YORK UNIVERSITY
FINANCIAL STATEMENTS
APRIL 30, 2007

YORK UNIVERSITÉ UNIVERSITY

redefine THE POSSIBLE.

FINANCIAL STATEMENTS

APRIL 30, 2007

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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 generally accepted accounting principles. The administration believes the financial statements present fairly, in all material respects, the University's financial position as at April 30, 2007 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 Mercer Human Resource Consulting Limited in order to provide an estimate of the University's pension liability and other post-employment benefits for the current year. 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 liabilities.

The Board of Governors carries out its responsibility for review of the financial statements and this annual report principally through its Audit Committee. The majority of the members of the Audit Committee are not officers or employees of the University. The Audit 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 Audit Committee with and without the presence of the administration.

Ernst & Young LLP Chartered Accountants, the auditors appointed by the Board of Governors, have reported on the financial statements for the year ended April 30, 2007. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

Gary Brewer
Vice-President, Finance and Administration

Lorna R. Marsden, PhD
President and Vice-Chancellor

INTRODUCTION TO YORK UNIVERSITY FINANCIAL STATEMENTS – 2006-2007

In 2006-2007, the University managed its finances in an environment characterized by graduate enrolment growth and increased tuition fees arising from the introduction of a new tuition fee framework by the Ontario Government in March 2006. Additional grants from the Province of Ontario for increased graduate enrolments, quality improvement funding and the release by the Province of a Federal Infrastructure Grant provided some additional operating grant opportunities. However, cost pressures created by salaries and benefits, and rising energy costs continued to grow.

The Statement of Operations and Changes in Deficit reports total tuition fee revenue increasing from $301 million in 2006 to $316 million in 2007. The majority of this growth is associated with increases in approved tuition fee rates and increasing graduate enrolments.

Grants and contracts increased from $339 million in 2006 to $377 million in 2007, an increase of $38 million, which is directly attributable to incremental graduate and undergraduate funding, new quality improvement funding and the Federal Infrastructure Grant.

Salaries and benefits increased from $469 million in 2006 to $495 million in 2007. Salary levels were generally 3% higher than in the previous year and reflected the annual increase associated with the three-year collective bargaining agreements that covered the majority of the University's personnel. The remainder of the increase was the result of higher benefit costs and additional hiring in both the academic and non-academic areas to meet the demands of higher enrolments.

Scholarships and bursaries increased from $50 million in 2006 to $53 million in 2007. As detailed in the Summary of Revenue and Expenses, scholarships and bursaries have increased significantly over the last five years, from $38 million in 2003 to $53 million in 2007, largely as a result of the Ontario Student Opportunity Trust Fund and the growth in endowed scholarships and the University's increased budget allocation to support students.

Interest on long-term debt increased from $22 million to $23 million in 2007. Interest costs now represent the full cost of servicing all debt, including the debentures issued in 2002 and 2004. In 2006, $2 million of interest qualified to be capitalized for assets under construction.

As summarized on the Balance Sheet, the University's deficit has decreased from $44 million in 2006 to $37 million in 2007. The positive result was anticipated in the University's four-year budget plan. The University will continue to manage this deficit responsibly.

The University's investment in Capital Assets decreased from $635 million in 2006 to $627 million in 2007 due to a relatively small level of capital spending offset by annual depreciation charges.

Investments at April 30, 2007 totalled $389 million, as compared to $346 million at April 30, 2006. Investments consisted of $305 million in endowments ($265 million last year) and $84 million in other investments ($81 million last year). The increase in endowments over the course of the year is the result of strong investment performance for the year, as well as growth in the endowments from new donations. Investment income increased from $19 million in 2006 to $22 million in 2007 as a direct result of the growth in endowments.

The University has included in liabilities the costs associated with other post-employment benefits. York recognizes the liabilities for future retiree benefits for both active employees and current retirees. The liability at April 30, 2007 was $57 million versus $53 million for the prior year.

Heading into 2008, the University will continue to manage its finances responsibly. The challenges for the next year are as follows:

- the pressures of increased enrolments at the graduate level;
- the variability of investment returns and the potential impact on pension costs;
- the competitive market for recruiting faculty members;
- the increasing pressures on salary and benefit costs;
- the implications of government grant funding allocations.

These challenges are expected to impact through fiscal year 2007-2008 and beyond.

Gary Brewer
Vice-President, Finance and Administration

SUMMARY OF REVENUE AND EXPENSES

Total Revenue and Expenses
(Millions of dollars)

