Annual Financial Report

Including the Audited Financial Statements

2022-2023

BRIGHTER WORLD | mcmaster.ca

McMaster University

Table of Contents

The 2022/2023 Annual Financial Report highlights the student experience at McMaster University and underscores our institution's unwavering dedication to teaching, research, and scholarship. Within this report are stories and photos that illustrate how our students, faculty, and staff are collaborating to enhance the McMaster experience to be better than ever. From pioneering sustainability efforts to championing diversity initiatives and even naming a new residence, the past year was full of milestones and celebrations.

BRIGHTER WORLD

McMaster University

Year in Review

This Annual Financial Report highlights McMaster's key achievements and initiatives in 2022/23, the second year of the updated strategic plan focused on serving societal health and well-being living within a sustainable global ecosystem. Highlights include activities that advanced McMaster Research for a Brighter World Strategic Plan launched in prior years, and the University's *audited financial statements*.

The financial results in 2022/23 were impacted by international trends and events contributing to global market volatility and inflation, as well as slowing growth in international student enrolment caused by national visa issues and increased competition from other institutions. With limited growth in international enrolment, the effects of the provincial funding corridor and tuition freeze are more pronounced, reducing income available to cover inflationary costs. The Province has struck a blue-ribbon panel to provide it with advice around financial sustainability of the post-secondary education sector. Despite the headwinds, the 2022/23 consolidated surplus remained strong at $149.6 million mainly due to a 7.1% investment gain and contributions from a full year of on-campus activities.

The 2022/23 Operating Fund closed with a $34.9 million surplus mainly resulting from rate increases in international student tuition and other revenue, offset by compensation, facilities and other operating costs driven by the return to campus. Salary and benefit costs are being driven both by additional faculty and staff required to support higher enrolment, as well as inflation and cost of living issues. Additional contributions to future capital projects were made in 2022/23, but at a lower rate than the prior year.

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. McMaster has embraced the challenge

to work together to solve global challenges, earning the institution a top 35 spot on the Times Higher Education United Nations' Sustainable Development Goals. Diversity across learners grew to 17.3% international student participation in total student enrolment of over 35,000.

Research income of $211.1 million was higher than last year as work progressed on grants and contracts received in prior years. Research income is recognized as related research expenditures occur. New research funding received in the year increased substantially from $236.9 million to $306.2 million.

In addition to expense containment and prudent management, McMaster remains focused on alternative opportunities to support the University mission and sustain financial health. In September 2022, McMaster announced the Wilson College of Leadership and Civic Engagement thanks to the largest gift to the liberal arts in Canada from Chancellor Emeritus L. R. (Red) Wilson and the Wilson Foundation. The McMaster Seed Fund entity continues 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.

An exciting new Campus Plan was approved in 2023 to provide a long-term vision for the future development of the University's physical campus and locations over the next 10 years and a framework that will help shape the University's infrastructure, buildings, outdoor spaces, landscape and natural land. Capital investments in 2022/23 totalled $180.5 million with key student-focused projects including the Student Activity and Fitness Expansion and the McLean Centre for Collaborative Discovery. Additionally, a Peak Shaver and Electric Boiler project is in progress to reduce campus carbon dioxide emissions by over 12,000 tonnes annually, in alignment with the refreshed Sustainability Policy. McMaster aspires to transform the campus into a living laboratory for sustainability, accessibility and inclusion, while also advancing sustainable operations and growth. McMaster's two public-private developments are underway. The 600-bed downtown graduate residence opened in September 2023. Lincoln Alexander Hall, a 1,370-bed undergraduate residence expected to open in 2026, will serve the legacy of the Honourable Lincoln Alexander.

Other research-related real estate initiatives underway in 2022/23 included 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, bio-manufacturing, and research-supporting ecosystem spaces. The Board approved equity investments in the Atrium, the Portal, and the OmniaBio B Project at McMaster Innovation Park. This initiative enhances McMaster's research commercialization project initiated in 2017 with investments made to house several McMaster spin-off companies.

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, with 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. The initial interim target for the Salaried Pension Pool is a 30% reduction by 2030, to be finalized in 2023/24, and the Hourly Pension Plan investment strategy is under review with an interim target to maintain carbon at or below current levels.

TO READ MORE	
Other supplemental information providing additional in-depth discussion of University information include:	
McMaster University Strategic Plan 2021-2024	*Sustainability Strategy 2022-2026*
Strategic Mandate Agreement 2020-2025	*Campus Net Zero Carbon Roadmap*
Goals and Priorities	*Responsible Investing Disclosures*
Consolidated Budget – June 2023	*Sustainable Procurement*
University Fact Book	*Campus Plan*
Sustainability Policy	

By the Numbers

$885,729,000

Available expendable resources vs. $859,133,000 last year

$180,530,000

Capital spending vs. $132,984,000 last year

$1,405,728,000

Total revenue vs. $1,197,630,000 last year

$1,256,100,000

Total expenses vs. $1,144,702,000 last year

$149,629,000

Excess of revenues over expenses vs. $52,928,000 last year

$25,733

Endowment per FTE students vs. $24,418 last year

$39,800

Revenue per FTE students vs. $34,100 last year

$(277,648,000)

Non-pension employee future benefit unfunded obligation vs. $(268,882,000) last year

$13,892,000

Pension employee future benefit unfunded obligation vs. $(6,832,000) last year

$34,898,000

Excess of revenues over expenses Operating Fund only vs. $28,021,000 last year

$1,916,983,000

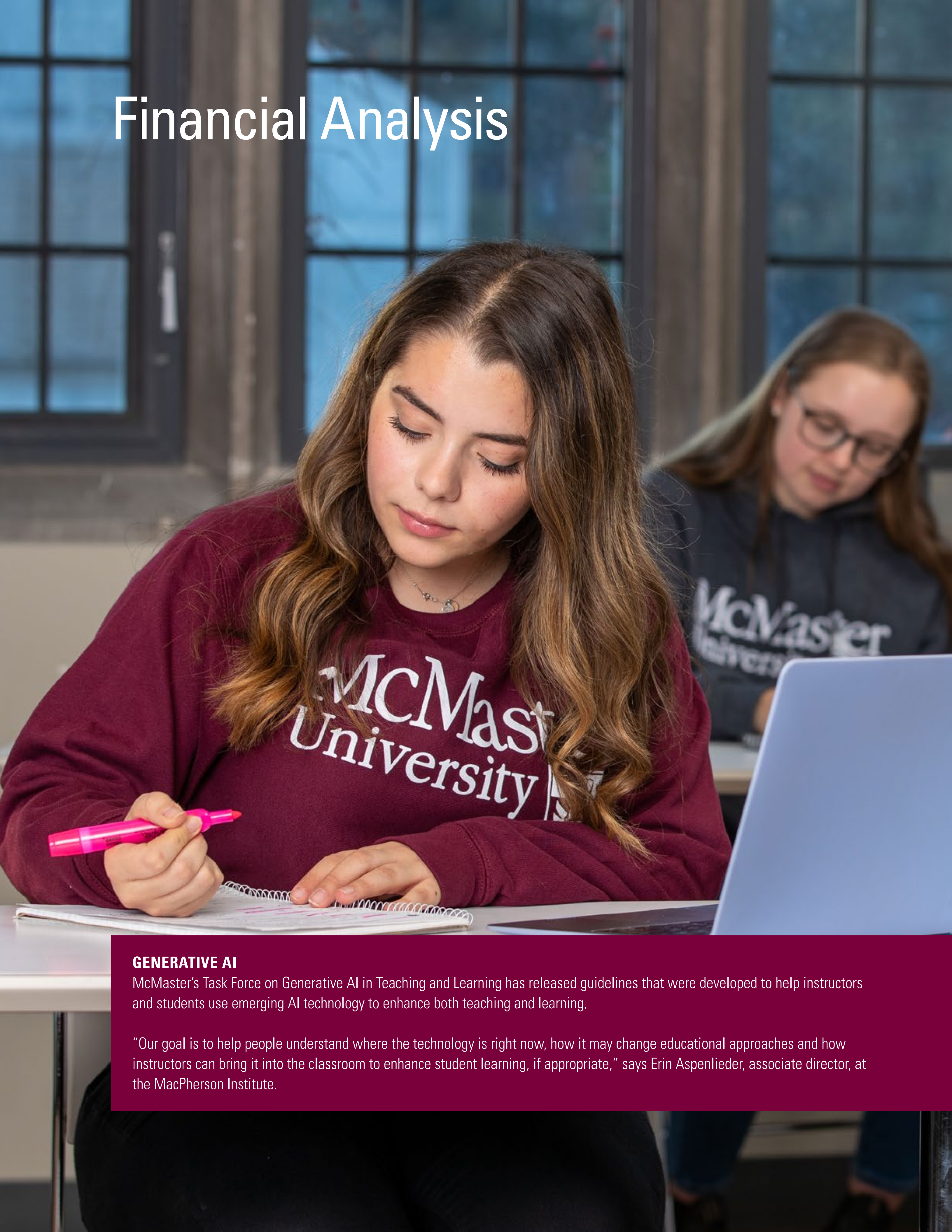
Total net assets vs. $1,706,638,000 last year

35,314

Enrolment (full time equivalent (FTE)) vs. 35,082 last year

8,962

Staff and Faculty head count vs. 8,518 last year



Financial Analysis

GENERATIVE AI

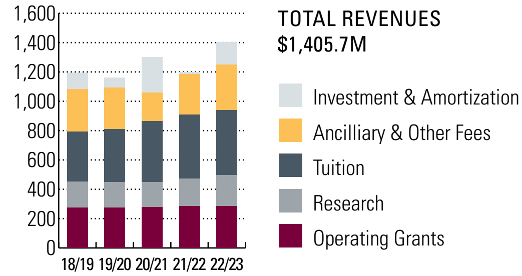
McMaster's Task Force on Generative AI in Teaching and Learning has released guidelines that were developed to help instructors and students use emerging AI technology to enhance both teaching and learning.

