of contract (CAD $)**	**Notional value (CAD $)**	**Fair value of contract (CAD $)**
USD	**26,575**	**(278)**	23,849	2

The fair value of the foreign currency forward contracts is included in other investments. The change in the fair value of the foreign currency forward contracts is accounted for consistent with investment income in the Statement of Operations and Changes in Deficit.

b) Investment income consists of the following:

	2019 $	**2018 $**
Investment income on endowments, net of management fees *(note 12)*	**39,577**	8,339
Remove investment income credited to external endowments *(note 12)*	**(37,987)**	(7,992)
Add allocations for spending on external endowments, net of deferrals	**12,943**	7,871
Investment income attributable to endowments	**14,533**	8,218
Other investment income	**18,608**	12,769
Total	**33,141**	20,987

4. INVESTMENT IN LEASE

The University has entered into a direct finance lease with the Ontario Infrastructure and Lands Corporation ("OILC"), formerly the Ontario Realty Corporation. The leased facilities are located on the Keele campus and are occupied by the Archives of Ontario. The lease commenced on February 25, 2009 for an initial period of 25 years plus three options to extend the term, each for 10 years. Prior to the commencement of the lease, the OILC exercised the first ten-year renewal option.

To construct the facilities used by the Archives of Ontario, in May 2007, the University entered into contractual agreements with a consortium that undertook the design, construction and financing of the facility during the construction phase of the project.

As payment for the cost of the facility, York assigned the revenue stream under the OILC lease to the consortium for a period of 35 years. However, York remains liable for the lease payments to the consortium should OILC default.

The present value of the lease payments due from OILC at lease commencement was determined to be $45 million based on a discount rate of 10.5% and with no residual value assigned to the Archives of Ontario facility.

The carrying value of the investment in lease comprises aggregate minimum lease payments due from OILC over 35 years less unearned finance income at a rate of 10.5%. The balance is calculated as follows:

	2019 $	2018 $
Aggregate future minimum lease payments	**115,238**	120,056
Less unearned finance income	**(72,905)**	(77,320)
Investment in lease *(note 8)*	**42,333**	42,736
Less current portion recorded in accounts receivable	**(446)**	(403)
Balance, end of year	**41,887**	42,333

Minimum future lease payments are expected to be as follows:

	$
2020	4,818
2021	4,818
2022	4,818
2023	4,818
2024	4,818
Thereafter	91,148
Total	**115,238**

The University has recorded the amounts owed to the consortium under the lease assignment within the liabilities section of the Balance Sheet. The current portion of $446 (2018 – $403) is reported within accounts payable and accrued liabilities while the long-term portion is reported in long-term liabilities as $41,887 (2018 – $42,333) *(note 8)*. This liability has been discounted at a rate of 10.5% and will reduce over the 35-year lease assignment term, concurrent with the reduction to investment in lease.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2019			2018		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Land	**590,472**	**-**	**590,472**	590,472	-	590,472
Buildings, facilities and infrastructure	**1,421,978**	**570,884**	**851,094**	1,246,209	538,945	707,264
Equipment and furnishings	**141,774**	**85,666**	**56,108**	133,777	81,791	51,986
Library books	**52,242**	**52,242**	**-**	55,257	55,257	-
Construction in progress	**17,146**	**-**	**17,146**	155,835	-	155,835
Art collection	**6,203**	**-**	**6,203**	5,858	-	5,858
Total	**2,229,815**	**708,792**	**1,521,023**	2,187,408	675,993	1,511,415

a) During the year, the total cost of items added to library books was $2,778 (2018 – $3,501) and the total cost of items removed was $5,793 (2018 – $6,154).

b) The Glendon campus land and a majority of the Keele campus land were acquired by grants. These grants had restrictive covenants, which have been registered on the title of the property, and which purport to limit use of the properties for educational or research purposes at the University level.

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants and donations and unexpended available income on externally restricted endowments. The changes in deferred contributions are as follows:

	2019			2018		
	Research and other grants and contracts $	**Donations and expendable balances from endowments $**	**Total $**	**Research and other grants and contracts $**	**Donations and expendable balances from endowments $**	**Total $**
Balance, beginning of year	**114,973**	**47,846**	**162,819**	104,873	40,316	145,189
Contributions, grants and investment income	**87,711**	**28,048**	**115,759**	91,516	35,768	127,284
Transfers to revenue	**(84,786)**	**(25,190)**	**(109,976)**	(81,416)	(28,238)	(109,654)
Balance, end of year	**117,898**	**50,704**	**168,602**	114,973	47,846	162,819

7. CREDIT FACILITIES

The University has an unsecured demand operating facility in the amount of $20 million. This facility bears interest at a rate that varies with the balances on deposit, ranging from the bank's prime rate of 3.95% plus or minus 0.5%. Letters of credit in the amount of $5.0 million (2018 – $5.7 million) have been utilized against this facility.