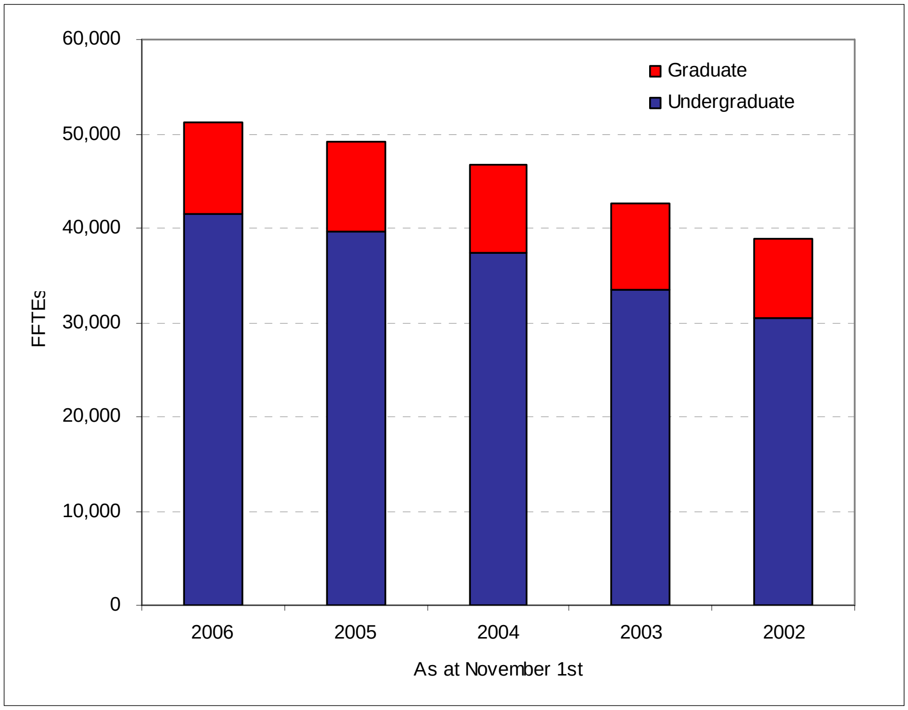
Year Ended April 30

	2007	2006	2005	2004	2003
REVENUE	$	$	$	$	$
Grants and contracts	376.6	338.9	315.8	280.0	239.4
Student fees	316.3	301.3	287.6	267.4	237.0
Donations	5.4	5.4	5.4	5.2	5.3
Investment income	22.0	19.1	16.1	12.3	16.1
Sales and services	67.1	67.0	62.9	58.0	53.0
Amortization of deferred capital contributions	10.4	9.7	8.3	6.5	5.2
Recovery of salaries, benefits and other expenses	24.5	24.5	23.5	21.3	19.0
Other	2.2	28.4	11.7	2.6	3.1
	824.5	**794.3**	**731.3**	**653.3**	**578.1**
EXPENSES					
Salaries and benefits	495.3	469.5	428.1	393.5	360.7
Operating costs	119.2	107.8	110.2	92.8	76.2
Amortization of capital assets	38.3	39.2	36.2	28.8	22.7
Cost of goods sold	23.3	22.0	19.7	18.9	15.5
Taxes and utilities	32.0	29.1	28.0	26.2	25.9
Scholarships and bursaries	52.5	49.5	45.5	45.7	37.6
Interest on long-term debt	23.3	21.7	21.5	11.8	14.6
	783.9	**738.8**	**689.2**	**617.7**	**553.2**

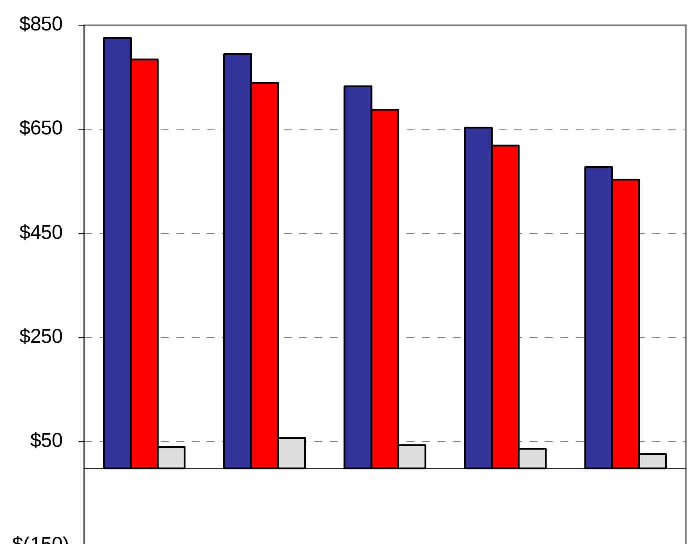
% Of Total Revenue and Expenses

	2007	2006	2005	2004	2003
REVENUE	%	%	%	%	%
Grants and contracts	45.6	42.7	43.2	42.8	41.4
Student fees	38.4	37.9	39.4	40.9	41.0
Donations	0.6	0.7	0.7	0.8	0.9
Investment income	2.7	2.4	2.2	1.9	2.8
Sales and services	8.1	8.4	8.6	8.9	9.2
Amortization of deferred capital contributions	1.3	1.2	1.1	1.0	0.9
Recovery of salaries, benefits and other expenses	3.0	3.1	3.2	3.3	3.3
Other	0.3	3.6	1.6	0.4	0.5
	100.0	**100.0**	**100.0**	**100.0**	**100.0**
EXPENSES					
Salaries and benefits	63.1	63.5	62.1	63.7	65.2
Operating costs	15.2	14.6	16.0	15.0	13.8
Amortization of capital assets	4.9	5.3	5.2	4.7	4.1
Cost of goods sold	3.0	3.0	2.9	3.1	2.8
Taxes and utilities	4.1	4.0	4.1	4.2	4.7
Scholarships and bursaries	6.7	6.7	6.6	7.4	6.8
Interest on long-term debt	3.0	2.9	3.1	1.9	2.6
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

ENROLMENT GROWTH
2006 – 2002



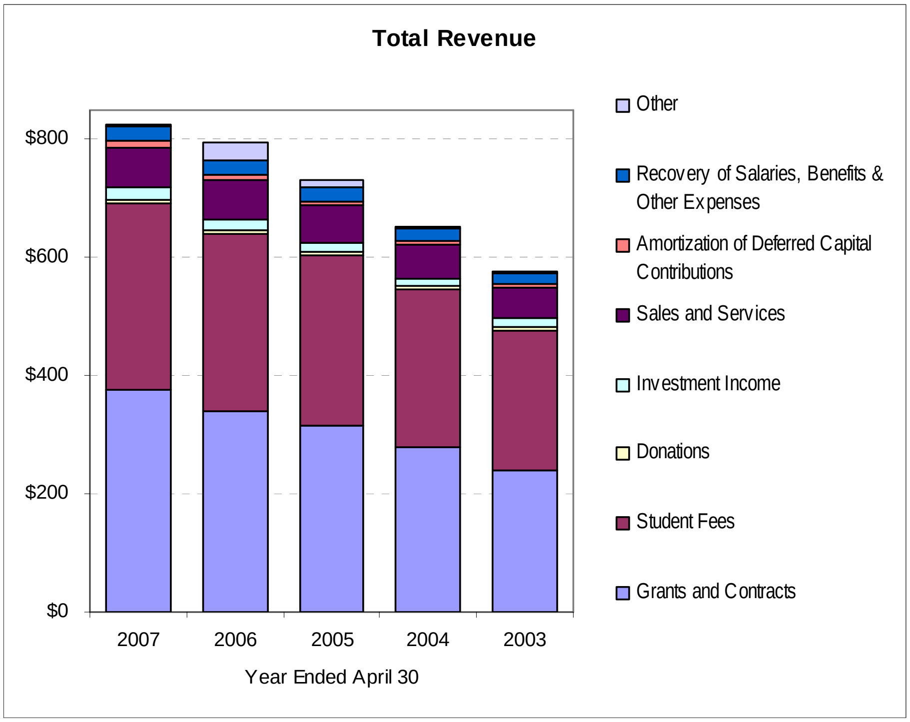
REVENUE AND EXPENSES
Year Ended April 30
2007 – 2003
(Millions of dollars)