"Our goal is to help people understand where the technology is right now, how it may change educational approaches and how instructors can bring it into the classroom to enhance student learning, if appropriate," says Erin Aspenlieder, associate director, at the MacPherson Institute.

Key Financial Indicators

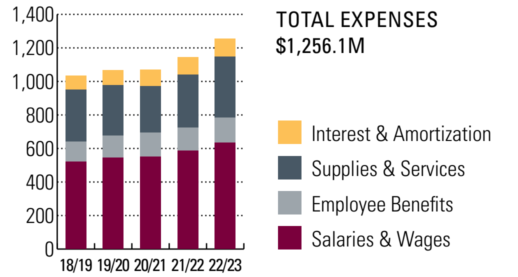
TOTAL REVENUES

- Revenues increased by $208.1 million (17.4%) largely due to a $142.2 million increase in investment income as a result of the Investment Pool return of 7.1% (prior year return -5.4%).
- Excluding investment returns, revenue increased by $65.9 million (5.4%).
- Full in-person attendance on-campus increased ancillary sales by $21.4 million (33.0%)
- Research revenue increased by $23.8 million (12.7%) due to utilization of funding received in prior years.
- Tuition income increased by $8.4 million (1.9%) due to increased enrolment and standard rate inflation.



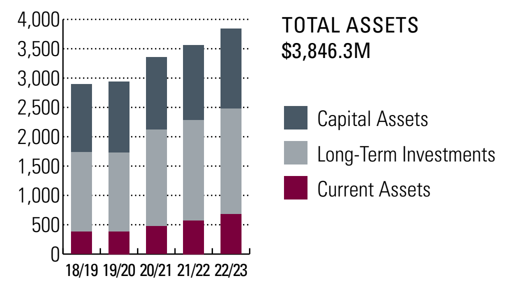
TOTAL EXPENSES

- Expenses increased by $111.4 million (9.7%).
- Supplies and services increased by $50.7 million (16.1%) due to increases in travel expenses, utility costs, ancillary cost of sales, and research activities, all related to the continued re-opening of campus as well as inflation.
- Salaries and wages increased by $47.3 million (8.1%) due to negotiated pay increases, the continued return to pre-pandemic staffing levels and planned recruitment in key areas resulting in a 5.4% headcount increase.
- Employee benefits increased by $10.5 million (7.6%) in line with salary and wages.



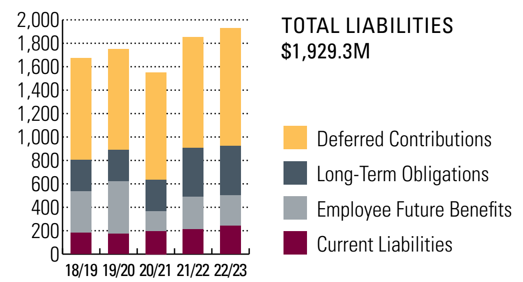
TOTAL ASSETS

- Total assets increased by $286.8 million (8.1%).
- Total short and long-term investments increased by $155.8 million (7.8%) due to increased investment returns.
- Accounts receivable increased by $19.9 million (13.1%) related to increased research funding.
- Net capital assets increased by $90.2 million (7.1%).



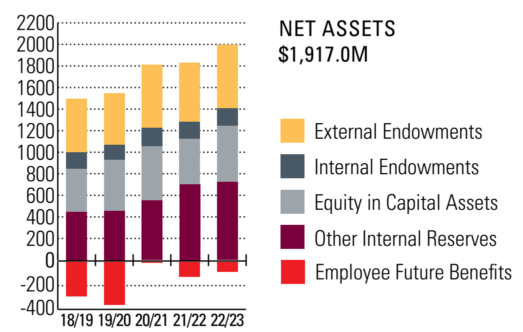
TOTAL LIABILITIES

- Total liabilities increased by $76.5 million (4.1%).
- Net deferred contributions increased by $60.6 million (6.4%) due to increased research receipts.
- Current liabilities increased by $27.8 million (13.1%) due to increased activity post-pandemic and inflation.
- Accrued employee future benefit obligations decreased by $12.0 million (-4.3%) due to an increase in discount rates.



NET ASSETS

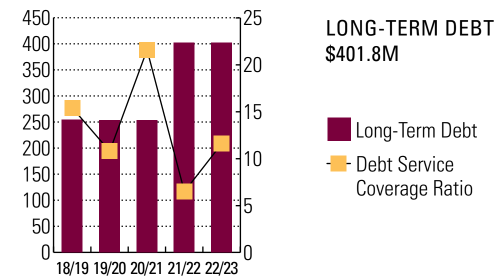
- Total net assets increased by $210.3 million (12.3%).
- Equity in capital assets increased by $101.0 million (24.0%) related to capital plan approved investments.
- Internal reserves increased by $63.8 million (11.0%) due to improved investment returns and delays in spending operating funds.
- External endowments increased by $41.1 million (7.5%) due to increased investment returns and endowed donations.



Key Financial Indicators

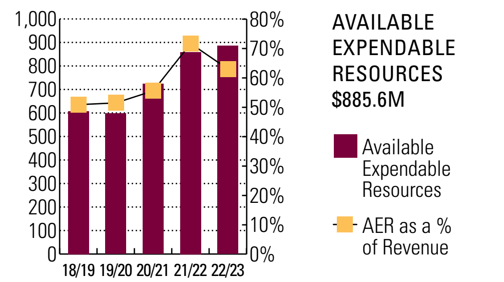
LONG-TERM DEBT

- Long-term debt is stable and primarily relates to two $120.0 million bonds maturing in 2052 and 2065, plus a $25.0 million green bond maturing in 2051 and a $125.0 million bond maturing in 2071.
- The debt service coverage ratio increased to 11.6 times due to higher net income.
- Sinking funds exist to settle debts on maturity.



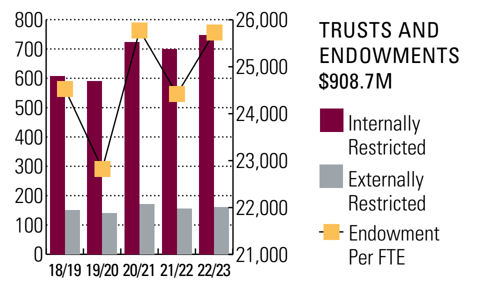
AVAILABLE EXPENDABLE RESOURCES (AER)

- 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 $26.5 million (3.1%) due to improved investment returns and delays in spending operating funds.
- AER is internally restricted by the Board of Governors for specific purposes such as future financial obligations (see financial statements note 12).



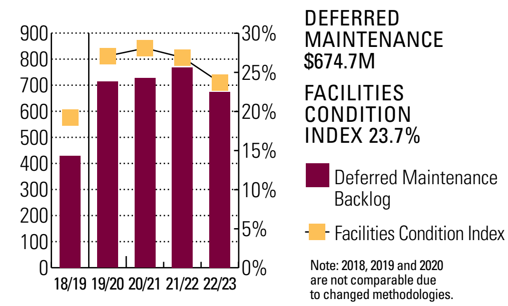
TRUSTS AND ENDOWMENTS

- Trusts and endowments increased by $52.1 million (6.1%) related to the Investment Pool return of 7.1%.
- Endowment funds per student increased 5.4% related to the higher fund balance, more than offsetting increased enrolment.



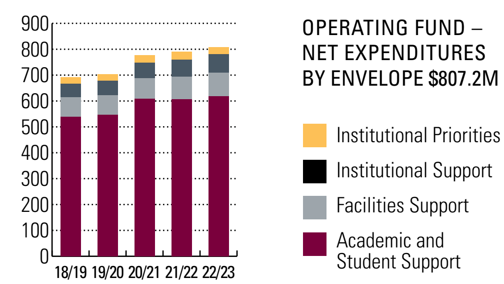
DEFERRED MAINTENANCE

- Deferred maintenance (DM) 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.
- DM backlog has decreased following sustained investment and continuing building audits.
- 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 $17.1 million (2.2%) mainly due to resumption of activities paused during the pandemic.
- Expense increases were mainly due to additional travel, meeting costs, special projects and events, as well as approved salary increases.



Revenues

Total revenues increased by $208.1 million (17.4%) to $1,405.7 million (2021/22: $1,197.6 million) reflecting revenue per student FTE of $39,807 (2021/22: $34,138). Net investment income increased by $142.2 million with improved market returns. Financial markets remain volatile stemming from global political and climate events and rising inflation. Revenue also grew due to $23.8 million (12.7%) in increased research grants and contracts, $21.4 million (33.0%) increased ancillary sales and a $13.4 million (10.2%) increase in other income, as campus activities fully resumed during the year.

