FINANCIAL STATEMENTS

APRIL 30, 2008

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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, 2008 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 Finance and Audit Committee ("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 Finance and 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, 2008. 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

Mamdouh Shoukri
President and Vice-Chancellor

INTRODUCTION TO YORK UNIVERSITY FINANCIAL STATEMENTS – 2007-2008

In 2007-2008, the University managed its finances in a tight fiscal environment. Graduate enrolment growth remains a key priority for the University as part of an overall focus on achieving the objectives of the University Academic Plan. Increased tuition fees arising from the introduction of a new tuition fee framework by the Ontario Government in March 2006 provided some new revenue to the University. Additional grants from the Province of Ontario for increased graduate enrolments, one-time additional quality and campus renewal funding provided additional operating grant income. However, cost pressures largely associated with salaries and benefits continued to grow.

The Statement of Operations and Changes in Deficit reports total tuition fee revenue increasing from $316 million in 2007 to $332 million in 2008. The majority of this growth is associated with increases in approved tuition fee rates and increasing graduate enrolments.

Grants and contracts funding remained constant at $377 million in 2008. In the current year, the University received increased grant funding for graduate student enrolments, offset by a reduction in grant funding for undergraduate students over the previous year.

Salaries and benefits increased from $495 million in 2007 to $554 million in 2008. 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 $53 million in 2007 to $55 million in 2008. As detailed in the Summary of Revenue and Expenses, scholarships and bursaries have increased significantly over the last five years, from $46 million in 2004 to $55 million in 2008, 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 remains constant at $23 million in 2008. Interest costs now represent the full cost of servicing all debt, including the debentures issued in 2002 and 2004. In 2008, $0.5 million of interest qualified to be capitalized for assets under construction.

As summarized on the Balance Sheet, the University's deficit has decreased from $37 million in 2007 to $35 million in 2008. The positive result was anticipated in the University's multi-year budget plan. The University will continue to manage this deficit responsibly.

The University's investment in capital assets increased from $627 million in 2007 to $684 million in 2008. The significant change results from the construction in progress of the York Research Tower of $30 million, in addition to the accounting recognition of the construction value of the Ontario Archives Project of $31 million, net of annual depreciation.

The University entered into a long-term lease arrangement with the Ontario Realty Corporation to rent a facility that will be constructed on York land (Keele campus) for the use of the Archives of Ontario. The University entered into contractual arrangements with a consortium that will provide the necessary financing, design and construction of the facility. The contractual cost of the total project of $49 million will be fully funded through the assignment of the lease revenue to the consortium.

Investments at April 30, 2008 totalled $432 million, as compared to $389 million at April 30, 2007. Investments consisted of $303 million in endowments ($305 million last year) and $129 million in other investments ($84 million last year). The increase in investments over the course of the year is the result of the growth in the endowments from new donations and the transfer of funds from short-term investments to a $50 million structured fixed income strategy. These net additions to investments were offset by weak capital market performance in endowments during the fiscal year. Investment income increased from $22 million in 2007 to $24 million in 2008 as a result of realization of investment income attributable to the endowments and an increase in short-term investment income.

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, 2008 was $64 million versus $57 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;
- the implications of tuition fee increases beyond 2010.

These challenges are expected to impact through fiscal year 2008-2009 and beyond.

Gary Brewer

Gary Brewer
Vice-President, Finance and Administration

SUMMARY OF REVENUE AND EXPENSES

Total Revenue and Expenses
(Millions of dollars)

