



Annual Financial Report

2021-2022

BRIGHTER WORLD | mcmaster.ca



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Hosted at McMaster, Canada's Global Nexus for Pandemics and Biological Threats is a hub for international networks of experts and partners who can act quickly in the face of serious and emerging threats to global well-being. Since the beginning of the pandemic, the University's federal, provincial, regional, not-for-profit and industry partners have invested approximately \$90 million to support more than 250 COVID-19 related research projects across campus.

Preventing the next pandemic

Home of the inhaled vaccine



Matthew Miller, Associate Professor,
Biochemistry and Biomedical Sciences

Brian Lichty,
Associate Professor, Medicine

Fiona Smail, Professor,
Pathology and Molecular Medicine

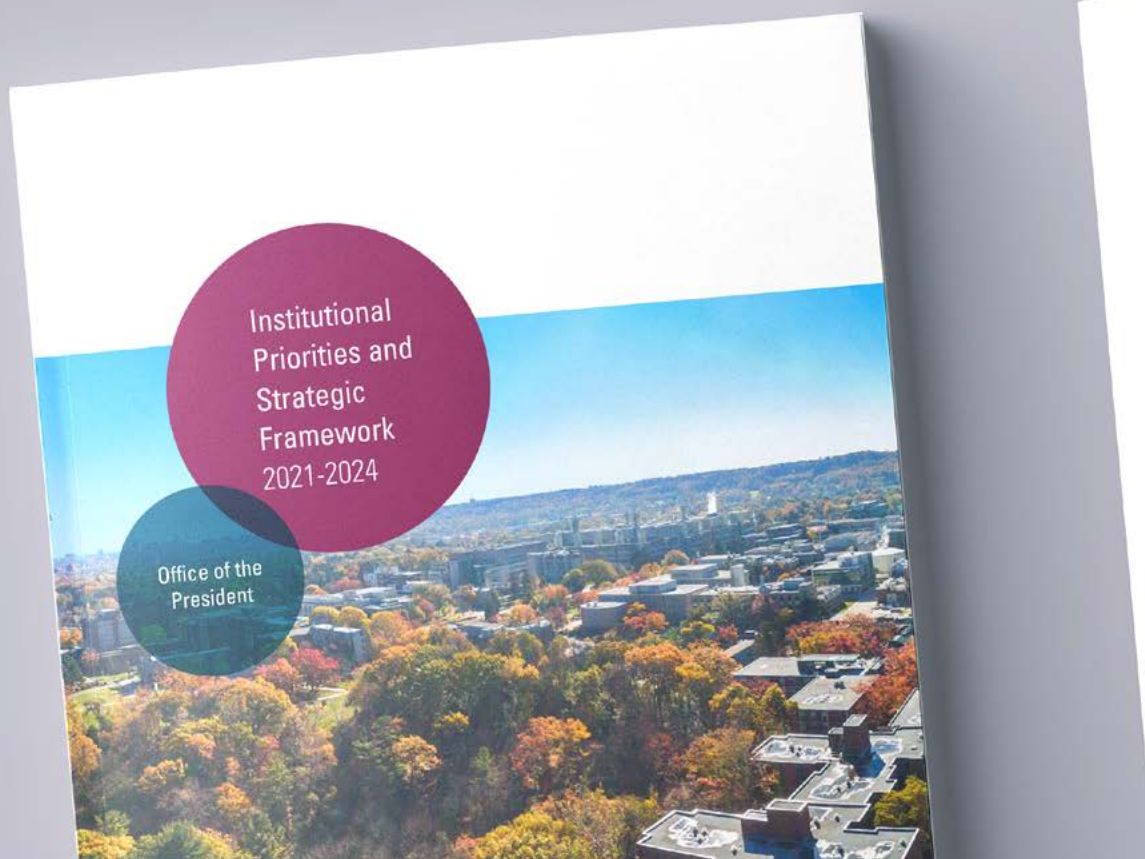
Zhou Xing,
Professor, Medicine

**BRIGHTER
WORLD**



Canada's Global Nexus for
Pandemics and Biological Threats





Overview

Mission Statement: At McMaster, we are committed to advancing knowledge, in our teaching and research, to excellence. We value integrity, critical thinking, personal growth, and the needs of our community and the world.

McMaster University is a research-intensive institution dedicated to advancing knowledge, in our teaching and research, to excellence. We are a uniquely global reputation for innovation aligned with world-leading research, significant knowledge, enabling understanding, and delivers positive impact.

McMaster is focused on preparing and thoughtful citizens, equipped with resilience, and understanding the effective contribution to the current pandemic and equipped to continue to provide a learning environment for our students or the physical environment opportunities for innovative collaboration that is a McMaster University.

Across all six Faculties, we are committed to partner and collaborate innovation that are needed on our society and world, across Faculties and across borders as we collaborate with other universities and co-evolution into a post-pandemic importance and power of our research and our strength.

Year in Review

From Deidre Henne, Assistant Vice-President (Administration) and Chief Financial Officer



In 2021/22, McMaster launched an updated strategic plan focused on serving societal health and well-being living within a sustainable global ecosystem. This Annual Financial Report highlights McMaster's key achievements and initiatives undertaken to progress the strategic plan aligned with the University's refreshed vision released in 2020/21. Highlights also include activities that advanced McMaster Research for a Brighter World Strategic Plan launched in prior years.

McMaster's global reputation as a student-focused experiential learning environment anchored around leading research intensity continues to make the University a destination of choice for students around the world. Diversity across learners grew to 17.0% international student participation across a total student enrolment of over 35,000.

The financial results in 2021/22 were impacted by the ongoing war in Ukraine contributing to global market volatility, driving an already high period of inflation stemming from the pandemic. McMaster's consolidated surplus was \$52.9 million after a 5.4% investment loss. The consolidated surplus remained strong despite investment performance due to increased campus operations following easing of pandemic restrictions. Further contributing to the positive results were significant savings from remote and hybrid work arrangements resulting in revenue growth exceeding expense growth, particularly in areas of travel and office supplies.

The Operating Fund closed with a \$28.0 million surplus mainly resulting from increased international student participation and savings associated with salary vacancies, reduced travel and lower office supplies driven by continued remote and hybrid working alternatives. McMaster's compensation strategies along with Bill 124 compensation restraint requirements have impacted several areas making it more difficult to fill vacancies across academic, student support, and ancillary operations.

McMaster our purpose is the discovery, communication and preservation of knowledge, research, and scholarship. We are committed to creativity, innovation and quality, quality, inclusiveness and teamwork in everything we do. We inspire critical and a passion for lifelong learning. We serve the social, cultural, and economic and our society.

Our vision is to use our collective skills, knowledge, and understanding to improve the world and to make an impact in addressing the big issues we face ranging from climate change to health and well-being, inequality, poverty, disease, and access to education, to name but a few. Across our Faculties, McMaster's researchers, scholars, teachers, and students have the knowledge, creativity, and skill to work together across disciplinary boundaries and knowledge systems to find solutions to these and other global issues. In nurturing and supporting excellence across the institution and at all levels, we have the ability to emerge strongly from the pandemic, to contribute to the local and global community in significant and impactful ways, and to empower our students to transform our world.

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Institutional Priorities

McMaster's Strategic Plan is based around five key priorities:



1

Inclusive Excellence

Aspire to embed an inclusive approach that intentionally engages and respects a diversity of peoples, cultures, and ways of thinking we do.



2

Teaching and Learning

Further advance and support innovation in teaching and learning, within and beyond the classroom, and across disciplines and Faculties.



3

Research and Scholarship

Be the go-to place for world-class researchers and collaborators who share our values and commitment to excellence across disciplines, to develop new knowledge, and to advance the frontiers of human and societal health and well-being.

Institutional Priorities

1. Inclusive excellence
2. Teaching and learning
3. Research and scholarship
4. Engaging local, national, indigenous, and global communities
5. Operational excellence

Over the past year, McMaster continued its planning toward the launch of Canada's Global Nexus for Pandemics and Biological Threats, a multi-disciplinary endeavour with global industry and practice partners. Nexus will serve McMaster's mission with this purpose-built education, research, and development space at the McMaster Innovation Park.

Research income of \$187.3 million is higher than last year as pandemic restrictions eased, enabling the resumption of all research activities. Research income is recognized as related research expenditures occur. New research funding received in the year increased to \$236.9 million.

McMaster's MacBuy initiative contributed to expense savings realized across all areas of University in 2021/22, which despite inflation pressures was able to deliver over \$12.0 million in savings since the project's 2019/20 launch. Further, this year a student-partnered sustainable procurement initiative delivered greater transparency over the environmental and social impacts of University buying decisions.

Overall, beyond expense containment McMaster remains focused on alternative revenue generation opportunities to support the University mission and sustain financial health. In connection with this strategy McMaster launched the McMaster Seed Fund

entity to support public and private investments in our local innovation ecosystem, creating opportunities for faculty, students, and the community to engage in entrepreneurial initiatives with promising commercial opportunities. Additionally, new interdisciplinary programs were launched, open to all undergraduate students in areas of Sustainability, Community Engagement, Globalization, African and African Diaspora Studies, and Latin American and LatinX Studies.

Capital investments in 2021/22 totalled \$133.0 million with key student-focused projects including the Student Activity and Fitness Expansion and the McLean Centre for Collaborative Discovery. Additionally, a Peak Shaver project is in progress to reduce campus carbon dioxide emissions by over 12,000 tonnes annually. McMaster’s public-private developments are underway with the 600-bed downtown graduate residence set to open in 2024, followed by a 1,370-bed undergraduate residence on our expanded campus.

Other real estate initiatives underway in 2021/22 include supporting the McMaster Innovation Park’s research infrastructure development initiative with a private developer partnership model to support an additional 2.8 million square feet of life sciences, biomanufacturing, and research-supporting ecosystem spaces. This initiative follows McMaster’s research commercialization project initiated in 2017 with investments made into the Portal building (formerly the Warehouse) housing several McMaster spin-off companies.

The strategic initiatives completed in the year were supported by the strong financial health McMaster has managed over more than a decade. This strength was supported by McMaster’s 2021/22 debt issuances that were highly subscribed and resulted in two new bond issues within the year. The first, a \$25.0 million green bond at 3.225% maturing in 2051 and second, a \$125.0 million bond at 3.405% maturing in 2071. A portion of these bond proceeds will support McMaster’s Global Nexus commitment.

Finally, McMaster continues to lead nationally on responsible investment practices with early adoption of climate-related financial reporting contained in this report and on its website. After year end, McMaster received national recognition by the C.D. Howe Institute as a leader among Canadian universities in governance, policy, and disclosure practices. At the same time, McMaster approved an accelerated carbon reduction strategy for the Investment Pool to reduce weighted average carbon intensity by 65% by 2025 and 75% by 2030, with net zero as soon as possible thereafter. As well, the Salaried Pension Pool acknowledged its initial interim target of a 30% reduction by 2030, to be informed and finalized in 2022/23.

MEDIA LINKS	
Other media links to supplemental information providing additional in-depth discussion of University information include:	
<i><u>Institutional Priorities and Strategic Goals: 2021-2022</u></i>	<i><u>Consolidated Budget – June 2022</u></i>
<i><u>McMaster University Strategic Plan 2021-2024</u></i>	<i><u>University Fact Book</u></i>
<i><u>Strategic Mandate Agreement</u></i>	<i><u>Sustainability Strategy 2022-2026</u></i>
<i><u>Goals and Priorities</u></i>	<i><u>Net Zero Carbon Roadmap</u></i>
<i><u>Academic Sustainability Programs Office Annual Report 2021-2022</u></i>	

AEROSOL NUBULIZER DEVICE

In February 2022, a team of McMaster scientists published new research confirming the inhaled form of the COVID-19 vaccine can provide broad, long-lasting protection against the original strain of SARS-CoV-2 and variants of concern.



National hub, global priorities

Canada has reaffirmed a mandate to support innovation in biomanufacturing and life sciences.

This mandate envisions a national network spanning research, training, manufacturing and system planning.

A unique hub for this network stands ready: **Canada's Global Nexus for Pandemics and Biological Threats.**

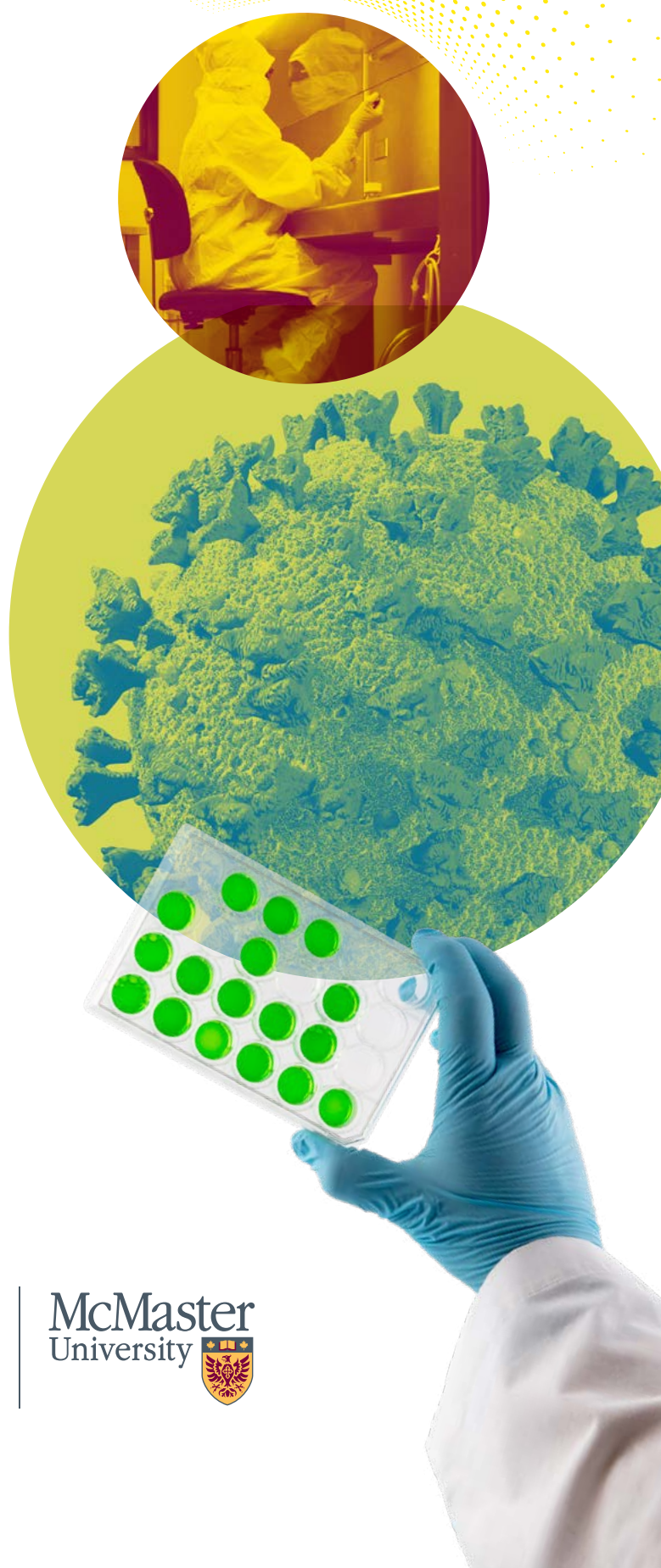
With expertise in every aspect of biomanufacturing, from discovery through to pilots and trials, it can ensure that Canadian facilities have a top-tier, reliable and made-in-Canada pipeline to feed innovation in this sector.

Canada's Global Nexus.

Proven, passionate and prepared to lead.



Canada's Global Nexus for
Pandemics and Biological Threats



By the Numbers

\$859,133,000

Available expendable resources vs. \$723,813,000 last year

\$132,984,000

Capital spending
vs. \$109,316,000
last year

\$1,197,630,000

Total revenue vs. \$1,300,661,000 last year

\$52,928,000

Excess of revenues
over expenses vs.
\$232,009,000 last year

\$24,418

Endowment per FTE
students vs. \$25,777
last year

\$1,144,702,000

Total expenses vs. \$1,068,652,000 last year

\$34,100

Revenue per FTE
students vs. \$37,500
last year

\$(268,882,000) \$(6,832,000)

Non-pension employee future benefit unfunded
obligation vs. \$(287,287,000) last year

Pension employee future benefit unfunded
obligation vs. \$117,359,000 last year

\$28,021,000

Excess of revenues
over expenses
Operating Fund only
vs. \$2,173,000
last year

\$1,706,638,000

Total net assets vs. \$1,804,678,000 last year

35,082

Enrolment (full time equivalent (FTE)) vs. 34,720 last year

8,518

Staff and Faculty head count vs. 8,103 last year

Financial Analysis

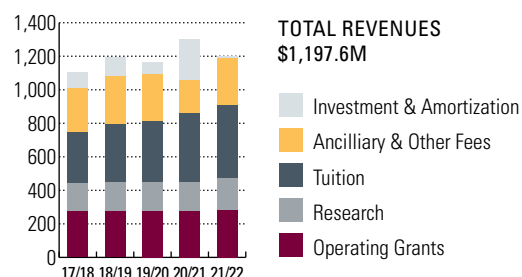
90%

Over 90% of undergraduate students participate in at least one experiential learning opportunity before graduation.

Key Financial Indicators

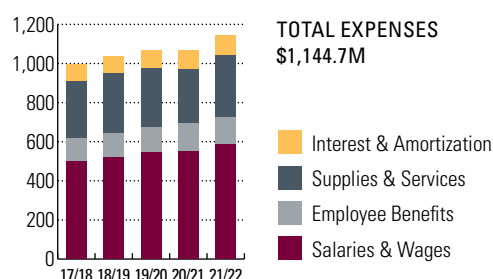
TOTAL REVENUES

- Revenues decreased by \$103.1 million (-7.9%) due to the Investment Pool return of -5.4% (prior year return 26.1%).
- Excluding investment returns, revenue increased by \$128.3 million (11.7%).
- Tuition income increased by \$20.9 million (5.0%) due to increased international enrolment and standard rate inflation.
- Return to campus increased ancillary sales by \$47.0 million (264.3%) and increased research revenue by \$18.7 million (11.1%).



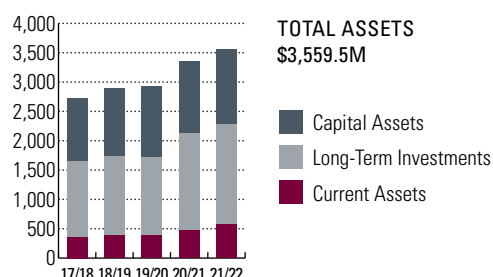
TOTAL EXPENSES

- Expenses increased by \$76.1 million (7.1%).
- Salaries and wages increased by \$35.8 million (6.5%) due to negotiated pay increases, recall of workers laid off during the pandemic, and planned recruitment in key areas.
- Employee benefits decreased by \$3.9 million (-2.7%) due to improved pension requirements.
- Supplies and services increased by \$35.2 million (12.6%) due to increased ancillary operations and resumption of broader research activities, and offset or reduced by continued office-based savings due to remote and hybrid work.



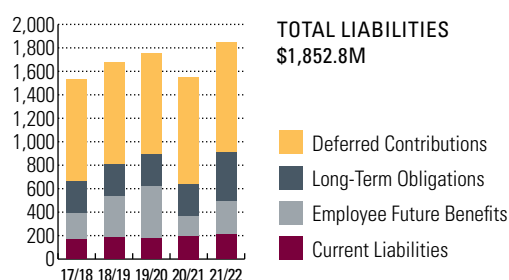
TOTAL ASSETS

- Total assets increased by \$202.1 million (6.0%).
- Total short- and long-term investments increased by \$110.4 million (5.8%) mainly due to 2021 bond issues.
- Accounts receivable increased by \$27.9 million (22.4%) related to research grants and contracts, and a delay in international receipts for a medical program, received subsequent to year end.
- Net capital assets increased by \$44.6 million (3.6%).



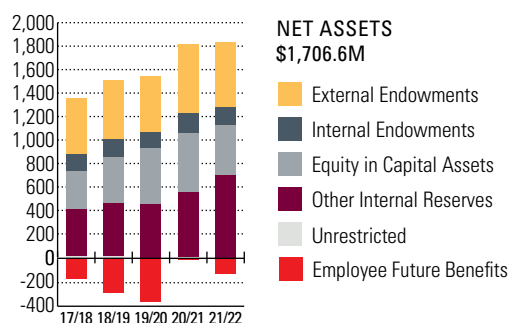
TOTAL LIABILITIES

- Total liabilities increased by \$300.1 million (19.3%).
- Long-term obligations increased by \$152.8 million (57.1%) mainly due to the 2021 bond issues.
- Accrued employee future benefit obligations increased by \$105.8 million (62.3%) due to the year end remeasurement at current interest rates.
- Net deferred contributions increased by \$25.4 million (2.8%) due to increased research receipts and reduced trust fund spending.



NET ASSETS

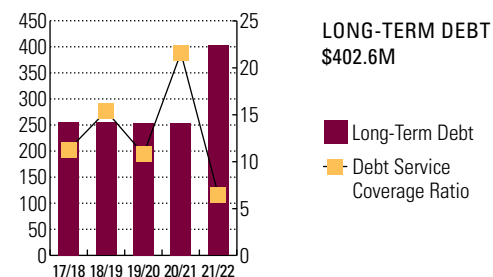
- Total net assets decreased by \$98.0 million (-5.4%).
- Negative investment returns impacted net employee future benefit reserves and internal and external endowment balances.
- Other internal reserves increased from the 2021 bond issues for capital priorities.



Key Financial Indicators

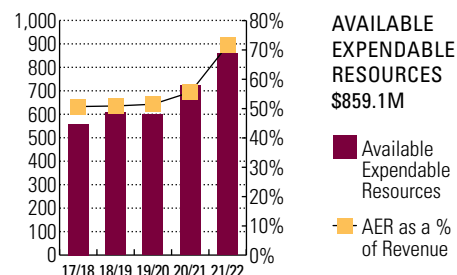
LONG-TERM DEBT

- Long-term debt primarily relates to two \$120.0 million bonds maturing in 2052 and 2065, plus 2021 additional debt of a \$25.0 million green bond maturing in 2051 and a \$125.0 million bond maturing in 2071.
- The debt service coverage ratio declined to 6.5 times due to increased debt and lower net income.
- Sinking funds exist to settle debts on maturity.