McMaster's reputation in research and experiential learning continues to make the University a destination of choice for students, while strategic investments are poised to grow alternative revenue opportunities across research commercialization, real estate, and other ancillary operations.

OPERATING GRANTS INCOME

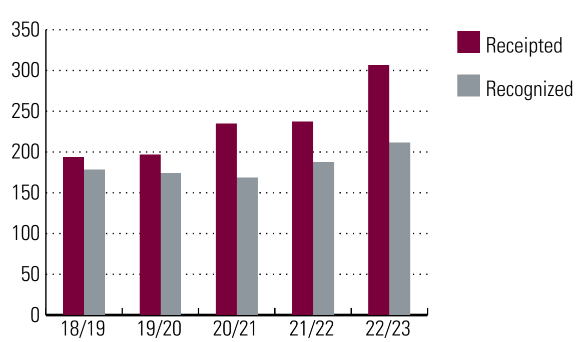
Operating grants from the Ministry of Colleges and Universities (MCU) remained flat year over year. The MCU corridor funding model funds universities for enrolment that is plus or minus 3.0% of the enrolment funding mid-point based on 2016/17 funding. In 2022/23, domestic enrolment continued to exceed the maximum funding cap as unfunded students accepted in 2020/21 continued their studies. Like McMaster, a number of Ontario universities are facing unfunded domestic enrolment. The MCU has convened a blue-ribbon panel as a short-term advisory body to provide advice and recommendations to improve the financial sustainability of the post-secondary education sector. McMaster has joined the Council of Ontario Universities in advocating for changes to the provincial funding model.

In 2022/23, 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 special purpose grants were received for clinical education, the Nursing program, and facilities renewal. In real dollar terms, the operating grant held mainly frozen has not kept pace with inflation.

RESEARCH GRANTS AND CONTRACTS

Research expenditures increased by $23.8 million (12.7%) due to resumption of on-campus activities and increased equipment acquisitions, resulting in $211.1 million in research revenue recognized (2021/22: $187.3 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 $69.3 million (29.2%) to $306.2 million (2021/22: $236.9 million) as shown in Figure 1. The significant increase in receipts is due to increased funding activity from the Tri-Agency, Canada Foundation for Innovation, and various other federal and provincial sources, as well as new research initiatives.

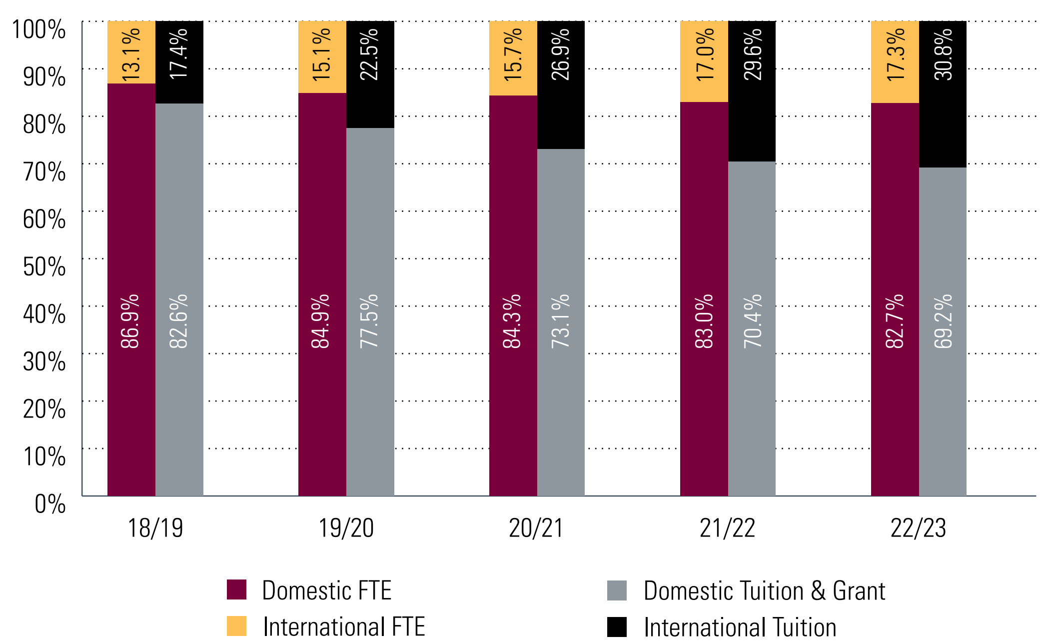
TUITION FEES

Revenue from tuition fees increased by $8.4 million (1.9%) to $445.8 million (2021/22: $437.4 million), solely due to increased international enrolment and international tuition rate increases.

Overall enrolment increased by 0.7%. Domestic enrolment of both undergraduate and graduate students was virtually flat, increasing by 0.4% (2021/22: -0.6%), with domestic tuition rates continuing to be frozen and enrolment targets constrained by the provincial funding cap. International enrolment increased by 2.1% (2021/22: 9.9%), while international tuition revenue increased by 5.5%. International tuition fees are higher than domestic fees because there is no provincial operating grant to offset the total education costs of these students and no restriction on increasing fees to offset increased costs.

Although the growth in international enrolment has slowed, McMaster is focused on further diversifying the international student mix along with modestly increasing participation. This enrolment mix change has resulted in a growing proportion of tuition from international students compared to domestic tuition and grants (Figure 2). Consolidated tuition revenues include 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



INDIGINERDS
IndigiNerds, an eight-week intensive research training program hosted by the McMaster Indigenous Research Institute, offers Indigenous undergraduate students the chance to participate in graduate-level research while providing mentorship, support and inspiration.

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% of 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 $21.4 million (33.0%) to $86.1 million (2021/22: $64.7 million) due to the full year of on-campus activity and is now over 10% above pre-pandemic levels. In 2020/21, all ancillaries except Continuing Education experienced a sales decline due to the pandemic, resulting in deficit reserves in both 2020/21 and 2021/22. At the end of 2022/23 the overall reserve has returned to a positive balance of $0.3 million, with all units achieving surpluses in the year.

Table 1: SALES BY ANCILLARY OPERATIONS					$ Thousands
	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Housing and Conference Services	27,792	28,440	524	27,765	35,369
Hospitality Services	27,240	25,696	506	17,319	30,955
Campus Store	14,978	14,073	10,849	12,025	12,075
Continuing Education	7,759	8,342	9,276	8,336	7,851
Parking	6,222	5,345	161	3,110	5,622
Media Production Services	4,331	4,194	1,388	1,964	3,509
	88,322	86,090	22,704	70,519	95,381
Less internal sales	(10,120)	(10,131)	(4,937)	(5,801)	(9,280)
	78,202	**75,959**	**17,767**	**64,718**	**86,101**

2023 INDIGENOUS STUDIES DEPARTMENT'S GRADUATION CELEBRATION
The Indigenous Studies department has celebrated its first graduating class since becoming an independent academic department. The gathering also recognized Indigenous students graduating from other programs along with their friends, family and other community members who supported them throughout their academic careers.

INVESTMENT INCOME

Long-term investments (the "Investment Pool") consist of both endowed and non-endowed funds. The Investment Pool achieved a total rate of return before investment management fees of 7.5% (2021/22: -5.0%), and net return of 7.1% (2021/22: -5.4%). 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, 2023 four-year annualized return for the Investment Pool was 6.2% or 1.0% above the policy benchmark of 5.2%.

Market volatility, inflation 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 CONSULTANT AND INVESTMENT MANAGERS AS AT APRIL 30, 2023

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

	2018/19	2019/20	2020/21	2021/22	2022/23
Recognized income	70,820	26,392	199,111	(32,252)	109,958
Amount posted directly to external endowments	7,266	(33,302)	96,932	(56,643)	8,413
Total earned	**78,086**	**(6,910)**	**296,043**	**(88,895)**	**118,371**

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 $34.7 million (2021/22: $23.0 million) of expenses were funded from the external endowment to support student scholarships, bursaries, Chairs, and Professorships.

Investment income allocated to internally restricted reserves is 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. Finally, the specific purpose reserve will also support supplemental funding for long-term obligations, such as the post-retirement benefits and capital priorities.

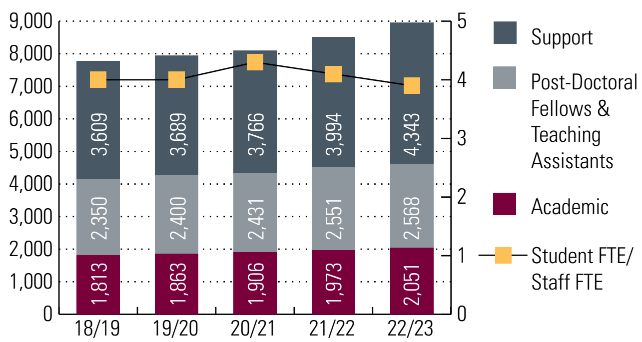
Compensation and Benefits

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.