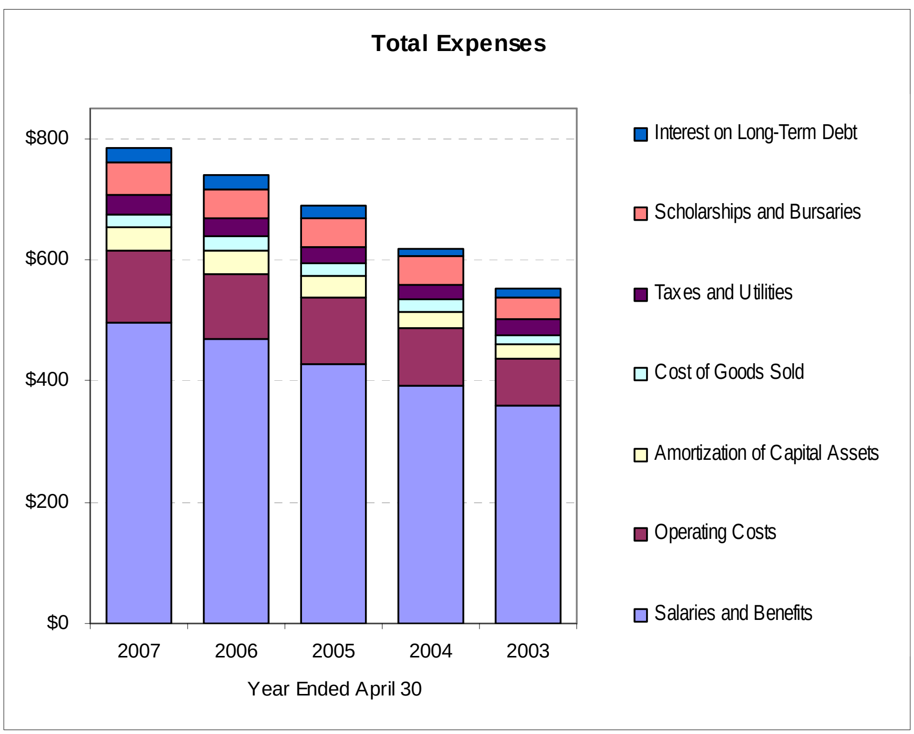


	2007	2006	2005	2004	2003
Revenue	$824.5	$794.3	$731.3	$653.3	$578.1
Expenses	$783.9	$738.8	$689.2	$617.7	$553.2
Revenue over Expenses	$40.6	$55.5	$42.1	$35.6	$24.9

SUMMARY OF REVENUE AND EXPENSES

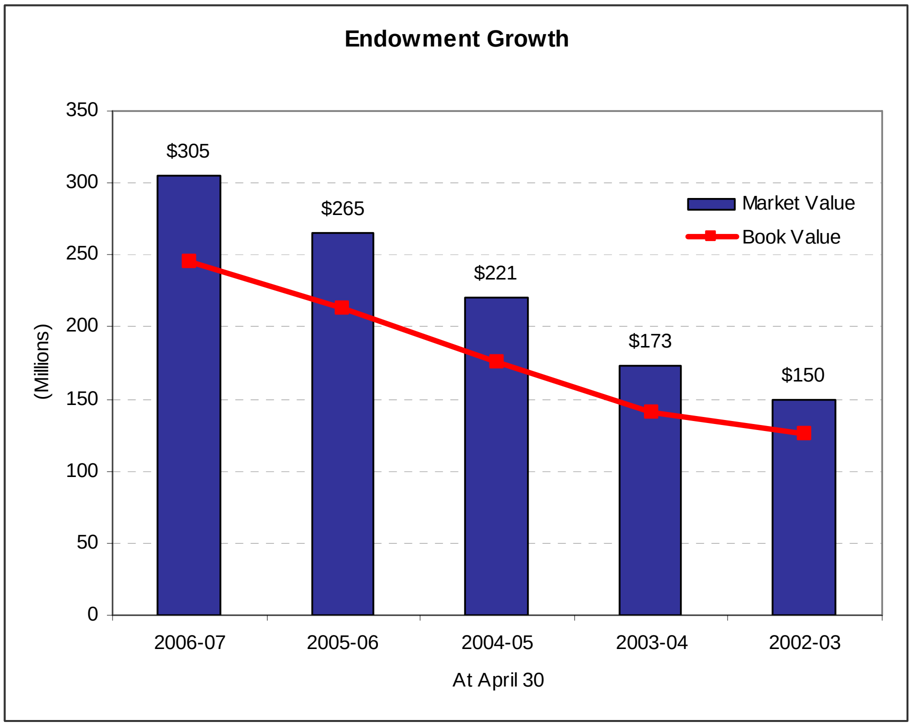
2007 – 2003
(Millions of dollars)