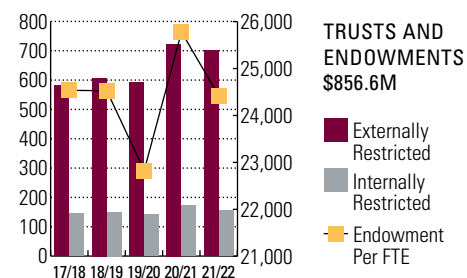
AVAILABLE EXPENDABLE RESOURCES (AER)

- AER represents equity (cash and non-cash funds) not externally committed, such as unrestricted net assets, specific purpose reserves, faculty and department appropriations, and internally restricted endowments.
- AER increased by \$135.3 million (18.7%) mainly due to the 2021 bond issues.
- AER is internally restricted for specific purposes such as future financial obligations (see financial statements note 11).



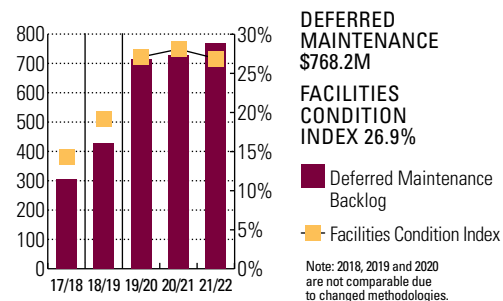
TRUSTS AND ENDOWMENTS

- Trusts and endowments decreased by \$38.3 million (-4.3%) related to the Investment Pool return of -5.4%.
- Endowment funds per student decreased 5.3% related to the lower fund balance and increased enrolment.



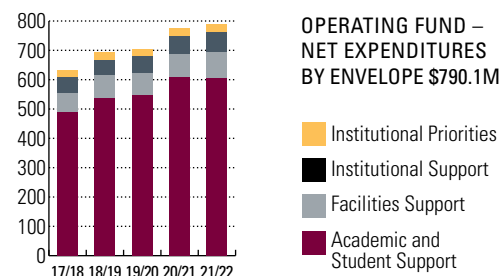
DEFERRED MAINTENANCE

- Deferred maintenance is funded from multiple sources, including a grant from the Ministry of Colleges and Universities, an annual operating allocation, and an annual contribution from residence revenues for residence infrastructure.
- Measurement methodology changes have been implemented to harmonize with colleges. The approach is considered more accurate across the sector, but figures are not comparable to assessments prior to 2019/20.
- Asbestos abatement is conducted where required during building renovations and is not included in the backlog estimate, an approach that differs from government-controlled universities outside of Ontario.



OPERATING FUND – NET EXPENDITURES BY ENVELOPE

- Net Operating Fund expenditures increased by \$14.0 million (1.8%) mainly due to resumption of activities paused during the pandemic.
- Academic and Student Support decreased by \$1.8 million (-0.3%) due to capital provisions offset partially by other return-to-campus costs.
- Facilities Support increased by \$8.1 million (10.2%) associated with higher utility costs and additional bond interest.



Revenues

Total revenues decreased by \$103.1 million (-7.9%) to \$1,197.6 million (2020/21: \$1,300.7 million) reflecting revenue per student FTE of \$34,138 (2020/21: \$37,461). Net investment income decreased \$231.4 million after extraordinary returns in 2020/21. Financial markets remain volatile stemming from the prolonged war in Ukraine and rising inflation. The revenue decline is partially offset by \$47.0 million (264.3%) increased ancillary sales, \$20.9 million (5.0%) increased tuition revenues due to enrolment and standard rate inflation, and \$18.5 million (16.3%) increase in other income as campus activities resumed following easing of pandemic restrictions.

McMaster's reputation in research and experiential learning continues to make the University a destination of choice for students while strategic investments aim to grow alternative revenue opportunities across research commercialization, real estate, and other ancillary operations. New Interdisciplinary Minors launched and are open to all undergraduate students in areas of Sustainability, Community Engagement, Globalization, African and African Diaspora Studies, and Latin American and LatinX Studies.

OPERATING GRANTS INCOME

Operating grants from the Ministry of Colleges and Universities (MCU) increased by \$6.3 million (2.3%) compared to 2020/21. The MCU corridor funding model allows universities to be plus or minus 3.0% of the enrolment funding mid-point based on 2016/17 funding. In 2020/21, domestic enrolment exceeded the maximum funding cap with increased offers translated into higher acceptances rather than deferrals anticipated due to the pandemic. Domestic enrolment over the next several years targets participation to return within the funding cap.

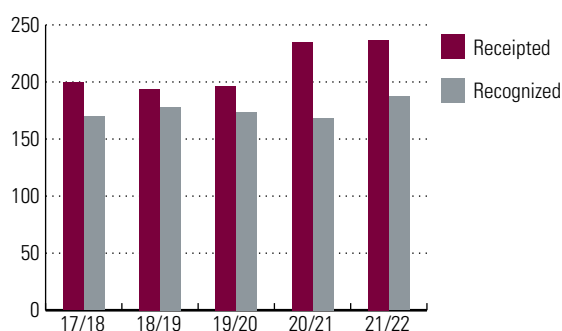
In 2021/22, the MCU continued its transition toward performance-based funding and metric tracking across the sector. However, performance-linked funding has been delayed due to the pandemic until 2023/24. Additional grants were received for approved enrolment increases in the Bachelor of Science in Nursing and microcredentials. In real dollar terms, the operating grant held mainly frozen has not kept pace with inflation.

RESEARCH GRANTS AND CONTRACTS

Research expenditures increased by \$18.7 million (11.1%) due to resumption of on-campus activities, resulting in \$187.3 million in research revenue recognized (2020/21: \$168.6 million). Research revenue is recognized in the period research expenditures occur. Research funding unspent is reflected as deferred contributions. Externally restricted funding is reconciled routinely throughout the year and is not used for other expense purposes. McMaster's research revenue does not include funding received and administered by affiliated hospitals or Networks of Centres of Excellence.

Figure 1: RESEARCH REVENUE: RECEIPTED VS. RECOGNIZED IN INCOME

\$ Millions



Research funding receipted in the year increased by \$2.0 million (0.9%) to \$236.9 million (2020/21: \$234.9 million) as shown in Figure 1. The increase mainly related to grants for the prevention, detection, and treatment of COVID-19. Further, McMaster has been successful in building national and international collaborations on a spectrum of pandemic matters leading toward launching Canada's Global Nexus for Pandemics and Biological Threats.

TUITION FEES

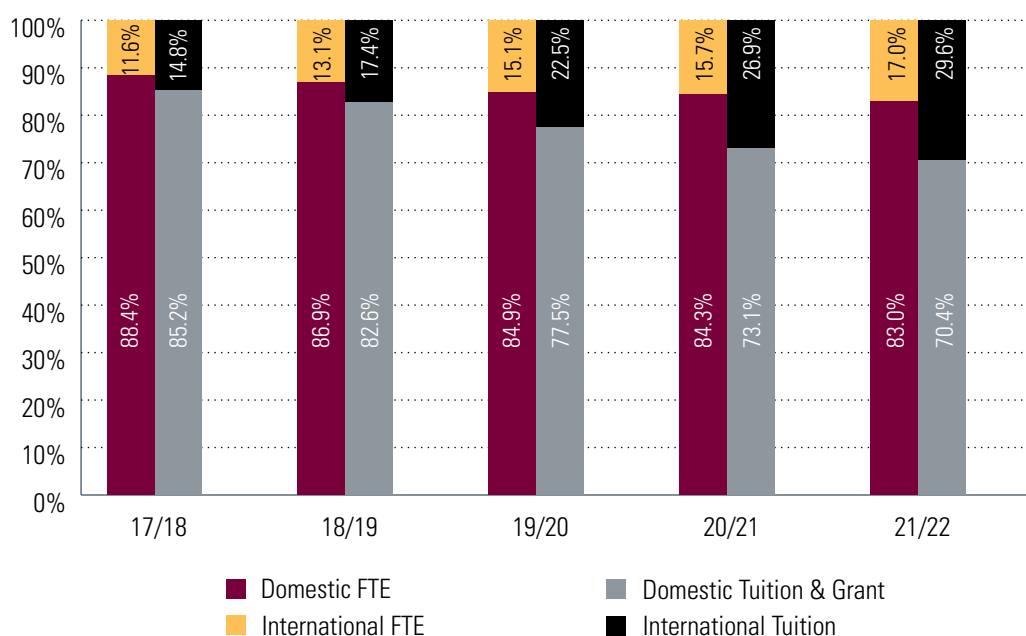
Revenue from tuition fees increased by \$20.9 million (5.0%) to \$437.4 million (2020/21: \$416.5 million). High demand for McMaster programs remained throughout the pandemic. Experiential and community-engaged learning opportunities expanded, including the Interdisciplinary Minor in Community Engagement and Indigenous Studies programs developed under the leadership of the Indigenous Education Council.

Domestic enrolment decreased by 0.6% as targeted due to enrolment being over the funded grant ceiling. Net enrolment increased by 1.0% with international enrolment increasing by 9.9%. International tuition fees are higher than domestic fees because there is no provincial operating grant to offset the total education costs of these students.

McMaster is focused on further diversifying the international student mix along with modestly increasing participation. This enrolment mix change and increase means a growing proportion of tuition comes from international students compared to domestic tuition and grants (Figure 2). International tuition revenue increased by \$25.1 million (14.6%) and enrolment accounts for 17.0% (2020/21: 15.7%) of the student population and 29.6% (2020/21: 26.9%) of enrolment-based revenue.

Consolidated tuition revenues improved across non-government funded programs, which are priced by market comparators and not subject to legislative caps.

Figure 2: DOMESTIC VS. INTERNATIONAL – OPERATING FRAMEWORK TUITION AND GRANT FUNDING AND FTE



"University is not just a place you gain knowledge from, but it's a community that you belong to; And that's what I found in McMaster."

– Saven Denha, Biochemistry. Saven is originally from Iraq and graduated from McMaster's MELD program in 2019.

ANCILLARY SALES AND SERVICES

Ancillary operations provide essential support services, such as housing, food services, campus stores, continuing education, parking, and media production. Ancillaries provide efficient and affordable services covering operating and capital expenditure requirements, contribute 4.5% on sales to the Operating Fund, and offer casual employment opportunities to students.

An ancillary sales summary is shown in Table 1. Ancillary revenue increased by \$47.0 million (264.3%) to \$64.7 million (2020/21: \$17.8 million) due to increased campus activity. In 2020/21, all ancillaries except Continuing Education experienced a sales decline due to the pandemic. In 2021/22, Housing and Conference Services results improved by \$27.2 million and Hospitality Services increased by \$16.8 million.

Ancillary losses were substantially mitigated through operational cost containment strategies. The net ancillary reserve balance for 2020/21 was a \$4.7 million deficit; the 2021/22 resumption of campus activities recovered \$1.4 million with the remaining deficit to be recovered within three years.

	2017/18	2018/19	2019/20	2020/21	2021/22
Housing and Conference Services	27,231	27,792	28,440	524	27,765
Hospitality Services	27,641	27,240	25,696	506	17,319
Campus Store	15,897	14,978	14,073	10,849	12,025
Continuing Education	7,183	7,759	8,342	9,276	8,336
Parking	5,821	6,222	5,345	161	3,110
Media Production Services	4,190	4,331	4,194	1,388	1,964
	87,963	88,322	86,090	22,704	70,519
Less internal sales	(10,851)	(10,120)	(10,131)	(4,937)	(5,801)
	77,112	78,202	75,959	17,767	64,718



AWARD-WINNING TEAM

McMaster Hospitality Services in the Canadian College and University Food Service Association (CCUFSA) conference's annual culinary challenge in June. The team, led by Hospitality Services' Chef John Barreda, won all available three gold medals – a record for any school participating in the past.

INVESTMENT INCOME

Long-term investments (the "Investment Pool") consist of both endowed and non-endowed funds. The Investment Pool incurred a loss of -5.4% (2020/21: 26.1%), net of investment management fees approximating 0.4%. Funds are invested based on a benchmark asset mix of 60.0% equities and 40.0% fixed income, real estate, and infrastructure. The Investment Pool performance policy tracks four-year annualized returns compared to policy benchmark. The April 30, 2022 four-year annualized return for the Investment Pool is 5.9% or 0.7% above the policy benchmark of 5.2%.

Market volatility and interest rates remain key management concerns; as such, a broad geographic and asset class diversification strategy within the Investment Pool exists to mitigate some volatility and protect capital. The Investment Pool is managed in accordance with the Statement of Investment Policy and Procedures, which deploys a responsible investment philosophy incorporating environmental, social and government considerations. The Investment Pool is overseen by the Investment Pool Committee, a sub-committee of the Board of Governors, and includes advisory support from an investment consultant and administration. Investments are diversified across several external investment managers noted in Table 2.

Table 2: INVESTMENT POOL CONSULTANTS AND INVESTMENT MANAGERS AS AT APRIL 30, 2022

Investment Consultant: Aon Hewitt Inc.*

Investment Managers: Aristotle Capital Management, LLC; Bentall Kennedy; Beutel Goodman & Company Ltd.; BlackRock Asset Management Canada Limited; Brookfield Investment Management; Clarivest Asset Management LLC; Fiera Real Estate; First Sentier Investors; Foyston, Gordon & Payne Inc.; Harris Associates L.P.; Harrison Street; Mesirow Financial; Morgan Stanley Investment; Management Inc.; PCJ Investment Counsel Ltd.; Russell Investments Canada Limited

*Russell Investments Canada Limited acts as Real Assets Consultant

Investment earnings are allocated as either income or direct changes to endowment as preservation of capital (Table 3).

Table 3: ALLOCATION OF INVESTMENT INCOME EARNED					\$ Thousands
	2017/18	2018/19	2019/20	2020/21	2021/22
Recognized income	52,275	70,820	26,392	199,111	(32,252)
Amount posted directly to external endowments	2,718	7,266	(33,302)	96,932	(56,643)
Total earned	54,993	78,086	(6,910)	296,043	(88,895)

Investment returns for endowed funds are used for purposes set out by donors or by the Board of Governors, where gifts are for discretionary purposes. Annual endowment spending is 4.0% plus a 1.0% allowance for trust administration costs. The total 5.0% annual spending is monitored against the five-year average rate of return. Net returns in excess of annual spending are allocated to capital preservation. Approximately \$23.0 million (2020/21: \$36.2 million) of expenses were funded from the external endowment to support student scholarships, bursaries, Chairs, and Professorships.

Investment income allocated to internally restricted reserves are disclosed in note 12 of the audited financial statements. The specific purpose reserve is an internal insurance fund to support annual expenditure requirements associated with trust-related scholarships, bursaries, and Chair salaries in the event of prolonged economic downturns. Additionally, this reserve provides funding stability to the Operating Fund, enabling a fixed allocation of \$9.5 million in investment income each year regardless of actual returns. In 2020/21, a one-time additional investment income contribution of \$1.0 million was made to the Operating Fund from this reserve to support the President's Strategic Support Fund. Finally, the specific purpose reserve will also support supplemental funding for long-term obligations, such as the post-retirement benefits and capital priorities.

Compensation and Benefits

McMaster provides compensation and benefit plans for faculty and staff. Both current and future costs associated with total compensation plans are managed to ensure long-term financial sustainability. The employee benefit expenses include statutory benefit costs, other current benefit costs, and accruals for pension and other non-pension benefits (primarily medical benefits and dental care) that are earned in relation to service in the current year. Additional information related to the current year expenses, pension and non-pension liabilities and unfunded deficits are included in this section.

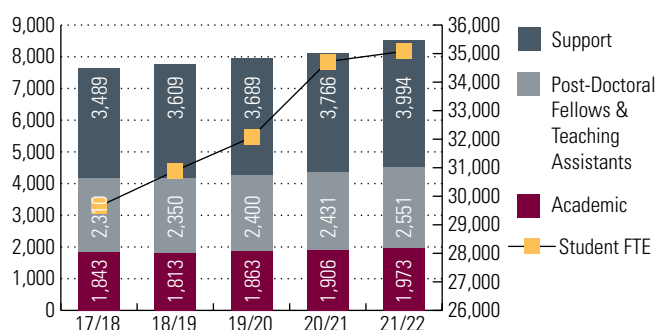
In recognition of McMaster's work and focus on employment equity, the university was named one of Canada's Best Diversity Employers in 2022.



COMPENSATION EXPENSE

Total compensation (salary and wage along with benefit costs) accounts for 63.4% of total expenditures (2020/21: 64.9%). Figure 3 shows the count of 8,518 academic and permanent staff members at October 2021 (October 2020: 8,103), which includes layoff recalls as campus activities resumed.

Figure 3: ACADEMIC AND PERMANENT STAFF AS OF OCTOBER 2021



Total compensation expenses of \$725.8 million are up 4.6% (2020/21: \$693.9 million). Salary and wage costs increased 6.5% due to staff recall and faculty recruitment strategies, along with negotiated pay increases. Ontario's Bill 124 requires a three-year pay moderation period limiting increases to 1.0% per year. Recent inflation has created hiring and retention pressures as pay restraints make it increasingly difficult to keep pace with living wage estimates. Benefit expenses decreased 2.7% primarily due to decreased pension financing costs because of increased pension asset values following the above-average return in 2020/21.



"These initiatives demonstrate McMaster's commitment to addressing equity gaps and building an inclusive campus environment where all

members of the university community can thrive."

— Bonny Ibhawoh, ACFAM Co-founder and Professor of History

BLACK EXCELLENCE HIRING INITIATIVE

The Black Excellence hiring initiative accelerated the hiring of a cohort of Black faculty across all six Faculties. Funds have also been allocated to support the development of the Black Student Mentorship Program, Black student scholarships, and many other initiatives driven by the African and Caribbean Faculty Association of McMaster (ACFAM).

FLEXIBLE WORK ARRANGEMENTS

Newly released university [Flexible Work Guidelines](#) assist managers and employees in navigating the flexible work arrangement process.



“At McMaster, we are committed to enabling a work culture that is safe, inclusive, collaborative and allows every employee to contribute and thrive.”

— Wanda McKenna, Assistant Vice-President and Chief Human Resources Officer



EMPLOYEE FUTURE BENEFIT COSTS

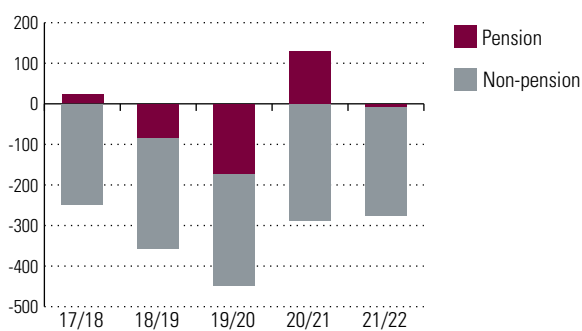
Included in total compensation expenses are defined benefit pension, group RRSP and non-pension benefit costs (EFB). The non-pension benefit costs include extended health, dental and life insurance for some employees depending on date of hire. Under the Canadian accounting standards for not-for-profit organizations the annual remeasurements, investment gains and losses, and other items specifically related to employee future benefits are recorded directly in the Statement of Changes in Net Assets. Only current year benefit costs are expensed in the Statement of Operations.

In 2021/22, the loss on pension assets was \$263.0 million related to market returns, resulting in an increase in the EFB obligation (Figure 4). Net of actuarial gains on remeasurement of EFB obligations, the liability increased by \$105.8 million (62.3%) to \$275.7 million (2020/21: \$169.9 million). Over the last several years, cost-balancing strategies have been put in place including plan eligibility, design changes, and increased employee contributions. Future interest rate improvements would improve affordability of the benefit plans. However, with individuals living longer, the mortality tables used to measure the liability are reflecting a permanent and ongoing increase to future benefit obligations.

Actuarial funding valuations are used on an ongoing and periodic basis to manage McMaster’s funding commitment to plan members and to determine required funding contributions. The Board-approved post-retirement benefit reserve is unitized in the Investment Pool and reflects McMaster’s commitment in employment-related agreements to set aside funding to settle this obligation net of employee contributions.

Figure 4: POST RETIREMENT (UNFUNDED OBLIGATIONS)/SURPLUS

\$ Millions



The funding strategy for non-pension obligations includes a fixed portion operating budget allocation, a departmental employee benefit cost charged to each unit with eligible staff, and allocations from the specific investment reserve. Benefit expenses are charged to faculties and departments using a smoothed coverage rate over three- to ten-year horizons. Benefit costs average 30.0% of associated salaries each year, although annual benefit cash outflows can vary year over year.

PENSION PLANS

Defined benefit pension plan management has involved strategies to revise plan eligibility and employee contributions to ensure ongoing affordability of these plans. In 2008, the defined benefit plans closed to some employee groups with the creation of a new group RRSP. The group RRSP now includes 609 full time employees (2020/21: 511).

McMaster Salaried Pension Plan actuarial valuation was filed on July 1, 2021 using a revised Pension Benefit Act definition of open plan, resulting in an improved valuation with reduced payment requirements. The Hourly Pension Plan actuarial valuation is due on January 1, 2023, however an analysis by management has been completed to confirm an earlier filing date election on July 1, 2022, locking in recent strong performance and resuming the regular three-year filing on the July 1 dates. The change in the funded status of the defined benefit pension plans is summarized in Table 4.

	2017/18	2018/19	2019/20	2020/21	2021/22
Funded status, opening balance	(3,479)	19,142	(82,609)	(171,231)	117,359
Current service and finance cost	(33,293)	(32,375)	(38,841)	(48,930)	(34,068)
Remeasurements	(10,585)	(131,619)	(116,068)	274,006	(148,269)
University contributions	66,499	62,243	66,287	63,514	58,146
Funded status, closing balance, net	19,142	(82,609)	(171,231)	117,359	(6,832)

A \$148.3 million negative pension remeasurement adjustment was made in the Statement of Net Assets (2020/21: \$274.0 million positive) primarily related to the loss in value of plan assets. Remeasurements are adjusted directly in reserves and have no impact on 2021/22 expenses.