COMPENSATION EXPENSE

Total compensation (salary and wages along with benefit costs) accounts for 62.4% of total expenditures (2021/22: 63.4%). Figure 3 shows the count of 8,962 academic and permanent staff members at October 2022 (October 2021: 8,518), which includes layoff recalls as campus activities resumed.

Figure 3: ACADEMIC AND PERMANENT STAFF AS OF OCTOBER 2022



Total compensation expenses of $783.6 million (2021/22: $725.8 million) are up 8.0%. Salary and wage costs increased 8.1% due to staff recall and faculty recruitment strategies, along with negotiated pay increases. Ontario's Bill 124 requiring a three-year pay moderation period limiting increases to 1.0% per year was struck down in November, 2022. The end of moderation periods for some employee groups as well as recent inflation has created pressures on compensation rates, hiring and retention. Benefit expenses increased 7.6% in line with increases in employee complement.

WILSON LEADERS

10 students have been chosen to join the Wilson Leadership Scholar Award. The award, started by Chancellor Emeritus Lynton "Red" Wilson, is an intensive leadership development program available to both undergraduate and graduate students at McMaster that comes with a monetary component of up to $14,000.

The five graduate and five undergraduate students study in a range of Faculties and programs. The new Wilson Leaders are Shlok Agarwal (Social Sciences), Erika Campbell (Health Sciences), Loa Gordon (Social Sciences), Beck Gower (Social Sciences), Mandisa Jacques-Saburi (Science), Hadi Khan (Science), Dione Leung (Humanities), Kaitlin Rothberger (Humanities), Ebunoluwa Soneye (Social Sciences) and Nila Thangavelu (Health Sciences).

THE MCMASTER ENGLISH LANGUAGE DEVELOPMENT (MELD) PROGRAM

After overcoming hurdles like moving to a new country, making new friends and mastering English, Seina Yamada says she is graduating with more than a degree.

MELD offers international students the opportunity to develop the language skills and confidence they need to thrive. After completing the eight-month program, students are guaranteed admission into the McMaster undergraduate program they were accepted into.

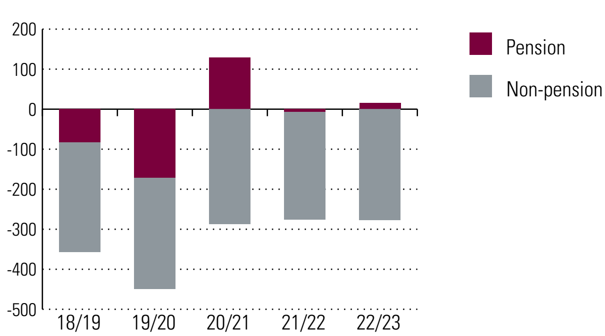
EMPLOYEE FUTURE BENEFIT COSTS

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 2022/23, the EFB obligation (Figure 4) decreased by $12.0 million (-4.3%) to $263.8 million (2021/22: $275.7 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 702 full time employees (2021/22: 609).

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. Although not due until January 1, 2023, the Hourly Pension Plan actuarial valuation was filed on July 1, 2022 to lock in recent strong performance and reduce required payments. The next regular three-year filing will be July 1, 2025. The change in the funded status of the defined benefit pension plans is summarized in Table 4.

Table 4: CHANGE IN FUNDED STATUS OF PENSION BENEFIT PLANS $ Thousands

	2018/19	2019/20	2020/21	2021/22	2022/23
Funded status, opening balance	**19,142**	**(82,609)**	**(171,231)**	**117,359**	**(6,832)**
Current service and finance cost	(32,375)	(38,841)	(48,930)	(34,068)	(38,154)
Remeasurements	(131,619)	(116,068)	274,006	(148,269)	17,384
University contributions	62,243	66,287	63,514	58,146	41,494
Funded status, closing balance, net	**(82,609)**	**(171,231)**	**117,359**	**(6,832)**	**13,892**

A $17.4 million positive pension remeasurement adjustment was made in the Statement of Net Assets (2021/22: $148.3 million negative) primarily related to improved returns on plan assets. Remeasurements are adjusted directly in reserves and have no impact on 2022/23 expenses.

The University Pension Plan (UPP) was launched on July 1, 2021 with currently four participating Ontario universities and 12 other affiliated organizations. 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.

2023 BRAIN BEE WINNER

Winnipeg high school student, Mark Piasecki, won the 2023 CIHR Canadian National Brain Bee. The Brain Bee, an annual event hosted by McMaster's department of Psychology, Neuroscience and Behaviour (PNB), brings together high school students from across the country to demonstrate their passion for and knowledge about the brain and the nervous system.

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 $8.8 million (3.3%) to a deficit of $277.6 million (2021/22: $268.9 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 2029.

In 2022/23, non-pension employee benefit expenses decreased by $2.3 million (-10.1%) to $20.7 million (2021/22: $23.0 million) due to a decrease in both current service and finance cost (Table 5). University claim payments increased by $0.5 million over the prior year due to increases in covered employees and inflation.

Table 5: CHANGE IN FUNDED STATUS OF NON-PENSION BENEFIT PLANS — $ Thousands

	2018/19	2019/20	2020/21	2021/22	2022/23
Funded status, opening balance	**(247,721)**	**(274,681)**	**(277,215)**	**(287,287)**	**(268,882)**
Current service and finance cost	(21,400)	(22,949)	(22,020)	(23,032)	(20,701)
Remeasurements	(13,732)	12,501	3,918	32,324	2,279
University contributions	8,172	7,914	8,030	9,113	9,656
	(274,681)	(277,215)	(287,287)	(268,882)	(277,648)
Internally restricted reserve	93,816	116,252	193,519	191,955	212,729
Funded status, closing balance, net	**(180,865)**	**(160,963)**	**(93,768)**	**(76,927)**	**(64,919)**

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. Departmental reserves do not reflect the future obligation for the settlement of pension and other post-employment benefits. Table 6 demonstrates the net department reserves including all related employee future benefits. Department reserves are used to progress capital and strategic priorities supported by area leaders.

Table 6: NET OPERATING FUND DEPARTMENTAL RESERVES — $ Thousands

	2021/22			2022/23		
	Faculties	Support/Ancillary	Total	Faculties	Support/Ancillary	Total
Departmental reserves	146,805	76,692	223,497	162,493	99,455	261,948
Pensions	(35,487)	10,031	(45,518)	(12,505)	(3,182)	(15,687)
Other post-employment benefits	(55,822)	(21,105)	(76,927)	(48,238)	(16,681)	(64,919)
Employee benefit reserve	5,533	4,317	9,850	3,797	(2,503)	6,300
Net departmental reserves	**61,029**	**49,873**	**110,902**	**105,547**	**82,095**	**187,642**

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.

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. During 2022/23, McMaster continued its efforts to transition to a net zero carbon campus by 2050.

As part of the overall strategy, the University is continuing to focus on enhancing the physical environment, including transforming the campus into a living laboratory for accessibility, inclusion, and sustainability. During 2022/23, the McMaster community continued its collaborative initiatives to update the McMaster Campus Plan which, along with the annual Capital Plan and the Net Zero Carbon Roadmap, will provide a framework for future capital initiatives.

McMaster's 2022/23 total capital expenditures totalled $180.5 million (2021/22: $133.3 million) and are summarized in Table 7. Capital expenditures increased as pandemic restrictions ended, however supply chain challenges have continued along with inflationary pressures. Capital projects underway in 2022/23 included the Student Activity and Fitness Expansion (SAFE), the Peak Shaver and Electric Boiler project to reduce carbon emissions from 13,670 tonnes of CO_2e 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
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2022/23**
Land, Completed Building Projects & Construction in Progress	110,835	77,150	54,018	76,308	117,319
Computers, Software, Furniture and Other Equipment	27,342	40,694	43,649	44,787	51,130
Library Materials	9,833	10,078	11,649	11,889	12,081
	148,010	**127,922**	**109,316**	**132,984**	**180,530**

BLACK GRAD

Black Grad, an event organized by the Black Student Success Centre, is separate from the students' academic convocations. For the second year in a row, this celebration recognized Black students' resilience, achievement and community. Nearly 80 students attended the event, surrounded by hundreds of loved ones and friends.

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. McMaster's carbon footprint will be reduced, both through our investments and installing green sources of energy on campus to reduce overall emissions by 42% by the end of next year. Development of the innovation ecosystem continues with the planned expansion of the McMaster Innovation Park, as well as investments in promising research start-ups identified by the McMaster Seed Fund (McMaster MSF Holdings, Inc.).

New infrastructure projects are being realized through several public-private partnerships. A new 640-bed graduate residence with 265 parking spaces in downtown Hamilton opened in September 2023, and main campus will be expanded to support the construction of a new undergraduate residence with 1,373 beds. In addition, a new limited partnership is developing a project at McMaster Innovation Park with anchor tenant OmniaBio Inc., a contract development and manufacturing organization producing gene-modified cells and viral vectors.

McCALL MACBAIN INTERNATIONAL FELLOWS

Four McMaster students have been selected as McCall MacBain International Fellows. Dev Nayak, Misty Macdonald, Teagan Caulfield and Zachary Maretzki will be able to spend a fully funded year abroad studying, living and working in a new country. The Fellowship provides students with the opportunity to learn a language, participate in a new community, build lasting international ties and deepen their ability to work in a different cultural context.