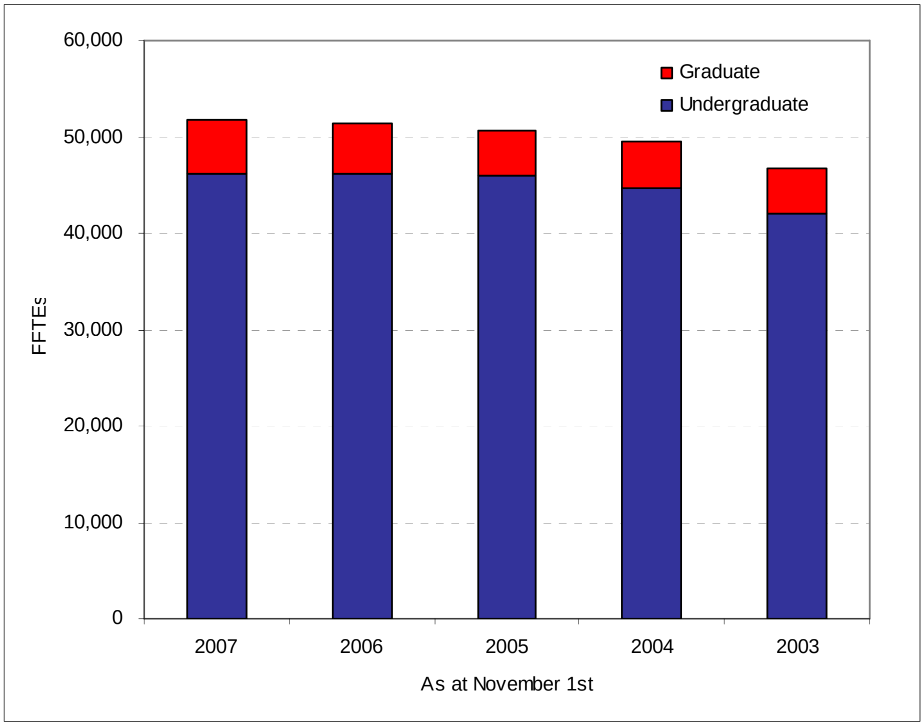
Year Ended April 30

	2008	2007	2006	2005	2004
REVENUE	$	$	$	$	$
Grants and contracts	376.5	376.6	338.9	315.8	280.0
Student fees	331.7	316.3	301.3	287.6	267.4
Donations	6.5	5.4	5.4	5.4	5.2
Investment income	24.2	22.0	19.1	16.1	12.3
Sales and services	66.8	67.1	67.0	62.9	58.0
Amortization of deferred capital contributions	12.4	10.4	9.7	8.3	6.5
Recovery of salaries, benefits and other expenses	26.6	24.5	24.5	23.5	21.3
Other	4.1	2.2	28.4	11.7	2.6
	848.8	**824.5**	**794.3**	**731.3**	**653.3**
EXPENSES					
Salaries and benefits	554.0	495.3	469.5	428.1	393.5
Operating costs	119.3	119.2	107.8	110.2	92.8
Amortization of capital assets	37.9	38.3	39.2	36.2	28.8
Cost of sales and services	22.3	23.3	22.0	19.7	18.9
Taxes and utilities	35.5	32.0	29.1	28.0	26.2
Scholarships and bursaries	55.1	52.5	49.5	45.5	45.7
Interest on long-term debt	23.0	23.3	21.7	21.5	11.8
	847.1	**783.9**	**738.8**	**689.2**	**617.7**

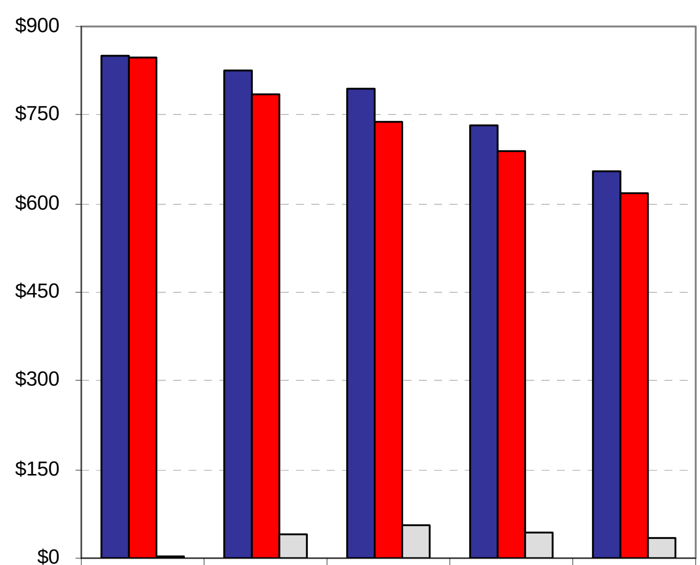
% Of Total Revenue and Expenses

	2008	2007	2006	2005	2004
REVENUE	%	%	%	%	%
Grants and contracts	44.4	45.6	42.7	43.2	42.8
Student fees	39.1	38.4	37.9	39.4	40.9
Donations	0.8	0.6	0.7	0.7	0.8
Investment income	2.9	2.7	2.4	2.2	1.9
Sales and services	7.9	8.1	8.4	8.6	8.9
Amortization of deferred capital contributions	1.4	1.3	1.2	1.1	1.0
Recovery of salaries, benefits and other expenses	3.1	3.0	3.1	3.2	3.3
Other	0.4	0.3	3.6	1.6	0.4
	100.0	**100.0**	**100.0**	**100.0**	**100.0**
EXPENSES					
Salaries and benefits	65.4	63.1	63.5	62.1	63.7
Operating costs	14.1	15.2	14.6	16.0	15.0
Amortization of capital assets	4.5	4.9	5.3	5.2	4.7
Cost of sales and services	2.6	3.0	3.0	2.9	3.1
Taxes and utilities	4.2	4.1	4.0	4.1	4.2
Scholarships and bursaries	6.5	6.7	6.7	6.6	7.4
Interest on long-term debt	2.7	3.0	2.9	3.1	1.9
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

ENROLMENT GROWTH
2007 – 2003



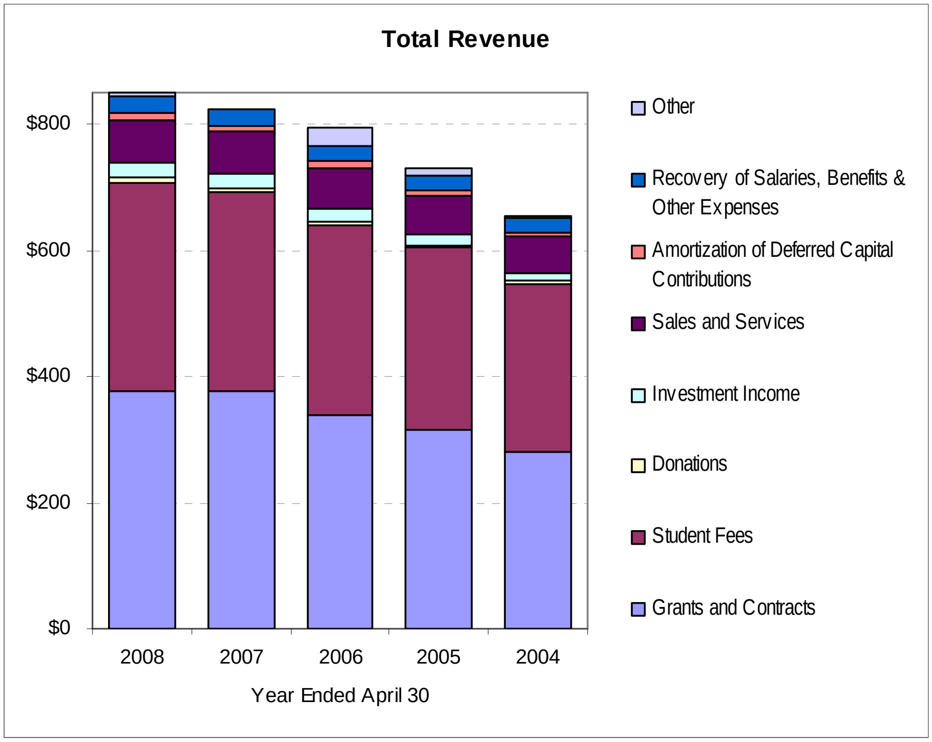
REVENUE AND EXPENSES
Year Ended April 30
2008 – 2004
(Millions of dollars)