The University Pension Plan (UPP) was launched on July 1, 2021 with currently four participating Ontario universities. McMaster monitors the UPP in relation to its own plans. The UPP as designed is more expensive than McMaster's current plans, however management is monitoring in the event the UPP becomes more cost neutral while serving the benefit needs of existing plan members.

ADVANCING SOCIETAL HEALTH AND WELL-BEING

McMaster's first university-wide Sustainability Strategy launched in April 2022 with a collective commitment to engage students, faculty, and staff in transforming the campus into a living laboratory for sustainability.



"Our first-ever Sustainability Strategy aligns with McMaster's vision to advance societal health and well-being and strengthens our connections with the United Nations' Sustainable

Development Goals. Now it is up to all of us to collaborate across the university, set ambitious goals, and commit to a more sustainable future." – David Farrar, President and Vice-Chancellor



NON-PENSION POST-RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS

These plans provide extended health benefits to retirees and to employees on long-term disability leave. The status of the plans improved by \$18.4 million (6.4%) to a deficit of \$268.9 million (2020/21: \$287.3 million deficit). The long-term funding strategy for these obligations, explained earlier, includes annual contributions to an internally restricted reserve estimated annually by third-party actuaries. The current funding strategy is projected to fully fund the post-retirement obligation by 2035.

In 2021/22, non-pension employee benefit expenses increased by \$1.0 million (4.6%) to \$23.0 million (2020/21: \$22.0 million) due to an increase in both current service and finance cost (Table 5). The positive remeasurement of \$33.3 million (2020/21: \$4.9 million) is primarily due to improved claim cost assumptions based on updated claims experience, as well as a reduction in the Provision for Adverse Deviation. University claim payments increased by \$8.1 million over prior year due to some benefit providers re-opening following pandemic restrictions lifting.

	2017/18	2018/19	2019/20	2020/21	2021/22
Funded status, opening balance	(220,326)	(247,721)	(274,681)	(277,215)	(287,287)
Current service and finance cost	(20,411)	(21,400)	(22,949)	(22,020)	(23,032)
Remeasurements	(14,847)	(12,907)	13,334	4,870	33,325
University contributions	7,863	7,347	7,081	7,078	8,112
	(247,721)	(274,681)	(277,215)	(287,287)	(268,882)
Internally restricted reserve	83,202	93,816	116,252	193,519	191,955
Funded status, closing balance, net	(164,519)	(180,865)	(160,963)	(93,768)	(76,927)

EMPLOYEE FUTURE BENEFITS IN INTERNALLY RESTRICTED NET ASSETS

McMaster allows unspent surpluses to be carried forward from year to year by departments, segregated as part of internally restricted net assets. These departments cover current service costs of benefit plans. Under this practice, fluctuations in the reserve for past employee future benefit costs do not impact the funding available to departments. To obtain a complete picture of the net department reserves including all related employee future benefits, the reserves for employee future benefits must be netted against departmental funds carried forward. Table 6 demonstrates the true net position of McMaster's department reserves after all employee benefit costs are applied. Department reserves are used to progress capital and strategic priorities supported by area leaders.

	2020/21			2021/22		
	Faculties	Support/Ancillary	Total	Faculties	Support/Ancillary	Total
Departmental reserves	113,267	80,809	194,076	152,149	71,348	223,497
Pensions	66,935	18,525	85,460	(35,487)	(10,031)	(45,518)
Other post-employment benefits	(68,984)	(24,784)	(93,768)	(55,822)	(21,105)	(76,927)
Employee benefit reserve	6,348	4,852	11,200	5,533	4,317	9,850
Net departmental reserves	117,566	79,402	196,968	66,373	44,529	110,902

Strategic Projects and Financing

McMaster's refreshed vision statement and updated strategic plan reflect the University's commitment to making a positive impact on the world, developing the partnerships and collaborations needed to support its scholars and ensure that McMaster is well positioned to tackle local and global issues, and build a clear sense of community and belonging for everyone. Underlying this strategy is an increased alignment and promotion of the United Nations' (UN) Sustainable Development Goals.

Accessible and flexible spaces support inclusivity and positive learning outcomes

CAPITAL PROJECTS

McMaster is committed to a sustainable and safe campus, developing and renewing purpose-built and technology-enabled spaces that are research-focused and student-centered. In 2021/22, McMaster announced its objective to transition to a net zero carbon campus by 2050.

As greater numbers of students, faculty and staff return to campus, the University is continuing to focus on enhancing the physical environment, including transforming the campus into a living laboratory for accessibility, inclusion, and sustainability. In 2021/22, the McMaster community began collaborative initiatives to update the McMaster Campus Master Plan which, along with the annual Capital Plan and the Net Zero Carbon Roadmap, will provide a framework for future capital initiatives.

McMaster's 2021/22 total capital expenditures totalled \$133.0 million (2020/21: \$109.3 million) and are summarized in Table 7. Capital expenditures increased with fewer pandemic restrictions, however supply chain challenges have continued along with inflationary pressures. Capital projects underway in 2021/22 included the Student Activity and Fitness Expansion (SAFE), the Peak Shaver project to reduce carbon emissions from 13,670 tonnes of CO₂e annually to less than 1,000 tonnes, the McLean Centre for Collaborative Discovery, and infrastructure projects that support research commercialization.

Table 7: CAPITAL ASSET ADDITIONS					\$ Thousands
	2017/18	2018/19	2019/20	2020/21	2021/22
Land, Completed Building Projects & Construction in Progress	102,446	110,835	77,150	54,018	76,308
Computers, Software, Furniture and Other Equipment	33,367	27,342	40,694	43,649	44,787
Library Materials	9,778	9,833	10,078	11,649	11,889
	145,591	148,010	127,922	109,316	132,984



CAMPUS MASTER PLAN

The Campus Master Plan will provide a vision for the future development of McMaster's campus and locations over the next decade, and a framework that will shape its buildings, outdoor spaces, infrastructure and the experience of being at McMaster.

OTHER STRATEGIC PROJECTS

New alternative revenue growth in alignment with McMaster’s mission and vision will be key to building financial sustainability to support future needs. The University’s focus over the last year has been to amplify the positive impact of the work of its researchers, to advance the UN Sustainable Development Goals, and to establish McMaster as a key partner for research expertise. Throughout the pandemic, McMaster’s research strengths and partnerships have contributed globally to COVID-19 solutions. These strengths have been focused into new efforts to develop Canada’s Global Nexus for Pandemics and Biological Threats, a purpose-built infrastructure project at the McMaster Innovation Park (MIP). In 2021/22, McMaster partnered with MIP to launch a park-wide development opportunity with third-party financing to build out the park with Nexus as a key initial project. In addition, this past year the University approved the creation of the McMaster Seed Fund (McMaster MSF Holdings, Inc.) which will support economic prosperity, social innovation, and the ongoing development of the innovation ecosystem in Hamilton and within Southern Ontario. Finally, demand for the radiopharmaceutical isotopes produced by the Nuclear Reactor is growing, allowing this past year to approve the transition of its operations toward a 24/5 operational model.

In addition, new ancillary infrastructure projects are being realized through public-private partnerships. Work is underway to open a 640-bed graduate residence with 265 parking spaces in downtown Hamilton in 2024, and main campus has been expanded to support a new undergraduate residence with 1,373 beds opening thereafter.



PARTNERING WITH FUSION

McMaster University and Fusion Pharmaceuticals are working together to build a radiopharmaceutical manufacturing facility at McMaster Innovation Park (MIP). Fusion is a clinical-stage oncology company focused on developing next-generation radiopharmaceuticals as precision medicine.

FINANCING

Projects with long-term funding sources such as user fees, parking levies, and future fundraising continue to be financed through internal central bank loans. In 2020/21, some principal loan repayments were paused with interest-only payments, all loans have resumed principal and interest payments in 2021/22. Internal central bank loans decreased to \$103.2 million in 2021/22 from \$107.1 million last year due to scheduled loan repayments. Loans carry varying repayment terms and interest rates, which reflect the date of issue and the project’s income stream.

University debt is considered a perpetual component of McMaster’s capital financing structure; as such, additional debt is reviewed annually in conjunction with multi-year financial projections. In 2021/22, the Board approved additional debt of \$150.0 million to support McMaster’s strategic plan, locking in low interest rates and supporting the objective of achieving a lower weighted average cost of capital (WACC). Following the debt issuance, the University has four long-term bonds outstanding:

	Maturity Date	Interest Rate
\$25.0 million	2051	3.225%
\$120.0 million	2052	6.15%
\$120.0 million	2065	4.105%
\$125.0 million	2071	3.405%

Sinking funds exist to repay each bond at maturity. The favourable rates achieved for the new debt reduced the weighted average cost of capital used for new internal loans from 5.75% to 4.75% in 2021/22.



“Hamilton – based largely on McMaster’s research and innovation – is quickly becoming one of Ontario’s largest life sciences clusters, and we need to ensure we are prepared to accommodate the commercialization activities, and subsequent job creation, of our researchers and local partners.” – Karen Mossman, Vice-President, Research

Financial Health and Sustainability Metrics

The Strategic Mandate Agreement (SMA) includes annual tracking of financial health metrics. The inclusion of financial health metrics recognizes that financial stability is critical to achieving institutional mandates. In addition to the SMA financial metrics, the University's Debt Policy ratios provide a framework to monitor debt capacity and affordability. McMaster's strong financial health is evidenced by the financial metrics (Table 8) and reinforced by strong credit ratings of AA (Stable) by S&P and DBRS.

Table 8: FINANCIAL HEALTH AND SUSTAINABILITY METRICS					\$ Thousands
	2017/18	2018/19	2019/20	2020/21	2021/22
Available Expendable Resources					
Unrestricted net assets	9,781	10,755	-	-	-
Other internal reserves	402,839	446,535	456,943	552,000	702,518
Internal endowments	145,777	150,410	141,333	171,813	156,615
Available Expendable Resources	558,397	607,700	598,276	723,813	859,133
AER as a % of Revenue	50.7%	50.9%	51.5%	55.6%	71.7%
Debt Management Policy Ratios					
Expendable Net Assets to Debt (Target > 1.0x)	2.0x	2.2x	2.2x	2.7x	2.0x
Interest Burden (Target < 4.0%)	1.4%	1.4%	1.3%	1.3%	1.6%
Debt per FTE (Target < \$12,000)	\$9,321	\$8,901	\$8,525	\$7,826	\$11,971
Debt Management Monitoring Ratios					
Net Income/(Loss) Ratio (McMaster Target > 1.0%)	9.6%	13.2%	7.9%	17.8%	4.4%
Net Operating Revenues (McMaster Target > 2.0%) ¹	12.0%	15.7%	8.5%	29.7%	10.0%
Primary Reserves Ratio (McMaster Target > 91 days) ²	205	214	204	247	274
Viability Ratio (McMaster Target > 1.0) ³	2.1	2.3	2.2	2.7	2.0

¹ Measures cash flow from operating activities as a proportion of revenues.

² Measures the number of days University reserves can cover operating expenses.

³ Measures the proportion of long-term debt that could be settled using unrestricted assets.

HEALTH AND WELL-BEING

McMaster's established record for advancing better health solutions, care, equity, and growth has earned the University the top rank in Canada and sixth worldwide for impact on health and well-being in an international ranking of more than 1,400 universities. Overall, McMaster ranked 37th in the world in this year's Times Higher Education (THE) Impact Rankings, which recognizes the contributions of universities working to make the world a more sustainable place.



Enterprise Risk Management

In 2021/22, the University initiated implementation of recommendations based on an external expert review of McMaster’s Enterprise Risk Management (ERM) Program. The University launched a search for a Chief Risk Officer (CRO) and a Manager, Enterprise Risk to help lead the University community to integrate risk management strategies and advance McMaster’s existing ERM foundation. The CRO will advise and oversee the enterprise risk exposure and compliance reporting of the University.

The President and Vice-Presidents regularly complete risk reviews and update McMaster’s risk profile to reflect current and emerging risks associated with strategic plan priorities and University academic and research operations. Potentially material enterprise risks are modelled in the multi-year financial projections along with risk-mitigations as part of the Chief Financial Officer’s integrated reporting framework under the CPA professional standards guidance.

Key risks for 2022 are listed in Table 9.

Table 9: 2022 KEY RISKS			
Geopolitical	Partnership	Change Readiness	Financial
Government Policy	Information Security	UG Student Enrolment	Attract Graduate Students
Mental Wellness	People	Physical Infrastructure	Student Experience, Retention & Satisfaction
Research	Reputation and Brand	Leadership	
Research Infrastructure	Pandemic	Technology	Information Availability & Quality

As well as the above key risks, the consideration of climate-related risks is included within a number of these areas, such as physical infrastructure, research infrastructure, and financial (invested assets).

“If you are thinking about Black excellence, for example, it is important for students to go to countries where that is embodied; countries where they will interact with many Black people who are high achievers and successful leaders in their areas of specialization.”

– Selina Mudavanhu, Assistant Professor in Communication Studies and Media Arts and Director of MACLeads

GLOBAL OPPORTUNITIES

The McMaster African and Caribbean Leadership Exchange (MACLeads) and Developing Skilled Future Leaders in Strengthening Health and Social Systems offers McMaster students the opportunity to study and work overseas.



Charu Kaushic (right), Scientific Director, CIHR Institute of Infection and Immunity



Gerry Wright (right), Lead, Canada's Global Nexus for Pandemics and Biological Threats

Leading the way

Canadian solutions for a global crisis

Based at McMaster University, **Canada's Global Nexus for Pandemics and Biological Threats** is focused on shared goals: beating COVID-19 and preparing for future pandemics.

Building on a world-leading track record of infectious disease research, Canada's Global Nexus is bringing together researchers, government, industry, health care and global partners to help make Canada a leader in solving the existing health crisis while preparing for the next.



Canada's Global Nexus for
Pandemics and Biological Threats



Climate-Related Financial Disclosures



Climate-Related Financial Disclosures

McMaster's adoption of reporting recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) initiated in 2019/20. TCFD reporting entails clear, comparable, and consistent reporting of financial information related to climate change with an initial focus on carbon-related measures. McMaster's phased-in adoption enables Greenhouse Gas (GHG) emissions to be converted into a single carbon dioxide (CO₂) measure using globally aligned standards, along with carbon reduction target-setting and reporting to promote understandability and comparability with other TCFD-adopting organizations.

In 2019, the Government of Canada endorsed TCFD for voluntary adoption over two phases ending by 2026 based on investment portfolio size. McMaster has endorsed earlier TCFD adoption by 2023 (Table 10) and management is working with other TCFD universities on refining practice comparability.

Table 10: TCFD IMPLEMENTATION PHASES		
Investment Portfolio	Phase 1 Adoption	Phase 2 Adoption
Investment Pool (consisting of both endowed and non-endowed assets)	April 30, 2020	April 30, 2021
Pension Trust (consisting of defined benefit pension plan assets of the Salaried Plans – Plan 2000 (open to new entrants) and Original Plan (closed to new entrants))	April 30, 2021	April 30, 2022
Hourly Pension Trust (consisting of defined benefit pension plan assets of the closed Hourly Plan)	April 30, 2022	April 30, 2023



INNOVATIVE PARTNERSHIP

The Minor in Innovation program is a new partnership between the Faculty of Engineering and the DeGroote School of Business and is available to students from all Faculties who wish to learn more about innovation and develop a level of innovation literacy, as well as those who are already innovators and wish to develop skills to create their own enterprise.

Governance

BOARD OVERSIGHT ROLE

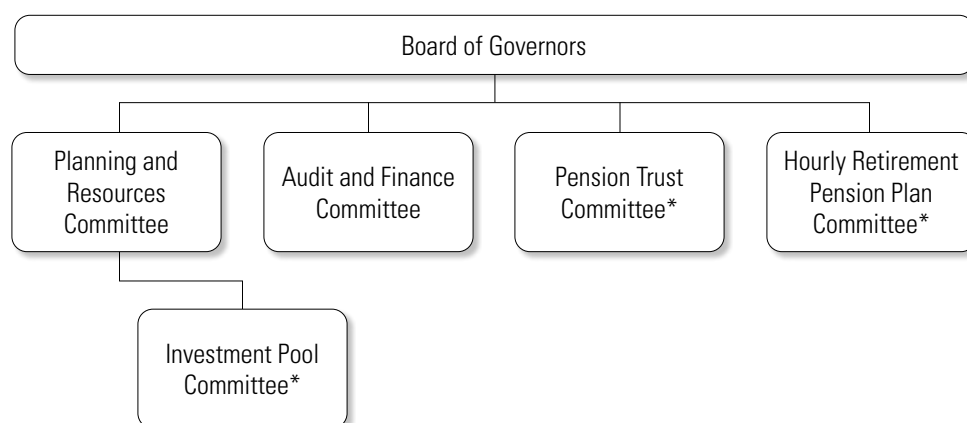
Climate-related risks are incorporated into McMaster's enterprise risks and potentially material financial risks are included in scenario modelling within the multi-year financial projections along with mitigation plans summarized in an annual Debt Strategy Report for the Planning and Resources Committee and Board of Governors. Beginning in 2021/22, investment and pension sub-committees* additionally receive these reports for disclosure and discussion. Refer below to the abbreviated Board of Governors structure (not intended to capture all Board-related sub-committees).

In addition to annual multi-year financial projections, a more fulsome Financial Risk Report is produced annually incorporating material enterprise and/or climate-related risks. This risk report is provided to the Audit and Risk Committee, the Planning and Resources Committee and the Board of Governors, accompanying the Annual Financial Report.

In 2021/22, McMaster's Investment Pool carbon reduction targets were updated to -65% by 2025 and -75% by 2030 against the 2018 original baseline measure year, reflecting an accelerated decarbonization strategy and net zero as soon as possible thereafter. Further, the Salaried Pension Plan set its carbon reduction interim target at -30% by 2030. An asset-liability study in 2022/23 will further inform the Pension Trust Committee on finalizing the Salaried Pension Plan target. Progress against carbon reduction targets is publicly reported on McMaster's website. McMaster's carbon reduction goals are also incorporated into the performance objectives of the University Chief Financial Officer and Treasurer.

The Investment Pool and Salaried Pension Plan represent approximately \$1.3 billion and \$2.3 billion in assets under management, respectively. The investments for both the Investment Pool and Salaried Pension Plan are diversified across asset classes, investment managers, and geography whereby environmental, societal, and governance (ESG) issues are routinely discussed with investment managers and the Investment Pool consultant. Additional analysis to support climate risks and opportunities is obtained through a third-party service (MSCI), which provides climate-related emissions converted to a single CO2 measure by holding. MSCI reporting identifies the top ten contributors to McMaster's portfolio carbon intensity and provides analysis on whether these contributors are leaders or laggards on climate mitigation efforts. The MSCI information is used to engage in climate discussions with investment managers to ensure the investment rationale is acceptable and aligned to McMaster's responsible investing philosophy.

Other information where available, from MSCI, investment consultants, and/or in some cases the investment managers, examines additional broader issues of watershed, energy consumption, waste tonnage, land repatriation in partnership with Indigenous peoples, diversity, equity and more. Overall, management is concerned with each invested company's alignment and commitments to all of the United Nations' Sustainable Development Goals.



BOARD AND MANAGEMENT ROLES

The University is the administrator of the Investment Pool, and the Board of Governors is responsible for the overall direction-setting and management delegation. The Board of Governors has delegated certain duties and responsibilities (including the power to sub-delegate) to the Pension Trust Committee (for the Salaried Pension Plans), the Hourly Pension Committee (for the Hourly Pension Plan), and the Planning and Resources Committee (for the Investment Pool) which, in turn, has delegated certain duties and responsibilities to the Investment Pool Committee. Additional duties have been delegated to the Treasury Department and Chief Financial Officer within Financial Affairs, and to third-party experts to assist in carrying out required professional fiduciary duties for invested assets. Pension-related committees have shared membership between University administrators and pension plan members. The Salaried Plans are in Phase 2 TCFD adoption. Proxy voting across all asset pools is delegated to investment managers hired with approaches aligned to McMaster's investment policies. Annual proxy summaries are reviewed by the committees and organized, where possible, by environmental, social, and governance matters. Additionally, each investment manager is required to complete an annual responsible investing questionnaire, answers to which will be posted publicly beginning in 2023/24.

Management assesses climate-related risks and opportunities for the overall portfolios using investment manager, investment consultant and other third-party service reports. Management assesses investment manager performance against traditional performance benchmarks set by the applicable investment policy, along with ESG scores assigned by the investment consultant.

Management actively discusses climate-related risks related to regulatory risks (such as carbon tax regimes), physical risks (including stranded assets), and transitional risks (such as innovations in renewable and solar technology disrupting traditional fuel). Management's role is to actively monitor investment manager approaches, review any specific holdings along with justification and rationale for any Carbon Underground 200™ (CU200) holdings, and assess routinely whether both the investment managers' performance and investment beliefs are aligned with McMaster's applicable investment policy. Management is required to make recommendations for replacement of underperforming or misaligned investment managers during routine meetings (occurring at minimum quarterly).

Finally, to increase reporting transparency over investment holdings management will begin issuing an annual consolidated summary of companies held publicly on its website beginning in 2022/23.



SUSTAINABLE PROCUREMENT

Together with procurement staff and industry partners, a group of four students enrolled in [SUSTAIN 3S03 – Implementing Sustainable Change](#) created McMaster's first [Sustainable Procurement webpage](#), complete with resources to support social and environmental purchasing.

Strategy and Risk Management

STRATEGY – PROCESSES FOR IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

Annual multi-year projections are prepared holistically incorporating University strategic plans. Key potentially material risks, including climate- and pandemic/epidemic-related risks, are factored into financial scenario modelling. Scenarios are formed based on consultation with University stakeholders and reviewed with the President and Vice-Presidents to discuss the effectiveness of mitigation strategies and refine further before finalizing for the Board of Governors and its sub-committees. Results of scenario modelling define the University's annual Debt Strategy Report that consolidates all findings.

RISK MANAGEMENT – PROCESSES FOR IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

For invested assets, climate-related risks are factored into reporting updates by investment managers and discussed during oversight committee presentations to ensure valuations used by managers in the investment decision process consider climate-related risks where appropriate. Annual scenario modelling includes both invested assets exposure to climate-related risks as well other physical campus infrastructure and operational climate-related considerations.



