YORK UNIVERSITY

FINANCIAL STATEMENTS

APRIL 30, 2005

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(Public Sector Salary Disclosure: http://www.yorku.ca/hr/index.html)

YORK UNIVERSITY

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, 2005 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, 2005. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

(Signed)
Gary Brewer
Vice-President, Finance and Administration

(Signed)
Lorna R. Marsden, PhD
President and Vice-Chancellor

INTRODUCTION TO YORK UNIVERSITY'S FINANCIAL STATEMENTS — 2004-2005

In 2004-2005, the University managed its finances in an environment characterized by continued enrolment growth and limited opportunities for revenue growth in the area of tuition fees and operating grants. Additional grants from the Province of Ontario for increased enrolments, facilities renewal and compensation for the tuition freeze provided some additional operating grant opportunities. However, cost pressures created by salary and benefits continued to grow.

The Statement of Operations and Changes in Deficit reports total tuition fee revenue increasing from $267 million in 2004 to $288 million in 2005. The majority of this growth is associated with increasing domestic enrolments from double-cohort and improved retention, as well as growth in enrolments in international and non-credit programs.

Grants and contracts increased from $280 million in 2004 to $316 million in 2005, an increase of $36 million, which is directly attributable to incremental Undergraduate Accessibility funding tied to enrolment growth compensation for the freeze in tuition fees, and additional one-time funding for facilities renewal.

Salaries and benefits increased from $393 million in 2004 to $428 million in 2005. 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 substantially higher benefit costs and additional hiring in both the academic and non-academic areas to meet the demands of higher enrolments.

Scholarships and bursaries remained at the same level of $46 million in 2005. As detailed in the Summary of Revenue and Expenses, scholarships and bursaries have increased significantly over the last five years, from $29 million in 2001 to $46 million in 2005 largely as a result of the tuition reinvestment required by the government and the results of the Ontario Student Opportunity Trust Fund. There was no increase in tuition reinvestment in the current year due to the two-year tuition freeze introduced by the Province in 2004-2005.

Interest on long-term debt increased from $12 million in 2004 to $21 million in 2005. The increase is primarily the result of the impact of servicing of the debentures issued in 2002 and 2004 and by the reduced amount of interest eligible to be capitalized compared to last year.

As summarized on the Balance Sheet, the University's deficit increased to $45 million in 2005 from $41 million in 2004. The current year's deficit resulted from the decision to internally finance $4 million of capital expenditures which will be recovered from ancillary fees in future years. The University will continue to manage this deficit responsibly.

The University continued its capital spending program during the year, increasing its investment in Capital Assets from $559 million in 2004 to $617 million in 2005.

The majority of the capital expenditures during the year were concentrated in the following major projects:

- The Pond Road Residence
- The Accolade Project
- The Tait McKenzie Project

These projects and other capital projects are projected to cost approximately $29 million in fiscal 2006. On May 4, 2004, the University borrowed $100 million through a debenture offering to provide a portion of the financing for these projects. The remaining funding for these projects is derived from Ontario's SuperBuild program, internal financing and donations to the University.

Investments at April 30, 2005 totalled $327 million, as compared to $230 million on April 30, 2004. Investments consisted of $221 million in endowments ($173 million last year) and $106 million in other investments ($57 million last year). The increase in other investments over the course of the year is the result of the investment of a portion of the debenture proceeds to finance the University's capital program. As a direct consequence, investment income increased from $12 million in 2004 to $16 million in 2005.

The University has included in liabilities the costs associated with post-employment benefits. York recognizes the liabilities for future retiree benefits for both active employees and current retirees. The liability at April 30, 2005 was $47 million versus $44 million for the prior year.

Heading into 2006, the University will continue to manage its finances responsibly. The challenges of balancing the combined pressures of increased enrolments, investment returns and their impact on pensions, restricted tuition fee flexibility, an increasingly competitive market for Faculty, increased pressures on salary and benefit costs and the need to bring on stream new facilities in time for Fall 2005 are expected to impact through fiscal year 2005-2006.