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. Internal central bank loans decreased marginally to $102.6 million (2021/22: $103.2 million) 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 to 4.75% allowing revenue generating investments to proceed despite recent increases in bank lending rates.

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 robust financial metrics (Table 8) and reinforced by strong credit ratings of AA (Stable) by S&P and DBRS. MCU has announced plans to implement a new Financial Accountability Framework beginning in 2023/24. The metrics below are in line with the provincial metrics and are well within targeted ranges.

Table 8: FINANCIAL HEALTH AND SUSTAINABILITY METRICS — $ Thousands

	2018/19	2019/20	2020/21	2021/22	2022/23
Available Expendable Resources					
Unrestricted net assets	10,755	-	-	-	-
Other internal reserves	446,535	456,943	552,000	702,518	724,526
Internal endowments	150,410	141,333	171,813	156,615	161,076
Available Expendable Resources	**607,700**	**598,276**	**723,813**	**859,133**	**885,602**
AER as a % of Revenue	**50.9%**	**51.5%**	**55.6%**	**71.7%**	**63.0%**
Debt Management Policy Ratios					
Expendable Net Assets to Debt (Target > 1.0x)	2.2x	2.2x	2.7x	2.0x	2.1x
Interest Burden (Target < 4.0%)	1.4%	1.3%	1.3%	1.6%	1.6%
Debt per FTE (Target < $12,000)	$8,901	$8,525	$7,826	$11,971	$11,841
Other Financial Health Indicators					
Net Income/(Loss) Ratio (McMaster Target > 1.0%)	13.2%	7.9%	17.8%	4.4%	10.6%
Net Operating Revenues (McMaster Target > 2.0%)[1]	15.7%	8.5%	29.7%	10.0%	20.0%
Primary Reserves Ratio (McMaster Target > 91 days)[2]	214	204	247	274	257
Viability Ratio (McMaster Target > 1.0)[3]	2.3	2.2	2.7	2.0	2.1

[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.

GREEN JOBS NETWORKING
In April 2023, McMaster students received the opportunity to attend a Green Jobs Networking Event hosted by the Academic Sustainability Programs Office. At the event, sustainability professionals working in and around Hamilton helped students learn about the possibilities of sustainability careers. The students were able to ask questions and explore the potential career paths they could take in the future.

Enterprise Risk Management

In 2022/23, the University successfully implemented recommendations based on an external review of McMaster's Enterprise Risk Management (ERM) Program, including integrating risk management strategies and developing comprehensive risk registers. In 2022/23, the Chief Risk Office conducted significant university-wide consultations, aggregated risk data, refreshed the risk taxonomy and constituted an ERM Committee to strengthen leaders' strategic decision-making.

The President and Vice-Presidents continue to routinely review McMaster's risk profiles, emerging risks and the ERM Program's progression toward maturation. The Chief Risk Officer regularly consults with leadership on risk identification and mitigation. The Chief Financial Officer also ensures material enterprise risk modelling in the multi-year financial projections, and risk mitigations are part of the reporting framework under the CPA professional standards guidance.

Key risks identified through this process are:

◦ Financial	◦ Legal and regulatory	◦ Reputation
◦ Geopolitical	◦ Operational	◦ Strategic

Key risks are further sub-divided into 31 categories for analysis.

VIRTUAL REALITY TECHNOLOGY

McMaster University has launched a strategic framework for digital learning that gives instructors a guide to improve the learning experience for students. The Framework provides online tools and technologies as well as a plan for implementation.

"By investing in digital learning, McMaster is ensuring that our graduates have an understanding of the tools that are now involved when decisions are made about important issues such as public health and democracy," says Kim Dej, vice-provost, Teaching and Learning, whose office led its development.

Climate-Related Financial Disclosures

NEW STATE-OF-THE-ART GREENHOUSE

Expected to open in spring 2024, a new state-of-the-art greenhouse is being built beside the Life Sciences Building. The building's design features sunken floors to allow more space for plants to grow upward and will house more than 200 species of plants.

"The new greenhouse will be larger than the current one with many improvements that make it a better place for learning and research," says Susan Dudley, professor of biology and faculty supervisor of the greenhouse. "The design balances the varied usages of the building with custom-designed spaces. Of course, our plants will be happier there, too."

Climate-Related Financial Disclosures

McMaster adopted the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) in fiscal year 2019/20. The integration of these recommendations was initially intended to support carbon footprint disclosure associated with investments by following an internationally recognized and consistent reporting framework. McMaster has opted for a phased-in adoption, enabling an assessment of its investment-related carbon emissions under a carbon dioxide equivalent (CO2e) intensity metric recommended by the standard, along with carbon reduction target-setting and reporting to promote understandability and improve comparability with other TCFD-adopting organizations. McMaster intends to broaden its climate-related disclosure in order to further align with the TCFD recommendations.

In 2019, the Government of Canada endorsed TCFD for voluntary adoption and has since suggested a phased and flexible approach. In that context, McMaster has endorsed earlier adoption of TCFD recommendations for its investments by 2023 (Table 9) and management is working with other TCFD-adopting universities on refining practice comparability. McMaster will update its climate risk disclosure reporting implementation phases to reflect a broader scope in future periods.

Table 9: TCFD IMPLEMENTATION PHASES

Investment Portfolio	Phase 1 Adoption	Phase 2 Adoption
Investment Pool	April 30, 2020	April 30, 2021
Pension Trust (Plan 2000 and Original Plan)	April 30, 2021	April 30, 2022
Hourly Pension Trust	April 30, 2022	April 30, 2023

As part of McMaster's ongoing commitment to transparent and responsible sustainability practices, we are continually exploring opportunities to further enhance our sustainability-related disclosures. Building upon the existing adoption of the TCFD recommendations, McMaster is reviewing alignment of future sustainability disclosures with the International Sustainability Standards Board (ISSB) standards. The ISSB's globally recognized standards represent a significant step towards greater harmonization and comparability in sustainability reporting. McMaster is dedicated to meeting evolving industry best practices and ensuring that our stakeholders have access to comprehensive and standardized information that accurately reflects our sustainability efforts. Future reports will provide updates about this initiative in the coming years as McMaster continues to advance its sustainability reporting journey.

ZERO WASTE McMASTER

Zero Waste McMaster is a student club that works to encourage sustainable living in an accessible way. The club organizes several sustainability-focused activities throughout the academic year, with projects exploring sustainability in a broad context.

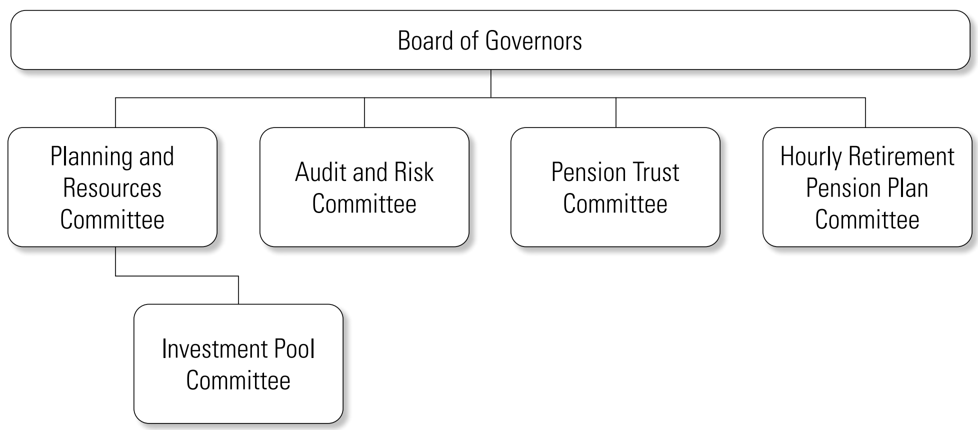
"Our club's mission statement is to promote accessible sustainable living both on campus and in our Hamilton community," says Alexa Kouroukis, a fourth-year Bachelor of Health Sciences Honours student.

Governance

BOARD OVERSIGHT ROLE

McMaster's enterprise risks and emerging potential material financial risks are included in scenario modeling 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. Refer below to figure 5 for an abbreviated Board of Governors structure (not intended to capture all Board-related sub-committees). Climate-related risks that are assessed as material are incorporated into McMaster's enterprise risks. Investment-related climate risk is monitored by the investment and pension committees.

Figure 5: BOARD COMMITTEE REPORTING



In addition to annual multi-year financial projections, a Financial Risk Report is produced annually incorporating all material enterprise 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 based on a 2019 baseline. An asset-liability study and investment strategy review expected to be completed by December 2023 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 $1.5 billion and $2.4 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 CO_2 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 setting the overall direction and delegation to management. 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, and to third-party experts to assist in carrying out required fiduciary duties for invested assets. Pension-related committees have shared membership between University administrators and pension plan members. 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. A summary will be posted later in 2024.

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 transitionary 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, in 2024 management plans to begin issuing an annual consolidated summary of companies held on its website beginning with December 31, 2023 holdings.

McMASTER CARBON SINK FOREST

More than 1000 native, climate-adapted trees have been planted at the McMaster Carbon Sink Forest. This is a major step towards the goal of creating a model of a carbon sink forest — a forest that stores more carbon than it releases. The McMaster Carbon Sink Forest initiative is led by the McMaster Center for Climate Change and serves as a research project, demonstration site and outdoor classroom.