INDIGENOUS EDUCATION STRATEGY

The university approved the creation of the **Indigenous Studies Department**, which will be home to the Indigenous Studies undergraduate program, a planned graduate program, and research and community-focused activities.



"Indigenous faculty members can now hold appointments

in Indigenous Studies rather than another department, which is vital to promote Indigenous Studies as a discipline, but also to promote generational leadership to Indigenous youth." – Adrienne Xavier, Acting Director, Indigenous Studies Program

Metrics and Targets

METRICS – SCOPE 1 AND 2 GREENHOUSE GAS (GHG) EMISSIONS

McMaster completes a third-party measurement of its weighted average carbon intensity (WACI) relative to its policy benchmark annually. This measure translates GHG emissions into a single carbon dioxide (CO₂) measure and is reported as tonnes of CO₂ emitted per million US dollars in sales (written as tCO₂e/\$1MS). As of April 30, 2022, the Investment Pool public equities WACI was 152.9 tCO₂e/\$1MS (2020/21: 130.2 tCO₂e/\$1MS) relative to the fund policy benchmark of 176.1 tCO₂e/\$1MS (2020/21: 192.7 tCO₂e/\$1MS). This WACI measure is 45.1% lower than the 2018 baseline measurement year of 278.5 tCO₂e/\$1MS (Figure 5).

The primary measure used to track McMaster's Investment Pool is WACI or tCO₂e/\$1MS for public equity investments which has measurement data availability of more than 90%. Total Investment Pool carbon measurements, which include both public equity and fixed income, have lower data availability ranging between 72% and 82% and are therefore less reliable. McMaster's total pool WACI at April 30, 2022 was 148.9 tCO₂e/\$1MS, down 49.2% from the 2018 baseline year (Figure 6). McMaster will continue to incorporate the best available measures to track and monitor its carbon footprint.

Figure 5: INVESTMENT POOL – PUBLIC EQUITIES AND INFRASTRUCTURE WEIGHTED AVERAGE CARBON INTENSITY

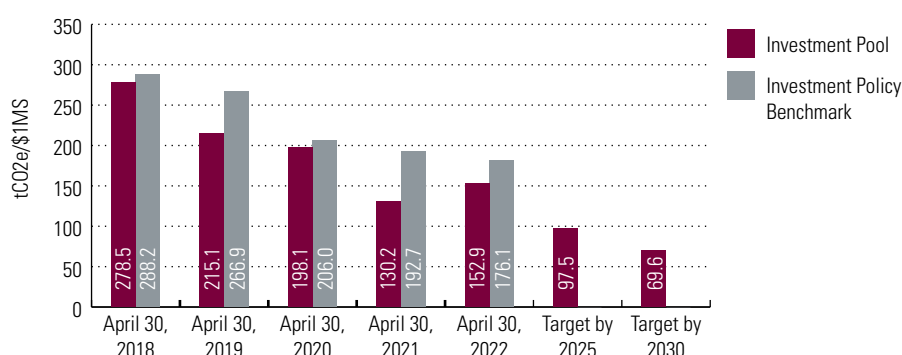
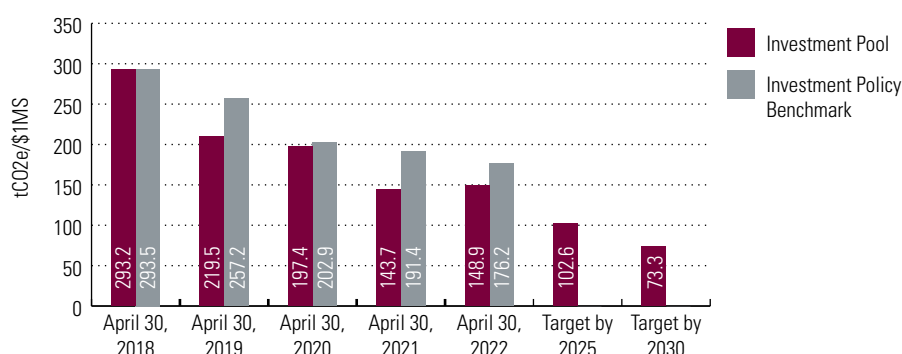


Figure 6: INVESTMENT POOL – EQUITY AND FIXED INCOME WEIGHTED AVERAGE CARBON INTENSITY



McMaster monitors and reports Scope 1 and Scope 2 GHG carbon emissions.¹ McMaster's WACI measure incorporates only Scope 1 and 2 GHG emissions due to the lack of complete and reliable data availability for Scope 3 greenhouse gas emissions. Table 11 demonstrates Scope 1 and 2 data availability for the total Investment Pool. Inclusion and use of Scope 3 by McMaster would require assumption-driven assessments for at least 50% of the invested asset holdings. As more reliable, comparable, and complete data becomes available, McMaster will consider adding Scope 3 greenhouse gas emissions as appropriate.

Table 11: PROPORTION OF SCOPE 1 AND 2 DATA AVAILABILITY (TOTAL PORTFOLIO)

	2017/18	2018/19	2019/20	2020/21	2021/22
Investment Pool	81.5%	78.1%	78.6%	79.5%	78.7%
Investment Policy Benchmark	72.3%	76.4%	75.5%	75.6%	78.7%

McMaster monitors investment manager holdings in the Carbon Underground 200™ (CU200). Table 12 summarizes the investments in the CU200 expressed as a percentage of total investments in the Investment Pool.

Additionally, McMaster tracks companies that offer clean technology solutions. As at April 30, 2022, 31.1% weight of companies within the listed public equity portfolio offer clean technology solutions (2020/21: 30.6% weight).

Table 12: McMASTER CARBON UNDERGROUND 200™ TOP 5 EXPOSURE

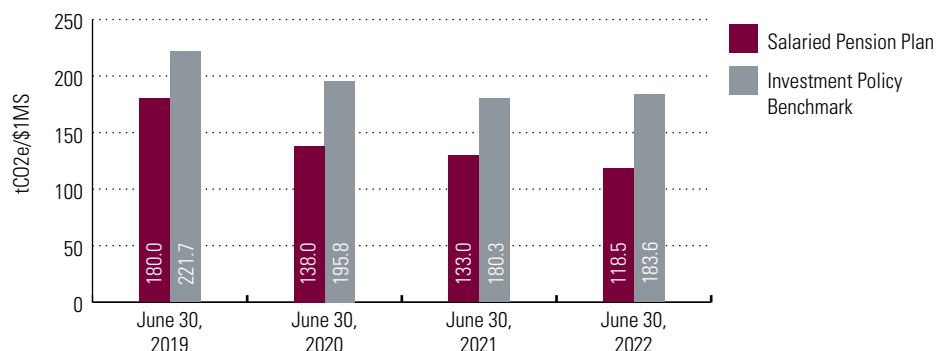
2022	Company	Market Value (\$ Millions)	Investment Pool (%)
1	ExxonMobil	4.7	0.4%
2	Suncor Energy	3.9	0.3%
3	EOG Resources	3.3	0.3%
4	Canadian Natural Resources	2.4	0.2%
5	Cenovus Energy	2.2	0.2%
	Subtotal – Top 5 CU200 Exposure	16.5	1.4%
	Total CU200 Exposure	30.4	2.7%

2021	Company	Market Value (\$ Millions)	Investment Pool (%)
1	Suncor Energy	5.5	0.4%
2	Cenovus Energy	5.2	0.4%
3	Glencore	4.2	0.3%
4	Canadian Natural Resources	2.8	0.2%
5	Teck Resources	2.6	0.2%
	Subtotal – Top 5 CU200 Exposure	20.3	1.5%
	Total CU200 Exposure	27.7	2.1%

The Salaried Plans' WACI has been measured as part of McMaster's initial Phase 1 reporting (Figure 7). As at June 30, 2022, the Salaried Plans' WACI for publicly listed equities was 118.5 tCO₂e/\$1MS (2020/21: 133.0 tCO₂e/\$1MS) compared to the portfolio's benchmark WACI of 183.6 tCO₂e/\$1MS (2020/21: 180.3 tCO₂e/\$1MS). The Salaried Plans' WACI at the total pool level was 147.6 tCO₂e/\$1MS (2020/21: 158.0 tCO₂e/\$1MS).

¹Scope 1 refers to all direct GHG emissions of a company. Scope 2 refers to indirect GHG emissions from a company from its consumption of purchased energy. Scope 3 includes all other indirect GHG emissions that occur in a company's value chain.

Figure 7: SALARIED PENSION PLANS PUBLIC EQUITIES WEIGHTED AVERAGE CARBON INTENSITY



The Hourly Plans' WACI has been measured as at June 30, 2022 as part of McMaster's initial Phase 1 reporting. The Hourly Plan's WACI for publicly listed equities was 51.5 tCO2e/\$1MS compared to the portfolio's benchmark WACI of 226.7 tCO2e/\$1MS. The Hourly Plan's WACI at the total pool level was 77.8 tCO2e/\$1MS compared to the portfolio's benchmark WACI of 215.8 tCO2e/\$1MS. The Hourly Plan's invested assets are held with one investment manager diversified by geography, which holds no direct fossil fuel holdings.

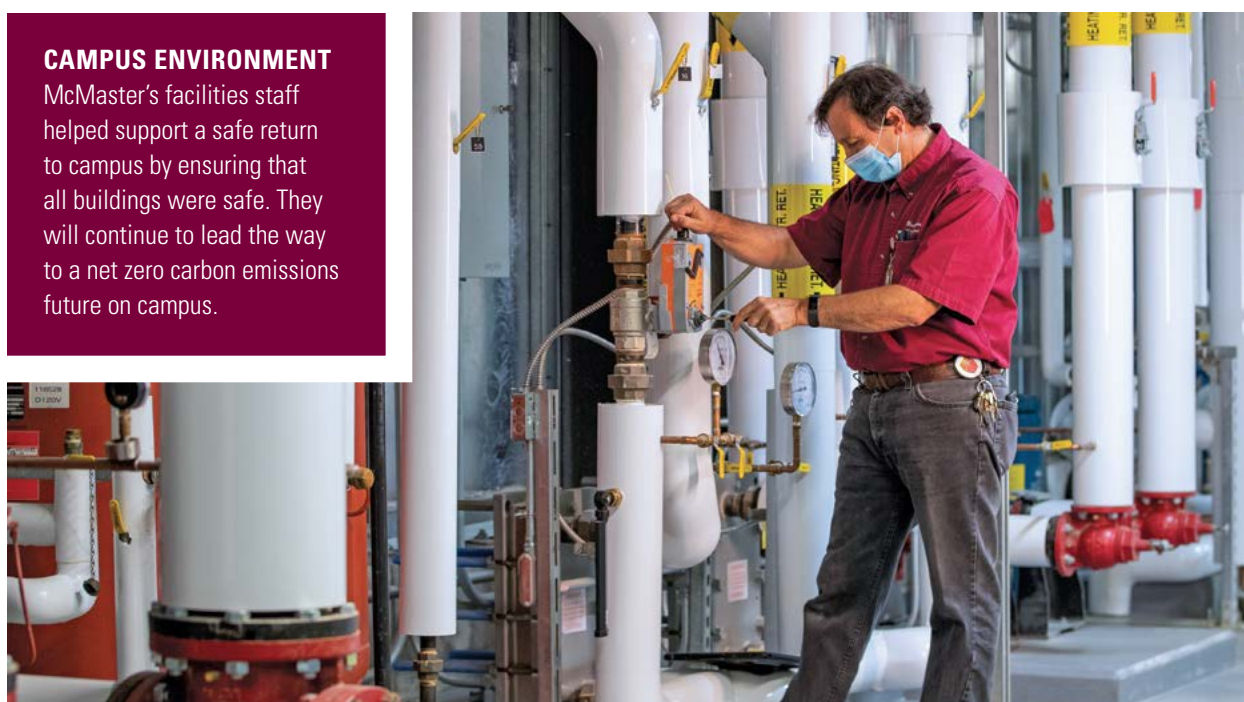
TARGETS

The Investment Pool carbon reduction target is to reduce the carbon intensity of publicly traded assets by 65% by 2025, 75% by 2030, and net zero as soon as possible thereafter, compared to a 2018 baseline.

The Salaried Pension plan has an interim carbon reduction target of 30% by 2030. A finalized target will be set following a 2022/23 asset-liability and climate-risk study.

CAMPUS ENVIRONMENT

McMaster's facilities staff helped support a safe return to campus by ensuring that all buildings were safe. They will continue to lead the way to a net zero carbon emissions future on campus.



Supplemental Information: Variances to Plans



Supplemental Information:

Variances to Plans

The audited financial statements are prepared as required by statute in accordance with accounting standards for not-for-profit organizations as prescribed by the Chartered Professional Accountants of Canada using the deferral method of accounting and consolidation of all activity. For reporting under the deferral method, all funds are consolidated in a single column on the Statement of Operations.

McMaster University's daily finances are managed using fund accounting concepts. Under this method, budgets are established for each fund to enhance accountability for resources while ensuring restricted grants and contributions are spent only for the purposes intended. McMaster uses the following segregated funds: Operating, Specifically Funded, Research, Capital, Externally Restricted Trusts and Endowments, Internally Restricted Endowments, and Ancillary Operations. The University's budget model focuses on the allocation of resources within the Operating Fund, while the consolidated Statement of Operations and Statement of Financial Position represent the results of all funds combined.

The 2021/22 Operating Fund financial results compared to the approved budget are presented in this section as well as a comparison to the consolidated results on a full accrual basis.



WORLD-CLASS NUCLEAR RESEARCH

McMaster University and the Organization of Canadian Nuclear Industries (OCNI) welcomed nuclear industry leaders and local elected officials to campus on June 27, 2022, to showcase Hamilton's world-class nuclear research, services, engineering and innovation sector.

Operating Fund Summary

The Operating Fund represents approximately 69.0% of the consolidated budget and includes all revenue and expenses for faculties and support departments, such as offices of the President and Provost, student affairs, libraries, financial affairs, human resources, facilities, and information technology. The 2021/22 Operating Fund budget included several strategic funding priorities, such as continued wireless network expansion, inflationary journal costs, cyber security funding, digital audio-visual classroom upgrades, post-COVID increased ventilation costs, teaching and learning supports, and research operations support. Overall, the budget supported McMaster's Strategic Mandate Agreement objectives, including key differentiation goals, enrolment targets, and other targeted program outcomes. The Operating Fund ended 2021/22 in a more favourable position compared to the budget due to greater revenues as well as a more favourable closing appropriation balance from the prior year, and more favourable than projection due to both greater revenues and lower expenditures (Table 13), mostly as a result of the ongoing impacts of COVID-19 on University operations and campus activities.

Table 13: OPERATING FUND SUMMARY

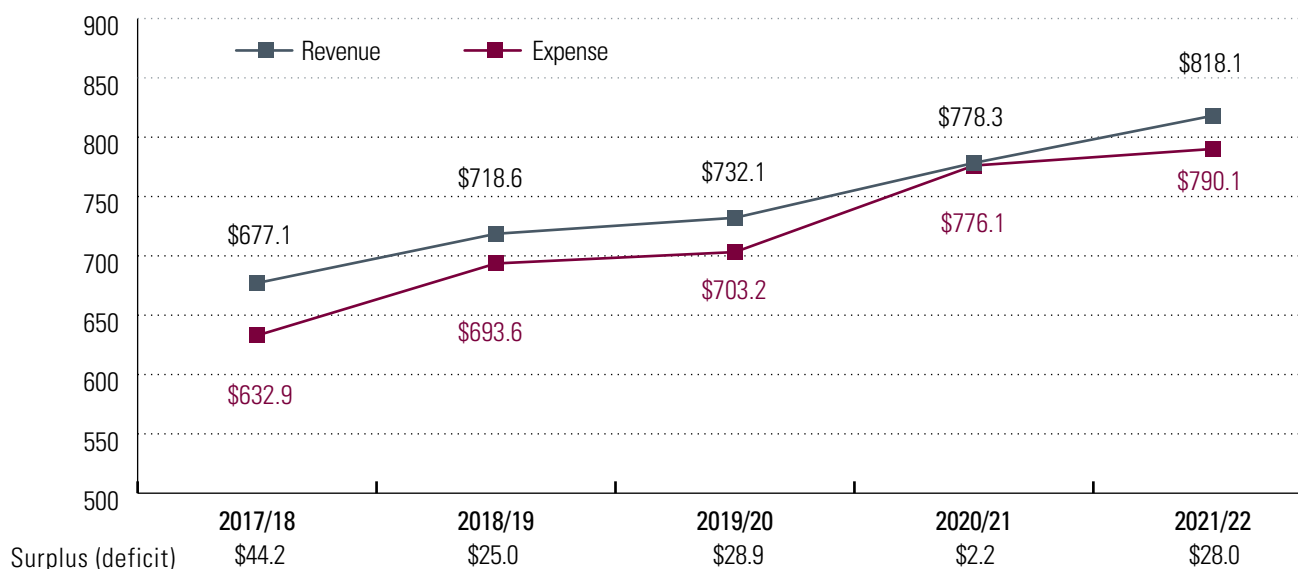
\$ Thousands

	2020/21 Actual	2021/22 Budget	2021/22 Projection	2021/22 Actual	Variance			
					Actual vs. Budget		Actual vs. Projection	
Revenues								
Provincial grants	239,572	236,158	239,843	239,692	3,534	1.5%	(151)	-0.1%
Tuition	398,355	418,215	423,000	423,044	4,829	1.2%	44	0.0%
Research Overhead income	24,475	28,459	26,014	28,907	448	1.6%	2,893	11.1%
Investment income	10,467	9,467	9,467	9,467	-	0.0%	-	0.0%
Other income	105,389	107,132	107,848	116,990	9,857	9.2%	9,142	8.5%
Total revenues	778,258	799,431	806,172	818,100	18,668	2.3%	11,928	1.5%
Expenses								
Salaries, wages and benefits	498,485	531,369	544,269	523,008	8,361	1.6%	21,261	3.9%
Utilities and maintenance	38,753	45,066	43,543	41,866	3,200	7.1%	1,677	3.9%
Equipment and renovations	120,044	68,157	102,299	100,837	(32,680)	-47.9%	1,462	1.4%
Scholarships, bursaries and work study	32,723	31,619	33,199	33,708	(2,089)	-6.6%	(510)	-1.5%
Library acquisitions	15,414	15,193	14,306	14,878	316	2.1%	(571)	-4.0%
Debt and financing charges	18,446	26,401	22,763	23,108	3,293	12.5%	(344)	-1.5%
All other expenses	52,221	86,447	72,234	52,675	33,773	39.1%	19,560	27.1%
Total expenses	776,085	804,253	832,613	790,079	14,174	1.8%	42,534	5.1%
Excess (deficiency) of revenues over expenses	2,173	(4,822)	(26,441)	28,021	32,842	681.1%	54,461	206.0%
Fund balance, beginning of year	196,580	159,197	198,752	198,753	39,556	24.8%	1	0.0%
Fund balance, end of year	198,753	154,375	172,311	226,774	72,398	46.9%	54,462	31.6%

The Operating Fund surplus highlights McMaster's continuing strong academic reputation as well as impacts on the expenses related to the campus closures, limited re-opening, and continued remote working (Figure 8).

Figure 8: OPERATING FUND REVENUE AND EXPENSES TREND

\$ Millions

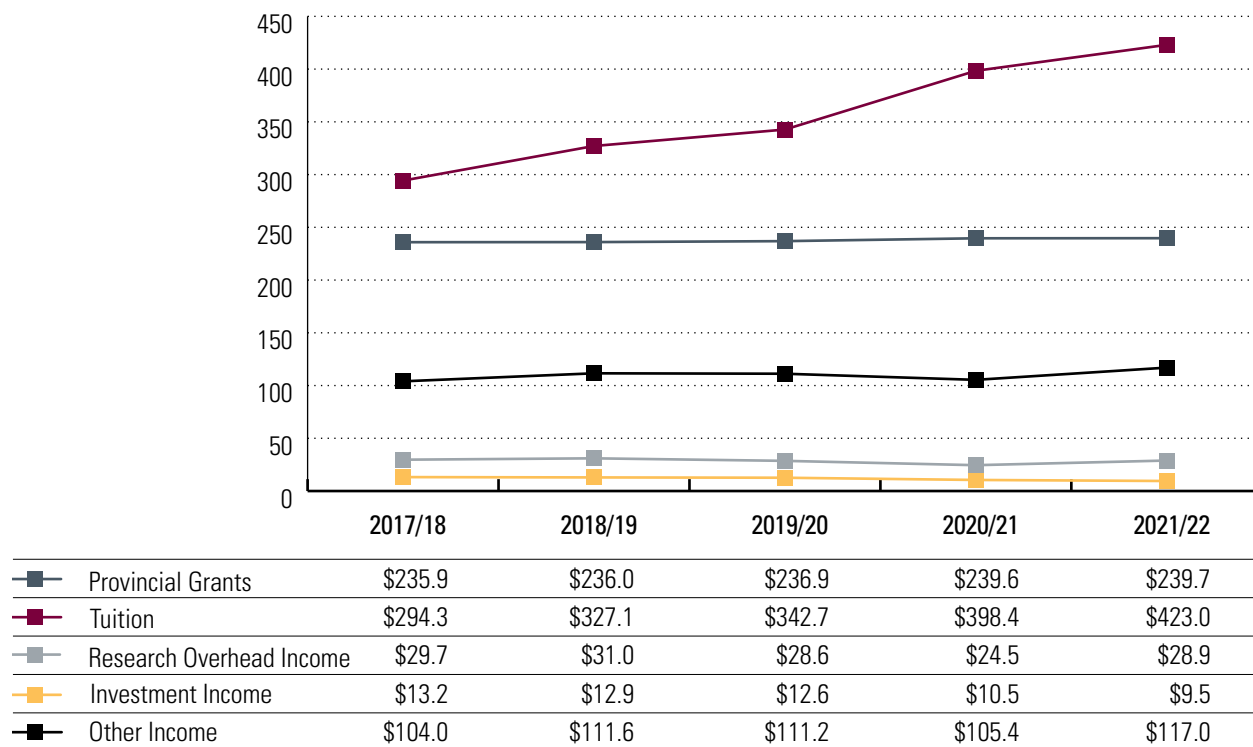


SOURCES OF FUNDING

Total Operating Fund revenues were \$818.1 million compared to budget \$799.4 million and projection of \$806.2 million. Overall revenue growth is attributed to increased international enrolment and standard tuition rate increases. Other income and research overhead income increased with campus activity resumption. Other revenues remain relatively flat (Figure 9).