Gary Brewer
Vice-President, Finance and Administration

YORK UNIVERSITY

SUMMARY OF REVENUE AND EXPENSES

Total Revenue and Expenses
(Millions of dollars)

Year ended April 30

REVENUE	**2005** $	**2004** $	**2003** $	**2002** $	**2001** $
Grants and contracts	315.8	280.0	239.4	225.4	212.0
Student fees	287.6	267.4	237.0	205.6	191.3
Donations	5.4	5.2	5.3	4.1	3.7
Investment income	16.1	12.3	16.1	8.5	10.3
Sales and services	62.9	58.0	53.0	51.0	45.6
Amortization of deferred capital contributions	8.3	6.5	5.2	3.7	3.5
Recovery of salaries, benefits and other expenses	23.5	21.3	19.0	16.7	16.0
Other	11.7	2.6	3.1	10.5	2.7
	731.3	**653.3**	**578.1**	**525.5**	**485.1**
EXPENSES					
Salaries and benefits	428.1	393.5	360.7	327.5	303.2
Operating costs	110.2	92.8	76.2	76.4	73.9
Amortization of capital assets	36.2	28.8	22.7	22.3	21.6
Cost of goods sold	19.7	18.9	15.5	14.2	12.4
Taxes and utilities	28.0	26.2	25.9	24.3	24.0
Scholarships and bursaries	45.5	45.7	37.6	32.0	28.6
Interest on long-term debt	21.5	11.8	14.6	9.7	8.9
	689.2	**617.7**	**553.2**	**506.4**	**472.6**