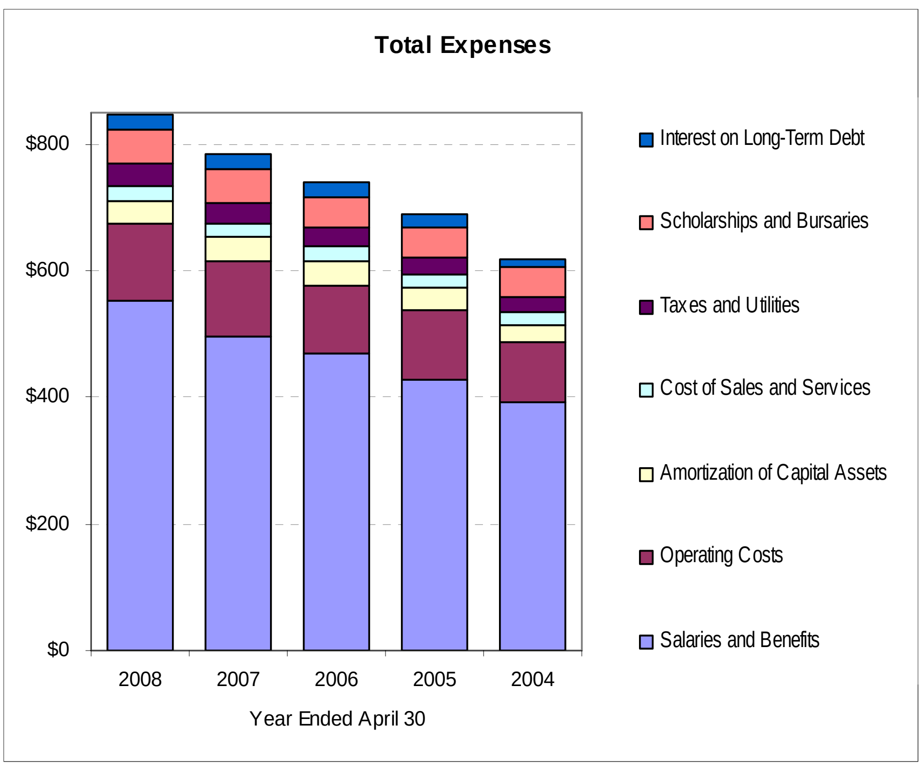


	2008	2007	2006	2005	2004
Revenue	$848.8	$824.5	$794.3	$731.3	$653.3
Expenses	$847.1	$783.9	$738.8	$689.2	$617.7
Revenue over Expenses	$1.7	$40.6	$55.5	$42.1	$35.6

SUMMARY OF REVENUE AND EXPENSES

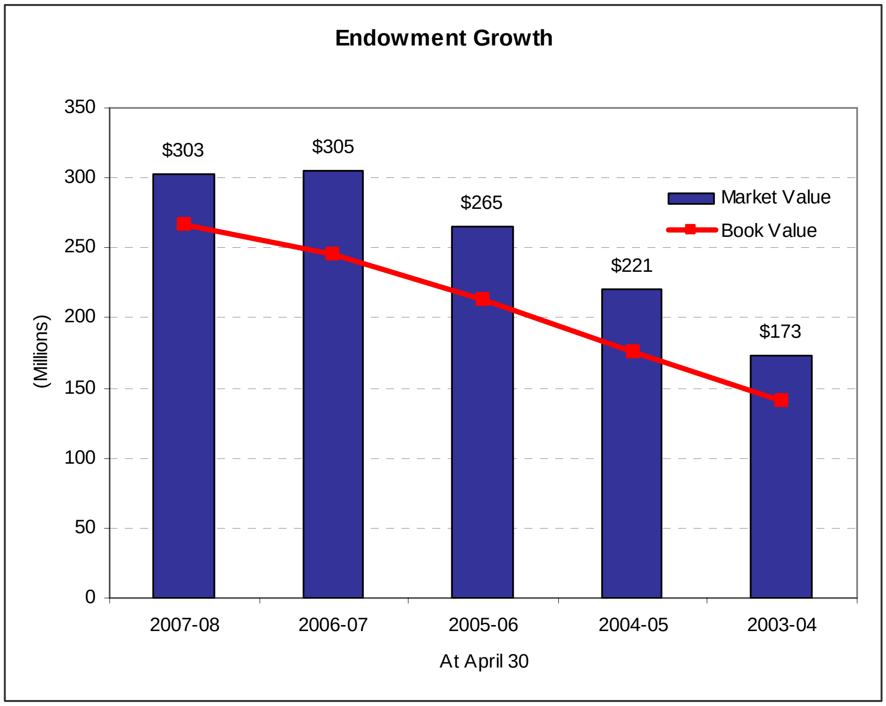
2008 – 2004
(Millions of dollars)