8. LONG-TERM LIABILITIES

Long-term liabilities consist of the following:

	2019 $	**2018 $**
Obligation under lease assignment *(note 4)*	**42,333**	42,736
Less current portion recorded in accounts payable and accrued liabilities	**(446)**	(403)
Long-term portion of obligation under lease assignment	**41,887**	42,333
Employee other benefits *(note 13)*	**106,560**	101,212
Total	**148,447**	143,545

9. LONG-TERM DEBT

Long-term debt consists of the following:

	2019	2018
	$	**$**
Debentures		
Senior unsecured debenture bearing interest at 6.48%, maturing on March 7, 2042	**200,000**	200,000
Senior unsecured debenture bearing interest at 5.84%, maturing on May 4, 2044	**100,000**	100,000
Senior unsecured debenture bearing interest at 4.46%, maturing on February 26, 2054	**100,000**	100,000
Senior unsecured debenture bearing interest at 3.58%, maturing on May 26, 2056	**100,000**	100,000
Other debentures bearing interest at 6.88% to 7.63%, maturing from 2021 to 2023 Weighted average interest rate is 7.32% (2018 – 7.27%)	**1,435**	1,741
Term Loans		
Term loan bearing interest at 4.50%, maturing in 2023	**569**	669
	502,004	502,410
Unamortized transaction costs	**(3,014)**	(3,059)
	498,990	499,351
Less current portion	**(467)**	(505)
Total	**498,523**	498,846

Scheduled future minimum annual repayments of long-term debt are as follows:

	$
2020	467
2021	498
2022	345
2023	368
2024	326
Thereafter	500,000
Total	**502,004**

Certain buildings with an insignificant net book value have been pledged as collateral for certain mortgages and certain term loans. The amount of interest expense during the year on long-term debt was $26,110 (2018 – $26,771).

10. DEFERRED CAPITAL CONTRIBUTIONS

The changes in the deferred capital contributions balance are as follows:

	2019 $	2018 $
Balance, beginning of year	**464,325**	385,756
Contributions in the year	**7,150**	93,816
Amortization of deferred capital contributions	**(17,467)**	(15,247)
Balance, end of year	**454,008**	464,325
Comprising:		
Capital contributions - expended	**454,008**	458,497
Capital contributions - unexpended	**-**	5,828
Balance, end of year	**454,008**	464,325

11. INTERNALLY RESTRICTED NET ASSETS

Details of internally restricted net assets are as follows:

	2019 $	2018 $
Departmental carryforwards	**118,200**	66,564
University fund	**58,448**	30,918
Computing systems development	**13,012**	15,102
Contractual commitments to employee groups	**5,984**	5,723
Research programs	**30,413**	28,496
Employee pension benefits *(note 13)*	**58,589**	107,201
Sinking fund	**74,425**	70,146
Investment in capital assets	**36,801**	47,863
Land appraisal reserve	**585,602**	585,602
Capital reserve	**183,853**	102,535
Future funded capital projects	**(25,279)**	(27,042)
Total	**1,140,048**	1,033,108

Internally restricted net assets include funds committed for specific purposes that reflect the application of the Board of Governors' policy as follows:

i. Departmental carryforwards – These represent the cumulative positions of all Faculties and Divisions with net unspent balances at year-end. Under Board policy, which is approved annually, Faculties and Divisions are entitled to carry forward the net unspent funds from previous years' allocations. These funds provide units with a measure of flexibility established through prudent administration over several years to assist with future balancing of their budgets in the face of additional anticipated budget reductions, as well as resources that are to meet commitments made during the year.

ii. University fund – This represents funds set aside to address future academic and strategic initiatives of the University.

iii. Computing systems development – The University is planning to implement or upgrade several administrative computing and information systems. These appropriated funds support forward commitments for these systems planned or in progress, as well as planned future stages of system implementation not yet contracted for at year-end.

iv. Contractual commitments to employee groups – This is the net carryforward of funds to meet future commitments defined under collective agreements with various employee groups.

v. Research programs – This represents appropriations for internally-funded research.

vi. Employee pension benefits – This represents the pension asset associated with the pension plan.

vii. Sinking fund – This represents funds set aside to retire capital debt.

viii. Investment in capital assets – This represents the net amount of capital assets funded using internal capital.

ix. Land appraisal reserve – This represents the increase to the appraised value of University land, as at May 1, 2011.

x. Capital reserve – This represents funds restricted for deferred maintenance, capital emergencies and capital projects planned or in progress.

xi. Future funded capital projects – This represents projects that will be funded in the future through a combination of budget allocations, donations and debt.