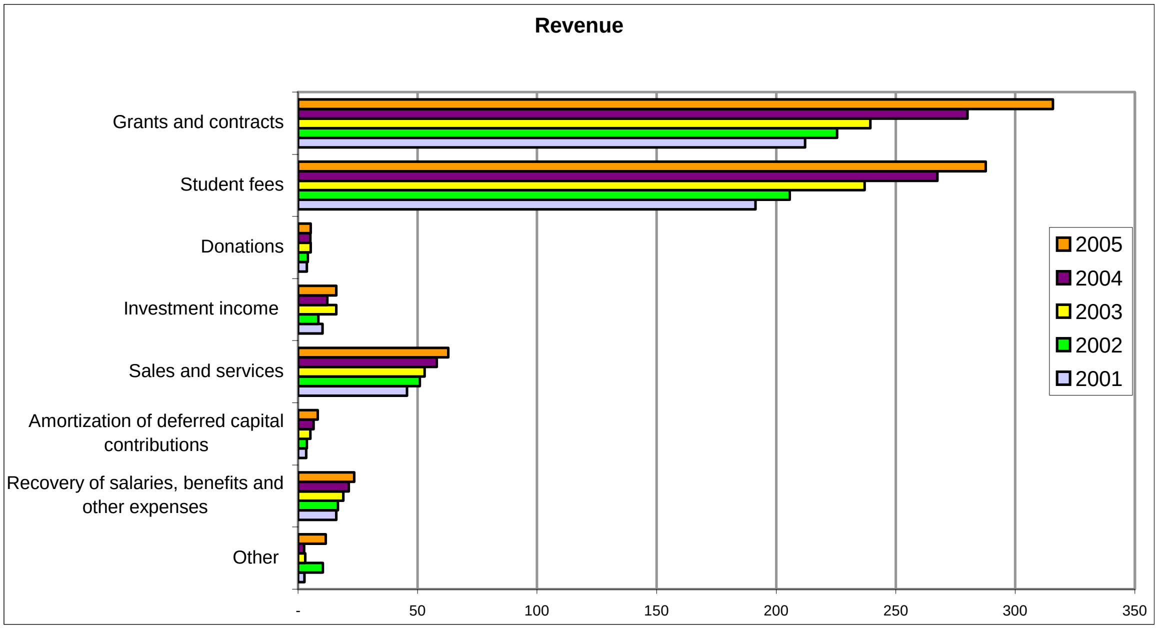
% Of Total Revenue and Expenses

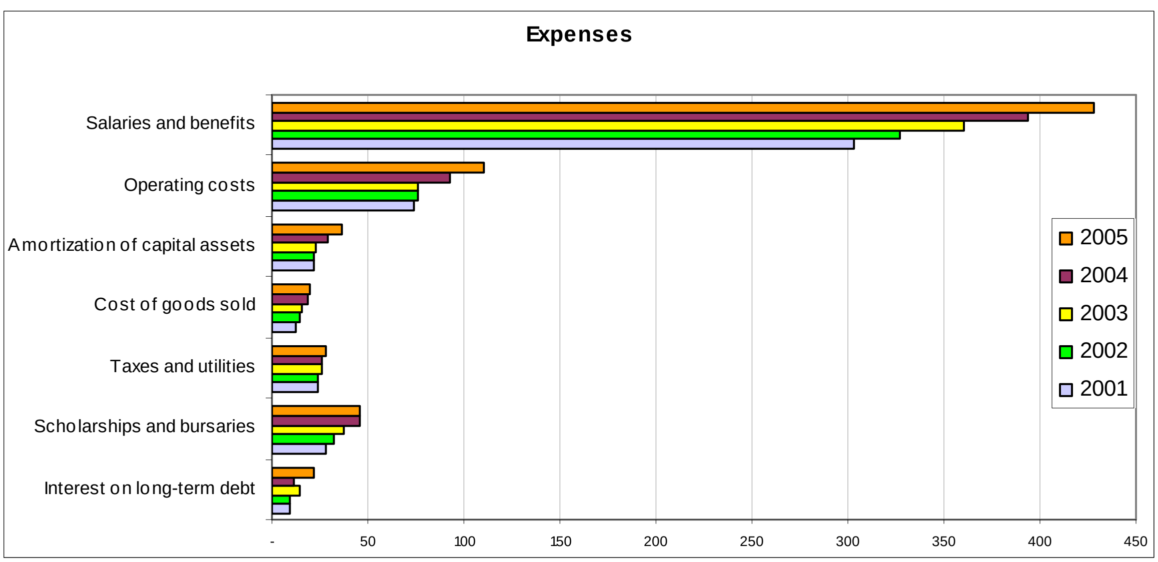
REVENUE	**2005** %	**2004** %	**2003** %	**2002** %	**2001** %
Grants and contracts	43.2	42.8	41.4	42.9	43.7
Student fees	39.4	40.9	41.0	39.1	39.4
Donations	0.7	0.8	0.9	0.8	0.8
Investment income	2.2	1.9	2.8	1.6	2.1
Sales and services	8.6	8.9	9.2	9.7	9.4
Amortization of deferred capital contributions	1.1	1.0	0.9	0.7	0.7
Recovery of salaries, benefits and other expenses	3.2	3.3	3.3	3.2	3.3
Other	1.6	0.4	0.5	2.0	0.6
	100.0	**100.0**	**100.0**	**100.0**	**100.0**
EXPENSES					
Salaries and benefits	62.1	63.7	65.2	64.7	64.2
Operating costs	16.0	15.0	13.8	15.1	15.6
Amortization of capital assets	5.2	4.7	4.1	4.4	4.6
Cost of goods sold	2.9	3.1	2.8	2.8	2.6
Taxes and utilities	4.1	4.2	4.7	4.8	5.1
Scholarships and bursaries	6.6	7.4	6.8	6.3	6.0
Interest on long-term debt	3.1	1.9	2.6	1.9	1.9
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

YORK UNIVERSITY

SUMMARY OF REVENUE AND EXPENSES

2001- 2005
(Millions of dollars)





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, 2005 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
June 10, 2005.