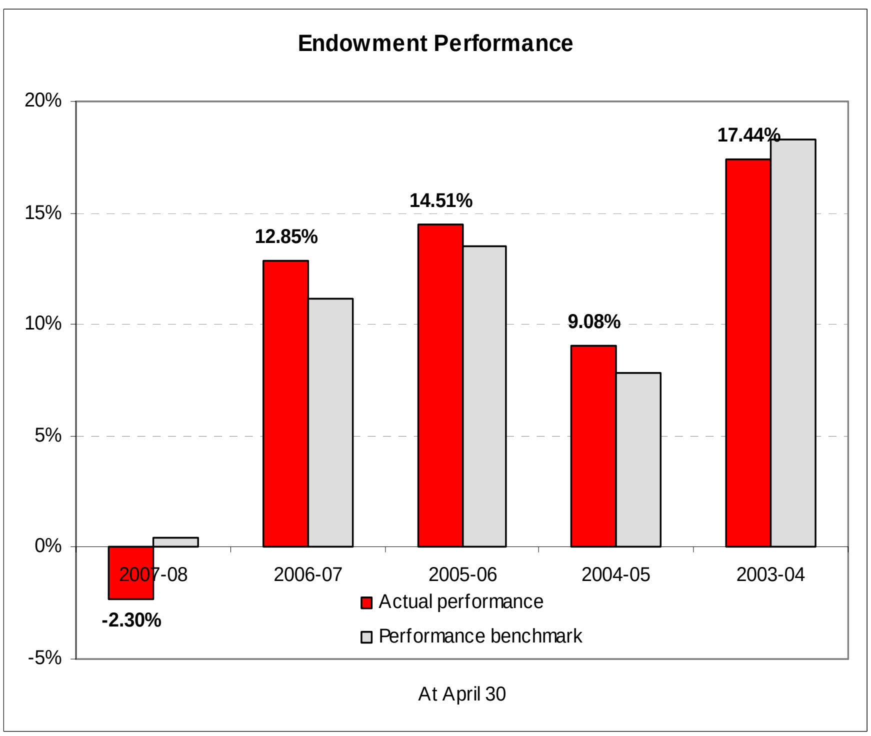




ENDOWMENT GROWTH AND PERFORMANCE

2008 – 2004





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, 2008 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, 2008 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
Chartered Accountants,
June 11, 2008

BALANCE SHEET
(Thousands of dollars)

As at April 30

	2008 $	2007 $
ASSETS		
Current		
Cash and cash equivalents	**162,042**	192,895
Accounts receivable	**57,679**	54,477
Inventories	**5,971**	6,754
Prepaid expenses	**9,972**	10,563
Total current assets	**235,664**	264,689
Pension cost deferral *(notes 11 and 13)*	**31,645**	34,539
Investments *(note 3)*	**432,141**	388,533
Other deferred costs *(note 2)*	**-**	1,328
Capital assets, net *(note 4)*	**683,932**	626,704
	1,383,382	1,315,793
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities *(note 4)*	**122,523**	74,693
Current portion of long-term debt *(note 9)*	**3,724**	3,515
Deferred contributions and income *(note 7)*	**86,082**	84,059
Total current liabilities	**212,329**	162,267
Long-term liabilities *(notes 8 and 13)*	**64,412**	57,100
Long-term debt *(note 9)*	**343,398**	349,201
Deferred contributions and income *(note 7)*	**52,612**	73,852
Deferred capital contributions *(note 10)*	**221,974**	204,484
Total liabilities	**894,725**	846,904
Commitments and contingent liabilities (*note 15*)		
NET ASSETS		
Unrestricted deficit	**(34,827)**	(37,430)
Internally restricted *(note 11)*	**152,019**	172,699
Investment in capital assets *(note 5)*	**105,686**	88,173
Endowments *(note 12)*	**265,779**	245,447
Total net assets	**488,657**	468,889
	1,383,382	1,315,793

See accompanying notes

On behalf of the Board of Governors

Marshall A. Cohen
Chair

Mamdouh Shoukri
President and Vice-Chancellor

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

Year ended April 30

	2008 **$**	**2007** **$**
REVENUE		
Grants and contracts	**376,525**	376,642
Student fees	**331,738**	316,327
Donations	**6,452**	5,361
Investment income *(note 3)*	**24,226**	21,960
Sales and services	**66,741**	67,063
Amortization of deferred capital contributions *(note 10)*	**12,410**	10,384
Recovery of salaries, benefits and other expenses	**26,636**	24,506
Other	**4,096**	2,238
	848,824	824,481
EXPENSES		
Salaries and benefits *(note 13)*	**553,981**	495,285
Operating costs	**119,324**	119,153
Amortization of capital assets *(note 4)*	**37,905**	38,315
Cost of sales and services	**22,347**	23,291
Taxes and utilities	**35,483**	32,032
Scholarships and bursaries	**55,062**	52,511
Interest on long-term debt	**22,997**	23,314
	847,099	783,901
Excess of revenue over expenses for the year	**1,725**	**40,580**
Change in internally restricted net assets	**20,680**	(38,369)
Change in investment in capital assets	**(17,513)**	4,675
Internally restricted additions to endowments	**(1,059)**	(599)
Change in unrestricted deficit in the year	**3,833**	6,287
Unrestricted deficit, beginning of year, as restated *(note 2)*	**(38,660)**	(43,717)
Unrestricted deficit, end of year	**(34,827)**	(37,430)

See accompanying notes

STATEMENT OF CHANGES IN NET ASSETS
(Thousands of dollars)

Year ended April 30

	2008					2007
	Unrestricted Deficit $	**Internally restricted $ *(note 11)***	**Investment in capital assets $ *(note 5)***	**Endowments $ *(note 12)***	**Total $**	**Total $**
Net assets, beginning of year, as originally stated	**(37,430)**	**172,699**	**88,173**	**245,447**	**468,889**	396,354
Adjustments to opening unrestricted deficit (*note 2*)						
Transaction costs	**98**				**98**	
Write off of other deferred costs	**(1,328)**				**(1,328)**	
Net assets, beginning of year, as restated	**(38,660)**	**172,699**	**88,173**	**245,447**	**467,659**	396,354
Excess of revenue over expenses for the year	**1,725**	**-**	**-**	**-**	**1,725**	40,580
Change in internally restricted net assets *(note 11)*	**20,680**	**(20,680)**	**-**	**-**	**-**	-
Change in investment in capital assets *(note 5)*	**(17,513)**	**-**	**17,513**	**-**	**-**	220
Capital protection credited directly to externally restricted endowments *(notes 3 and 12)*	**-**		**-**	**4,687**	**4,687**	1,628
Contributions and capital protection credited to internally restricted endowments *(note 12)*	**(1,059)**	**-**	**-**	**1,059**	**-**	-
Transfers from deferred contributions and income	**-**	**-**	**-**	**-**	**-**	8,886
Contributions to externally restricted endowments *(note 12)*	**-**	**-**	**-**	**14,586**	**14,586**	21,221
Net assets, end of year	**(34,827)**	**152,019**	**105,686**	**265,779**	**488,657**	468,889

See accompanying notes

STATEMENT OF CASH FLOWS
(Thousands of dollars)