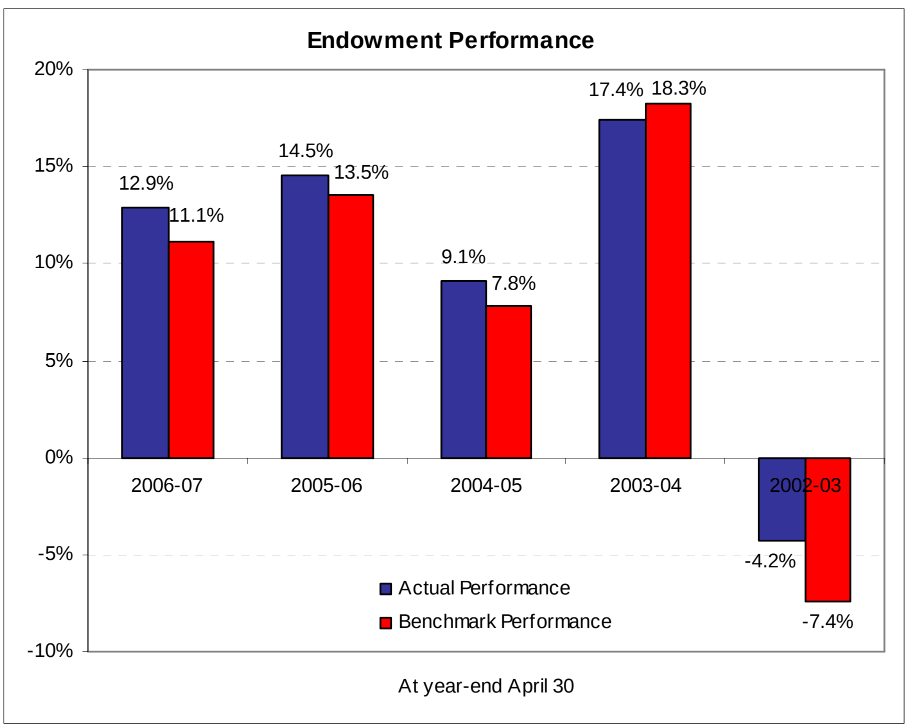




ENDOWMENT GROWTH AND PERFORMANCE

2007 – 2003





ERNST & YOUNG

AUDITORS' REPORT

To the Board of Governors of
York University

We have audited the financial statements of **York University** as at and for the year ended April 30, 2007 comprising the following:

Balance Sheet
Statement of Operations and Changes in Deficit
Statement of Changes in Net Assets
Statement of Cash Flows

These financial statements are the responsibility of the administration of the University. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the administration, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
June 8, 2007

BALANCE SHEET
(Thousands of dollars)

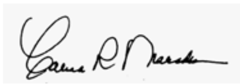
As at April 30

	2007 $	2006 $
ASSETS		
Current		
Cash and cash equivalents	**192,895**	137,435
Accounts receivable	**54,477**	49,520
Prepaid expenses	**10,563**	11,304
Inventories	**6,754**	7,544
Total current assets	**264,689**	**205,803**
Pension cost deferral *(notes 12 and 14)*	**34,539**	23,236
Investments *(note 3)*	**388,533**	345,948
Other deferred costs *(note 2)*	**1,328**	1,595
Capital assets, net *(note 5)*	**626,704**	635,217
	1,315,793	**1,211,799**
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**75,530**	65,976
Current portion of long-term debt *(note 10)*	**3,515**	8,567
Deferred contributions and income *(note 8)*	**83,222**	73,234
Total current liabilities	**162,267**	**147,777**
Long-term liabilities *(notes 9 and 14)*	**57,100**	53,736
Long-term debt *(note 10)*	**349,201**	352,716
Deferred contributions and income *(note 8)*	**73,852**	61,028
Deferred capital contributions *(note 11)*	**204,484**	200,188
Total liabilities	**846,904**	**815,445**
Commitments and contingent liabilities (*note 16*)		
NET ASSETS		
Deficit	**(37,430)**	(43,717)
Internally restricted *(note 12)*	**172,699**	134,330
Investment in capital assets *(note 6)*	**88,173**	92,628
Endowments *(note 13)*	**245,447**	213,113
Total net assets	**468,889**	**396,354**
	1,315,793	**1,211,799**

See accompanying notes

On behalf of the Board of Governors

Marshall A. Cohen
Chair



Lorna R. Marsden, PhD
President and Vice-Chancellor

YORK UNIVERSITY **Statement 2**

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

Year ended April 30

	2007 $	2006 $
REVENUE		
Grants and contracts	**376,642**	338,900
Student fees	**316,327**	301,306
Donations	**5,361**	5,357
Investment income *(note 3)*	**21,960**	19,145
Sales and services	**67,063**	66,990
Amortization of deferred capital contributions	**10,384**	9,661
Recovery of salaries, benefits and other expenses	**24,506**	24,493
Other *(note 5)*	**2,238**	28,436
	824,481	**794,288**
EXPENSES		
Salaries and benefits *(note 14)*	**495,285**	469,440
Operating costs	**119,153**	107,829
Amortization of capital assets	**38,315**	39,206
Cost of goods sold	**23,291**	22,024
Taxes and utilities	**32,032**	29,065
Scholarships and bursaries	**52,511**	49,541
Interest on long-term debt	**23,314**	21,728
	783,901	**738,833**
Excess of revenue over expenses for the year	**40,580**	**55,455**
Change in internally restricted net assets	**(38,369)**	(40,868)
Change in investment in capital assets	**4,675**	9,684
Internally restricted additions to endowments	**(599)**	(23,251)
Change in deficit in the year	**6,287**	**1,020**
Deficit, beginning of year	**(43,717)**	**(44,737)**
Deficit, end of year	**(37,430)**	**(43,717)**

See accompanying notes

STATEMENT OF CHANGES IN NET ASSETS
(Thousands of dollars)

Year ended April 30

	2007					2006
	Deficit **$**	**Internally restricted** **$** ***(Note 12)***	**Investment in capital assets** **$** ***(Note 6)***	**Endowments** **$** ***(Note 13)***	**Total** **$**	**Total** **$**
Net assets, beginning of year	**(43,717)**	**134,330**	**92,628**	**213,113**	**396,354**	327,617
Excess of revenue over expenses for the year	**40,580**	**-**	**-**	**-**	**40,580**	55,455
Change in internally restricted net assets *(note 12)*	**(38,369)**	**38,369**	**-**	**-**	**-**	-
Change in investment in capital assets *(note 6)*	**4,675**	**-**	**(4,455)**	**-**	**220**	51
Capital protection credited directly to externally restricted endowments *(notes 3 and 13)*	**-**	**-**	**-**	**1,628**	**1,628**	4,124
Contributions and capital protection credited to internally restricted endowments *(note 13)*	**(599)**	**-**	**-**	**599**	**-**	**-**
Transfers from deferred contributions and income *(note 8)*	**-**	**-**	**-**	**8,886**	**8,886**	-
Contributions to externally restricted endowments *(note 13)*	**-**	**-**	**-**	**21,221**	**21,221**	9,107
Net assets, end of year	**(37,430)**	**172,699**	**88,173**	**245,447**	**468,889**	**396,354**

See accompanying notes

YORK UNIVERSITY **Statement 4**

STATEMENT OF CASH FLOWS
(Thousands of dollars)