Chartered Accountants

YORK UNIVERSITY **Statement 1**

BALANCE SHEET
(Thousands of dollars)

As at April 30

	2005 $	2004 $
ASSETS		
Current		
Cash and cash equivalents	**87,787**	59,048
Accounts receivable	**42,784**	45,336
Prepaid expenses	**9,174**	11,572
Inventories	**7,679**	7,721
Total current assets	**147,424**	**123,677**
Pension cost deferral *(note 12 and 14)*	**17,404**	12,233
Investments *(note 3)*	**327,021**	230,148
Capital assets, net *(note 5)*	**617,469**	558,843
	1,109,318	**924,901**
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**69,071**	65,686
Current portion of long-term debt *(note 10)*	**8,136**	7,844
Deferred contributions and income *(note 8)*	**61,664**	67,767
Total current liabilities	**138,871**	**141,297**
Long-term liabilities *(notes 9 and 14)*	**47,333**	44,329
Long-term debt *(note 10)*	**361,283**	268,016
Deferred contributions and income *(note 8)*	**39,905**	33,467
Deferred capital contributions *(note 11)*	**194,309**	174,226
Total liabilities	**781,701**	**661,335**
NET ASSETS		
Deficit	**(44,737)**	(40,647)
Internally restricted *(note 12)*	**93,462**	55,470
Investment in capital assets *(note 6)*	**102,261**	108,052
Endowments *(note 13)*	**176,631**	140,691
Total net assets	**327,617**	**263,566**
	1,109,318	**924,901**

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

	2005 $	2004 $
REVENUE		
Grants and contracts	**315,762**	280,041
Student fees	**287,629**	267,375
Donations	**5,417**	5,236
Investment income *(note 3)*	**16,117**	12,331
Sales and services	**62,850**	58,015
Amortization of deferred capital contributions	**8,256**	6,504
Recovery of salaries, benefits and other expenses	**23,510**	21,243
Other (*note 5)*	**11,735**	2,599
	731,276	**653,344**
EXPENSES		
Salaries and benefits *(note 14)*	**428,143**	393,476
Operating costs	**110,164**	92,762
Amortization of capital assets	**36,221**	28,780
Cost of goods sold	**19,728**	18,971
Taxes and utilities	**28,035**	26,216
Scholarships and bursaries	**45,448**	45,692
Interest on long-term debt	**21,424**	11,806
	689,163	**617,703**
Excess of revenue over expenses for the year	**42,113**	**35,641**
Change in internally restricted net assets	**(37,992)**	(10,172)
Change in investment in capital assets	**5,791**	(20,100)
Internally restricted additions to endowments	**(14,002)**	(243)
Change in deficit in the year	**(4,090)**	**5,126**
Deficit, beginning of year	**(40,647)**	**(45,773)**
Deficit, end of year	**(44,737)**	**(40,647)**

See accompanying notes

STATEMENT OF CHANGES IN NET ASSETS

(Thousands of dollars)

Year ended April 30

	2005					2004
	Deficit $	**Internally restricted** $ *(Note 12)*	**Investment in capital assets** $ *(Note 6)*	**Endowments** $ *(Note 13)*	**Total** $	**Total** $
Net assets, beginning of year	**(40,647)**	**55,470**	**108,052**	**140,691**	**263,566**	213,485
Excess of revenue over expenses for the year	**42,113**	**-**	**-**	**-**	**42,113**	35,641
Change in internally restricted net assets *(note 12)*	**(37,992)**	**37,992**	**-**	**-**	**-**	-
Change in investment in capital assets *(note 6)*	**5,791**	**-**	**(5,791)**	**-**	**-**	-
Investment income credited directly to externally restricted endowments *(note 3)*	**-**	**-**	**-**	**1,422**	**1,422**	2,984
Contributions and capital protection credited to internally restricted endowments *(note 13)*	**(14,002)**	**-**	**-**	**14,002**	**-**	-
Contributions to externally restricted endowments *(note 13)*	**-**	**-**	**-**	**20,516**	**20,516**	11,456
Net assets, end of year	**(44,737)**	**93,462**	**102,261**	**176,631**	**327,617**	**263,566**

See accompanying notes

YORK UNIVERSITY **Statement 4**

STATEMENT OF CASH FLOWS
(Thousands of dollars)