Figure 9: OPERATING FUND REVENUE TREND BY TYPE

\$ Millions



RESEARCH FUNDING

The Government of Canada, through its COVID-19 Immunity Task Force (CITF), invested \$5 million to support Canada's largest long-term care study designed to determine how well vaccination works in residents of long-term care homes and its impact on their physical, mental, and social health.

PROVINCIAL GRANTS

In 2017/18, the corridor funding model was introduced capping enrolment-based funding to plus or minus 3.0% of the 2016/17 grant level or funding mid-point. The corridor model limits future operating grant growth while MCU shifts funding toward performance-linked Strategic Mandate Agreement metrics. Due to the pandemic, performance-linked funding has been delayed to 2023/24. The funding envelopes are defined as follows (Table 14):

- Enrolment Envelope: enrolment-based funding that is based on weighted grant units (WGU);
- Differentiation Envelope: performance funding based on the achievement of Strategic Management Agreement metrics within defined trended thresholds; and
- Special Purpose Envelope: grants based on government priorities such as clinical enrolment initiatives.

In 2021/22, the total provincial grant was in line with budget and projection. The International Student Recovery is a \$750 per international student reduction in provincial funding. This levy continues to grow along with associated enrolment growth, increasing to \$3.9 million in 2021/22 from \$2.5 million the prior year. The negative impact of the levy was offset by a new nursing enrolment expansion grant within the grants for clinical programs.

	2021/22 Budget	2021/22 Projection	2021/22 Actual	Variance			
				Actual vs. Budget		Actual vs. Projection	
Enrolment Envelope							
Core Operating Grant	219,480	155,618	153,274	(66,206)	-30.2%	(2,344)	-1.5%
Differentiation Envelope							
Performance/Student Success Grant	19,787	87,233	89,336	69,549	351.5%	2,103	2.4%
Special Purpose Envelope							
Grants for Clinical Programs	457	916	916	459	100.4%	-	0.0%
International Student Recovery	(3,566)	(3,924)	(3,834)	(268)	7.5%	90	-2.3%
Total Provincial Grants	236,158	239,843	239,692	3,534	1.5%	(151)	0.0%



TRANSITION SUPPORT

To help support the campus community, the [Okanagan Mental Health and Well-being Task Force](#) introduced a [Compassionate Communication Toolkit](#) with information and advice on how best to communicate with team members as we transitioned back to campus and emerge from the pandemic.

TUITION

Tuition results are lower than budget due to lower domestic enrolment as the University works to reduce over-enrolment from 2020/21 (Table 15).

Table 15: UNDERGRADUATE AND GRADUATE ENROLMENT

	2021/22 Budget	2021/22 Projection	2021/22 Actual	Variance			
				Actual vs. Budget		Actual vs. Projection	
Undergraduate FTEs							
Domestic	26,264.0	25,861.0	25,861.3	(402.7)	-1.5%	0.3	0.0%
International	4,451.0	4,728.0	4,615.4	164.4	3.7%	(112.6)	-2.4%
Total	30,715.0	30,589.0	30,476.7	(238.3)	-0.8%	(112.3)	-0.4%
Graduate FTEs							
Domestic	3,306.0	3,128.0	3,240.2	(65.8)	-2.0%	112.2	3.6%
International	1,145.0	1,365.0	1,365.4	220.4	19.2%	0.4	0.0%
Total	4,451.0	4,493.0	4,605.6	154.6	3.5%	112.6	2.5%
Total UG & G Combined							
Domestic	29,570.0	28,989.0	29,101.5	(468.5)	-1.6%	112.5	0.4%
International	5,596.0	6,093.0	5,980.8	384.8	6.9%	(112.2)	-1.8%
Total	35,166.0	35,082.0	35,082.3	(83.7)	-0.2%	0.3	0.0%

IN-PERSON CONVOCATION

Twelve convocation ceremonies were held across May and June to mark the achievements of graduates across McMaster's six Faculties.



The provincial tuition rate cut of 10% in 2019/20 followed by flat domestic rates for 2020/21 and 2021/22 decreased domestic tuition revenues and was offset by increased international enrolment along with transparent four-year international tuition rates increases incorporated into offers (Figure 10 and Table 16).

Figure 10: TUITION AND FTE ENROLMENT

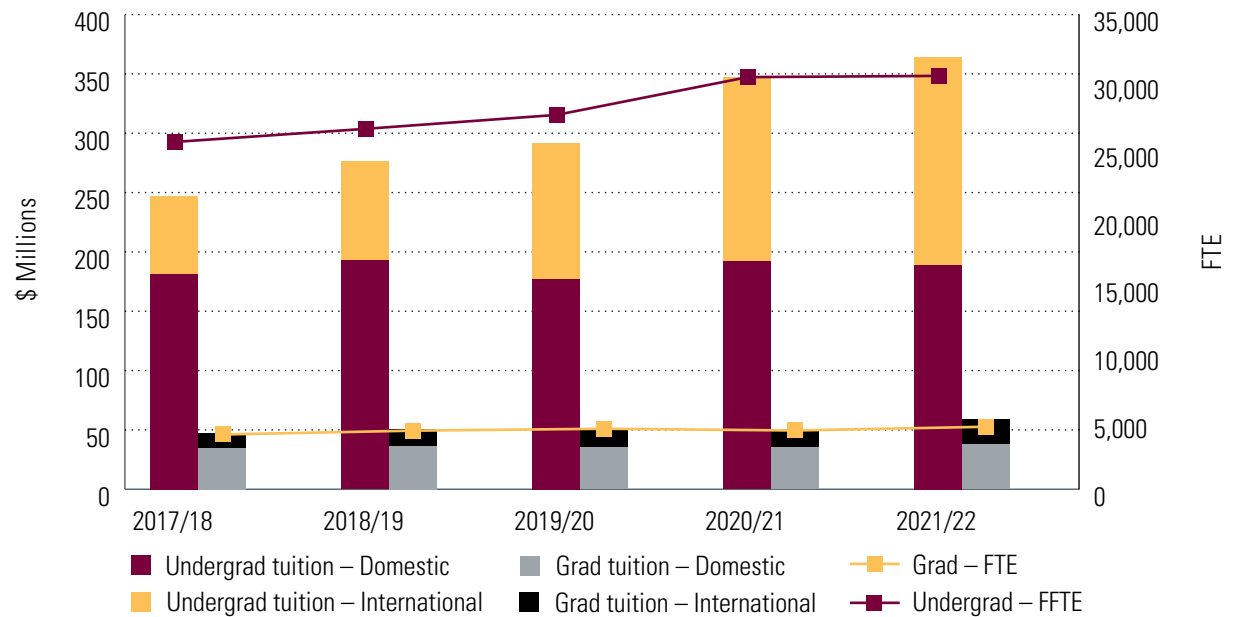


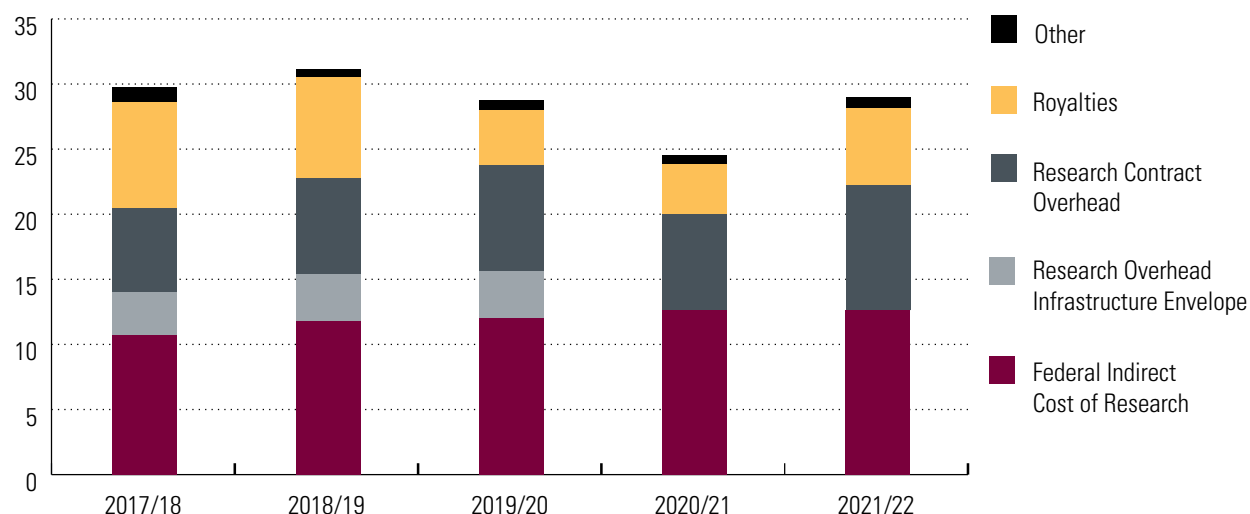
Table 16: TUITION AND FTE ENROLMENT

	Tuition (\$ Millions)					FTE Enrolment				
	2017/18	2018/19	2019/20	2020/21	2021/22	2017/18	2018/19	2019/20	2020/21	2021/22
Undergraduate										
Domestic	181.2	192.6	177.1	192.0	188.8	23,265	23,759	24,070	26,062	25,861
International	65.9	84.1	114.3	155.3	175.5	2,344	2,815	3,533	4,327	4,615
Total	247.1	276.7	291.4	347.3	364.3	25,609	26,575	27,603	30,388	30,477
Graduate										
Domestic	34.6	36.6	35.1	35.0	37.9	2,928	3,080	3,140	3,218	3,240
International	12.6	13.8	16.3	16.0	20.9	1,108	1,238	1,320	1,114	1,365
Total	47.3	50.3	51.3	51.0	58.7	4,036	4,319	4,460	4,332	4,606
Total UG & G Combined										
Domestic	215.8	229.1	212.1	227.0	226.7	26,193	26,840	27,210	29,280	29,102
International	78.5	97.9	130.6	171.4	196.4	3,452	4,054	4,853	5,440	5,981
Total	294.3	327.1	342.7	398.4	423.0	29,645	30,894	32,063	34,720	35,082

RESEARCH OVERHEAD

Research overhead income was \$0.4 million (1.6%) favourable to budget due to increased research contract overhead and royalty revenues, partially offset by the reduction related to the Research Overhead Infrastructure Envelope (ROIE) grant rolled into the performance-based grant funding in 2020/21 by the MCU, and \$2.9 million (11.1%) favourable to projection due to the increased research contract overhead and royalty revenues. Both contract overhead and royalties fluctuate depending on activity (Figure 11).

Figure 11: RESEARCH OVERHEAD INCOME \$ Millions



INVESTMENT INCOME

The investment income attributed to the Operating Fund is fixed at a predetermined amount. Any differences between the budgeted investment income and actual returns are absorbed by McMaster's specific purpose reserve.

OTHER INCOME

Pandemic-related changes to activities had an impact on the other income in the Operating Fund. The favourable variance of \$9.9 million (9.2%) compared to budget was primarily due to unbudgeted direct provincial special-purpose grants, increases in fee-generating campus activities, application fees, and external recoveries.

The favourable variance of \$9.1 million (8.5%) compared to projection was due to increased student services fees revenue and other fee-generating campus activities, application fees, and external recoveries.



CityLAB

Launched as a pilot project in 2017 to provide a hub for collaboration and innovation, CityLAB brings together students and faculty from three post-secondary institutions, community stakeholders, and City of Hamilton staff to consider solutions to challenges and opportunities faced locally. Over that time, more than 158 community partnerships have been formed.

EXPENDITURES

Total Operating Fund expenditures were \$790.1 million (Figure 12 and Figure 13) compared to budget and projected expenditures of \$804.3 million and \$832.6 million, respectively. The variances are small as a percentage of both the original budget (1.8%) and projection (5.1%) and are caused by the continuing impacts of the pandemic and the return to campus on spending plans, as well as the effect of conservative budgeting.

McMaster's budget model allocates all central revenues to Faculties after central allocations to the University Fund and research infrastructure. Faculties are assigned support unit costs based on activity drivers reflecting service use.

Figure 12: 2021/22 TOTAL OPERATING FUND ACTUAL EXPENSE BY TYPE

\$ Millions

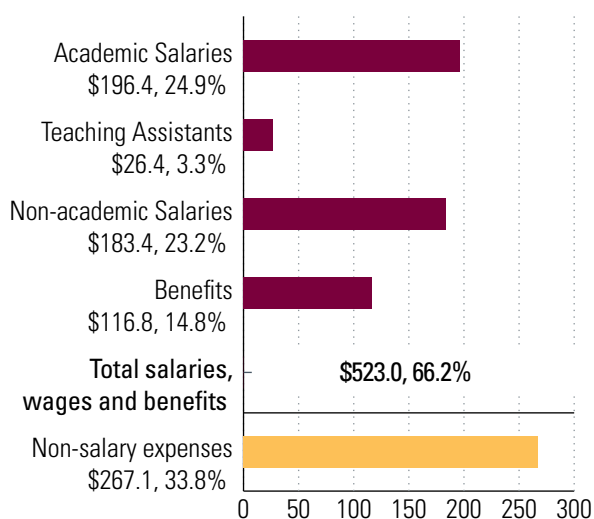
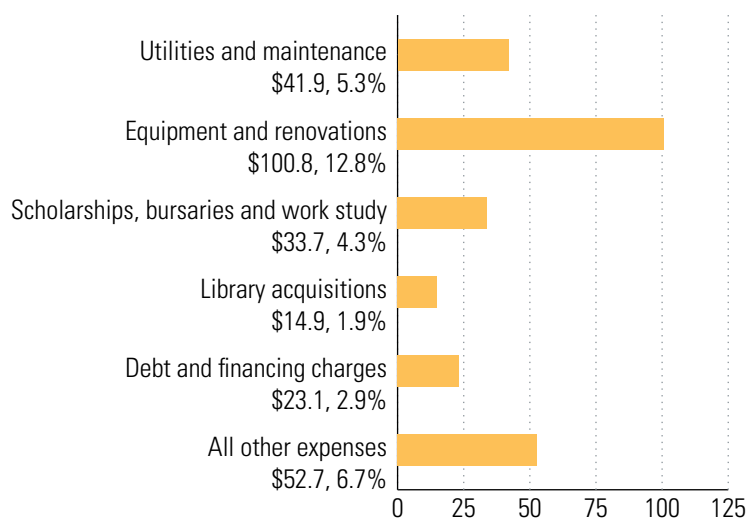


Figure 13: 2021/22 OPERATING FUND ACTUAL NON-SALARY EXPENSE BY TYPE

\$ Millions



Total expenses were favourable by \$14.2 million (1.8%) compared to budget:

- Salaries, wages, and benefits were favourable by \$8.4 million (1.6%) due to delayed hiring and unfilled staff vacancies.
- Utilities and maintenance were favourable by \$3.2 million (7.1%) due to savings in utilities costs due to the limited campus activities, partially offset by higher maintenance costs.
- Equipment and renovations were unfavourable by \$32.7 million (-47.9%) due to increased investments in strategic projects such as the McLean Centre for Collaborative Discovery, Faculty of Science capital projects, and future Faculty of Engineering capital priorities.
- Scholarships, bursaries, and work study were unfavourable by \$2.1 million (-6.6%) due to entrance award overages with an increased percentage of undergraduates presenting higher final admission averages, and increased scholarships for international graduate students.
- Debt and financing charges were favourable by \$3.3 million (12.5%) due to delays in the completion of the Student Activity and Fitness Expansion building project.
- All other expenses were favourable by \$33.8 million (39.1%) primarily due to lower than anticipated expenses related to the limited re-opening of campus and remote working including office expenses, travel, meeting expenses, research support costs, and lower than expected contingency spending in other expenses. This was partially offset by lower internal recoveries, increased consulting, externally contracted services, professional services fees, and pandemic-related expenses.
- Variances in library acquisitions were insignificant.

Total expenses were favourable by \$42.5 million (5.1%) compared to projection:

- Salaries, wages, and benefits were favourable by \$21.3 million (3.9%) primarily due to delayed hiring and unfilled staff vacancies.
- Utilities and maintenance were favourable by \$1.7 million (3.9%) due to savings in utilities costs because of the limited campus re-opening and limited campus activities, partially offset by higher hydro costs because of increased air circulation.
- Equipment and renovations were favourable by \$1.5 million (1.4%) primarily due to lower computer hardware, software, equipment, and renovation costs than projected.
- Scholarships, bursaries, and work study were unfavourable by \$0.5 million (-1.5%) due to increased scholarships for international graduate students.
- Library acquisitions were unfavourable by \$0.6 million (-4.0%) due to higher acquisitions prices than projected.
- All other expenses were favourable by \$19.6 million (27.1%) primarily due to lower than anticipated expenses related to the limited re-opening of campus and remote working including office expenses, travel, meeting expenses, lower externally contracted services, and lower than expected contingency spending in other expenses. This was partially offset by increased professional services fees and pandemic-related expenses.
- Variances in debt and financing charges were insignificant.

APPROPRIATIONS

The favourable results increase the Operating Fund appropriations balance by \$28.0 million (14.1%) to \$226.8 million (Figure 14), which represents an improvement of \$72.4 million on budget and \$54.5 million on projection. Appropriations are carried forward for expenditure in 2022/23 and future strategic and/or capital priorities. Of the \$226.8 million held in appropriations, \$146.8 million is held by Faculties and another \$18.5 million is held for academic priorities (Table 17). Further, some Faculty appropriation balances have been transferred to capital reserves, until approved, to support long-term infrastructure growth and support needs of the Faculty based on student enrolment growth and changing space use needs post-pandemic.

Support unit appropriations improved in 2021/22 due to continued pandemic-related expenditure delays, mainly in academic, research and student support units. These balances are anticipated to be drawn down to normalized values when operations fully re-open.

Figure 14: OPERATING FUND APPROPRIATIONS

\$ Millions

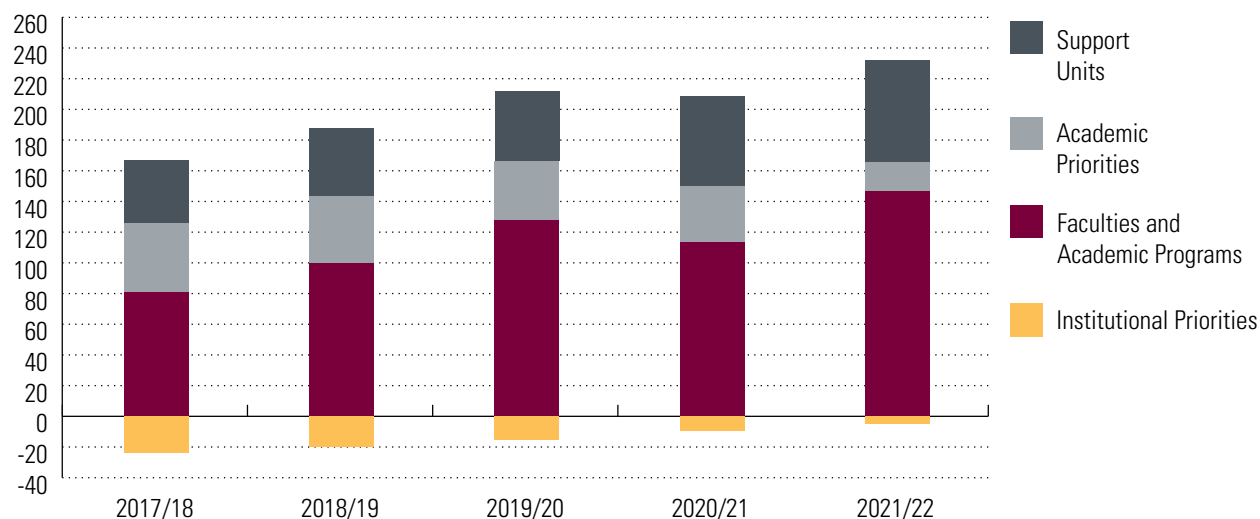


Table 17: APPROPRIATIONS/ENVELOPE ANALYSIS, YEAR ENDED APRIL 30, 2022

\$ Thousands

	Appropriations May 1, 2021	Net Surplus (Deficit)	Appropriations April 30, 2022	Net Surplus (Deficit) Variance
Faculties and Academic Programs				
Business	3,482	1,421	4,903	1,471
Engineering	15,907	11,547	27,455	3,349
Health Sciences	45,634	3,639	49,273	1,841
Humanities	10,827	1,484	12,311	858
Science	21,641	7,807	29,448	14,379
Medical Radiation – Mohawk Share	1	(1)	-	-
Social Sciences	14,288	7,562	21,851	1,976
Arts & Science	1,488	76	1,564	13
Subtotal	113,268	33,537	146,805	23,888
Academic Priorities				
Academic Support	36,507	(18,056)	18,451	5,213
Academic Support	15,392	2,236	17,628	5,538
Research Support	10,906	3,828	14,734	5,288
Student Support	13,527	4,169	17,697	5,819
Facilities Support	1,302	157	1,460	725
Institutional Support	17,169	(2,240)	14,929	5,189
Institutional Priorities*	(9,319)	4,389	(4,930)	2,802
Total Operating Fund	198,753	28,021	226,774	54,462

*Includes the approved funding for the Mosaic project, which will be repaid by 2023/24

**HEALTHCARE SALUTE PROJECT**

Margaret McKinnon, Professor of Psychiatry and Behavioural Neurosciences, received \$2.96 million for the Healthcare Salute project, which aims to develop evidence-based resources for healthcare personnel. Her project will reach 75,000 healthcare workers at 708 Canadian public hospitals.

Consolidated Results – Full Accrual Basis

The consolidated financial statements are prepared on the accrual accounting basis for accounting standards compliance and auditing purposes. Adjustments from McMaster's modified cash basis budgeting approach to accrual accounting involve the following key changes (Table 18):

- Net capital expenditures within faculties and departments are reversed and capitalized as assets with only one year of asset use expensed. Asset amortization periods vary between 1 and 40 years.
- Share of investment income/loss on internal endowments and not already assigned to the Operating Fund and income earned/lost on non-operating funds are booked to revenue.
- Non-cash adjustments for pension and non-pension employee accrued future benefit costs measured at April 30 are recorded.
- Adjustments eliminating internal revenue and expense transactions between funds occur.