Year ended April 30

	2007 $	2006 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**40,580**	55,455
Add (deduct) non-cash items:		
Amortization of capital assets	**38,315**	39,206
Gain on sale of capital assets	**-**	(24,973)
Amortization of deferred capital contributions	**(10,384)**	(9,661)
Net change in non-cash working capital balances related to operations *(note 15)*	**9,252**	3,049
Net change in long-term liabilities	**3,364**	6,403
Net change in deferred contributions and income, long-term portion *(note 15)*	**21,710**	21,123
Cash provided by operating activities	**102,837**	**90,602**
INVESTING ACTIVITIES		
Purchase of investments, net	**(42,585)**	(18,927)
Purchase of capital assets *(note 15)*	**(33,754)**	(69,418)
Proceeds on sale of capital assets	**-**	26,756
Cash used in investing activities	**(76,339)**	**(61,589)**
FINANCING ACTIVITIES		
Repayment of long-term debt	**(8,567)**	(8,136)
Contributions restricted for capital purposes	**14,680**	15,540
Investment income credited directly to endowments	**1,628**	4,124
Contributions to externally restricted endowments	**21,221**	9,107
Cash provided by financing activities	**28,962**	**20,635**
Net increase in cash and cash equivalents during the year	**55,460**	**49,648**
Cash and cash equivalents, beginning of year	**137,435**	87,787
Cash and cash equivalents, end of year	**192,895**	**137,435**
Cash and cash equivalents are comprised as follows:		
Cash	**1,242**	1,907
Short-term investments	**191,653**	135,528
Cash and cash equivalents, end of year	**192,895**	**137,435**

See accompanying notes

NOTES TO FINANCIAL STATEMENTS
(All amounts are in thousands of dollars unless otherwise indicated)

APRIL 30, 2007

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 postsecondary and postgraduate 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 which the University has a controlling shareholding or a primary economic interest. Accordingly, these financial statements include the operation, research and ancillary operations of the University, 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; and York University Foundation, a federally incorporated foundation, the objects of which are to raise funds for the University and steward the funds so raised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by the administration in accordance with Canadian generally accepted accounting principles. The preparation of financial statements requires the administration to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. A summary of significant accounting policies is as follows:

Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions, other than endowments, are deferred and recognized as revenue in the year in which the related expenses are recognized. Restricted endowment contributions are recognized as direct increases in net assets. Pledges are recorded as revenue on a cash basis since pledges are not legally enforceable.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when fair value can be reasonably determined.

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.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and investments with original maturities at acquisition of three months or less. Short-term investments used to support capital projects and internally restricted net assets designated as sinking funds are classified as long-term investments.

Inventories

Inventories are stated at the lower of cost, determined on a first-in, first-out basis and net realizable value.

Investments

Investments are recorded at fair value except for investments in fixed income securities which are to be held to maturity and are recorded at cost plus accrued interest.

The fair value of investments is determined as follows:

Publicly traded bonds and equities are determined based on quoted market values; investments in pooled funds are valued at their unit values and unlisted or infrequently traded securities are based on quoted market yields or comparable security prices as appropriate**.**

Unrealized gains (losses) are included in investment income. Externally restricted investment income, other than that designated for endowments, is recognized as revenue when the related expenses are incurred. Externally restricted investment income designated for endowments is recognized as direct increases in net assets. Internally restricted investment income is recorded as a transfer from unrestricted to internally restricted net assets in the Statement of Changes in Net Assets. Unrestricted investment income is recognized as revenue in the year it is earned.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution, except for land received under the terms of grants, which is carried at nominal value. Amortization of capital assets with a limited life is provided on a straight-line basis over their estimated useful lives as follows:

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

Construction in progress expenditures are capitalized as incurred and are amortized as described above once the asset is placed in 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.

Foreign exchange translation

The University accounts for transactions 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 operations. Foreign exchange gains and losses on investments have been included in investment income.

Derivative financial instruments

Interest rate swaps

Derivative financial instruments related to interest rate swaps are used by the University in the management of its exposure to changes in interest rates. The University does not enter into interest rate swaps for trading or speculative purposes. The University does not currently apply hedge accounting on these derivative financial instruments. Financial instruments related to interest rate swaps are recorded on the balance sheet as either an asset or liability at fair value with subsequent changes in fair value recognized in the Statement of Operations and Changes in Deficit. The notional amount of interest rate swaps is not recorded in the financial statements.

The University follows CICA Accounting Guideline 13, Hedging Relationships (AcG-13) and the Emerging Issues Committee Abstract, Accounting for Trading, Speculative or Non-hedging Derivative Financial Instruments (EIC 128). Other deferred costs consists of the transitional deferred loss related to the interest rate swaps and will be amortized over the remaining life of the related term loans.

Employee benefits plans

The University has a defined contribution pension plan, which has a defined benefit component that provides a minimum level of pension benefits. The cost of providing pension benefits and post-employment benefits other than pensions is actuarially determined and recognized in operations using the projected benefit method pro rated on service and management's best estimates regarding assumptions about a number of future conditions, including investment returns, compensation changes, withdrawals, mortality rates and expected health care costs. Differences arising from plan amendments, changes in assumptions and actuarial gains and losses over 10% of the greater of the fair value of plan assets and the accrued benefit obligation are amortized over the average remaining service life of employees. Assets of the pension plan are valued using market values at April 30, 2007. Liabilities of the pension plan and post employment benefits other than pensions are discounted using comparable interest rates on long-term bonds.

3. INVESTMENTS

a) Investments consist of the following:

		2007	**2006**	**2007**	**2006**
		Weighted average		**Total**	**Total**
	Maturity	**interest rate**		**$**	**$**
Short-term investments	2007 to 2008	4.04%	3.71%	**51,057**	47,798
Deposit notes	2007 to 2023	4.68%	4.50%	**1,518**	1,577
Government bonds	2007 to 2043	5.36%	5.54%	**100,603**	90,452
Corporate bonds	2007 to 2045	4.81%	4.94%	**32,766**	30,335
Mortgages	2007 to 2011	6.71%	6.71%	**17,491**	17,491
Canadian equities				**94,489**	82,994
International equities				**89,874**	74,481
Other	2007 to 2013	6.75%	6.75%	**735**	820
Total				**388,533**	**345,948**

All investments are recorded at fair value except certain government bonds that are held to maturity. The total fair value of government bonds is $104,463 (2006 – $95,108).