Year ended April 30

	2005 $	2004 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**42,113**	35,641
Add (deduct) non-cash items:		
Amortization of capital assets	**36,221**	28,780
Amortization of deferred capital contributions	**(8,256)**	(6,504)
Change in pension cost deferral	**(5,171)**	(6,491)
Change in deferred contributions and income	**335**	26,895
Change in long-term liabilities	**3,004**	2,528
Gain on sale of capital assets	**(9,125)**	-
Net change in non-cash working capital balances related to operations *(note 15)*	**15,450**	(19,556)
Cash provided by operating activities	**74,571**	**61,293**
INVESTING ACTIVITIES		
(Purchase) sale of investments, net	**(96,873)**	54,667
Purchase of capital assets	**(108,611)**	(163,288)
Proceeds on sale of capital assets *(note 5)*	**15,816**	**-**
Cash used in investing activities	**(189,668)**	**(108,621)**
FINANCING ACTIVITIES		
Issuance of debenture and other debt	**101,770**	-
Repayment of long-term debt	**(8,211)**	(7,436)
Contributions restricted for capital purposes	**28,339**	8,723
Investment income credited directly to endowments	**1,422**	2,984
Contributions to externally restricted endowments	**20,516**	11,456
Cash provided by financing activities	**143,836**	**15,727**
Net change in cash and cash equivalents during the year	**28,739**	(31,601)
Cash and cash equivalents, beginning of year	**59,048**	90,649
Cash and cash equivalents, end of year	**87,787**	**59,048**

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

(All amounts are in thousands of dollars unless otherwise indicated)

APRIL 30, 2005

1. DESCRIPTION

York University ("York" or the "University") is incorporated under the York University Act, 1965, a statute of the Legislative Assembly of Ontario. The University is dedicated to providing postsecondary and postgraduate education and to conducting research. The University is a registered charity and, under the provisions of Section 149 of the Income Tax Act (Canada), is exempt from paying income taxes.

The financial statements of York reflect the assets, liabilities, net assets, revenue, expenses, and other transactions of all the operations of the University and organizations that the University controls or in which it has a primary economic interest. Accordingly, these financial statements include the operating, research and the ancillary operations of the University; York University Development Corporation, a wholly owned subsidiary, which is responsible for the development of undeveloped York lands and the administration of York Lanes; and York University Foundation 2001, an entity which fundraises for the University and which the University effectively controls.

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.

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 point of sale or when the service has been provided. Pledges are recorded as revenue on a cash basis since pledges are not legally enforceable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are classified as long-term.

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. Other investments are recorded in the accounts at fair value.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. 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.

Donation 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign exchange translation

The University accounts for transactions in a foreign currency at the exchange rate in effect at the date of the transactions. At year-end, 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.

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. Differences arising from plan amendments, changes in assumptions and actuarial gains and losses over 10% of the benefit obligation are amortized over the remaining service life of employees. Assets of the pension plan are valued using market values at April 30, 2005. 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:

	Maturity	2005 Weighted average interest rate	2004 Weighted average interest rate	2005 Total $	2004 Total $
Short-term investments	2005 to 2006	2.67%	1.21%	**17,397**	10,744
Deposit notes	2005 to 2005	5.25%	-	**1,641**	-
Government bonds	2005 to 2045	4.42%	5.11%	**138,457**	105,597
Corporate bonds	2005 to 2040	4.27%	4.40%	**32,384**	19,933
Mortgages	2005 to 2007	5.15%	-	**11,672**	-
Canadian equities	-	-	-	**60,584**	43,377
International equities	-	-	-	**63,964**	50,282
Other	2005 to 2013	5.25%	-	**922**	215
Total				**327,021**	**230,148**

All investments are recorded at fair value except certain government bonds that are held to maturity. The fair value of total government bonds is $143,414 (2004 - $112,782).

b) Investment income consists of the following:

	2005 $	2004 $
Total investment income, including market value adjustment	**23,977**	31,441
Deferral of investment income attributable to endowments	**(6,438)**	(16,126)
Amounts credited directly to externally restricted endowments	**(1,422)**	(2,984)
Total	**16,117**	**12,331**

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:

