



York University Operations and Capital

2023 Value-for-Money Audit

Why we did this audit

- Building on our 2022 audit on financial management and governance of four medium-sized Ontario universities (Algoma, Nipissing, Ontario Tech and Windsor), this audit of a large university, York University, provides further insights into the sector.

Why it matters

- York University, Canada's third-largest university, receives about \$300 million in provincial funding each year to offer undergraduate and graduate degree programs in a variety of fields to over 50,000 students. It employs approximately 5,000 full-time faculty and staff, and an additional 2,400 part-time academic and administrative staff.

What we found

Financial Sustainability and Debt Levels

- York University (York) emerged with a positive net asset position of \$1.9 billion at the end of fiscal year 2022/23, but in-year surpluses have consistently declined over the past five fiscal years. Since 2018/19, in-year surpluses decreased by 87% from \$164.2 million in 2018/19 to \$20.8 million in 2022/23.
- While its financial performance has been declining, York has reached a level of debt (\$600 million) that could negatively impact the university in the future if it is not appropriately monitored and managed. York had a repayment plan for only half of its long-term debt.

RECOMMENDATION 1

Increased Reliance on International Student Tuition Revenue

- In 2022/23, international students accounted for 18% of York's total enrolment and almost half its revenue. The university's largest faculty, Liberal Arts and Professional Studies, relied most heavily on international student tuition revenue. In 2022/23, 61% of tuition revenue at that faculty came from international students.
- In 2022/23, students from India and China together represented 57% of international student enrolment. Reliance on only a few nations' students for revenue exposes a university to the risk that external factors, like a shift in foreign policy, could suddenly and significantly impact financial health if student enrolment from these countries were to decline.
- At the time of our audit, India had suspended visa services, preventing Canadian nationals from obtaining Indian visas. If Canada were to take reciprocal action, or Indian students were forced to return to India, there could be a significant impact to York, which we calculated would result in a loss of approximately \$46.5 million, or almost 8% of total annual tuition revenue.

RECOMMENDATION 3

Academic Offerings Are Seldom Adjusted When Academic Programs Are Unprofitable

- York continued to deliver academic programs with low enrolment year after year. Over the past five fiscal years (2018/19–2022/23), enrolment decreased by at least 10% in 58 (43%) of York’s 135 undergraduate programs. For example, in the Faculty of Liberal Arts and Professional Studies, 24 (46%) of its 52 undergraduate programs had enrolment decline by at least 10% in the five years from 2018/19 to 2022/23.
- Four of York’s 10 faculties have run in-year deficits in each of the past five fiscal years. In 2022/23, six faculties had in-year deficits. This indicates a need for York to adjust or restructure its program offerings to improve financial sustainability, which it has not done, with the exception of the university’s Glendon College.

RECOMMENDATION 2

Financial Viability of Major Capital Projects Not Fully Assessed

- Between 2017/18 and 2022/23, York undertook major capital projects totalling over \$900 million. For many projects, a complete financial evaluation had not been undertaken to, for example, assess the expected income to be generated from the investments over the long term, or the length of time required to recoup the investments. Such an evaluation would help the Board of Governors determine whether projects warrant the financial investment.

RECOMMENDATIONS 4 and 5

York Pursued Capital Expansion While Deferred Maintenance Grew

- York’s deferred maintenance backlog more than doubled from \$459 million to \$1.04 billion between January 2019 and January 2023.
- York directed substantially more resources toward constructing new capital buildings and expansion projects—\$745.3 million committed over the past five fiscal years—compared with the \$94.7 million it spent on deferred maintenance, bringing the university from fair to critical physical condition, according to third-party assessors.

RECOMMENDATION 6

Increase in Size of Senior Administration Despite Stable Enrolment

- The number of senior administrators increased by 37% between 2018/19 and 2022/23 despite minimal increases in enrolment of 0.3% and tuition revenue of 1.2%.

RECOMMENDATION 7

York Achieved Lower Results on Many Key Performance Indicators Compared to Other Ontario Universities

- York has performed below the provincial average and below the average of comparable Ontario universities in important indicators such as: graduation rate; graduate employment rate in a related field; graduate employment earnings; community local impact on student enrolment; research funding and capacity; experiential learning; and attracting research revenue from private-sector sources.
- York did not have strategies and timelines to improve performance in areas where it has underperformed.

RECOMMENDATION 9

Conclusions

- Although York University was financially sustainable, with a positive net asset balance of \$1.9 billion at the end of fiscal 2022/23, the university experienced declining in-year financial surpluses during the 2018/19–2022/23 period, led by relatively flat enrolment and tuition revenue and increasing faculty and staff salaries and benefits.
- The majority of York’s faculties (6 of 10) have been operating with expenses that exceed their revenues. Even with low enrolment in many of these programs, York had no plan to restructure its offerings, with the exception of Glendon College.
- York has focused on capital expansion at the expense of its growing deferred maintenance backlog, which totalled over \$1 billion by the end of 2022/23.

- York has now reached its capacity for debt, thereby limiting future capital projects, as well as the potential to reduce its deferred maintenance backlog. York's debt repayment plan includes payment for only half of the total debt.
- Comprehensive business cases were not consistently prepared for all major capital projects to inform the Board as to whether a project warrants its financial investment.
- Almost half (49%) of York's tuition revenue is from international students. York has grown financially dependent on international students. This dependence poses significant financial risk to the university should an unforeseen event occur and international student enrolment from these countries declines.

Read the report at www.auditor.on.ca