Investments are exposed to foreign currency risk, interest rate volatility, and market and credit risks. The University manages this risk through policies and procedures in place governing asset mix among equity and fixed income and requiring diversification within categories, and setting limits on the size of exposure to individual investments.

b) Investment income consists of the following:

	2007 $	2006 $
Total investment income, including market value adjustment	**48,715**	42,309
Deferral of investment income attributable to endowments	**(25,127)**	(19,040)
Amounts credited directly to externally restricted endowments	**(1,628)**	(4,124)
Total	**21,960**	**19,145**

4. FINANCIAL INSTRUMENTS

The carrying values of all financial instruments approximate their fair market value unless otherwise indicated.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2007			2006		
	Cost $	Accumulated Amortization $	Net Book Value $	Cost $	Accumulated Amortization $	Net Book Value $
Land	**4,358**	**–**	**4,358**	4,358	–	4,358
Buildings, plant facilities and infrastructure	**822,128**	**262,848**	**559,280**	814,806	242,850	571,956
Equipment and furnishings	**128,121**	**73,437**	**54,684**	119,709	65,381	54,328
Library collection	**65,878**	**65,878**	**–**	65,130	65,130	–
Construction in progress	**3,654**	**–**	**3,654**	67	–	67
Art collection	**4,728**	**–**	**4,728**	4,508	–	4,508
Total	**1,028,867**	**402,163**	**626,704**	**1,008,578**	**373,361**	**635,217**

The change in net book value of capital assets is due to the following:

	2007 $	2006 $
Balance, beginning of year	**635,217**	617,469
Purchase of capital assets funded through		
Restricted contributions	**7,547**	11,564
External financing	**6,078**	32,244
Internal	**16,177**	14,929
Fully depreciated capital assets at cost	**(9,513)**	(9,903)
Accumulated amortization on fully depreciated capital assets	**9,513**	9,903
Amortization of capital assets	**(38,315)**	(39,206)
Cost of capital asset disposal	**–**	(1,783)
Balance, end of year	**626,704**	**635,217**

During the year, the total cost of items added to the library collection was $6,368 (2006 – $6,919) and the total cost of items removed was $5,620 (2006 – $5,418). The University's art collection consists of 112 (2006 – 105) paintings, prints and drawings. These donated items had an appraised value upon receipt of $4,728 (2006 – $4,508).

During the year, no interest (2006 – $2,021) was capitalized within capital assets. The cost of capital assets includes $16,130 (2006 – $16,130) of accumulated capitalized interest on related debt.

The Glendon campus land and a majority of the Keele Street 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. As appraisals are not available at the date of the grants, these assets are recorded in the accounts at nominal value.

In September 2005, the University sold approximately 36 acres of land, with a carrying value of $1,783, for consideration of $26,756, consisting of $9,170 in cash, a vendor take-back mortgage of $17,391, which has been included in Investments, and other consideration of $195. The mortgage is interest-free for the first six months, and thereafter bears interest at prime plus 1%, payable semi annually. The original principal is due at the conclusion of four years. The mortgage is collateralized by the land. The gain on disposal is included in other revenue.

6. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	2007	**2006**
	$	**$**
Capital assets	**626,704**	635,217
Less amounts financed by:		
External financing	**(334,047)**	(342,401)
Deferred capital contributions (note 11)	**(204,484)**	(200,188)
Balance, end of year	**88,173**	**92,628**

The change in investment in capital assets is calculated as follows:

	2007	**2006**
	$	**$**
Purchase of capital assets	**29,802**	58,737
Capital expenditures funded through		
Restricted contributions		
Used to purchase capital assets	**7,547**	11,564
Applied to reduce external financing related to prior years	**7,353**	4,027
External financing		
Used to purchase capital assets	**6,078**	32,244
Substituted by restricted contributions received in the year	**(7,353)**	(4,027)
Repayment of long-term debt	**(7,079)**	(6,715)
Amortization expense	**38,315**	39,206
Amortization of deferred capital contributions	**(10,384)**	(9,661)
Cost of capital asset disposal	**-**	1,783
Total	**34,477**	**68,421**
Change in investment in capital assets excluding contributions to art collection	**(4,675)**	**(9,684)**
Contributions to art collection	**220**	51
Change in investment in capital assets	**(4,455)**	**(9,633)**

7. CREDIT FACILITY

The University has an available bank credit facility in the amount of $30 million (2006 – $30 million), which bears interest at the bank prime less 1%. After the deduction of outstanding letters of credit totaling $10.4 million (2006 – $10.2 million), the University had an available facility in the amount of $19.6 million (2006 – $19.8 million).

8. DEFERRED CONTRIBUTIONS AND INCOME

Deferred contributions and income represent unspent externally restricted grants and donations for research and other restricted purposes. The changes in the deferred contributions and income balance are as follows:

	2006 $	Additions $	Transfers to income $	Transfers to Endowments $	2007 $
Current					
Research and other grants and contracts	53,904	53,697	(52,042)	-	**55,559**
Fees and other income	19,330	28,055	(19,722)	-	**27,663**
	73,234	**81,752**	**(71,764)**	-	**83,222**
Long-term					
Expendable investment and other income from trusts and endowments	**61,028**	**47,089**	**(25,379)**	**(8,886)**	**73,852**
Total	**134,262**	**128,841**	**(97,143)**	**(8,886)**	**157,074**

9. LONG-TERM LIABILITIES

Long-term liabilities consist of the following:

	2007 $	2006 $
Other post-employment benefits *(note 14)*	**56,603**	53,104
Interest rate swaps payable	**497**	632
Total	**57,100**	**53,736**

10. LONG-TERM DEBT

Long-term debt consists of the following:

	2007 $	2006 $
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
Other debentures bearing interest at 5.88% to 7.63%, maturing from 2017 to 2023. Weighted average interest rate is 6.80% (2006 – 6.80%).	**6,885**	7,203
Mortgages		
Mortgages bearing interest at 5.38% to 10.36%, maturing from 2008 to 2016. Weighted average interest rate is 10.22% (2006 – 10.20%).	**27,154**	27,215
Term loans		
Term loans bearing interest at 4.50% to 5.75%, maturing from 2008 to 2023. Weighted average interest rate is 5.65% (2006 – 5.49%).	**18,677**	26,865
	352,716	**361,283**
Less current portion	**(3,515)**	(8,567)
Total	**349,201**	**352,716**

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

	$
2008	3,515
2009	3,723
2010	30,355
2011	4,181
2012	4,430
Thereafter	306,512
Total	**352,716**

Certain assets have been pledged as collateral for mortgages and term loans. The amount of interest paid during the year was $23,314 (2006 – $23,749). Long-term debt has a fair value of $446,770 (2006 – $430,794).