	2021/22 Budget	2021/22 Projection	2021/22 Actual	Variances Favourable (Unfavourable)	
				Actual vs. Budget	Actual vs. Projection
Excess (deficiency) of Operating Fund revenues over expenses	(4,822)	(26,441)	28,021	32,843	54,462
Capital expenditures net of amortization	79,538	75,435	70,743	(8,795)	(4,692)
Investment income (loss) on internal endowments	1,600	1,123	(15,198)	(16,798)	(16,321)
Pension and non-pension adjustments	13,714	3,921	(114,136)	(127,850)	(118,057)
Changes in other reserves	(11,191)	54,095	83,500	94,691	29,405
Total accrual adjustment	83,661	134,574	24,908	(58,753)	(109,666)
Excess (deficiency) of revenues over expenses	78,839	108,133	52,928	(25,911)	(55,205)

Projections for 2021/22 occurred in an environment of significant volatility and uncertainty. At year end, the investment market reflected the negative economic impact of the war in Ukraine and increased inflationary pressures impacting endowment and pension plan assets as well as investment income on the Statement of Operations.

HELPING STUDENTS AND SCHOLARS AT RISK

McMaster's Committee on Students and Scholars in Crisis (CSSC) is comprised of faculty, staff, students, alumni and community members – all with experience of being forcibly displaced from their homes. The CSSC helped spearhead a pledge of \$800,000 from McMaster's six Faculties and the Office of the Provost to seed **two new funds** that will help students and scholars at risk around the world.



STATEMENT OF OPERATIONS

The ongoing pandemic resulted in greater campus closures than originally anticipated and therefore lower ancillary sales, but also created cost savings from prolonged remote working arrangements and labour shortages.

Table 19: CONSOLIDATED STATEMENT OF OPERATIONS (ACCRUAL BASIS)				\$ Thousands	
	2021/22 Budget	2021/22 Projection	2021/22 Actual	Variances Favourable (Unfavourable)	
				Actual vs. Budget	Actual vs. Projection
Revenues					
Operating grants	278,248	274,102	284,747	6,499	10,645
Research grants and contracts	178,971	178,340	187,315	8,344	8,975
Tuition fees	432,852	447,469	437,397	4,545	(10,072)
Ancillary sales and services	78,182	78,182	64,718	(13,464)	(13,464)
Other revenues	202,647	187,367	210,852	8,205	23,485
Investment income, net	66,716	65,991	(32,252)	(98,968)	(98,243)
Amortization of deferred capital contributions	38,719	41,811	44,853	6,134	3,042
Total revenues	1,276,335	1,273,262	1,197,630	(78,705)	(75,632)
Expenses					
Salaries and wages	594,709	597,625	586,899	7,810	10,726
Employee benefits	144,953	145,665	138,893	6,060	6,772
Supplies and services	359,812	315,589	314,178	45,634	1,411
Interest on long-term obligations	15,358	15,638	17,392	(2,034)	(1,754)
Amortization of capital assets	82,664	90,612	87,340	(4,676)	3,272
Total expenses	1,197,496	1,165,129	1,144,702	52,794	20,427
Excess (deficiency) of revenues over expenses	78,839	108,133	52,928	(25,911)	(55,205)

Due to negative investment returns and lower ancillary sales, the annual surplus of \$52.9 million was unfavourable compared to both budget and projection.

Other than investment returns, revenues were generally favourable to expectations.

- As discussed above, enrolment- and performance-based operating grants have been held flat at the 2016/17 level, however some additional targeted funding has been received.
- Revenue from research grants and contracts increased as activity resumed on campus.
- Tuition revenue, while higher than 2020/21, is lower than projected due to mid-year withdrawal of approximately 400 international students following implementation of the vaccine mandate.
- Ancillary sales and services were unfavourable to budget reflecting the campus closure for part of the year.
- Other revenues were favourable due to resumption of activities and reinstatement of fees paused during the pandemic.

Total expenses were favourable primarily due to conservative estimates for unknown impacts of the return to campus, including lower salary expense as activity did not increase and vacancies were not filled as quickly as expected, and continued lower spending on supplies and services from remote work, limited travel and conference expenditures, and decisions to delay some previously planned projects. As discussed above, benefits were favourable due to lower current service costs for pensions.

STATEMENT OF FINANCIAL POSITION

Table 20: CONSOLIDATED STATEMENT OF FINANCIAL POSITION

\$ Thousands

	2021/22 Budget	2021/22 Projection	2021/22 Actual	Variances Increase (Decrease)	
				Actual vs. Budget	Actual vs. Projection
Assets					
Cash	18,317	17,660	23,486	5,169	5,826
Short-term investments	206,953	201,404	342,510	135,557	141,106
Investments	1,411,557	1,856,013	1,667,060	255,503	(188,953)
Capital assets	1,352,221	1,306,842	1,276,062	(76,159)	(30,780)
Other assets	252,950	223,146	250,336	(2,615)	27,190
Total assets	3,241,998	3,605,065	3,559,454	317,456	(45,611)
Liabilities and deferred contributions					
Current liabilities	179,911	200,242	212,619	32,708	12,377
Deferred contributions for future expenses	871,513	906,058	944,093	72,580	38,035
Long-term debt	417,691	416,739	420,390	2,699	3,651
Employee future benefits and pension	466,563	173,327	275,714	(190,849)	102,387
Total liabilities and deferred contributions	1,935,678	1,696,366	1,852,816	(82,862)	156,450
Net assets					
Internally restricted	201,052	706,122	580,073	379,021	(126,049)
Equity in capital assets	466,441	440,815	421,571	(44,870)	(19,244)
Endowments					
Internal	144,571	172,954	156,615	12,044	(16,339)
External	494,256	588,808	548,379	54,123	(40,429)
Total net assets	1,306,320	1,908,699	1,706,638	400,318	(202,061)
Total liabilities and net assets	3,241,998	3,605,065	3,559,454	317,456	(45,611)

The Statement of Financial Position is the University's consolidated balance sheet. Larger than usual variances to budget and projection are primarily due to the two main causes already described:

- Negative returns on investment asset holdings, which in turn decreased the value of internal and external endowments.
- Capital projects continued to experience delays due material shortages.



GROUNDBREAKING RESEARCH

McMaster Professor, Deborah Cook, received the prestigious 2022 Canada Gairdner Wightman Award for her groundbreaking research in the treatment of patients in the intensive care unit. The award, given by the Gairdner Foundation, is in recognition of Dr. Cook's outstanding leadership in medicine and medical science throughout her career.

STATEMENT OF CASH FLOWS


Table 21: CONSOLIDATED STATEMENT OF CASH FLOWS

\$ Thousands

	2021/22 Budget	2021/22 Projection	2021/22 Actual	Variances Favourable (Unfavourable)	
				Actual vs. Budget	Actual vs. Projection
Excess of revenues over expenses	78,839	108,133	52,928	(25,911)	(55,205)
Adjustments for non-cash items					
Amortization of deferred capital contributions	(38,719)	(41,811)	(44,853)	(6,134)	(3,042)
Amortization of capital assets	82,664	90,612	87,340	4,676	(3,272)
Increase in decommissioning obligation	1,193	724	3,560	2,367	2,836
Net change in deferred contributions	42,763	20,643	44,001	1,238	23,358
Net change in other non-cash items	(15,088)	(9,536)	(9,757)	5,331	(221)
Financing and investing activities					
Purchase of capital assets, net	(199,487)	(165,977)	(131,925)	67,562	34,052
Net change in investments	(106,273)	(158,283)	(110,436)	(4,163)	47,847
Net change in external endowments	5,879	4,505	(36,024)	(41,903)	(40,529)
Issuance of long-term debt	150,000	150,000	150,000	-	-
Principal repayments on long-term obligations	(678)	(756)	(756)	(78)	-
Increase/(decrease) in cash	1,093	(1,746)	4,080	2,987	5,825
Cash, beginning of year	17,224	19,406	19,406	2,182	-
Cash, end of year	18,317	17,660	23,486	5,169	5,825

The impacts of the pandemic as discussed above reflected in the variances on the Statement of Cash Flows, with the net change in cash balance close to budget and projection.





Health & well-being

McMaster Student Wellness Centre plays a vital role in supporting the health and well-being of our students. The Centre offers counselling, medical care, and health promotion services designed to meet the unique demands of our diverse student population.

Financial Statements

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DAY OF GIVING

A one-day, University-wide fundraising campaign, the Day of Giving engages members of the University community through giving and participation in events. The campaign focuses on supporting Black student excellence, Indigenous priorities, and equity-deserving communities, and other strategic initiatives at McMaster.



Statement of Management Responsibility

Management of the University is responsible for the preparation of the financial statements, the notes thereto and all other financial information contained in this Annual Financial Report.

Management has prepared the financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Management believes the financial statements present fairly the University's financial position as at April 30, 2022 and the results of its operations, changes in net assets and its cash flows for the year ended April 30, 2022. In order to achieve the objective of fair presentation in all material respects, the use of reasonable estimates and judgements were employed. Additionally, management has ensured that financial information presented elsewhere in this Annual Financial 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, management has developed and maintains a system of internal controls 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.

Mercer (Canada) Limited has been retained by the University in order to provide an estimate of the University's current year position for pension and other employee future benefits. Management 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 pension and other employee future benefits liabilities reported.

The Board of Governors carries out its responsibility for review of the financial statements and this Annual Financial Report principally through the Planning and Resources Committee and its Audit and Risk Committee. No members of the Audit and Risk Committee are officers or employees of the University. The Audit and Risk Committee meets regularly with management, as well as the internal auditors and the external auditors, to discuss the results of the 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 and Risk Committee with and without the presence of management.

The financial statements for the year ended April 30, 2022 have been reported on by KPMG LLP, Chartered Professional Accountants, the auditors appointed by the Board of Governors. The Independent Auditors' Report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

A handwritten signature in black ink, appearing to read "H. J. L. L.", written over a horizontal line.

Vice-President, Operations and Finance
October 31, 2022

A handwritten signature in black ink, appearing to read "D. R.", written over a horizontal line.

President

A handwritten signature in black ink, appearing to read "J. Smith", written over a horizontal line.

AVP (Administration) & CFO



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
Tel 905-523-8200
Fax 905-523-2222

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of McMaster University

Opinion

We have audited the accompanying financial statements of McMaster University (the "University"), which comprise:

- the statement of financial position as at April 30, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2022, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Financial Report document.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Annual Financial Report document as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
October 31, 2022

McMASTER UNIVERSITY

Statement of Financial Position

April 30, 2022, with comparative figures for 2021


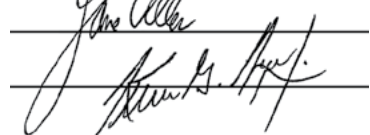
(thousands of dollars)

	2022	2021
Assets		
Current assets:		
Cash	\$ 23,486	\$ 19,406
Short-term investments (note 2)	342,510	284,351
Accounts receivable (note 3)	152,335	124,481
Loans receivable (note 4)	26,005	22,989
Inventories	5,741	6,357
Prepaid expenses and deposits	21,686	16,967
	571,763	474,551
Investments (note 2)	1,667,060	1,614,783
Other investments (note 5)	42,546	34,405
Other assets (note 6)	2,023	2,135
Capital assets (note 7)	1,276,062	1,231,476
	\$ 3,559,454	\$ 3,357,350

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 184,149	\$ 170,342
Deferred revenue	27,665	25,285
Current portion of long-term obligations (note 9)	805	756
	212,619	196,383
Long-term obligations (note 9)	420,390	267,635
Accrued employee future benefits (note 10)	275,714	169,928
Deferred contributions (note 11):		
Deferred for future expenses	481,991	437,990
Deferred capital contributions	462,102	480,736
	944,093	918,726
Net assets:		
Unrestricted	-	-
Internally restricted (note 12)	580,073	543,692
Equity in capital assets (note 13)	421,571	504,770
Endowments (note 14):		
Internal	156,615	171,813
External	548,379	584,403
	1,706,638	1,804,678
Commitments and contingencies (note 15)		
	\$ 3,559,454	\$ 3,357,350

On behalf of the Board of Governors:

Chair, Board of Governors

Chair, Audit and Risk Committee

McMASTER UNIVERSITY

Statement of Operations

Year ended April 30, 2022, with comparative figures for 2021

(thousands of dollars)

	2022	2021
Revenues:		
Operating grants	\$ 284,747	\$ 278,446
Research grants and contracts	187,315	168,585
Tuition fees	437,397	416,510
Other (note 16)	131,896	113,377
Ancillary sales and services	64,718	17,767
Investment income (loss), net	(32,252)	199,111
Donations and other grants	66,389	51,543
Research overhead grants	12,567	12,561
Amortization of deferred capital contributions	44,853	42,761
	1,197,630	1,300,661
Expenses:		
Salaries and wages	586,899	551,060
Employee benefits	138,893	142,809
Supplies and services	314,178	278,985
Interest on long-term obligations	17,392	13,211
Amortization of capital assets	87,340	82,587
	1,144,702	1,068,652
Excess of revenues over expenses	\$ 52,928	\$ 232,009

See accompanying notes to financial statements

McMASTER UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2022, with comparative figures for 2021

(thousands of dollars)

	Unrestricted	Internally restricted	Equity in capital assets	Endowments		2022	2021
				Internal	External	Total	Total
Net assets, beginning of year	\$ -	\$ 543,692	\$ 504,770	\$ 171,813	\$ 584,403	\$ 1,804,678	\$ 1,185,408
Excess (deficiency) of revenues over expenses	95,415	-	(42,487)	-	-	52,928	232,009
External endowment contributions:							
Contributions (note 14)	-	-	-	-	20,619	20,619	11,453
Protection of capital (note 14)	-	-	-	-	(56,643)	(56,643)	96,932
Transfers and adjustments:							
Transfers for specific purposes (note 12)	(266)	151,325	(151,059)	-	-	-	-
Capital transactions from operating (note 13)	(110,347)	-	110,347	-	-	-	-
Transfer to internal endowments (note 14)	15,198	-	-	(15,198)	-	-	-
Remeasurements and other items (note 10)	-	(114,944)	-	-	-	(114,944)	278,876
	-	36,381	(83,199)	(15,198)	(36,024)	(98,040)	619,270
Net assets, end of year	\$ -	\$ 580,073	\$ 421,571	\$ 156,615	\$ 548,379	\$ 1,706,638	\$ 1,804,678

See accompanying notes to financial statements

McMASTER UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2022, with comparative figures for 2021

(thousands of dollars)

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 52,928	\$ 232,009
Adjustments for non-cash items:		
Amortization of deferred capital contributions	(44,853)	(42,761)
Amortization of capital assets	87,340	82,587
Employee future benefits	(9,158)	358
Equity loss of other investments (note 5)	1,859	883
Increase in decommissioning obligation	3,560	694
	91,676	273,770
Net change in contributions deferred for future expenses	44,001	66,890
Net change in other non-cash working capital	(15,770)	46,172
	119,907	386,832
Investing activities:		
Purchase of capital assets	(132,984)	(109,316)
Proceeds on recovery of capital expenditures	1,058	3,708
Net change in loans receivable	(3,016)	(10,097)
Net change in investments	(110,436)	(401,926)
Net change in other investments	(10,000)	(5,276)
Net change in other assets	112	(1,438)
Net change in external endowments	(36,024)	108,385
Deferred capital contributions	26,219	31,835
	(265,071)	(384,125)
Financing activities:		
Issuance of long-term debt	150,000	-
Principal repayments on long-term obligations	(756)	(709)
	149,244	(709)
Net increase in cash	4,080	1,998
Cash, beginning of year	19,406	17,408
Cash, end of year	\$ 23,486	\$ 19,406

See accompanying notes to financial statements

McMaster University (the "University"), which operates by authority of The McMaster University Act, 1976, is governed by a Board of Governors (the "Board") and Senate, the powers and responsibility of which are set out in the Act. The University is a comprehensive research institution offering a broad range of undergraduate, graduate and continuing education programs and degrees. The University is exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(a) Basis of presentation:

These financial statements include the accounts, transactions and operations for which the University has jurisdiction. They do not include the accounts, transactions and operations of the following entities which are independently governed and managed, and certain other related entities which carry out fundraising and other activities and are not material to these financial statements:

Independent entities:

McMaster Divinity College

McMaster Students Union, Inc.

McMaster University Centre Incorporated

McMaster Children's Centre, Inc.

McMaster Association of Part-Time Students (MAPS)

University Club of McMaster

Graduate Students Association (GSA)

Other entities:

The McMaster University Trust

Friends of McMaster Incorporated

The Gore District Land Trust:

The Gore District Land Trust (GORE) is controlled by the University based on Board composition. The investment is accounted for by the equity method (note 5) as permitted by accounting standards for not-for-profit organizations. Since GORE has a fiscal year end of December 31st, the University records its share of the operating results effective on that date.

The First Longwood Innovation Trust:

The First Longwood Innovation Trust (FLIT) is not controlled by the University. The investment is accounted for by the equity method (note 5) as permitted by accounting standards for not-for-profit organizations. Since FLIT has a fiscal year end of December 31st, the University records its share of the operating results effective on that date.

McMaster MSF Holdings Inc.:

McMaster MSF Holdings Inc. ("MMHI") is a private company wholly owned by McMaster University. The investment is accounted for by the equity method (note 5) as permitted by accounting standards for not-for-profit organizations. Since MMHI has a fiscal year end of December 31st, the University records its share of the operating results effective on that date.

Other investments in for-profit entities subject to significant influence are accounted for using the equity method, whereby the investment is initially recorded at cost, net of any impairment and adjusted thereafter for the University's share of the entity's net surplus or deficit and any further impairments. Any distributions received are accounted for as a reduction in the investment.

1. Significant accounting policies (continued):

(a) Basis of presentation (continued):

Halton McMaster Family Health Centre:

These financial statements include the University's 50% contribution to the Halton McMaster Family Health Centre (note 5). This joint venture is a project with Joseph Brant Hospital involving the construction and establishment of a family health centre and hospital clinical and administration building. The joint venture is in the process of registering the constructed building as a leasehold condominium corporation.

(b) Revenue recognition:

The University follows the deferral method of accounting for contributions which include donations and government grants. The principles under this method are summarized as follows:

- 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.
- Contributions externally restricted for purposes other than endowment and capital assets are deferred and recognized as revenue in the year in which the related expenses are recognized.
- Contributions externally restricted for capital asset purchases are deferred and amortized to operations on the same basis as the related capital asset.
- External endowment contributions, income preserved and activity under the endowment capital protection policy (note 1(m)) are recognized as a direct increase (decrease) in endowment net assets. Income earned from the investment thereof, to the extent it is allocated, is recorded as deferred contributions and recorded as revenue in the periods in which the related expenses are incurred.

Tuition fees which relate to academic terms or parts thereof occurring after April 30th are recorded as deferred revenue. Gifts-in-kind are recorded at their fair market value on receipt, or at nominal value when fair market value cannot be reasonably determined. Pledges from fundraising and other donations are recorded in the period in which they are collected. Ancillary sales and services revenue is recognized at point of sale or when the service has been provided.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The University has elected to carry investments in equity instruments, fixed income and other securities at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the University determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

1. Significant accounting policies (continued):

(d) Derivative financial instruments:

The University is party to an interest rate swap agreement which is used to manage the exposure to fluctuations in interest rates. The University uses the accrual basis of accounting for hedges. Gains or losses realized on the settlement of the hedging item are deferred until the settlement of the hedged item.

At the inception of the hedging relationship, the University designates that hedge accounting will be applied. The University formally documents the hedging relationship between the hedging instruments and hedged item. At the inception of the hedge and throughout its term, the terms of the hedging item and hedged item are the same.

Hedge accounting is used only when the notional amount of the swap matches the principal amount of the hedged item, the fair value of the swap at the inception is \$nil, the fixed rate is the same throughout the swap and the variable rate is based on the same index and includes the same or no adjustment and the debt instrument cannot be settled before maturity and the swap matures within two weeks of the maturity date of the debt.

(e) Investments:

Short-term investments are investments with a remaining term to maturity of one year or less and are intended to be converted to cash within one year. Short-term investments are recorded at cost plus accrued income which together approximates fair value. Short-term investments includes cash and short-term investments held within pooled fund investments.

Long-term investments are carried at fair values. Changes in fair values are included in investment income.

Investments in publicly traded research entities not subject to significant influence are carried in investments at fair values. Changes in fair values are included in other income. Investments in private research entities are carried in other assets at cost, net of any impairment.

Externally restricted investment income to the extent it is allocated is included with deferred contributions and recognized as revenue when the related expenses are incurred.

Unrestricted investment income is recognized as revenue during the period in which it is earned. Investment income from internal endowments is recorded as unrestricted revenue and transferred to internal endowments.

(f) Inventories:

Campus stores, scientific stores, and the nuclear reactor inventories are recorded at the lower of cost and net realizable value. Other inventories are recorded at cost which is a reasonable estimate of net realizable value.

(g) Capital assets:

Capital assets are recorded at cost, or if donated, at fair value on the date of receipt. Amortization is recorded on the straight-line basis at the following annual rates:

Buildings and building components	2.5% to 10%
Decommissioning retirement costs	4%
Site improvements	5%
Library materials	20%
Computing systems	5% to 10%
Equipment, furnishings and vehicles	20%
Computing equipment	33.3%
Leasehold improvements	term of lease

1. Significant accounting policies (continued):

(g) Capital assets (continued):

Capital assets in progress are carried at cost, with no amortization recorded until such time as the assets are available for their intended use. The carrying amount of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the Statement of Operations when the asset's carrying amount is not recoverable and exceeds its fair value.

(h) Collections and works of art:

The value of collections has been excluded from the statement of financial position except for a nominal value of \$1. Donations of works of art are recorded as revenue at values based on appraisals and are expensed in the year received. Purchased collections are expensed in the year of acquisition.