12. ENDOWMENTS

Endowments include restricted donations received by the University and funds that have been internally designated. Investment returns generated from endowments are used in accordance with the various purposes established by the donors or by the Board of Governors. On an annual basis, the University determines the distribution for spending after a review of each individual endowment's original contribution, market value, and consideration of the long-term objective to preserve the purchasing power of each endowment.

The changes in net assets restricted for endowments are as follows:

	2019			2018		
	Internally restricted $	**Externally restricted $**	**Total $**	**Internally restricted $**	**Externally restricted $**	**Total $**
Balance, beginning of year	**17,103**	**434,428**	**451,531**	17,294	439,006	456,300
Contributions	**-**	**5,759**	**5,759**	-	1,777	1,777
Investment income *(note 3)*	**1,590**	**37,987**	**39,577**	347	7,992	8,339
Available for spending	**(97)**	**(13,643)**	**(13,740)**	(96)	(14,789)	(14,885)
Transfers	**(552)**	**552**	**-**	(442)	442	-
Balance, end of year	**18,044**	**465,083**	**483,127**	17,103	434,428	451,531

Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support

Externally restricted endowments include grants from the Government of Ontario under the Ontario Student Opportunity Trust Fund ("OSOTF") and the Ontario Trust for Student Support ("OTSS") matching programs. These programs provided matching funds for eligible endowment donations in support of student aid. Investment income earned on these funds is used to finance awards to qualified students.

The position of these fund balances, at book and market value, are calculated as follows:

For the year ended April 30	OSOTF I $	OSOTF II $	2019 $	2018 $
Endowment Funds:				
Endowment at book value, beginning and end of year	**67,583**	**10,714**	**78,297**	78,297
Endowment at market value, end of year	**112,586**	**16,805**	**129,391**	121,673
Expendable Funds:				
Balance, beginning of year	**26,148**	**2,152**	**28,300**	26,199
Realized investment gains, net of capital protection	**5,112**	**763**	**5,875**	5,939
Bursaries awarded	**(3,283)**	**(702)**	**(3,985)**	(3,838)
Expendable funds available for awards, end of year	**27,977**	**2,213**	**30,190**	28,300
Number of bursaries awarded	**1,661**	**329**	**1,990**	2,468

OTSS For the year ended March 31*	2019 $	2018 $
Endowment Funds:		
Endowment at book value, beginning and end of year	**45,764**	45,764
Endowment at market value, end of year	**69,985**	68,291
Expendable Funds:		
Balance, beginning of year	**16,397**	15,125
Realized investment gains, net of capital protection	**3,052**	3,292
Bursaries awarded	**(1,946)**	(2,020)
Expendable funds available for awards, end of year	**17,503**	16,397
Number of bursaries awarded	**1,003**	1,181

*As per reporting guidelines as determined by the Ministry of Training, Colleges and Universities.

The expendable funds available for awards are included in deferred contributions *(note 6)* on the Balance Sheet.

13. EMPLOYEE BENEFIT PLANS

The University has a number of funded and unfunded benefit plans that provide pension, other retirement and post-employment benefits to most of its employees. The pension plan is a defined contribution plan, which has a defined benefit component that provides a minimum level of pension benefits. The most recent actuarial valuation for funding purposes for the pension plan was performed as at December 31, 2018.

Other retirement benefit plans are contributory health care plans with retiree contributions adjusted annually. A plan also provides for long-term disability income benefits after employment, but before retirement. The most recent actuarial valuation for other post-retirement benefits was performed as at May 1, 2017. The most recent actuarial valuation for post-employment benefits was performed as at April 30, 2019.