Year ended April 30

	2008 $	2007 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**1,725**	40,580
Add (deduct) non-cash items:		
Amortization of capital assets	**37,905**	38,315
Amortization of deferred capital contributions	**(12,410)**	(10,384)
Net change in non-cash working capital balances related to operations *(note 14)*	**8,571**	20,555
Pension cost deferral	**2,894**	(11,303)
Net change in long-term liabilities	**7,312**	3,364
Net change in deferred contributions and income, long-term portion *(note 14)*	**(21,240)**	21,710
Cash provided by operating activities	**24,757**	**102,837**
INVESTING ACTIVITIES		
Purchase of investments, net	**(43,608)**	(42,585)
Purchase of capital assets *(note 14)*	**(57,660)**	(33,754)
Cash used in investing activities	**(101,268)**	**(76,339)**
FINANCING ACTIVITIES		
Repayment of long-term debt	**(3,515)**	(8,567)
Contributions restricted for capital purposes	**29,900**	14,680
Investment income credited directly to endowments	**4,687**	1,628
Contributions to externally restricted endowments	**14,586**	21,221
Cash provided by financing activities	**45,658**	**28,962**
Net increase (decrease) in cash and cash equivalents during the year	**(30,853)**	55,460
Cash and cash equivalents, beginning of year	**192,895**	137,435
Cash and cash equivalents, end of year	**162,042**	**192,895**

Cash and cash equivalents are comprised:		
Cash	**2,673**	1,242
Short-term investments	**159,369**	191,653
Cash and cash equivalents, end of year	**162,042**	**192,895**

See accompanying notes

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

APRIL 30, 2008

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 in 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:

Change in accounting policy

Effective May 1, 2007, the University adopted the recommendations of CICA 3855: Financial Instruments - Recognition and Measurement (“CICA 3855’’) and CICA 3861: Financial Instruments -Disclosure and Presentation (“CICA 3861”).

CICA 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. As required by CICA 3855 and consistent with the accounting policy for investments used to prepare the prior year’s financial statements, investments, except for fixed income securities that are to be held to maturity, are presented at fair value. Fixed income securities that are held to maturity continue to be recorded at cost plus accrued interest, using the effective interest rate method. As permitted by CICA 3855, the University’s other financial assets and liabilities continue to be presented at amortized cost.

As permitted by CICA 3855, the University has elected to defer and amortize transaction costs associated with the issuance of long-term debt. Prior to May 1, 2007, the University amortized transaction costs associated with long-term debt on a straight line basis. Beginning in 2008, transaction costs must be amortized using the effective interest method. Accordingly, on adoption of CICA 3855, the University recognized a decrease in the opening unrestricted deficit of $98 as the cumulative effect of the change in amortization from the straight line to the effective interest rate method. Also, prior to May 1, 2007, unamortized transaction costs of $2,095 associated with the issuance of certain debentures had been classified as prepaid expenses. On adoption of CICA 3855, unamortized transaction costs have been reclassified to long-term debt. The impact on the Balance Sheet as at May 1, 2007 was a decrease in prepaid expenses of $2,095, and a decrease in long-term debt of $2,095.

Effective May 1, 2005, the University implemented CICA Accounting Guideline 13, Hedging Relationships and the Emerging Issues Committee Abstract, Accounting for Trading, Speculative or Non-hedging Derivatives Financial Instruments (EIC 128). The University recorded financial instruments related to swaps on the balance sheet as a liability at fair value with subsequent changes in fair value recognized in the Statement of Operations and Changes in Deficit. The University recorded a transitional deferred loss related to the initial recognition of financial instruments on the balance sheet (other deferred costs). Other deferred costs were amortized over the remaining life of the related term loans. As required by the transitional provisions of CICA 3855, the deferred costs have been written off. The impact on the Balance Sheet as at May 1, 2007 is a decrease in other deferred costs and an increase in the opening unrestricted deficit of $1,328.

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 and Investment Income

Investments are recorded at fair value except for investments in fixed income securities which are to be held to maturity and other loans and receivables, and which are recorded at cost plus accrued interest, using the effective interest rate method.

The fair value of investments is determined as follows:

Publicly traded bonds and equities are determined based on quoted market values based on the latest bid prices. 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.

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded as follows:

Unrestricted investment income is recognized as revenue in the Statement of Operations in the year it is earned.

Externally restricted investment income designated for endowments (referred to as capital protection) is recognized as a direct increase of endowments in net assets.

Externally restricted investment income, other than that designated for endowments (referred to as capital protection), is recognized as revenue in the Statement of Operations, when the related expenses are incurred. All externally restricted investment income, other than that designated for endowments, which is excess of related expenses incurred, is recorded as deferred contributions and income.

Investment income that is internally restricted is recorded as a transfer from unrestricted to internally restricted net assets in the Statement of Changes in Net Assets.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

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 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 revenue and expense 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 the statement of 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 on certain term loans *(note 9)* 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 apply hedge accounting on these derivative financial instruments. The University records financial instruments related to swaps on the balance sheet at fair value with subsequent changes in fair value recognized in the Statement of Operations and Changes in Deficit.

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. Plan amendments are amortized over the average remaining service life of employees. Differences arising from actuarial gains and losses including changes in assumptions over 10% of the greater of the fair value of 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, 2008. Liabilities of the pension plan and post employment benefits other than pensions are discounted using comparable interest rates on long-term bonds.

Recent accounting pronouncements

CICA 3862, Financial Instruments - Disclosure (“CICA 3862”) and CICA 3863, Financial Instruments - Presentation (“CICA 3863”) revise and enhance the existing disclosure requirements, and carry forward, substantially unchanged, the existing presentation requirements. These new standards emphasize the significance of financial instruments to an entity’s financial position and performance, the nature and extent of risks arising from financial instruments, and how these risks are managed. These new standards are applicable to fiscal years beginning on or after October 1, 2007. The University will adopt CICA 3862 and CICA 3863 on May 1, 2008 and is currently evaluating the effects of adopting these standards.