(i) Contributed services:

The University acknowledges the receipt of donated services. Because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

(j) Ancillary enterprises:

Ancillary enterprises are self-sustaining operations which fund their own replacements and renovations of equipment and facilities. Substantially all of the net operating results are transferred annually from unrestricted net assets to internally restricted net assets.

(k) Employee future benefits:

The University maintains defined benefit registered and non-registered pension plans, a retirement incentive program and group registered retirement savings plans. Non-pension post-retirement and post-employment benefits plans are also provided. Financial information is disclosed in note 10.

The University accrues its obligations for the defined benefit plans as the employees render the services necessary to earn the benefits. The current service cost and the finance cost for the year are charged to excess of revenues over expenses. The actuarial method of determining the accrued benefit obligations for the defined benefit plans and other non-pension plans use the funding valuation method, which reflects the long-term nature of the plan and reflects management's estimates of investment yields, salary inflation, benefit cost trends and other factors.

The University has elected to accrue its obligations and related costs for unfunded plans on a basis consistent with funded plans.

Remeasurement and other items are recognized as a direct increase (decrease) to net assets and are not reclassified to the statement of operations in subsequent periods. Remeasurement and other items comprise the aggregate of: the difference between the actual return on plan assets and the return calculated using the discount rate used to determine the defined benefit obligation; the actuarial gains and losses; the effect of any valuation allowance in the case of a net defined benefit asset; past service costs; and any gains and losses arising from settlements and curtailments.

The University also makes regular contributions to its Group Registered Retirement Savings Plan ("RRSP"), administered by a third party, on behalf of each eligible employee. Group RRSP contributions are expensed in the year made.

1. Significant accounting policies (continued):

(l) Net assets:

Net assets are classified as follows:

Unrestricted: excess of revenues over expenses without specific restrictions.

Internally restricted:

Employee future benefits: unfunded portion of pension and other non-pension retirement and post-employment benefits, net of funds set aside to meet estimated future obligations.

Other internal reserves: as approved by the Board, amounts include unexpended departmental carry forward amounts for future expenditures or amounts set aside to settle future oriented obligations.

Equity in capital assets: funds invested in capital assets, exclusive of capital assets financed through long-term obligations or deferred capital contributions.

Internal endowments: unrestricted contributions including unspent investment income which have been restricted by action of the Board.

External endowments: external contributions, the principal of which is non-expendable pursuant to the restrictions by the donor, and income retained under the endowment capital protection policy.

(m) Endowment capital protection policy:

In order to protect the capital value of endowment investments, an endowment capital protection policy limits the amount of investment income allocated for spending to 4%, plus 1% administration spending, and requires the reinvestment of excess income earned (interest, dividends, realized and unrealized capital gains, net of investment expenses).

Should endowment spending commitments exceed allocated income, amounts will be drawn from accumulated net investment income balances to fund deficiencies.

For endowments without sufficient accumulated investment income, temporary encroachment on capital is permitted. The encroached amounts will be recovered from future investment returns.

(n) Decommissioning obligation:

The fair value of a future asset retirement obligation is recognized when a legal obligation for the retirement of tangible long-lived assets is incurred and a reasonable estimate thereof can be determined. Concurrently, the associated decommissioning costs are capitalized as a part of the carrying amount of the asset and amortized over its remaining useful life. The liability and the related asset may be adjusted periodically due to changes in estimates until settlement of the obligation.

(o) Foreign currency translation:

The University accounts for transactions in foreign currencies at the exchange rates in effect at the time of the transactions. At year end, monetary assets and liabilities in foreign currencies are translated at year end exchange rates. Foreign exchange gains and losses on investments have been included in investment income.

(p) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to the use of management estimates and assumptions include the valuation of financial instruments, the carrying amount of capital assets, the valuation allowance for receivables, the valuation of pension and other employee future benefits, provisions for contingencies, and the decommissioning obligation. Actual results could differ from those estimates.

2. Investments:

Details of investments are as follows:

(thousands of dollars)	2022		2021	
	Fair value	Cost	Fair value	Cost
Equities:				
Canadian	\$ 153,125	\$ 140,085	\$ 169,960	\$ 142,075
United States	384,398	217,174	406,541	184,807
Non-North American	262,556	277,341	288,690	191,065
	800,079	634,600	865,191	517,947
Fixed income	677,567	733,580	686,570	690,762
Other	189,414	165,323	63,022	47,108
	1,667,060	1,533,503	1,614,783	1,255,817
Short-term investments	342,510	344,421	284,351	285,084
	\$ 2,009,570	\$ 1,877,924	\$ 1,899,134	\$ 1,540,901

Investments are exposed to foreign currency risk, interest rate risk, climate-related exposures and market volatility. The University manages these risks through policies and procedures in place outlining performance and decarbonization objectives and governing asset mix, equity and fixed income allocations, and diversification among and within categories.

3. Accounts receivable:

(thousands of dollars)	2022	2021
Research grants	\$ 98,159	\$ 86,466
Students	13,997	13,738
Government grants	6,747	5,182
Other	39,245	25,058
	158,148	130,444
Less allowance for doubtful accounts	5,813	5,963
Balance, end of year	\$ 152,335	\$ 124,481

4. Loans receivable:

Included in loans receivable are the following items from The Gore District Land Trust (Gore):

(thousands of dollars)	2022	2021
Gore Hamilton Spectator building acquisition loan	\$ 11,500	\$ 11,533
Gore demand loan	1,505	1,356
Gore demand loan operations	13,000	10,100
	\$ 26,005	\$ 22,989

During the year, the University extended the \$11,500,000 (2021 - \$11,500,000) loan to Gore for an additional year. The loan has been extended to February 28, 2023. The loan bears a new fixed interest rate of 2.54% (2021 - 1.65% fixed rate).

The University has a demand loan in the amount of \$1,504,803 (2021 - \$1,355,999) representing distribution of net earnings for 2021, 2020 and 2019 declared by the trust. During the year, the University provided an additional loan of \$148,804. The 2019 demand loan of \$1,042,809 is interest free. The 2020 and 2021 demand loans of \$313,190 and \$148,804, respectively, bear interest at a fixed rate of 3% per annum. All three loans are payable at any time at the sole discretion of the lender.

The University has a non-revolving demand loan to Gore in the amount of \$13,000,000 (2021 - \$10,100,000). During the year ended April 30, 2021, the University approved a \$13,000,000 non-revolving demand loan. The loan proceeds were provided in two separate draws. As of April 30, 2021, McMaster had provided \$10,000,000. The remaining \$3,000,000 was drawn during the current fiscal year ended April 30, 2022. The loan bears interest at a fixed rate of 3%. The demand loan is payable at any time at the sole discretion of the lender.

During the year the University provided professional services at a fee which amounted to \$10,000 (2021 - \$nil) and earned interest income of \$550,824 (2021 - \$375,042).

5. Other investments:

Details of other investments are as follows:

(thousands of dollars)	2022	2021
The Gore District Land Trust (a)	\$ 13,598	\$ 13,598
The First Longwood Innovation Trust (b)	7,065	9,073
Halton McMaster Family Health Centre (c)	4,720	4,720
KCAP McMaster Grad GP Inc. (d)	16,512	6,464
Other Investments (e)	651	550
	\$ 42,546	\$ 34,405

Details of the equity pick-up (loss) on other investments are as follows:

(thousands of dollars)	2022	2021
The Gore District Land Trust (a)	\$ 149	\$ 313
The First Longwood Innovation Trust (b)	(2,008)	(1,196)
	\$ (1,859)	\$ (883)

5. Other investments (continued):

(a) The Gore District Land Trust:

The Gore District Land Trust was created by the University in 2006 to develop an entity for research, education, training, innovation and commercialization.

Details of the investment are as follows:

(thousands of dollars)	2022	2021
Balance, beginning of year	\$ 13,598	\$ 13,598
Equity earnings	149	313
Distribution	(149)	(313)
Balance, end of year	\$ 13,598	\$ 13,598

Pertinent information from The Gore District Land Trust's financial statements are as follows:

(thousands of dollars)	December 31, 2021	December 31, 2020
Total assets	\$ 43,929	\$ 40,089
Total liabilities	\$ 30,331	\$ 26,491
Total trusts' equity	13,598	13,598
	\$ 43,929	\$ 40,089
Results of operations:		
Total revenues	\$ 783	\$ 619
Total expenses	634	306
Net earnings	\$ 149	\$ 313
Cash flows:		
Provided by operating activities	\$ 2,826	\$ (3,824)
Used in financing and investing activities	-	3,824
Increase in cash	\$ 2,826	\$ -

(b) The First Longwood Innovation Trust

The First Longwood Innovation Trust (FLIT) was created by the University in 2006 to develop an entity for research, education, training, innovation and commercialization.

Details of the investment are as follows:

(thousands of dollars)	2022	2021
Balance, beginning of year	\$ 9,073	\$ 10,269
Equity loss	(2,008)	(1,196)
Balance, end of year	\$ 7,065	\$ 9,073

5. Other investments (continued):

(b) The First Longwood Innovation Trust (continued):

Included in Other assets in note 6 are two loans receivable from FLIT at April 30, 2022. One loan receivable in the amount of \$434,583 (2021 - \$454,954) and another loan receivable in the amount of \$1,391,983 (2021 - \$1,458,682).

The University is party to a Debt Service Deficiency Agreement as disclosed in note 15(c). As part of the agreement, the University receives a fee of 0.5% on the monthly outstanding balance. For the year ended April 30, 2022, \$89,467 (2021 - \$94,355) in income was recorded by the University.

Included in rent expense for the University for the year ended April 30, 2022 is \$5,034,947 (2021 - \$4,066,069). Included in accounts receivable at April 30, 2022 is \$2,277,946 (2021 - \$1,672,499) receivable from FLIT. Included in note 15(f) are \$27,209,361 (2021 - \$28,879,117) in operating lease commitments with FLIT.

During the year the University provided payroll services at a fee which amounted to \$13,200 (2021 - \$13,200) and earned interest income of \$21,743 (2021 - \$6,606) on the accounts receivable balance.

Refer to note 15(j) for events subsequent to year end involving FLIT (Portal and Atrium buildings) and equity and upfront financing associated with the OmniaBio B development.

Pertinent information from the First Longwood Innovation Trust's financial statements are as follows:

(thousands of dollars)	December 31, 2021	December 31, 2020
Total assets	\$ 116,625	\$ 116,659
Total liabilities	\$ 109,560	\$ 107,006
Total deferred capital grants	-	580
Total trusts' equity	7,065	9,073
	\$ 116,625	\$ 116,659
Results of operations:		
Total revenues	\$ 14,634	\$ 14,696
Total expenses	16,642	15,892
Net earnings	\$ (2,008)	\$ (1,196)
Cash flows:		
Provided by operating activities	\$ 6,645	\$ (10,086)
Used in financing and investing activities	(5,740)	11,117
Increase in cash and short-term investments	\$ 905	\$ 1,031

(c) Halton McMaster Family Health Centre:

The investment in the Halton McMaster Family Health Centre represents the University's contribution of the base costs to construct the building.

(d) KCAP McMaster Grad GP Inc.:

McMaster has made an equity contribution of \$16,512,000 (2021 - \$6,464,000) to a partnership for two developments in downtown Hamilton. At April 30, 2022, \$12,612,000 (2021 - \$2,564,000) has been contributed to the McMaster Graduate Student Residence which will be located at 10 Bay Street, Hamilton. The contribution is to fund various pre-construction development costs as well as ongoing construction costs of the project that have been incurred for the mutual benefit of the partnership. At April 30, 2022, \$3,900,000 (2021 - \$3,900,000) is McMaster's equity contribution to facilitate the initial acquisition of a property located at 22 Bay Street, Hamilton. 22 Bay Street is located on the corner of Bay Street North & George Street.

5. Other investments (continued):

(e) Other investments:

Other investments consist primarily of shares in privately held companies in which McMaster does not have significant control or influence, recorded at cost.

Also included is McMaster MSF Holdings Inc. ("MMHI"), a private company incorporated on November 30, 2021 under the Ontario Business Corporations Act, 1982. The Company's principal business activities include investing in start-up companies and providing consulting services. The Company is a wholly owned subsidiary of McMaster University. MMHI has a fiscal year end of December 31st, and had no financial transactions from incorporation to April 30, 2022.

6. Other assets:

Details of other assets are as follows:

(thousands of dollars)	2022	2021
Loans receivable (a)	\$ 2,023	\$ 2,135
Collections (b)	-	-
	\$ 2,023	\$ 2,135

(a) Loans receivable:

The University has a loan receivable from a lessee in the amount of \$196,875 (2021 - \$221,052) for lease fit-out costs as of April 30, 2022. The loan bears interest at a rate of 0% per annum and is payable over 10 years beginning in February 2016.

The University has a loan receivable from First Longwood Innovation Trust (FLIT) in the amount of \$434,583 (2021 - \$454,954). The loan bears interest at a fixed rate of 5.75% and is repayable in monthly payments of \$4,113 over 15 years, beginning in May 2019.

The University has a long-term loan receivable from FLIT, operating as McMaster Innovation Park, in the amount of \$1,391,933 (April 30, 2021 - \$1,458,682). The loan has a 15-year amortization period and bears interest at a fixed rate of 3%.

(b) Collections:

The McMaster Museum of Art has significant collections of works of art and coins. Donations of works of art during the year amounted to \$407,310 (2021 - \$nil).

7. Capital assets:

(thousands of dollars)	Cost	Accumulated amortization	2022 Net
Land	\$ 88,741	\$ -	\$ 88,741
Buildings and building components	1,511,602	550,345	961,257
Decommissioning retirement costs	5,967	1,279	4,688
Site improvements	30,687	18,088	12,599
Leasehold improvements	81,004	31,378	49,626
Library materials	222,939	195,043	27,896
Equipment, furnishings and vehicles	431,940	350,302	81,638
Computing systems and computing equipment	149,404	99,787	49,617
	\$ 2,522,284	\$ 1,246,222	\$ 1,276,062

(thousands of dollars)	Cost	Accumulated amortization	2021 Net
Land	\$ 88,741	\$ -	\$ 88,741
Buildings and building components	1,437,149	516,672	920,477
Decommissioning retirement costs	3,238	1,077	2,161
Site improvements	30,128	16,855	13,273
Leasehold improvements	80,768	27,043	53,725
Library materials	211,067	184,653	26,414
Equipment, furnishings and vehicles	423,001	350,195	72,806
Computing systems and computing equipment	148,612	94,733	53,879
	\$ 2,422,704	\$ 1,191,228	\$ 1,231,476

Included in buildings and building components is \$146,463,000 (2021 - \$87,353,000) representing buildings currently under construction and not available for use or subject to amortization.

During the year, capital asset additions amounted to \$133.0 million (2021 - \$109.3 million). Of these additions, \$109.6 million (2021 - \$77.2 million) were financed with internally restricted net assets (note 13), \$20.7 million (2021 - \$32.1 million) were financed with deferred capital contributions (note 11), and \$2.7 million (2021 - \$nil) were financed with decommissioning obligations (note 9).

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable, which includes amounts payable for payroll related taxes of \$4,919,000 (2021 - \$4,913,000).

9. Long-term obligations:

Details of long-term obligations are as follows:

(thousands of dollars)					2022	2021
	Maturity	Interest rate	Current portion	Non-current portion	Total outstanding	Total outstanding
Long term debt:						
Bank term loan (a)	May 2033	floating	805	11,753	12,558	13,314
Debentures (b)	Jun 2051	3.255%	-	25,000	25,000	-
Debentures (c)	Oct 2052	6.15%	-	120,000	120,000	120,000
Debentures (d)	Nov 2065	4.105%	-	120,000	120,000	120,000
Debentures (e)	Jun 2071	3.405%	-	125,000	125,000	-
			805	401,753	402,558	253,314
Decommissioning obligations (f)			-	18,637	18,637	15,077
			\$ 805	\$ 420,390	\$ 421,195	\$ 268,391

Principal payments due in each of the following five years are as follows (in thousands of dollars):

2023	\$ 805
2024	858
2025	915
2026	975
2027	1,039

- (a) The bank term loan is unsecured and is being amortized over 30 years. The outstanding loan amount is subject to a 30 year interest rate swap agreement on an original notional principal of \$20,954,441 with the banker whereby the University receives a floating interest rate while paying a fixed (10 year) rate of 6.384%.
- (b) In June 2021, the Board approved the issuance of up to \$25 million in Senior Unsecured Series C Debentures. The \$25 million debentures, which are unsecured, bear interest at 3.255% per annum payable semi-annually in June and December. The proceeds of the issue are being used to finance and/or re-finance various green projects as directed or approved by the Board of Governors.

A voluntary sinking fund in internally restricted net assets, under other internal reserves (note 12(k)), has been established to provide funds to repay the debenture principal upon maturity. An annual increase to the sinking fund is charged to operations and other annual increases represent interest income of the fund. The value of the fund at April 30, 2022 amounted to \$5,945,000.

- (c) The debentures, which are unsecured, bear interest at 6.15% payable semi-annually in April and October. The proceeds of the issue are being used to finance various capital projects.

A voluntary sinking fund in internally restricted net assets, under other internal reserves (note 12(k)), has been established to provide funds to repay the debenture principal upon maturity. An annual increase to the sinking fund is charged to operations and other annual increases represent interest income of the fund. The value of the fund at April 30, 2022 amounted to \$25,727,000 (2021 - \$27,218,000).

9. Long-term obligations (continued):

- (d) The debentures, which are unsecured, bear interest at 4.105% payable semi-annually in May and November. The proceeds of the issue are being used to finance various capital projects.

A voluntary sinking fund in internally restricted net assets, under other internal reserves (note 12(k)), has been established to provide funds to repay the debenture principal upon maturity. An annual increase to the sinking fund is charged to operations and other annual increases represent interest income of the fund. The value of the fund at April 30, 2022 amounted to \$14,846,000 (2021 - \$15,710,000).

- (e) In June 2021, the Board approved the issuance of up to \$125 million in Senior Unsecured Series B Debentures. The \$125 million debentures, which are unsecured, bear interest at 3.405% payable semi-annually in June and December. The proceeds will be used to fund capital projects and for general corporate purposes of the University as directed or approved by the Board of Governors.

A voluntary sinking fund in internally restricted net assets, under other internal reserves (note 12(k)), has been established to provide funds to repay the debenture principal upon maturity. An annual increase to the sinking fund is charged to operations and other annual increases represent interest income of the fund. The value of the fund at April 30, 2022 amounted to \$8,115,000.

- (f) It is expected that the nuclear reactor will be decommissioned at some undeterminable future date. Under an agreement with the Canadian Nuclear Safety Commission (CNSC), a trust fund has been established which requires annual funding contributions to provide for the decommissioning costs. As at April 30, 2022, the fair value of the trust funds amounted to \$14,452,000 (2021 - \$15,026,000). The net present value of the estimated cost for decommissioning at April 30, 2022 is \$17,802,000 (2021 - \$14,264,000) using risk free rates ranging between 4.0% and 5.1%.

During fiscal 2015, an additional decommissioning obligation related to non-reactor radioactive materials was recognized. The obligation was recognized based on an estimated useful life of 25 years and using a risk free rate of 4.0%. At April 30, 2022, the amount of the obligation was \$835,000 (2021 - \$813,000), an increase of \$22,000 to reflect changes in the number of non-reactor radioactive materials in service. The CNSC does not require that a trust fund be established to satisfy this obligation, however, an internal reserve to offset this obligation is included in other internal reserves.

- (g) The University has in place an interest rate swap agreement for 30 years which expires in 2033. Under the terms of the agreement, the University agrees to receive a floating interest rate on the loan (note 9(a)) while paying a fixed rate of 6.384%. The use of the agreement effectively enables the University to convert the floating rate interest obligation of the loan into a fixed rate obligation and thus manage its exposure to interest rate risk.

The notional and fair values of the interest rate swap agreement is as follows:

(thousands of dollars)	2022		2021	
	Notional value	Fair value	Notional value	Fair value
30-year interest rate swap	\$ 12,558	\$ (2,236)	\$ 13,314	\$ (3,957)

The change in fair value of the swap for the year ended April 30, 2022 is \$1,721,000 (2021 - \$1,511,000).

10. Employee future benefits:

The University maintains three contributory defined benefit registered pension plans, one for full-time hourly employees and two for salaried employees (Plan 2000 and Original Plan). The plan for hourly employees was closed to new members on March 15, 2010. The Original Plan was closed to new members on January 14, 2003 and Plan 2000 remains open to new members. The defined benefit registered pension plans provide a pension for life based on the best average earnings of the member and years of pensionable service in the plan. The University also maintains both defined contribution and non-contributory defined benefit supplementary non-registered pension plans, a retirement incentive program and a group RRSP.

The University additionally maintains a non-pension post-retirement benefit plan which provides health, dental and life insurance benefits to retirees, a post-employment benefit plan which provides health benefits to employees on long-term disability and a special retirement arrangement for some senior administrators. In order to satisfy its funding commitment to plan members and determine the level of required funding contributions, the University must prepare actuarial funding valuations on an ongoing and periodic basis.

The accrued benefit obligations are determined by independent actuaries and the fair values of the plans' assets are recorded as at April 30th.