Information about the University's benefit plans is as follows:

	2019		2018	
	Pension benefit plan $	**Other benefit plans $**	**Pension benefit plan $**	**Other benefit plans $**
Plan surplus (deficit), beginning of year	**107,201**	**(101,212)**	204,069	(102,301)
Employee benefit plan expense	**(34,658)**	**(9,642)**	(28,368)	(10,414)
Remeasurements	**(52,048)**	**(1,209)**	(107,088)	6,934
Employer contributions	**38,094**	**5,503**	38,588	4,569
Plan surplus (deficit), end of year	**58,589**	**(106,560)**	107,201	(101,212)
Additional Information:				
Plan assets	**2,739,620**	**-**	2,570,988	-
Plan obligations	**(2,681,031)**	**(106,560)**	(2,463,787)	(101,212)
Plan surplus (deficit), end of year	**58,589**	**(106,560)**	107,201	(101,212)
Employee contributions	**32,772**	**-**	31,499	-
Benefits paid and administrative expenses	**113,360**	**5,503**	111,045	4,569

Remeasurements consist of actuarial gains (losses) and the difference between expected and actual investment returns on plan assets.

The pension plan surplus is recorded in assets on the Balance Sheet. The other benefit plan deficiency is included in long-term liabilities *(note 8)* on the Balance Sheet.

The significant actuarial assumptions adopted in measuring the University's accrued benefit surplus (deficit) and benefit costs are as follows:

	2019		2018	
	Pension benefit plan %	**Other benefit plans %**	**Pension benefit plan %**	**Other benefit plans %**
Accrued benefit surplus (deficit)				
Discount rate	**5.75**	**5.75**	5.75	5.75
Rate of inflation	**2.00**	**2.00**	2.00	2.00
Rate of compensation increase	**4.00**	**4.00**	4.00	4.00
Benefit expense				
Discount rate	**5.75**	**5.75**	5.75	5.75
Rate of inflation	**2.00**	**2.00**	2.00	2.00
Expected long-term rate of return on plan assets	**5.75**	**-**	5.75	-
Rate of compensation increase	**4.00**	**4.00**	4.00	4.50

For measurement purposes, 4.89% (2018 – 4.88%) and 4.76% (2018 – 4.76%) annual increases in the cost of covered health care benefits were assumed for the post-retirement benefit and post-employment benefit plans, respectively. The rate of increase was assumed to decrease gradually to 4.00% in 2038 and 2029 for post-retirement benefit plan and post-employment benefit plan, respectively; the rate of increase is to remain at that level thereafter.

The assets of the pension benefit plan are invested as follows:

	2019 %	2018 %
Equities	**53**	54
Fixed income	**30**	30
Other	**17**	16
Total	**100**	100

14. ADDITIONAL INFORMATION

The net change in non-cash balances related to operations consists of the following:

	2019 $	2018 $
Accounts receivable	**31,186**	(19,467)
Inventories	**(877)**	215
Prepaid expenses	**318**	(2,471)
Accounts payable and accrued liabilities	**2,046**	24,106
Deferred revenue	**(39,259)**	61,880
Deferred contributions	**5,783**	17,630
Net change in non-cash balances related to operations	**(803)**	81,893

The purchase of investments is calculated as follows:

	2019 $	2018 $
Change in investments	**(199,459)**	34,979
Investment income (loss) on externally restricted endowments less amounts made available for spending *(note 12)*	**24,344**	(6,797)
Sale (purchase) of investments, net	**(175,115)**	28,182

The purchase of capital assets is calculated as follows:

	2019 $	2018 $
Additions to capital assets	**(55,741)**	(126,626)
Change in current year, from the previous year, in accounts payable and accrued liabilities related to capital asset additions	**(6,963)**	2,572
Donations of artwork and land	**47**	150
Purchase of capital assets	**(62,657)**	(123,904)

Contributions restricted for capital purposes is calculated as follows:

	2019 $	2018 $
Additions to deferred capital contributions	**7,150**	93,816
Change in current year, from the previous year, in accounts receivable related to capital asset additions	**(1,128)**	(12,007)
Contributions restricted for capital purposes	**6,022**	81,809

As at April 30, 2019, accounts payable and accrued liabilities include government remittances payable of $16,647 (2018 – $14,349).

15. RELATED ENTITY

The University is a member, with thirteen other universities, of a joint venture called TRIUMF, Canada's national laboratory for particle and nuclear physics located on the University of British Columbia ("UBC") campus. TRIUMF is an unincorporated registered charity, and each university has an undivided 7.14% (2018 – 7.69%) interest in its assets, liabilities and obligations. The land and buildings it occupies are owned by UBC. The facilities and its operations are funded by federal government grants, and the University has made no direct financial contribution to date. TRIUMF's net assets are not contemplated to be and are not readily realizable by the University. The University's interest in the assets, liabilities and results of operations are not included in these financial statements (see also *note 16(c)*).