	2005			2004		
	Cost $	**Accumulated Amortization $**	**Net Book Value $**	**Cost $**	**Accumulated Amortization $**	**Net Book Value $**
Land	**6,141**	**-**	**6,141**	12,832	-	12,832
Buildings, plant facilities and infrastructure	**719,861**	**223,164**	**496,697**	664,438	204,015	460,423
Equipment and furnishings	**102,405**	**57,265**	**45,140**	95,500	52,777	42,723
Library collection	**63,629**	**63,629**	**-**	62,378	62,378	-
Construction in progress	**65,034**	**-**	**65,034**	38,804	-	38,804
Art collection	**4,457**	**-**	**4,457**	4,061	-	4,061
Total	**961,527**	**344,058**	**617,469**	**878,013**	**319,170**	**558,843**

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

	2005 $	**2004 $**
Balance, beginning of year	**558,843**	427,400
Purchase of capital assets funded through		
Restricted contributions	**28,339**	8,723
External financing	**51,127**	109,124
Internal	**22,072**	42,376
Fully depreciated capital assets at cost	**(11,332)**	(13,691)
Accumulated amortization on fully depreciated capital assets	**11,332**	13,691
Amortization of capital assets	**(36,221)**	(28,780)
Disposal of capital assets	**(6,691)**	-
Balance, end of year	**617,469**	**558,843**

During the year, the total cost of items added to the library collection was $6,481 (2004 - $5,790) and the total cost of items removed was $5,230 (2004 - $5,067). The University's art collection consists of 103 paintings, prints and drawings. These donated items had an appraised value upon receipt of $4,457 (2004 - $4,061).

During the year, $2,672 (2004 - $6,888) of interest was capitalized within capital assets. Capital assets include $14,109 (2004 - $11,437) 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 May 2004, the University sold approximately 35 acres of land, with a carrying value of $6,691, for consideration of $15,816, consisting of $4,358 in cash, and a vendor take-back mortgage of $11,458, which has been included in Investments. The mortgage is interest free for the first nine months, and thereafter bears interest at prime plus 1%, payable semi annually. The original principal is due at the conclusion of three 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:

	2005 $	2004 $
Capital assets	**617,469**	558,843
Less amounts financed by:		
External financing	**(320,899)**	(276,565)
Deferred capital contributions	**(194,309)**	(174,226)
Balance, end of year	**102,261**	**108,052**

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

	2005 $	2004 $
Purchase of capital assets	**101,538**	160,198
Capital expenditures funded through		
Restricted contributions	**28,339**	8,723
External financing	**51,127**	115,338
Repayment of long-term debt	**(6,793)**	(6,214)
Amortization expense	**36,221**	28,780
Amortization of deferred capital contributions	**(8,256)**	(6,504)
Disposal of capital assets	**6,691**	**-**
Total	**107,329**	**140,123**
Change in investment in capital assets excluding contributions to art collection	**(5,791)**	**20,075**
Contributions to art collection	**-**	25
Change in investment in capital assets	**(5,791)**	**20,100**

7. CREDIT FACILITY

As at April 30, 2005, the University had an available bank credit facility in the amount of $19.7 million (2004 – $19.5 million) after deduction of outstanding letters of credit totaling $10.3 million (2004 – $10.5 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:

	2004 $	Additions $	Transfers to Income $	2005 $
Current				
Research and other grants and contracts	43,470	46,027	48,111	**41,386**
Fees and other income	23,797	22,984	27,003	**19,778**
Donations	500	-	-	**500**
	67,767	**69,011**	**75,114**	**61,664**
Long-term				
Expendable investment and other income from trusts and endowments	33,467	30,779	24,341	**39,905**
Total	**101,234**	**99,790**	**99,455**	**101,569**

9. LONG-TERM LIABILITIES

Long-term liabilities consist of accruals for early retirement benefits and other post-employment benefits excluding pensions but including comprehensive medical, supplementary hospital and dental care. The long-term liability at the year-end is $47.3 million (2004 - $44.3 million).