Strategy and Risk Management

STRATEGIC PROCESSES

Annual multi-year projections and scenario modelling are prepared holistically incorporating University strategic plans, invested assets exposure to climate-related risks and other physical campus infrastructure and operational climate-related considerations. Key risks, including emerging risks, if expected to have a material impact on financial metrics in the planning horizon, are factored into financial scenario modeling. Risk 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 modeling define the University's annual Debt Strategy Report that consolidates all findings.

For its investments, McMaster completes a climate risk study for its Investment Pool and Pensions Plans with timing aligned with asset-liability and investment strategy reviews.

RISK MANAGEMENT PROCESSES

For invested assets, climate-related risks are factored into reporting updates by investment managers and discussed during oversight committee presentations to ensure that valuations used by managers in the investment decision process consider climate-related risks where appropriate.

CLIMATE RISK – INVESTMENT POOL DECARBONIZATION STRATEGY

McMaster has made significant progress during this past year implementing its climate risk management strategy in relation to its investment portfolio. McMaster's strategy is comprised of two main components: (1) decarbonizing the Investment Pool to achieve climate targets and (2) new investments to support and enable the global transition to clean energy.

In 2022/23, McMaster attained a significant milestone by achieving its 2025 goal of reducing the Investment Pool's weighted average carbon intensity (WACI) by more than 65% two years earlier than originally targeted. Approved by the University's Board of Governors, this achievement was driven by revisions to the University's investment strategies, including transitioning the US Equities portfolio to a low-carbon investment strategy. Investing in this strategy has reduced our carbon exposure while managing return and risk. McMaster also took action to re-balance manager allocations and investment products which, coupled with other market factors, further supported reducing the overall carbon exposures.

Keeping to earlier commitments, McMaster achieved another significant milestone: the University has now invested $10 million in the Brookfield Global Transition Fund, an institutional fund that only invests in infrastructure projects that support the global transition to clean energy. This investment in the Brookfield Global Transition Fund will grow to McMaster's total commitment of approximately $30 million[1] as investments are acquired by the fund.

During the reporting period, McMaster's exposure to the CU200 declined by 25% to represent 1.6% of the Investment Pool's investments.

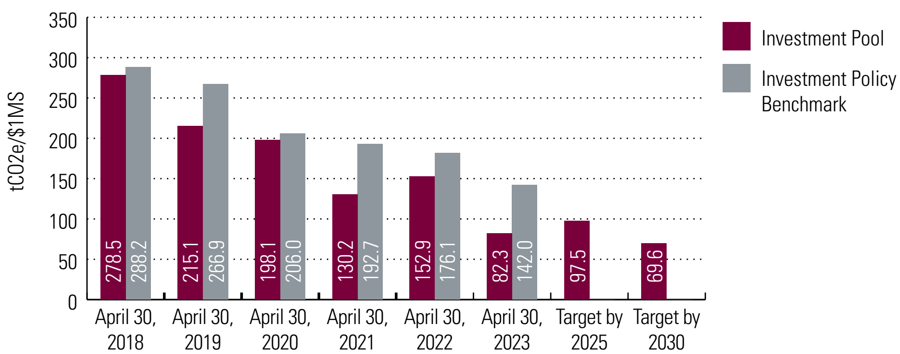
[1] In 2022 the Board approved a commitment of US$24 million to the Brookfield Global Transition Fund.

Metrics and Targets

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

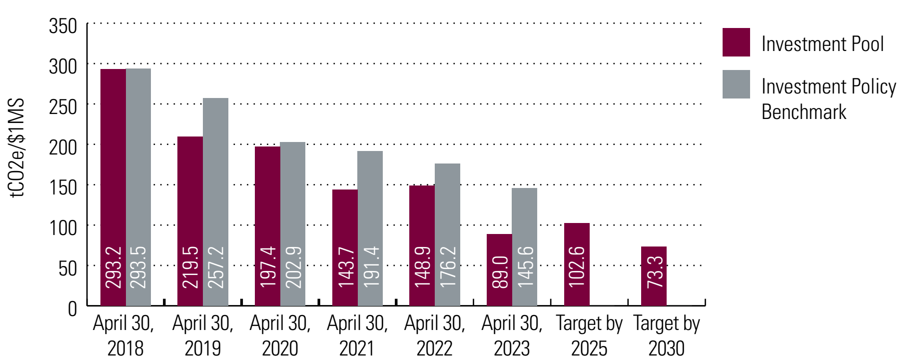
McMaster completes a third-party measurement of its weighted average carbon intensity (WACI) relative to its policy benchmark annually. This measure translates GHG emissions into a single carbon dioxide (CO2) measure and is reported as tonnes of CO2 equivalent emitted per million US dollars in sales (written as tCO2e/$1MS). As of April 30, 2023, the Investment Pool public equities WACI was 82.3 tCO2e/$1MS (2021/22: 152.9 tCO2e/$1MS) relative to the fund policy benchmark of 142.0 tCO2e/$1MS (2021/22: 176.1 tCO2e/$1MS). This WACI measure is 70.4% lower than the 2018 baseline measurement year of 278.5 tCO2e/$1MS (Figure 6).

Figure 6: INVESTMENT POOL – PUBLIC EQUITIES WEIGHTED AVERAGE CARBON INTENSITY



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 95%. Total Investment Pool carbon measurements, including both public equity and fixed income, have lower data availability ranging between 72% and 84% and are therefore less reliable. McMaster's total pool WACI at April 30, 2023 is 89.0 tCO2e/$1MS, down 69.6% from the 2018 baseline year (Figure 7). McMaster will continue to incorporate the best available measures to track and monitor its carbon footprint.

Figure 7: INVESTMENT POOL – EQUITY AND FIXED INCOME WEIGHTED AVERAGE CARBON INTENSITY



The underlying data used to measure WACI consists of Scope 1 and Scope 2 GHG carbon emissions of each invested asset[2]. McMaster's WACI calculation is limited to Scope 1 and 2 GHG emissions due to the lack of complete and reliable data availability for Scope 3 GHG emissions. Table 10 demonstrates Scope 1 and 2 data availability for the total Investment Pool. Inclusion and use of Scope 3 by McMaster for WACI calculations would require assumption-driven assessments for a significant number of the invested asset holdings.

Table 10: PROPORTION OF SCOPE 1 AND 2 DATA AVAILABILITY (TOTAL PORTFOLIO)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Investment Pool	81.5%	78.1%	78.6%	79.5%	78.7%	84.3%
Investment Policy Benchmark	72.3%	76.4%	75.5%	75.6%	78.7%	83.1%

McMaster monitors investment manager holdings in the Carbon Underground 200™ (CU200). Table 11 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, 2023, 32.4% weight of companies within the listed public equity portfolio offer clean technology solutions (2021/22: 31.1% weight)

Table 11: McMASTER CARBON UNDERGROUND 200™ TOP 5 EXPOSURE

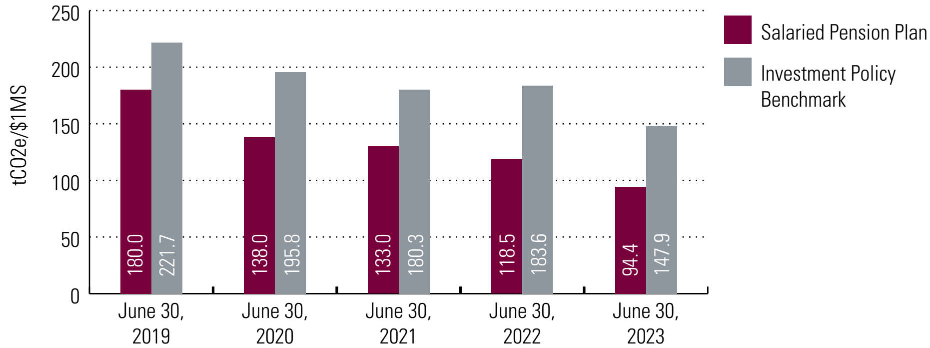
2023	Company	Market Value ($ Millions)	Investment Pool (%)
1	TotalEnergies	2.7	0.2%
2	Chevron	2.6	0.2%
3	Suncor Energy	2.6	0.2%
4	Canadian Natural Resources	2.4	0.2%
5	Imperial Oil	1.8	0.1%
	Subtotal – Top 5 CU200 Exposure	12.1	0.9%
	Total CU200 Exposure	**22.8**	**1.6%**

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%**

The Salaried Plans' WACI has been measured as part of McMaster's initial Phase 1 reporting (Figure 8). As at June 30, 2023 the Salaried Plans' WACI for publicly listed equities was 94.4 tCO2e/$1MS (2021/22: 118.5 tCO2e/$1MS) compared to the portfolio's benchmark WACI of 147.9 tCO2e/$1MS (2021/22:183.6 tCO2e/$1MS). The Salaried Plans' WACI at the total pool level was 124.1 tCO2e/$1MS (2021/22: 147.6 tCO2e/$1MS) compared to the portfolio's benchmark WACI of 175.8 tCO2e/$1MS (2021/22: 206.7 tCO2e/$1MS).