The following financial information as at March 31 for TRIUMF was prepared in accordance with Canadian Public Sector Accounting Standards, including accounting standards that apply to government not-for-profit organizations, except that all capital assets and related provisions for decommissioning costs, if any, are expensed in the year in which the costs are incurred.

	2019 $	2018 $
	(Unaudited)	(Audited)
Statement of Financial Position		
Total assets	**54,737**	50,147
Total liabilities	**9,019**	9,095
Total fund balances	**45,718**	41,052
Statement of Combined Funding/Income and Expenses		
Revenue	**87,080**	95,213
Expenses	**82,414**	81,629
Surplus of revenue over expenses	**4,666**	13,584

16. COMMITMENTS AND CONTINGENT LIABILITIES

a) Litigation and other regulatory proceedings

The nature of the University's activities is such that there is usually litigation and/or other regulatory proceedings pending or in prospect at any one time. With respect to known claims at April 30, 2019, the University believes it has valid defences and appropriate insurance coverage in place. Therefore, such claims are not expected to have a material effect on the University's financial position. There exist other claims or potential claims where the outcome cannot be determined at this time. Should any additional losses occur, they would be charged to income in the year they can be estimated.

b) Canadian University Reciprocal Insurance Exchange ("CURIE")

The University participates in a reciprocal exchange of insurance risks in association with other Canadian universities. This self-insurance reciprocal, CURIE, involves a subscriber agreement to share the insurable property and liability risks of member universities for a term of not less than five years. Plan members are required to pay annual deposit premiums, which are actuarially determined and expensed in the year. Plan members are subject to further assessment in proportion to their participation in the event premiums are insufficient to cover losses and expenses. As at December 31, 2018, CURIE was fully funded.

c) TRIUMF

While there is no intention of decommissioning the TRIUMF facilities, the TRIUMF joint venture members have complied with federal legislation by putting in place a decommissioning plan, including a funding plan, in the event TRIUMF is decommissioned. The decommissioning plan is updated regularly in compliance with TRIUMF's licensing requirements. As at March 31, 2018, the balance in the fund, $11.2 million, is held in an escrow account to fund decommissioning costs. Each member university has entered into an agreement confirming they will share the cost of any funding shortfall in the event decommissioning costs exceed funding available for decommissioning.

d) Capital and other commitments

The estimated cost to complete committed capital and other projects as at April 30, 2019 is approximately $20.9 million. These capital projects will be financed by government grants, internal funds, and fundraising.

17. FINANCIAL INSTRUMENTS

The University is exposed to various financial risks through transactions in financial instruments.

Foreign currency risk

The University is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar. The University uses foreign currency forward contracts to manage the foreign currency risk associated with its investments denominated in foreign currencies *(note 3)*.

Interest rate risk

The University is exposed to interest rate risk with respect to its investments in fixed income investments including a pooled fund that holds fixed income securities, its investment in lease and offsetting liability, and with respect to its fixed rate debt, because the fair value will fluctuate.

Credit risk

The University is exposed to credit risk in connection with its accounts receivable and its short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. The credit quality of fixed income investments is managed by the University's investment managers in accordance with policies of the University. The external managers are responsible for the regular monitoring of credit exposures. The majority of the University's investments in fixed income securities are of investment grade.

Other price risk

The University is exposed to other price risk through changes in market prices (other than changes arising from interest rate or currency risks) in connection with its investments in equity securities and pooled funds.

Liquidity risk

The University is exposed to liquidity risk to the extent that it will encounter difficulty in meeting obligations associated with its financial liabilities.

18. LABOUR DISRUPTION

The University experienced a labour disruption in fiscal 2017-18 by CUPE 3903, which represents over 3,000 individuals employed as contract faculty, teaching and graduate assistants by the University. The labour disruption began on March 5, 2018 and had not been settled by April 30, 2018.

As a consequence of this labour disruption, a number of classes were suspended and some students were not able to complete their classes and exams, by the end of April 30, 2018, which represents the normal conclusion of instruction and exams. The University conducted remediation efforts in fiscal 2018-19 for those students who were unable to complete their term by the end of fiscal 2017-18. Students were also given the option of withdrawing from courses and receiving an equivalent tuition credit to be used before the end of the winter term of fiscal 2019.

In addition, certain services provided to students related to housing and parking were extended beyond fiscal 2017-18.

In fiscal 2017-18, the University deferred a portion of student fees totalling $61,808 and sales and services revenue totalling $2,010 for services not yet performed. The amounts deferred in fiscal 2017-18 are all recognized in revenue in fiscal 2018-19.