The University entered into term loans in 2002 bearing interest at the public sector cost of funds rate plus 0.25%, or the prime rate, at the University's option. In order to manage the exposure to changes in interest rates, the University entered into interest rate swap contracts to fix the interest rates. The weighted average rate is 5.70% (2006 – 5.56%).

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of restricted donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations and Changes in Deficit when the associated capital asset is brought into service. The changes in the deferred capital contributions balance are as follows:

	2007 $	2006 $
Balance, beginning of year	**200,188**	194,309
Contributions received in the year	**14,680**	15,540
Amortization of deferred capital contributions	**(10,384)**	(9,661)
Balance, end of year	**204,484**	**200,188**

12. INTERNALLY RESTRICTED NET ASSETS

Details of internally restricted net assets are as follows:

	2007 $	2006 $
Departmental carryforwards	**49,791**	55,626
Progress through the ranks	**(32,148)**	(35,373)
Computing systems development	**3,700**	5,205
Contractual commitments to employee groups	**5,367**	3,858
Pension cost deferral	**34,539**	23,236
Sinking fund	**32,110**	22,597
Capital reserve	**79,340**	59,181
Balance, end of year	**172,699**	**134,330**

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 year-end balances at the 2007 year-end. Under Board policy, which is approved annually, Faculties and Divisions are entitled to carryforward 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 which are to meet commitments made during the year.

ii. Progress through the ranks (PTR) – This is the cumulative difference between the amounts paid for progress through the ranks salary adjustments and the budget funds provided under York's salary recovery policy. PTR adjustments are planned to be self-funding over time. However, on a year-to-year basis, the cost of providing PTR adjustments can be more or less than the funds provided, depending on the number of retirements that occurred during the year.

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 process, 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. Pension cost deferral – This represents the cumulative portion of University-funded contributions paid into the pension plan which exceeds the accrued value of employee pension benefits earned as at the end of the period, as estimated in accordance with Canadian generally accepted accounting principles.

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

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

13. ENDOWMENTS

Endowments include restricted donations received by the University and donations 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. The University protects the future purchasing power of its endowments by designating a portion of the annual investment income earned to endowments, known as capital protection. In 2007, the University distributed from available investment income 5% of the book value, defined as accumulated original contributions and capital protection.

Net assets restricted for endowment consist of the following:

	2006	**Contributions**	**Capital Protection**	**Transfers *(Note 8)***	**2007**
	$	**$**	**$**	**$**	**$**
Externally restricted	169,659	21,221	1,628	8,886	**201,394**
Internally restricted	43,454	220	379	**-**	**44,053**
Total	**213,113**	**21,441**	**2,007**	**8,886**	**245,447**

Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support

The Government of Ontario established the Ontario Student Opportunity Trust Fund (OSOTF) and the Ontario Trust for Student Support (OTSS) programs to encourage companies and individuals to contribute funds to postsecondary students. The University established three funds – OSOTF – Phase 1 in fiscal 1997; OSOTF – Phase 2 in fiscal 2004; and OTSS in fiscal 2005. Eligible donations are equally matched by the Province. Investment income earned on these funds is used to finance awards to qualified students in need of financial aid. The funds are included in the total of externally restricted endowments.

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

OSOTF – Phase 1	**2007**	**2006**
For the year ended April 30	**$**	**$**
Endowment at book value, beginning of year	**66,771**	65,407
Transfer from expendable funds	**1,966**	1,364
Endowment at book value, end of year	**68,737**	**66,771**
Endowment at market value, end of year	**89,366**	**83,751**
Expendable funds available for awards, beginning of year	**6,201**	8,941
Realized investment gains, net of capital preservation	**5,495**	1,352
Bursaries awarded	**(3,731)**	(4,092)
Expendable funds available for awards, end of year	**7,965**	**6,201**
Number of bursaries awarded	**2,690**	**3,545**

OSOTF – Phase 2	**For the 12 months ended April 30, 2007**	**For the 13 months ended April 30, 2006**
For the periods ended April 30	**$**	**$**
Endowment at book value, beginning of period	**10,561**	**11,524**
Government matching received/receivable	**1**	–
Audited unmatched cash donations received between March 27, 2003 and March 31, 2005, transferred to OTSS	**–**	(1,188)
Transfer from expendable funds	**153**	225
Endowment at book value, end of period	**10,715**	**10,561**
Endowment at market value, end of period	**13,357**	**11,084**
Expendable funds available for awards, beginning of period	**730**	499
Realized investment gains, net of capital preservation	**290**	350
Bursaries awarded	**(377)**	(119)
Expendable funds available for awards, end of period	**643**	**730**
Number of bursaries awarded	**348**	**139**

OTSS	**2007**	**2006**
For the year ended March 31	**$**	**$**
Endowment at book value, beginning of year	**7,923**	–
Donations received	**5,437**	3,976
Government matching received/receivable	**4,272**	3,947
Transfer from expendable funds	**77**	–
Endowment at book value, end of year	**17,709**	**7,923**
Endowment at market value, end of year	**17,952**	**8,081**
Expendable funds available for awards, beginning of year	**76**	–
Realized investment gains, net of capital preservation	**673**	76
Bursaries awarded	**(10)**	–
Expendable funds available for awards, end of year	**739**	76
Number of bursaries awarded	**4**	**–**
Outstanding donations pledged	**1,531**	**1,201**

14. EMPLOYEE SALARIES AND BENEFITS

The University has a defined contribution pension plan, which has a defined benefit component that provides a minimum level of pension benefits. The latest actuarial valuation for the pension plan was performed as of December 31, 2006. The next actuarial valuation is required as of December 31, 2008. The University measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at April 30 of each year. Other retirement and post-employment benefits are also provided to most of its employees.

The employee salaries and benefits expense for the year includes pension expense of $21,730 (2006 – $22,261) and other retirement benefits expense of $7,326 (2006 – $8,776).