10. LONG-TERM DEBT

Long-term debt consists of the following:

	2005	2004
	$	$
Debentures		
Senior unsecured debenture bearing interest at 6.48%, maturing on March 7, 2042	**200,000**	200,000
Senior unsecured debenture bearing interest at 5.841%, maturing on May 4, 2044	**100,000**	-
Other debentures bearing interest at 5.88% to 7.63%, maturing from 2017 to 2023. Weighted average interest rate is 6.80% (2004 - 6.79%)	**7,501**	7,780
Mortgages		
Mortgages bearing interest at 5.38% to 10.36% mortgages, maturing from 2007 to 2016. Weighted interest rate is 10.20% (2004 - 10.17%)	**27,272**	27,750
Term loans		
Term loans bearing interest at 4.94% to 5.75% from 2007 to 2023. Weighted interest rate is 5.49% (2004 - 5.45%)	**34,646**	40,330
	369,419	275,860
Less current portion of long-term debt	**(8,136)**	(7,844)
Total	**361,283**	**268,016**

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

	$
2006	**8,136**
2007	**8,567**
2008	**3,515**
2009	**3,723**
2010	**30,355**
Subsequent years	**315,123**
Total	**369,419**

Certain assets have been pledged as collateral for mortgages and term loans. The amount of interest paid during the year was $24,096 (2004 – $18,727). Long-term debt has a fair value of $443,982 (2004 -$309,833).

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:

	2005 $	2004 $
Balance, beginning of year	**174,226**	172,007
Contributions received in the year	**28,339**	8,723
Amortization of deferred capital contributions	**(8,256)**	(6,504)
Balance, end of year	**194,309**	**174,226**

12. INTERNALLY RESTRICTED NET ASSETS

Details of internally restricted net assets are as follows:

	2005 $	2004 $
Departmental carryforwards	**57,344**	39,968
Progress through the ranks	**(36,316)**	(33,449)
Computing systems development	**2,804**	1,908
Contractual commitments to employee groups	**1,944**	2,077
Pension cost deferral	**17,404**	12,233
Sinking fund	**11,191**	4,889
Capital reserve	**39,091**	27,844
Balance, end of year	**93,462**	**55,470**

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 2005 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 several administrative computing and information systems. These appropriated funds support forward commitments for these new 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.

12. INTERNALLY RESTRICTED NET ASSETS (continued)

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 the debentures.

vii. Capital reserve - This represents funds restricted for deferred maintenance, capital emergencies and planned or capital projects 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 2005, the University distributed 5% of the book value of the original contributions.

Net assets restricted for endowment consist of the following:

	2004	New Contributions	Capital Protection	2005
	$	$	$	$
Externally restricted	134,167	20,516	1,422	156,105
Internally restricted	6,524	13,915	87	20,526
Total	**140,691**	**34,431**	**1,509**	**176,631**

Ontario Student Opportunity Trust Fund

The Government of Ontario established the Ontario Student Opportunity Trust Fund (OSOTF) program to encourage companies and individuals to contribute funds to post secondary students. The University established two funds. Phase 1 was established in fiscal 1997 for eligible donations received prior to March 31, 2000. Phase 2 was established in fiscal 2004. Eligible donations are equally matched by the Province. Investment income earned in these funds is used to finance awards to qualified students in need of financial aid. The OSOTF funds are included in the total of externally restricted endowments.

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

Phase 1	**2005**	**2004**
For year ended April 30	**$**	**$**
Endowment at book value, beginning of year	**64,515**	62,880
Transfer from expendable funds	**892**	1,635
Endowment at book value, end of year	**65,407**	**64,515**
Endowment at market value, end of year	**75,503**	**71,676**
Expendable funds available for awards, beginning of year	**6,496**	115
Realized investment gains, net of capital preservation	**5,575**	9,915
Bursaries awarded	**(3,130)**	(3,534)
Expendable funds available for awards, end of year	**8,941**	**6,496**
Number of bursaries awarded	**2,060**	**3,338**