CICA 1535, Capital Disclosures (“CICA 1535”), applicable to fiscal years beginning on or after October 1, 2007, specifies disclosures of (1) information about an entity’s objectives, policies, and processes for managing capital structure, (2) quantitative data about what an entity regards as capital, and (3) whether an entity has complied with externally imposed capital requirements and if it has not complied, the consequences of such non-compliance. The University will adopt CICA 1535 on May 1, 2008 and is currently evaluating the effects of adopting this standard.

CICA 1400, General Standards of Financial Statement Presentation (“CICA 1400”), was amended to include requirements to assess and disclose an entity’s ability to continue as a going concern. The new requirements are effective for fiscal years beginning on or after January 1, 2008. The University will adopt the amendments to CICA 1400 on May 1, 2008 and is currently evaluating the effects of adopting the new requirements of this standard.

CICA 3031, Inventories ("CICA 3031"), replaces CICA 3030, Inventories. The main features of CICA 3031 are: (1) measurement of inventories at the lower of cost and net realizable value, with guidance on the determination of cost, including allocation of overheads and other costs to inventory; (2) cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects, assigned by using a specific identification of the individual costs; (3) consistent use [by type of inventory with similar nature and use] of either the first-in, first-out or weighted-average cost formula; (4) reversal of previous write-downs to net realizable value when there is a subsequent increase in value of inventories; and (5) possible classification of major spare parts and servicing stand-by equipment as property, plant and equipment (CICA 3061 – Property, Plant and Equipment was amended to reflect this change). CICA 3031 applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008 and will be adopted by the University on May 1, 2008. The University is currently evaluating the effects of adopting this standard.

3. INVESTMENTS

a) Investments consist of the following:

	Maturity	2008 Weighted average interest rate	2007 Weighted average interest rate	2008 Total $	2007 Total $
Short-term investments	2008 to 2010	3.69%	4.04%	**98,292**	51,057
Deposit notes	2008 to 2023	4.69%	4.68%	**1,457**	1,518
Government bonds	2008 to 2047	5.01%	5.36%	**104,763**	100,603
Corporate bonds	2008 to 2047	5.02%	4.81%	**36,502**	32,766
Mortgages	2008 to 2013	5.46%	6.71%	**14,314**	17,491
Canadian equities				**97,847**	94,489
International equities				**78,454**	89,874
Other	2008 to 2013	6.09%	6.75%	**512**	735
Total				**432,141**	**388,533**
Designated as follows:					
Held for trading				**344,591**	**-**
Held to maturity				**71,772**	**-**
Loans and receivables				**15,778**	**-**
Total				**432,141**	**-**

As at April 30, 2008, approximately $29,245 (2007 - $28,837) of the University's investments were on loan to third parties. Pursuant to a securities lending agreement, the University's custodian arranges loans for which the University earns a fee. The custodian minimizes credit and market risks by following strict lending criteria and over-collateralizing loans with comparable securities. The collateral securities held were valued at $30,789 (2007- $31,402).

Investments are exposed to foreign currency risk, interest rate price, and market risks. The University manages these risks 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:

	2008 $	2007 $
Total investment income, including market value adjustment	**7,198**	48,715
Realization (deferral) of investment income attributable to endowments	**21,715**	(25,127)
Amounts credited directly to externally restricted endowments	**(4,687)**	(1,628)
Total	**24,226**	**21,960**

4. CAPITAL ASSETS

Capital assets consist of the following:

	2008			2007		
	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	**834,255**	**282,195**	**552,060**	822,128	262,848	559,280
Equipment and furnishings	**131,994**	**78,960**	**53,034**	128,121	73,437	54,684
Library collection	**65,912**	**65,912**	**-**	65,878	65,878	–
Construction in progress	**69,752**	**-**	**69,752**	3,654	–	3,654
Art collection	**4,728**	**-**	**4,728**	4,728	–	4,728
Total	**1,110,999**	**427,067**	**683,932**	**1,028,867**	**402,163**	**626,704**

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

	2008 $	2007 $
Balance, beginning of year	**626,704**	635,217
Purchase of capital assets funded through		
Restricted contributions	**10,332**	7,547
External financing	**44,443**	6,078
Internal	**40,358**	16,177
Fully depreciated capital assets at cost	**(13,001)**	(9,513)
Accumulated amortization on fully depreciated capital assets	**13,001**	9,513
Amortization of capital assets	**(37,905)**	(38,315)
Balance, end of year	**683,932**	**626,704**

a) In December 2006, the University entered into a long-term lease arrangement with the Ontario Realty Corporation (“ORC”). Under the terms of this arrangement York is to lease a facility to ORC which is to be used by the Archives of Ontario. The facility is to be constructed on University land. The initial term of the lease is 35 years with an option to extend the lease for an additional two terms of 10 years each.

In May 2007 the University entered into contractual agreements with a consortium that will undertake the design, construction and financing of the facility during the construction phase of the project. The contractual cost of this project is approximately $49 million. Under the terms of the contractual agreements, the University has assigned the future revenue stream associated with the ORC lease to the consortium as consideration for the cost of the project.

During the current year the University has recorded $30.8 million related to this project as construction in progress and an equal amount as payable to the consortium, which is included in accounts payable and accrued liabilities. Under the terms of the contract, no payments are required to the consortium during the construction period.

b) During the year, the total cost of items added to the library collection was $5,807 (2007 – $6,368) and the total cost of items removed was $5,773 (2007 – $5,620). The University’s art collection consists of 112 (2007 – 112) paintings, prints and drawings. These donated items had an appraised value upon receipt of $4,728 (2007 – $4,728).

c) During the year, interest of $501 (2007 – nil) was capitalized within capital assets.

d) 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.

5. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	2008 $	2007 $
Capital assets	**683,932**	626,704
Less amounts financed by:		
External financing	**(375,040)**	(334,047)
Deferred capital contributions *(note 10)*	**(203,206)**	(204,484)
Balance, end of year	**105,686**	**88,173**

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

	2008 $	2007 $
Purchase of capital assets *(note 14)*	**95,133**	29,802
Capital expenditures funded through		
Restricted contributions		
Used to purchase capital assets	**10,332**	7,547
Applied to reduce external financing related to prior years	**800**	7,353
External financing		
Used to purchase capital assets	**44,443**	6,078
Substituted by restricted contributions received in the year	**(800)**	(7,353)
Repayment of long-term debt	**(2,850)**	(7,079)
Amortization expense	**37,905**	38,315
Amortization of deferred capital contributions	**(12,410)**	(10,384)
Total	**77,420**	**34,477**
Change in investment in capital assets, before the following	**17,713**	**(4,675)**
External financing applied to capital assets purchased in prior years	**(200)**	
Contributions to art collection	**-**	220
Change in investment in capital assets	**17,513**	**(4,455)**

6. CREDIT FACILITY

The University has available facilities as follows:

a) Demand operating facilities in the amount of $30 million (2007 - $30 million). This facility bears interest at the bank's prime rate less 1%. Letters of credit in the amount of $10.6 million (2007 - $10.4 million) have been utilized against this facility.

b) Indirect guarantor facilities for housing loans to faculty and staff in the amount of $8.25 million (2007 - $8.25 million). These facilities bear interest at the bank's prime rate. Housing loans to faculty and staff in the amount of $220 (2007 - $271) have been utilized against these facilities.

c) A term loan facility in the amount of $9.2 million (2007 - $11.2 million), which is included in term loans as described in note 9.

7. 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:

	2007 $	Additions $	Transfers to income $	2008 $
Current				
Research and other grants and contracts	56,396	50,909	(50,465)	**56,840**
Fees and other income	27,663	28,738	(27,159)	**29,242**
	84,059	**79,647**	**(77,624)**	**86,082**
Long-term				
Expendable investment and other income from trusts and endowments	**73,852**	**15,627**	**(36,867)**	**52,612**
Total	**157,911**	**95,274**	**(114,491)**	**138,694**

8. LONG-TERM LIABILITIES

Long-term liabilities consist of the following:

	2008 $	2007 $
Other post-employment benefits *(note 13)*	**63,801**	56,603
Interest rate swaps payable *(note 9)*	**611**	497
Total	**64,412**	57,100

9. LONG-TERM DEBT

Long-term debt consists of the following:

	2008 $	2007 $
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 7.38 %(2007- 6.80%).	**6,545**	6,885
Mortgages Mortgages bearing interest at 5.38% to 10.36%, maturing from 2010 to 2016. Weighted average interest rate is 10.23% (2007- 10.22%)	**27,090**	27,154
Term loans Term loans bearing interest at 4.50% to 5.75%, maturing from 2012 to 2023. Weighted average interest rate is 5.63% (2007– 5.65%).	**15,566**	18,677
	349,201	**352,716**
Unamortized transaction costs *(note 2)*	**(2,079)**	**-**
	347,122	**352,716**
Less current portion	**(3,724)**	(3,515)
Total	**343,398**	**349,201**

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

	$
2009	3,724
2010	30,355
2011	4,181
2012	4,430
2013	630
Thereafter	305,881
Total	**349,201**

Certain assets have been pledged as collateral for certain mortgages and certain term loans. The amount of interest paid during the year on long-term debt was $22,997 (2007 - $23,314). Long-term debt has a fair value of $433,470 (2007 - $446,770).

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 5.75% (2007 - 5.75%). The fair value of the interest rate swaps is $611 (2007-$497), (*note 8)*. The change in the fair value of the interest rate swap of $114 (loss) (2007-$135 (gain)) is recorded in the Statement of Operations and Changes in Deficit.

10. 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:

	2008 **$**	**2007** **$**
Balance, beginning of year	**204,484**	200,188
Contributions received in the year	**29,900**	14,680
Amortization of deferred capital contributions	**(12,410)**	(10,384)
Balance, end of year	**221,974**	**204,484**
Comprised of:		
Capital contributions-expended	**203,206**	204,484
Capital contributions-unexpended	**18,768**	**-**
Balance, end of year	**221,974**	**204,484**

11. INTERNALLY RESTRICTED NET ASSETS

Details of internally restricted net assets are as follows:

	2008 $	2007 $
Departmental carryforwards	**30,416**	49,791
Progress through the ranks	**(31,179)**	(32,148)
Computing systems development	**3,044**	3,700
Contractual commitments to employee groups	**4,383**	5,367
Pension cost deferral *(note 13)*	**31,645**	34,539
Sinking fund	**40,917**	32,110
Capital reserve	**72,793**	79,340
Balance, end of year	**152,019**	**172,699**

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 2008 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.

12. 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 2008, the University distributed, from available investment income, 5% (2007 - 5%) of the book value, defined as accumulated original contributions and capital protection.

Net assets restricted for endowment consist of the following:

	2007 $	Contributions $	Capital Protection $	Transfers	2008 $
Externally restricted	201,394	14,586	4,687	(55)	**220,612**
Internally restricted	44,053	-	1,059	55	**45,167**
Total	**245,447**	**14,586**	**5,746**	**-**	**265,779**

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 For the year ended April 30	**2008** **$**	**2007** **$**
Endowment at book value, beginning of year	**68,737**	66,771
Transfer from expendable funds (capital protection)	**1,628**	1,966
Endowment at book value, end of year	**70,365**	**68,737**
Endowment at market value, end of year	**83,713**	**89,366**
Expendable funds available for awards, beginning of year	**7,965**	6,201
Realized investment gains, net of capital protection	**3,459**	5,495
Bursaries awarded	**(3,499)**	(3,731)
Expendable funds available for awards, end of year	**7,925**	**7,965**
Number of bursaries awarded	**2,191**	**2,690**

OSOTF – Phase 2 For the year ended April 30	**2008** **$**	**2007** **$**
Endowment at book value, beginning of year	**10,715**	**10,561**
Government matching	**(1)**	1
Transfer from expendable funds (capital protection)	**340**	153
Endowment at book value, end of year	**11,054**	**10,715**
Endowment at market value, end of year	**12,324**	**13,357**
Expendable funds available for awards, beginning of year	**643**	730
Realized investment gains (losses), net of capital protection	**(37)**	290
Bursaries awarded	**(451)**	(377)
Expendable funds available for awards, end of year	**155**	**643**
Number of bursaries awarded	**328**	**348**