- (a) Information on the accrued benefit liability is as follows:

(thousands of dollars) 2022				
	Pension			
	Registered	Supplemental	Other	Total
Accrued benefit obligation	\$ 2,369,309	\$ 65,371	\$ 268,882	\$ 2,703,562
Fair value of plan assets	2,427,848	-	-	2,427,848
Funded status - surplus (deficiency)	\$ 58,539	\$ (65,371)	\$ (268,882)	\$ (275,714)

(thousands of dollars) 2021				
	Pension			
	Registered	Supplemental	Other	Total
Accrued benefit obligation	\$ 2,389,107	\$ 70,448	\$ 287,287	\$ 2,746,842
Fair value of plan assets	2,576,914	-	-	2,576,914
Funded status - surplus (deficiency)	\$ 187,807	\$ (70,448)	\$ (287,287)	\$ (169,928)

- (b) Information on the benefit expense is as follows:

(thousands of dollars) 2022				
	Pension			
	Registered	Supplemental	Other	Total
Current service cost	\$ 40,665	\$ 39	\$ 7,100	\$ 47,804
Interest cost (income), net	(10,481)	3,845	15,932	9,296
	\$ 30,184	\$ 3,884	\$ 23,032	\$ 57,100

(thousands of dollars) 2021				
	Pension			
	Registered	Supplemental	Other	Total
Current service cost	\$ 39,400	\$ 37	\$ 6,672	\$ 46,109
Interest cost, net	5,559	3,934	15,348	24,841
	\$ 44,959	\$ 3,971	\$ 22,020	\$ 70,950

10. Employee future benefits (continued):

(c) Information on remeasurements and other items is as follows:

(thousands of dollars)		2022		
	Pension			
	Registered	Supplemental	Other	Total
Investment gain (loss)	\$ (262,982)	\$ -	\$ -	\$ (262,982)
Valuation allowance	5,950	-	-	5,950
Actuarial gain (loss) on accrued benefit obligation	105,864	2,899	33,325	142,088
	\$ (151,168)	\$ 2,899	\$ 33,325	\$ (114,944)

(thousands of dollars)		2021		
	Pension			
	Registered	Supplemental	Other	Total
Investment gain	\$ 262,758	\$ -	\$ -	\$ 262,758
Valuation allowance	(5,675)	-	-	(5,675)
Actuarial gain (loss) on accrued benefit obligation	17,700	(777)	4,870	21,793
	\$ 274,783	\$ (777)	\$ 4,870	\$ 278,876

(d) Information on the pension plan assets includes the following:

	Percentage of fair value of total plan	Target allocation percentage
Equity securities	66.8%	65.0%
Debt securities	33.1%	35.0%
Other	0.1%	0.0%

(e) The significant actuarial assumptions adopted in measuring the accrued benefit obligations are as follows:

	Pension	Other
Discount rate	5.09%	5.08%
Rate of compensation increase	3.98%	-

(f) The significant actuarial assumptions adopted in measuring the net benefit expense are as follows:

	Pension	Other
Discount rate	5.58%	5.55%
Rate of compensation increase	3.98%	-

(g) Details of annual contributions and benefits paid are as follows:

(thousands of dollars)		2022		2021	
		Pension	Other	Pension	Other
Employer contributions	\$	58,146	\$ 8,112	\$ 63,514	\$ 7,078
Employee contributions		30,161	-	29,292	-
Benefits paid		124,302	8,112	115,573	7,078

10. Employee future benefits (continued):

- (h) For measurement purposes, a 4.91% annual increase in per capita drug costs was assumed for 2022, grading down to 4.00% in and after 2031. For all other health care costs, an annual rate of increase of 4.00% was assumed.
- (i) The respective plans actuarial valuation for funding purposes completion and filing dates are as follows:
- hourly rated employee pensions: completed as at January 1, 2020, the next required filing date is January 1, 2023.
 - salaried employees' pensions: completed as at July 1, 2021, the next required filing date is July 1, 2024.
 - other (post-retirement benefit): completed as at March 31, 2022; the next valuation date is March 31, 2023.
 - other (post-employment and retirement allowance): completed as at April 30, 2022.

The results of valuations not completed as of April 30, 2022 have been extrapolated to April 30, 2022, which is the measurement date used to determine the accrued benefit obligation for all employee future benefit plans.

- (j) In 2008, the University created a group RRSP for certain types of new employees. University and employees' contributions in 2022 amounted to \$5,453,000 (2021 - \$4,779,000). In 2022, the University had 704 members (2021 - 618).
- (k) The University has internal reserves set aside in the amount of \$191,955,000 (2021 - \$193,519,000) for the accrued benefit obligation of the non-pension post-retirement benefit plan included in (note 12(b)).

11. Deferred contributions:

- (a) Deferred for future expenses:

Deferred contributions represent external contributions restricted for research and trust expenses to be incurred in subsequent fiscal years. Details of the change in deferred contributions are as follows:

(thousands of dollars)	2022	2021
Balance, beginning of year	\$ 437,990	\$ 371,100
Deferred contributions received	378,356	377,541
	816,346	748,641
Less:		
Amounts recognized as revenue	(315,111)	(287,876)
Deferred capital contributions transfer	(19,244)	(22,775)
Balance, end of year	\$ 481,991	\$ 437,990

Deferred contributions consist of the following:

(thousands of dollars)	2022	2021
Research grants and contracts	\$ 307,693	\$ 277,177
Donations, other grants and investment income	151,655	138,782
Other restricted funds	22,643	22,031
	\$ 481,991	\$ 437,990

11. Deferred contributions (continued):

(b) Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. Unspent deferred capital contributions are recorded as amounts not subject to amortization until such time as the capital expenditures are incurred. Details of the change in the unamortized deferred capital contributions are as follows:

(thousands of dollars)	2022	2021
Balance, beginning of year	\$ 480,736	\$ 491,662
Add: contribution received and transfers	26,219	31,835
Less: amount amortized to revenue	(44,853)	(42,761)
Balance, end of year	\$ 462,102	\$ 480,736

Deferred capital contributions consist of the following:

(thousands of dollars)	2022	2021
Amounts subject to amortization	\$ 450,105	\$ 474,310
Amounts not subject to amortization	11,997	6,426
	\$ 462,102	\$ 480,736

12. Internally restricted net assets:

Details of internally restricted net assets are as follows:

(thousands of dollars)	2022	2021
Pensions (a)	\$ (45,518)	\$ 85,460
Other retirement and post employment benefit plans (net) (b)	(76,927)	(93,768)
Employee future benefits	(122,445)	(8,308)
Unexpended departmental carryforwards (c)	226,774	198,753
Unexpended research funds (d)	58,506	55,334
Employee benefit (e)	9,850	11,200
Ancillaries (f)	(3,277)	(4,677)
Specific purpose (g)	61,517	99,664
Research investments (h)	2,102	2,353
MIP investment (i)	2,223	4,082
Other (j)	12,243	14,814
Sinking funds (k)	54,633	42,928
Internally financed capital projects (l)	(103,205)	(107,147)
Capital reserves (m)	258,898	100,215
Facilities services projects (n)	122,254	134,481
Other internal reserves	702,518	552,000
	\$ 580,073	\$ 543,692

12. Internally restricted net assets (continued):

- (a) Pensions: the net pension funding position, determined by a third party actuary, using the funding methodology.
- (b) Other retirement and post employment benefit plans (net): unfunded portion of health, dental and life insurance benefits for retirees and employees on long term disability of \$268,882,000 (2021 - \$287,287,000), net of employer committed funding held in internal reserves of \$191,955,000 (2021 - \$193,519,000) for the accrued benefit obligation of the non-pension post-retirement benefit plan (note 10(k)).
- (c) Unexpended departmental carryforwards: departmental operating reserves available for spending by faculties to protect against possible adverse circumstances such as changes in student enrolment (tuition fee impacts) and/or operating grant reductions.

Departmental and ancillary carryforwards in (c) and (f) do not reflect the share of future obligations to the related employees for settlement of pensions and other post-employment benefits costs as outlined in items (a) and (b). Allocation of these obligations to the related carryforward would reduce the available balances as follows:

(thousands of dollars)	2022	2021
Unexpended departmental carryforwards (c)	\$ 226,774	\$ 198,753
Ancillaries (f)	(3,277)	(4,677)
Employee benefit (e)	9,850	11,200
Pensions (a)	(45,518)	85,460
Other retirement and post employment benefit plans (b)	(76,927)	(93,768)
	\$ 110,902	\$ 196,968

- (d) Unexpended research funds: represent research residual funds and other research contributions specifically to fund research operations, facilities and projects.
- (e) Employee benefit: funds collected from departments toward benefit related pension and non-pension payments not yet due in the fiscal period.
- (f) Ancillaries: deficits accumulated are repaid by the ancillaries and surplus funds accumulated are for reinvestment into ancillary infrastructure or systems projects to advance ancillary operations.
- (g) Specific purpose: funds to mitigate the risks associated primarily with volatility in income from equity investments, representing accumulated realized and unrealized investment earnings (losses) after commitments to the operating fund. The primary use of this reserve is to supplement endowment funding to support student bursaries, scholarships, and other expenditures when investment income is insufficient. It may also be used to fund other strategic reserves such as the post-retirement benefits and capital reserves. In fiscal 2022, \$nil (2021 - \$45 million) was transferred to the post-retirement benefit reserve and \$7.5 million (2021 - \$25 million) to the capital reserve as part of the long term funding strategy for these commitments.
- (h) Research investments: represents the fair value of publicly held research entities, including accumulated realized and unrealized investment earnings, as well as the cost of privately held research entities.
- (i) MIP investment: represents accumulated investment earnings from the investment in The Gore District Land Trust and The First Longwood Innovation Trust.
- (j) Other: non-cash reserve which primarily represents timing differences between cash accounting and accrual accounting.
- (k) Sinking funds: funds set aside to settle debt bullet repayments of \$120 million due in each of 2052 and 2065, \$25 million due in 2051 and \$125 million due in 2071. During the year, \$15 million was transferred to sinking funds from equity in capital assets.

12. Internally restricted net assets (continued):

- (l) Internally financed capital projects: long term loans for capital projects which have been internally financed by capital reserves as outlined in note 12(m).

Details of the internally financed capital projects which have various recovery terms and periods are as follows:

(thousands of dollars)		April 30, 2022
Project	Funding source	balance
Stadium	Pledges, fundraising	\$ (6,660)
Les Prince Residence	Ancillary operations	(12,411)
David Braley Athletic Centre	Student levies, pledges, fundraising	(638)
Peter George Centre for Living and Learning	Ancillary operations	(45,885)
Parking Consolidation Loan	Parking	(5,648)
McMaster Automotive Resource Centre (MARC)	Various	(4,747)
McMaster University Medical Centre (MUMC)	Various	(1,938)
Comprehensive Energy Reduction Program	Various	(23,109)
Biomedical Engineering and Advanced Manufacturing (BEAM)	Various	(597)
Other	Various	(1,572)
		\$ (103,205)

(thousands of dollars)		April 30, 2021
Project	Funding source	balance
Stadium and Parking Project	Parking fees, pledges, fundraising	\$ (12,407)
Les Prince Residence	Ancillary operations	(12,644)
David Braley Athletic Centre	Student levies, pledges, fundraising	(2,093)
Peter George Centre for Living and Learning	Ancillary operations	(46,094)
McMaster Automotive Resource Centre (MARC)	Various	(5,197)
McMaster University Medical Centre (MUMC)	Various	(2,438)
Comprehensive Energy Reduction Program	Various	(23,837)
Biomedical Engineering and Advanced Manufacturing (BEAM)	Various	(672)
Other	Various	(1,765)
		\$ (107,147)

- (m) Capital reserves: funds for planned capital projects committed and confirmed by governance approvals, as outlined in note 15(d). During the year, \$136.1 million was transferred to capital reserves from equity in capital assets.
- (n) Facilities services projects: holding accounts for temporarily unspent funds for construction projects in progress.

13. Equity in capital assets:

The equity in capital assets is calculated as follows:

(thousands of dollars)	2022	2021
Capital assets	\$ 1,276,062	\$ 1,231,476
Less amounts financed by:		
Net long-term obligations	(404,386)	(252,396)
Deferred capital contributions subject to amortization	(450,105)	(474,310)
	\$ 421,571	\$ 504,770

Details of the transfer for capital transactions are as follows:

(thousands of dollars)	2022	2021
Repayment of long-term debt	\$ 756	\$ 709
Capital asset purchases from operating, net of disposals	109,591	77,217
	\$ 110,347	\$ 77,926

14. Endowments:

(a) Internal:

Details of the change in internally restricted endowments are as follows:

(thousands of dollars)	2022	2021
Balance, beginning of year	\$ 171,813	\$ 141,333
Donations	40	59
Investment (loss) income	(9,510)	36,030
Net transfers and expenses	(5,728)	(5,609)
Balance, end of year	\$ 156,615	\$ 171,813

Included in internal endowments is an amount of \$70,778,000 (2021 - \$78,003,000) reflecting the legacy of Dr. H. L. Hooker and \$67,406,000 (2021 - \$73,716,000) related to the Salaried Pension Plan surplus withdrawal from 2003. A portion of annual investment income generated from this capital is used to fund programs that enrich the academic achievements of the University as approved annually by the Board.

(b) External:

Details of the change in externally restricted endowments are as follows:

(thousands of dollars)	2022	2021
Balance, beginning of year	\$ 584,403	\$ 476,018
External contributions	20,619	11,453
Income (withdrawn) retained - capital protection policy	(56,643)	96,932
Balance, end of year	\$ 548,379	\$ 584,403

Investment (loss) income on external endowments amounted to \$(36,431,000) (2021 - \$116,321,000). In accordance with the endowment capital protection policy, this income/loss is added/withdrawn to/from net endowment assets, together with reduction of the amount made available for spending of \$20,214,000 (2021 - \$19,394,000), plus net transfers of \$2,000 (2021 - \$5,000). The amount made available for spending is recorded as investment income in the statement of operations.

15. Commitments and contingencies:

(a) Canadian Universities Reciprocal Insurance Exchange:

The University is a member of the Canadian Universities Reciprocal Insurance Exchange "CURIE", a self-insurance cooperative comprised of approximately sixty Canadian universities and colleges. CURIE insures property damage, general liability and errors and omissions risks. If premiums collected are insufficient to cover expenses and claims, the University may be requested to pay additional amounts.

(b) Legal claims:

The University is involved in certain legal matters and litigation in the normal course of operations, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are determined. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

(c) Debt Service Deficiency Agreement:

The University has guaranteed the scheduled principal and interest payments, up to \$23 million of long-term debt extended to The First Longwood Innovation Trust, in the event of default. The total amount of debt outstanding and subject to the Debt Service Deficiency Agreement at April 30, 2022 was \$17.4 million (2021 - \$18.4 million). Since the agreement may expire without being drawn upon, it does not necessarily represent future cash requirements. As of April 30, 2022, no obligation exists under the agreement and as a result, no amount has been recognized as a liability on the statement of financial position.

(d) Capital commitments:

The estimated cost to complete approved major capital and system projects amounted to \$249.1 million at April 30, 2022 (2021 - \$339.1 million). The major commitments are as follows: McLean Centre for Collaborative Discovery (\$116.4 million), PeakShavers and Boilers project (\$25.8 million) and Commercialization of Research (\$19.6 million).

(e) Energy Retrofit Agreement:

In 2007, the University signed a multi-year agreement with Hamilton Health Sciences Corporation ("HHSC") when HHSC undertook a significant energy retrofit project at the McMaster University Medical Centre. Under the terms of the agreement, the University is required to pay approximately 40% of the related costs of the retrofit project. At April 30, 2022, the University's remaining share of the costs are estimated to be \$6.7 million (2021 - \$7.6 million). Payments to HHSC will take place up to 2029.

(f) Leases:

The University has entered into operating lease agreements for office equipment and buildings. The total annual minimum lease payments in each of the next five years are approximately as follows:

(thousands of dollars)

2023	\$ 6,717
2024	6,925
2025	5,080
2026	5,030
2027	3,458

15. Commitments and contingencies (continued):

(g) McMaster Main Street Student Residence:

The University is working with a private developer to provide an approximately 1,400 bed undergraduate residence that includes learning, research and additional ancillary university spaces along Main Street West on lands McMaster owns. The project land once developed will be an extension of main campus. At April 30, 2022, \$16.3 million (2021 - \$16.3 million) is recorded in land. The project is expected to be completed by 2024/25. The residence will be managed, operated and used by the University to support its mission.

(h) Grad Residence and Parking Garage:

The University is working with a private developer to provide a new graduate residence with approximately 640 beds and a 265 space parking garage in downtown Hamilton. The residence project is designed to be a public-private partnership project. The project is expected to be completed by 2023/24. To support this project the University has entered into a 99 year land lease effective October 1, 2019, with four 25 year renewal options. The parking garage is being constructed as part of the overall residence, however it will be McMaster owned, run, and maintained as part of the parking ancillary operation. Construction costs on the parking garage at April 30, 2022 amounted to \$10.1 million (April 30, 2021 - \$0.3 million).

(i) Research Commercialization:

In June 2017 the Board approved an investment of up to \$25 million in facilities at MIP, including up to \$5 million in in-kind rental space and rent subsidies over the next five years in exchange for leases and other financial arrangements, which may include equity interest in one or more of the entities renting the space. The Board approved additional investments of up to \$25 million in June 2018 and up to \$13 million in June 2020. In June 2021 an additional investment of up to \$7 million was approved. These facilities investments are in support of research commercialization opportunities for early stage commercialization and established businesses. Construction on this space continues and third party tenants moved in into the space in fiscal 2021. \$48.2 million of the total \$70 million approved investment has been spent as of April 30, 2022 (2021 - \$22 million).

(j) McMaster Innovation Park:

Subsequent to year-end, the Board of Directors approved additional investment of up to \$59 million at the McMaster Innovation Park. With this investment, the University will acquire the leasehold interest of the existing Portal building for \$14 million, as well as a 30% equity interest in both the sale of the existing Atrium building for \$10 million and equity and upfront financing associated with the OmniaBio B development for \$35 million. Investments are subject to definitive agreements with a third-party bidder. For the OmniaBio B project, the University will provide its funding in advance of other investors subject to interest on the share paid on behalf of others.

16. Other income:

Details of other income are as follows:

(thousands of dollars)	Major Sources	2022	2021
Faculty of Health Sciences	Non-degree educational fees, specifically funded programs, international postgraduates stipends, space/equipment rentals, other student fees	\$ 64,483	\$ 57,955
Other Faculties	Non-degree educational fees, international postgraduate stipends, space/equipment rentals, other student fees	6,984	7,862
Academic Services	Contracts and patent royalties, registrar administration fees	14,354	10,475
Student Services	Athletics and Recreation memberships and user fees	21,669	15,553
Miscellaneous	Nuclear reactor sales, application fees, late payment fees, sales of utilities and other departmental sales	22,500	21,242
Other Investment Income	Gore, FLIT and all private or publicly traded entities	1,906	290
		\$ 131,896	\$ 113,377

17. Related party transactions:

In addition to certain transactions and balances disclosed in note 5, the University received funds of approximately \$10,880,000 (2021 - \$186,000) during the year from fundraising entities.

18. Financial risks and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost. In managing liquidity risk, the University focuses on liquid resources available for operations. The University's objective is to have sufficient liquid resources to continue operating even if adverse financial events were to occur and to provide it with the flexibility to take advantage of opportunities that will advance its mission. The need for sufficient liquid resources is considered in the preparation of its annual and capital budgets and by monitoring and forecasting of cash flows. The University has a \$75 million line of credit. The credit facility can be used for general corporate purposes including shorter term funding in the event of a short-term deficiency in cash flow. The line of credit was not used in 2022. In addition, the University could issue unsecured debentures or enter into other long term debt to assist in the financing of capital projects. There has been no material change to the risk exposure from 2022.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The University is exposed to credit risk with respect to accounts receivable. The University assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts (note 3).

(c) Interest rate risk:

The University is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 2 and the long-term obligations are included in note 9.

(d) Currency risk:

Investments denominated in foreign currency are exposed to currency risk as the price in local terms in foreign markets is converted to Canadian dollars to determine fair value. The University's overall currency positions are monitored on a daily basis by the portfolio manager. There has been no material change to the risk exposure from 2022.

19. Ontario student opportunity trust fund:

External endowments include grants for funding student aid provided by the Government of Ontario's Student Opportunity Trust Fund matching program. Under the program, the Province has matched qualifying external endowment donations received with equal contributions.

(a) Ontario Student Opportunity Trust Fund - Phase I

The following schedule represents the changes for the years ended April 30th, in the first phase of the Ontario Student Opportunity Trust Fund (OSOTF I) balance:

(thousands of dollars)	2022	2021
Endowment balance, beginning of year	\$ 31,179	\$ 32,271
Investment income retained for protection of capital	2,463	(854)
Investment income transferred to expendable income	(240)	(238)
Endowment balance, end of year	33,402	31,179
Funds available for awards, beginning of year	-	-
Investment income	1,670	1,669
Bursaries awarded (2022 - 1,384 awards; 2021 - 1,622 awards)	(1,910)	(1,907)
Investment income transferred from endowment balance	240	238
Funds available for awards, end of year	-	-
Total funds at book value	\$ 33,402	\$ 31,179

The market value of the endowment as at April 30, 2022 was \$41,019,000 (2021 - \$44,878,000).

(b) Ontario Student Opportunity Trust Fund - Phase II

The Ontario government requires separate reporting of balances as at April 30th, and details of the changes in the balances for the period then ended with respect to the second phase of the Ontario Student Opportunity Trust Fund (OSOTF II) of McMaster University including Divinity College.

The following is the schedule of changes for the years ended April 30th:

(thousands of dollars)	2022	2021
Endowment balance, beginning of year	\$ 6,182	\$ 6,018
Investment income retained for protection of capital	562	164
Endowment balance, end of year	6,744	6,182
Funds available for awards, beginning of year	79	56
Investment income for expenditures	299	294
Bursaries awarded (2022 - 263 awards; 2021 - 374 awards)	(258)	(271)
Funds available for awards, end of year	120	79
Total funds at book value	\$ 6,864	\$ 6,261

The market value of the endowment as at April 30, 2022 was \$7,534,000 (2021 - \$8,282,000).

20. Ontario trust for student support:

External endowments include grants for funding student aid provided by the Government of Ontario's Ontario Trust for Student Support (OTSS) matching program. Under the program, the Province will provide an equivalent matching contribution for external endowment contributions made to a specified ceiling.

The following is the schedule of changes in the endowment and expendable balances for the years ended April 30th:

(thousands of dollars)	2022	2021
Endowment balance, beginning of year	\$ 40,307	\$ 39,022
Investment income retained for protection of capital	3,928	1,285
Endowment balance, end of year	44,235	40,307
Funds available for awards, beginning of year	753	841
Investment income for expenditures	1,793	1,720
Bursaries awarded (2022 - 563 awards; 2021 - 690 awards)	(1,814)	(1,808)
Funds available for awards, end of year	732	753
Total funds at book value	\$ 44,967	\$ 41,060

The market value of the endowment as at April 30, 2022 was \$55,130,000 (2021 - \$60,142,000).

21. Pledges:

Outstanding but unrecorded pledges for donations and other fund raising amounted to approximately \$97,000,000 (2021 - \$86,000,000) (Unaudited).

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