Information about the University's benefit plans as at April 30 is as follows:

	2007		2006	
	Pension Benefit Plans $	Other Benefit Plans $	Pension Benefit Plans $	Other Benefit Plans $
Accrued benefit obligation	**(1,426,777)**	**(77,737)**	(1,243,045)	(67,889)
Fair value of plan assets	**1,367,244**	–	1,240,549	–
Plan deficit	**(59,533)**	**(77,737)**	**(2,496)**	**(67,889)**
Unamortized transitional asset	**(15,180)**	–	(18,216)	–
Unamortized net actuarial loss	**109,252**	**13,746**	43,948	6,197
Unamortized past service costs	–	**7,388**	-	8,588
Pension cost deferral (Long-term liability)	**34,539**	**(56,603)**	**23,236**	**(53,104)**

Plan assets are invested as follows:

	2007 %	2006 %
Equities	**62.0**	60.0
Fixed income	**36.0**	38.0
Other	**2.0**	2.0
	100.0	**100.0**

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation and benefit cost are as follows:

	2007		2006	
	Pension Benefit Plans	Other Benefit Plans	Pension Benefit Plans	Other Benefit Plans
Accrued Benefit Obligation:				
Discount rate	**5.30%**	**5.25%**	5.75%	5.75%
Rate of inflation	**2.50%**		2.50%	
Rate of compensation increase	**5.00%**	**5.00%**	5.00%	5.00%
Benefit Cost:				
Discount rate	**5.75%**	**5.75%**	5.75%	5.75%
Rate of inflation	**2.50%**		2.50%	
Expected long-term rate of return on plan assets	**6.75%**	**N/A**	7.00%	N/A
Rate of compensation increase	**5.00%**	**5.00%**	5.00%	5.00%

For measurement purposes, a 7.30% (2006 – 8.0%) annual rate of increase in the per capita cost of covered health care benefits was assumed for 2007. The rate of increase was assumed to decrease gradually to 4.50% in 2011 and to remain at that level thereafter.

Other information about the University's benefit plans is as follows:

	2007		**2006**	
	Pension Benefit Plans $	**Other Benefit Plans** $	**Pension Benefit Plans** $	**Other Benefit Plans** $
Employer's contributions	**33,033**	**3,827**	28,094	3,005
Employees' contributions	**14,802**	–	13,805	–
Benefits paid	**61,688**	**3,827**	48,843	3,005

15. STATEMENT OF CASH FLOWS

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

	2007 **$**	**2006** **$**
Accounts receivable	**(4,957)**	(6,736)
Prepaid expenses	**741**	(2,130)
Inventories	**790**	135
Pension cost deferral	**(11,303)**	(5,832)
Other deferred costs	**267**	(1,595)
Accounts payable and accrued liabilities	**13,726**	7,637
Deferred contributions and income	**9,988**	11,570
Net change in non-cash working capital balances	**9,252**	**3,049**

The change in the purchase of capital assets related to non-cash activities consists of the following:

	2007 **$**	**2006** **$**
Purchase of capital assets	**29,802**	58,737
Change in current year, from the previous year in accounts payable and accrued liabilities related to capital asset additions	**4,172**	10,732
Contributions to art collection	**(220)**	(51)
Net change in the purchase of capital assets	**33,754**	**69,418**

The change in deferred contributions and income related to non-cash activities consists of the following:

	2007 **$**	**2006** **$**
Change in deferred contributions and income	**22,812**	32,693
Transfers to endowments	**8,886**	-
Net change in deferred contributions and income	**31,698**	32,693
Change related to working capital	**9,988**	11,570
Change related to long-term portion	**21,710**	**21,123**

16. COMMITMENTS, CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

a) Forward purchases of Natural Gas and Electricity

The University purchases natural gas for future delivery with fixed pricing. As at April 30, 2007, the University purchased approximately 1.7M GJ of natural gas at an average cost of $9.30/GJ, with delivery at various dates to October, 2008, for a total commitment of $15.4 million ($13.5 million in fiscal 2008 and the remainder in fiscal 2009), which approximates fair value at April 30, 2007.

The University purchases electricity for future delivery with fixed pricing. As at April 30, 2007, the University purchased approximately 22,014 MWh of electricity at an average cost of $64.53/MWh, with delivery at various dates to December, 2008, for a total commitment of $1.4 million ($1.1 million in fiscal 2008 and the remainder in fiscal 2009), which approximates fair value at April 30, 2007.

b) Litigation

The nature of the University's activities is such that there is usually litigation pending or in prospect at any one time. With respect to known claims at April 30, 2007, 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.

c) 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, named 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. They 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, 2006, CURIE was fully funded.

d) Archives of Ontario Long-Term Lease

In December 2006, York University entered into a long-term lease arrangement with the Ontario Realty Corporation to rent a facility that will be constructed on York land for the use of the Archives of Ontario. On May 15, 2007, the University entered into a contractual agreement with a consortium of parties to provide the necessary financing, and to take on the design, construction and facilities management risk for this project.

It is expected that the lease will commence in March 2009.

The estimated cost of this project is $49 million and will be fully funded through the proceeds of the long-term lease (extending initially for 35 years). The Ontario Realty Corporation has the option to renew the lease for an additional two terms of 10 years each.

e) Capital commitments

The estimated cost to complete committed capital projects at April 30, 2007 is approximately $78,401 (2006 – $4,716). These capital projects will be financed by government grants, debt, and fundraising.

17. FUND RAISING RAFFLE LOTTERY

During the year, the University conducted a fund raising raffle (Lottery License P060528 issued by the Alcohol and Gaming Commission of Ontario). Financial results are as follows:

	(Thousands) **$**
Gross proceeds	60
Audit and other expenses	(3)
Net proceeds	**57**

18. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 financial statements.

Mission Statement

The mission of York University is the pursuit, preservation, and dissemination of knowledge. We promise excellence in research and teaching in pure, applied and professional fields. We test the boundaries and structures of knowledge. We cultivate the critical intellect.

York University is part of Toronto: we are dynamic, metropolitan and multi-cultural. York University is part of Canada: we encourage bilingual study, we value tolerance and diversity. York University is open to the world: we explore global concerns.

A community of faculty, students and staff committed to academic freedom, social justice, accessible education, and collegial self-governance, York University makes innovation its tradition.

Tentanda Via: the way must be tried.