OTSS For the year ended March 31	**2008** **$**	**2007** **$**
Endowment at book value, beginning of year	**17,709**	7,923
Donations received	**3,564**	5,437
Government matching	**4,649**	4,272
Transfer from expendable funds(capital protection)	**184**	77
Endowment at book value, end of year	**26,106**	**17,709**
Endowment at market value, end of year	**24,692**	**17,952**
Expendable funds available for awards, beginning of year	**739**	76
Realized investment gains, net of capital protection	**383**	673
Bursaries awarded	**(229)**	(10)
Expendable funds available for awards, end of year	**893**	**739**
Number of bursaries awarded	**104**	**4**
Outstanding donations pledged	**1,410**	**1,531**

13. 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 no later than December 31, 2009. The University measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at April 30 of each year.

The latest actuarial valuation for other non-pension post retirement and post employment benefits was performed as of January 1, 2005. The next actuarial valuation will be completed for fiscal 2009. The University measures its accrued benefit obligation for accounting purposes as at April 30 of each year.

The employee salaries and benefits expense for the year includes pension expense of $31,645 (2007– $21,730) and other retirement benefits expense of $11,108 (2007 – $7,326).

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

	2008		**2007**	
	Pension Benefit Plans **$**	**Other Benefit Plans** **$**	**Pension Benefit Plans** **$**	**Other Benefit Plans** **$**
Accrued benefit obligation	(1,371,860)	**(76,253)**	(1,426,777)	(77,737)
Fair value of plan assets	1,324,917	**-**	1,367,244	–
Plan deficit	**(46,943)**	**(76,253)**	**(59,533)**	**(77,737)**
Unamortized transitional asset	(12,144)	-	(15,180)	–
Unamortized net actuarial loss	90,732	**6,264**	109,252	13,746
Unamortized past service costs	**-**	**6,188**	–	7,388
Pension cost deferral (Long-term liability)	**31,645**	**(63,801)**	**34,539**	**(56,603)**

Plan assets are invested as follows:

	2008 **%**	**2007** **%**
Equities	58.0	62.0
Fixed income	39.0	36.0
Other	3.0	2.0
	100.0	**100.0**

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

	2008		2007	
	Pension Benefit Plans	**Other Benefit Plans**	**Pension Benefit Plans**	**Other Benefit Plans**
Accrued Benefit Obligation:				
Discount rate	6.20%	6.10%	5.30%	5.25%
Rate of inflation	2.50%		2.50%	
Rate of compensation increase	5.00%	5.00%	5.00%	5.00%
Benefit Cost:				
Discount rate	5.30%	5.25%	5.75%	5.75%
Rate of inflation	2.50%		2.50%	
Expected long-term rate of return on plan assets	7.00%	N/A	6.75%	N/A
Rate of compensation increase	5.00%	5.00%	5.00%	5.00%

For measurement purposes, a 7.30% (2007 – 7.30%) annual rate of increase in the per capita cost of covered health care benefits was assumed for 2008. 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:

	2008		2007	
	Pension Benefit Plans $	**Other Benefit Plans** $	**Pension Benefit Plans** $	**Other Benefit Plans** $
Employer's contributions	**28,752**	**3,910**	33,033	3,827
Employees' contributions	**16,320**	–	14,802	–
Benefits paid	**58,096**	**3,910**	61,688	3,827

14. STATEMENT OF CASH FLOWS

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

	2008 $	**2007** $
Accounts receivable	**(3,202)**	(4,957)
Inventories	**783**	790
Prepaid expenses	**(1,390)**	741
Other deferred costs	**-**	267
Accounts payable and accrued liabilities	**10,357**	12,889
Deferred contributions and income	**2,023**	10,825
Net change in non-cash working capital balances	**8,571**	**20,555**

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

	2008 $	2007 $
Purchase of capital assets	**95,133**	29,802
Change in current year, from the previous year in accounts payable and accrued liabilities related to capital asset additions	**(37,473)**	4,172
Contributions to art collection	**-**	(220)
Net change in the purchase of capital assets	**57,660**	**33,754**

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

	2008 $	2007 $
Change in deferred contributions and income	**(19,217)**	23,649
Transfers to endowments	**-**	8,886
Net change in deferred contributions and income	**(19,217)**	32,535
Change related to working capital	**2,023**	10,825
Change related to long-term portion	**(21,240)**	**21,710**

15. COMMITMENTS AND CONTINGENT LIABILITIES

a) Forward purchases of Natural Gas and Electricity

The University purchases natural gas for future delivery with fixed pricing. As at April 30, 2008, the University has purchased 1.554M GJ (2007 - 1.7M GJ) of natural gas at an average cost of $9.01/GJ (2007 - $9.30/GJ), with delivery at various dates to October, 2009 (2007 - October, 2008), for a total commitment of $14.0 million (2007 - 15.4 million).

The University purchases electricity for future delivery with fixed pricing. As at April 30, 2008, the University has purchased approximately 8,820 MWh (2007 - 22,014 MWh) of electricity at an average cost of $61.75/MWh (2007 - 64.53/MWh), with delivery at various dates to December, 2008 (2007 – December 2008) for a total commitment of $0.54 million (2007 - $1.4 million).

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, 2008, 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, 2007, CURIE was fully funded.

d) Capital commitments

The estimated cost to complete committed capital projects at April 30, 2008 is approximately $47,108 (2007 – $78,401). These capital projects will be financed by government grants, debt, and fundraising.

e) Archives of Ontario

The University has assigned the future revenue stream associated with the ORC lease to a consortium as consideration for the cost of the construction project as described in note 4(a). Should the ORC default causing termination of the lease; University is obligated to assume the remaining lease obligations.

16. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 financial statements.