13. ENDOWMENTS (continued)

Phase 2 For the year ended March 31	**2005** **$**	**2004** **$**
Endowment at book value, beginning of year	**2,776**	**-**
Donations received	**4,643**	1,614
Government matching received	**4,006**	1,084
Government matching receivable	**-**	78
Transfer from expendable funds	**1**	-
Endowment at book value, end of year	**11,426**	**2,776**
Endowment at market value, end of year	**11,972**	**2,776**
Expendable funds available for awards, beginning of year	**1**	**-**
Realized investment gains	**499**	1
Bursaries awarded	**(1)**	**-**
Expendable funds available for awards, end of year	**499**	1
Number of bursaries awarded	**5**	**-**
Outstanding donations pledged	**6,441**	**252**

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, 2003. The next actuarial valuation is required as of December 31, 2006. 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 $17,844 (2004 - $17,438) and other retirement benefits expense of $5,654 (2004 - $5,438).

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

	2005		**2004**	
	Pension Benefit Plans **$**	**Other Benefit Plans** **$**	**Pension Benefit Plans** **$**	**Other Benefit Plans** **$**
Accrued benefit obligation	**1,119,484**	**60,640**	1,028,898	51,811
Fair value of plan assets	**1,087,417**	**-**	1,020,233	**-**
Plan deficit	**(32,067)**	**(60,640)**	**(8,665)**	**(51,811)**
Unamortized transitional assets	**(21,252)**	-	(24,288)	-
Unamortized net actuarial loss	**70,723**	**6,877**	45,186	148
Unamortized past service costs	**-**	**6,430**	-	7,334
Pension cost deferral (Long-term liability)	**17,404**	**(47,333)**	**12,233**	**(44,329)**

Plan assets are invested as follows:

	2005 **%**	**2004** **%**
Equities	**63**	62
Fixed income	**36**	37
Other	**1**	1
	100	**100**

14. EMPLOYEE SALARIES AND BENEFITS (continued)

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

	2005		2004	
	Pension Benefit Plans	**Other Benefit Plans**	**Pension Benefit Plans**	**Other Benefit Plans**
Accrued Benefit Obligation:				
Discount rate	**5.75%**	**5.75%**	6.25%	6.25%
Rate of inflation	**2.50%**	**-**	2.50%	-
Rate of compensation increase	**5.00%**	**5.00%**	5.00%	5.00%
Benefit Cost:				
Discount rate	**6.25%**	**6.25%**	6.50%	6.75%
Rate of inflation	**2.50%**	**-**	2.50%	-
Expected long-term rate of return on plan assets	**7.00%**	**N/A**	7.00%	N/A
Rate of compensation increase	**5.00%**	**5.00%**	5.00%	5.00%

For measurement purposes, an 8.4% (2004 - 9.2%) annual rate of increase in the per capita cost of covered health care benefits was assumed for 2005. The rate of increase was assumed to decrease gradually to 4.50% in 2010 and to remain at that level thereafter.

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

	2005		2004	
	Pension Benefit Plans	**Other Benefit Plans**	**Pension Benefit Plans**	**Other Benefit Plans**
	$	$	$	$
Employer's contributions	**23,014**	**2,650**	23,929	2,608
Employees' contributions	**12,912**	**-**	12,178	-
Benefits paid	**46,686**	**2,650**	40,365	2,608

15. STATEMENT OF CASH FLOWS

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

	2005	**2004**
	$	**$**
Accounts receivable	**2,552**	(6,270)
Prepaid expenses	**2,398**	(838)
Inventories	**42**	412
Accounts payable and accrued liabilities	**10,458**	(12,860)
Net change in non-cash working capital balances	**15,450**	**(19,556)**

16. COMMITMENTS AND CONTINGENT LIABILITIES

a) Guaranteed housing loans

The University has guaranteed and is contingently liable in the amount of $905 (2004 - $1,144) for bank loans for faculty and staff. The loans to assist in the purchase of homes are collateralized by home mortgages.

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 claims at April 30, 2005, 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

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, 2004, CURIE was fully funded.

d) Capital and other commitments

The estimated cost to complete committed capital projects at April 30, 2005 is approximately $29,925 (2004 - $80,095). These capital projects will be financed by government grants, debt, and fundraising.