[2] Scope 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 8: SALARIED PENSION PLANS PUBLIC EQUITIES WEIGHTED AVERAGE CARBON INTENSITY



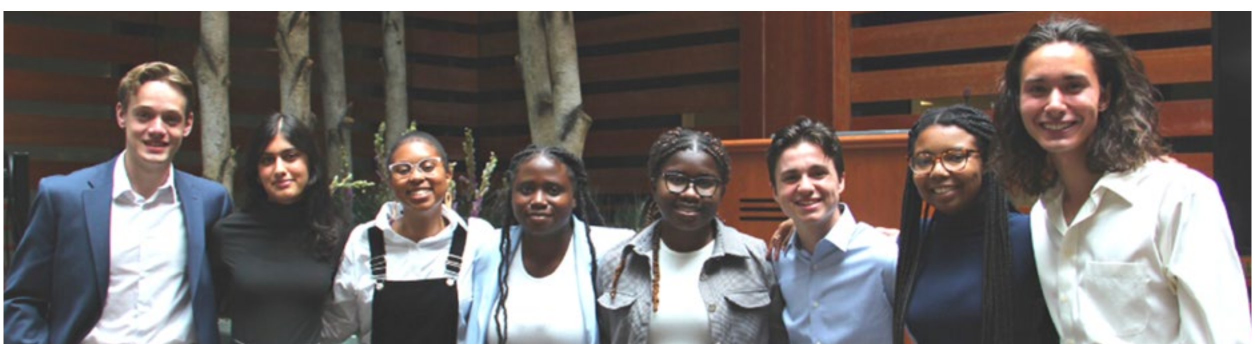
The Hourly Plans' WACI has been measured as part of McMaster's initial Phase 1 reporting. As at June 30, 2023 the Hourly Plan's WACI for publicly listed equities was 82.9 tCO2e/$1MS (2021/22: 51.5 tCO2e/$1MS) compared to the portfolio's benchmark WACI of 175.1 tCO2e/$1MS (2021/22: 226.7 tCO2e/$1MS). The Hourly Plan's WACI at the total portfolio level was 98.2 tCO2e/$1MS (2021/22: 77.8 tCO2e/$1MS) compared to the portfolio's benchmark WACI of 177.2 tCO2e/$1MS (2021/22: 215.8 tCO2e/$1MS).

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 the finalization of the investment strategy review.

The Hourly Pension Plan carbon intensity is lower relative to its benchmark portfolio given its investment manager's strategy. The Hourly Pension Plan investment strategy is under review, after which a finalized target will be set.

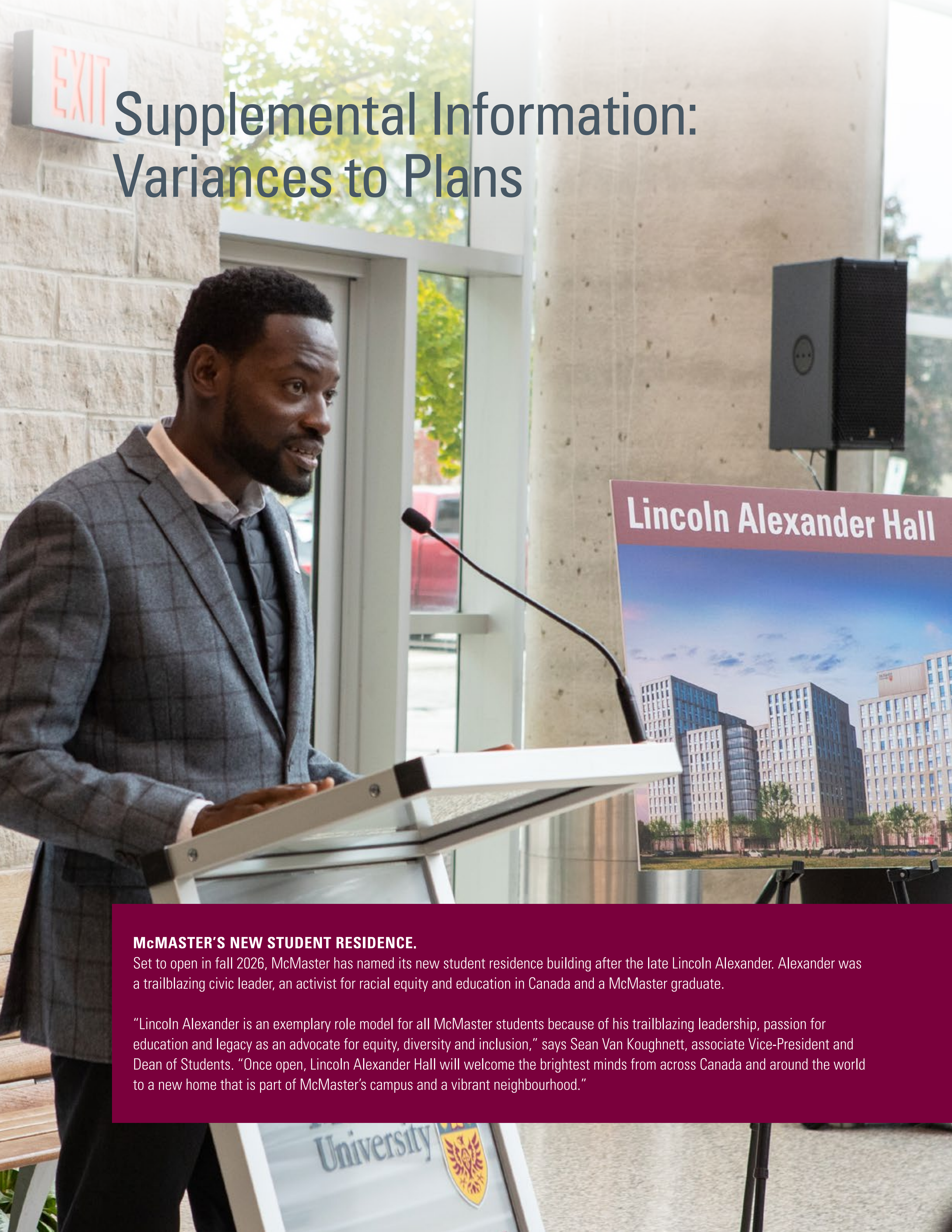


WELCOMING DIVERSITY

McMaster's Biochemistry and Biomedical Sciences Summer Scholars Program (SSP) has welcomed a diverse group of Ontario scholars who self-identify as Black, Indigenous, and/or 2SLGBTQIA+ to the university on full research scholarships. The program offered the students intensive research skills training, experiential learning opportunities, mentorship and guidance.

"It was truly a pleasure to work with this inaugural cohort of scholars," says Caitlin Mullarkey, an assistant professor in the Department of Biochemistry and Biomedical Sciences and chair of the SSP. "These incredible students have left an indelible mark on the program that will shape the experience for future scholars, and I know that their own futures are likewise very bright."

Supplemental Information: Variances to Plans



McMASTER'S NEW STUDENT RESIDENCE.
Set to open in fall 2026, McMaster has named its new student residence building after the late Lincoln Alexander. Alexander was a trailblazing civic leader, an activist for racial equity and education in Canada and a McMaster graduate.

"Lincoln Alexander is an exemplary role model for all McMaster students because of his trailblazing leadership, passion for education and legacy as an advocate for equity, diversity and inclusion," says Sean Van Koughnett, associate Vice-President and Dean of Students. "Once open, Lincoln Alexander Hall will welcome the brightest minds from across Canada and around the world to a new home that is part of McMaster's campus and a vibrant neighbourhood."

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 2022/23 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.

TOP RANKING

McMaster has ranked fourth in the country on Maclean's Best Medical Doctoral Universities ranking, standing among the top universities with a broad range of research and PhD programs, including medical schools. Within this ranking, McMaster is placed first in student services, second in total research dollars and grants as well as in library acquisitions.

"Our position in the rankings reflects McMaster's dedication to creativity, innovation and inclusive excellence," says President David Farrar. "Our goal is to equip our students and enable our researchers to make a transformative impact in the world through our world-class teaching and research."

Operating Fund Summary

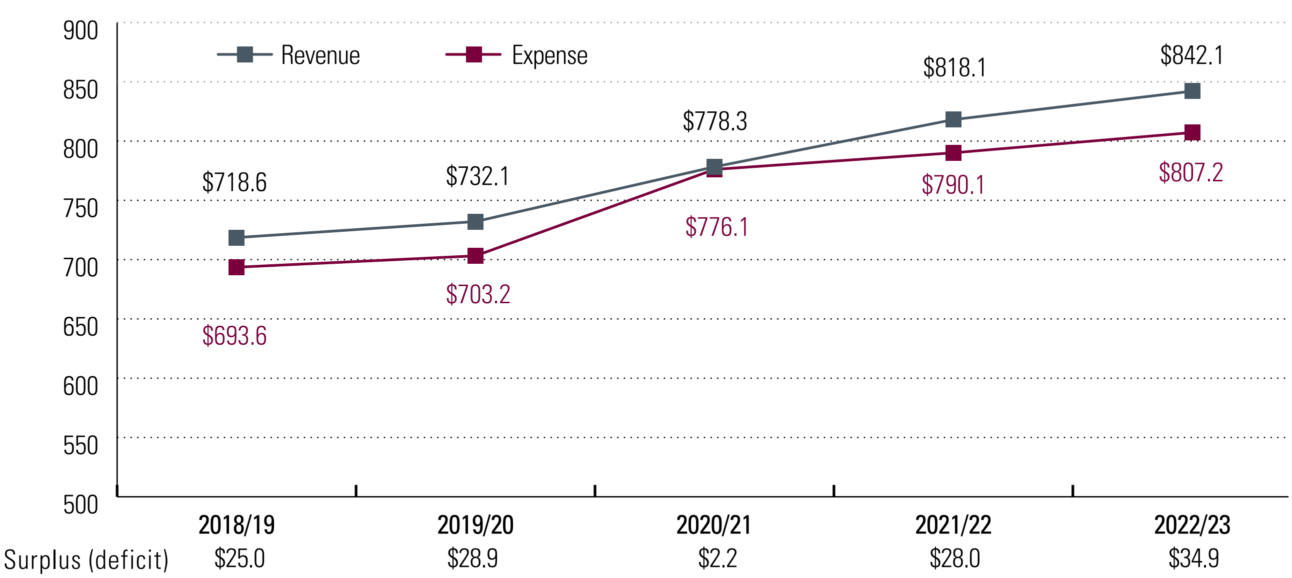
The Operating Fund represents approximately 65.0% of the consolidated budget and includes all revenue and expenses for faculties and support departments, such as offices of the President and Provost, student affairs, libraries, financial affairs, human resources, facilities, and information technology. The 2022/23 Operating Fund budget included several strategic funding priorities, such as increasing graduate scholarships, international student recruitment and support, sustainability initiatives, information technology and security expansion, inflationary journal costs, digital audio-visual classroom upgrades, 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. As the post-pandemic picture becomes clearer, the Operating Fund ended 2022/23 in a more favourable position compared to the budget due to reduced expenses 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 12).

Table 12: OPERATING FUND SUMMARY — $ Thousands

	2021/22 Actual	2022/23 Budget	2022/23 Projection	2022/23 Actual	Variance: Actual vs. Budget		Variance: Actual vs. Projection	
Revenues								
Provincial grants	239,692	239,816	240,021	239,170	(646)	-0.3%	(851)	-0.4%
Tuition	423,044	445,672	433,451	433,809	(11,863)	-2.7%	358	0.1%
Research Overhead income	28,907	25,562	27,733	30,307	4,745	18.6%	2,574	9.3%
Investment income	9,467	9,467	9,467	9,467	0	0.0%	0	0.0%
Other income	116,990	122,382	118,530	129,342	6,960	5.7%	10,812	9.1%
Total revenues	**818,100**	**842,899**	**829,202**	**842,095**	**(803)**	**-0.1%**	**12,893**	**1.6%**
Expenses								
Salaries, wages and benefits	523,008	565,034	566,541	552,375	12,659	2.2%	14,166	2.5%
Utilities and maintenance	41,866	45,261	48,953	52,443	(7,182)	-15.9%	(3,490)	-7.1%
Equipment and renovations	100,837	77,081	65,039	59,518	17,563	22.8%	5,521	8.5%
Scholarships, bursaries and work study	33,708	34,534	36,180	35,301	(767)	-2.2%	879	2.4%
Library acquisitions	14,878	14,614	15,533	16,907	(2,293)	-15.7%	(1,374)	-8.8%
Debt and financing charges	23,108	26,001	26,002	22,570	3,432	13.2%	3,432	13.2%
All other expenses	52,676	85,058	73,798	68,084	16,974	20.0%	5,715	7.7%
Total expenses	**790,081**	**847,584**	**832,046**	**807,197**	**40,386**	**4.8%**	**24,849**	**3.0%**
Excess (deficiency) of revenues over expenses	**28,019**	**(4,685)**	**(2,843)**	**34,898**	**39,583**	**844.8%**	**37,742**	**1,327.3%**
Fund balance, beginning of year	198,753	172,311	226,772	226,772	54,460	31.6%	0	0.0%
Fund balance, end of year	**226,772**	**167,626**	**223,928**	**261,670**	**94,044**	**56.1%**	**37,742**	**16.9%**

The Operating Fund surplus highlights McMaster's continuing strong academic reputation as well as impacts on the expenses related to the post-COVID expense environment (Figure 9).

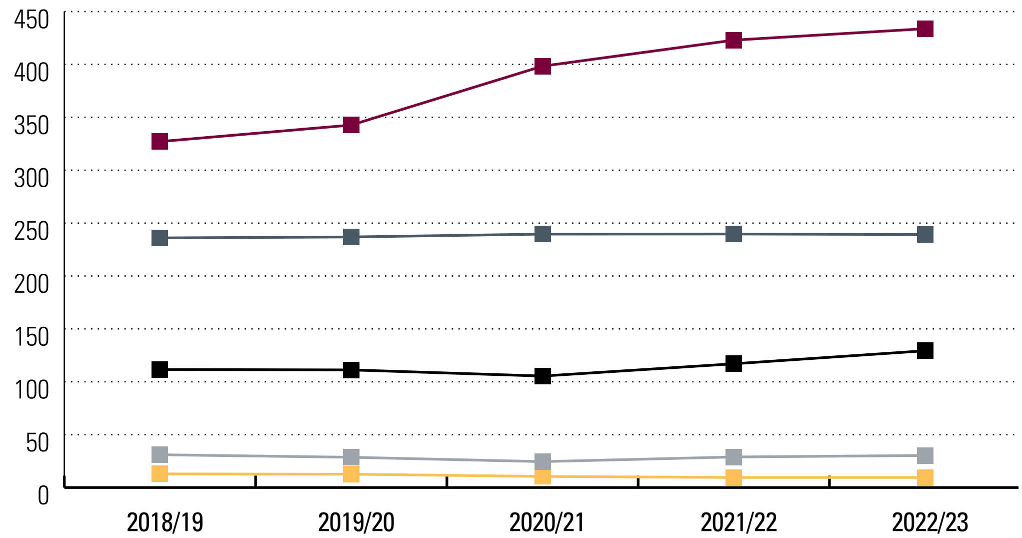
Figure 9: OPERATING FUND REVENUE AND EXPENSES TREND — $ Millions



SOURCES OF FUNDING

Total Operating Fund revenues were $842.1 million compared to budget $842.9 million and projection of $829.2 million. Overall revenue growth is attributed to standard international enrolment tuition rate increases and additional income from sales and fees revenues with the return to a full year of normal campus operations, as well as special purpose provincial grants and higher external recoveries. Other sources of revenue remain relatively flat (Figure 10).

Figure 10: OPERATING FUND REVENUE TREND BY TYPE — $ Millions



	2018/19	2019/20	2020/21	2021/22	2022/23
Provincial Grants	$236.0	$236.9	$239.6	$239.7	$239.2
Tuition	$327.1	$342.7	$398.4	$423.0	$433.8
Research Overhead Income	$31.0	$28.6	$24.5	$28.9	$30.3
Investment Income	$12.9	$12.6	$10.5	$9.5	$9.5
Other Income	$111.6	$111.2	$105.4	$117.0	$129.3

WELCOME WEEK

Each year, McMaster hosts Welcome Week to celebrate and say hello to the incoming first-year students. The week is full of fun activities, helping students to get to know the campus and connect with others. Welcome Week depends on the leadership of volunteer representatives to support students and guide the events. This year featured a casino-themed event, a headphone disco party and goat yoga, just to name a few.

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 13):

- 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 2022/23, the total provincial grant was in line with budget and projection. The new nursing enrolment expansion grants previously reported as part of the Special Purpose Envelope are now attributed directly to the School of Nursing and are reflected in Other Income. The International Student Recovery is a $750 per international student reduction in provincial funding. This levy remained flat along with international enrolment, at $3.8 million in 2022/23.

Table 13: PROVINCIAL GRANTS							$ Thousands
				Variance			
	2022/23 Budget	2022/23 Projection	2022/23 Actual	Actual vs. Budget		Actual vs. Projection	
Enrolment Envelope							
Core Operating Grant	155,618	130,401	127,552	(28,066)	-18.0%	(2,849)	-2.2%
Differentiation Envelope							
Performance/Student Success Grant	87,233	112,450	115,054	27,821	31.9%	2,604	2.3%
Special Purpose Envelope							
Grants for Clinical Programs	916	916	352	(564)	-61.6%	(564)	-61.6%
International Student Recovery	(3,951)	(3,746)	(3,788)	163	4.1%	(42)	-1.1%
Total Provincial Grants	**239,816**	**240,021**	**239,170**	**(646)**	**-0.3%**	**(851)**	**0.0%**

STUDENT WELLNESS

The Student Wellness Centre (SWC) works to support the emotional, physical and personal well-being of McMaster students. The SWC offers a wide range of services including counselling services, medical services and wellness programs.

"At the Student Wellness Centre, we believe providing students with the resources to maintain their health and well-being not only gives them the tools to succeed in their personal lives, but also provides a healthy foundation on which they can build their academic success," says Debbie Nifakis, a psychologist and Associate Director, Counselling at SWC.

TUITION

Tuition results are lower than budget due to lower international enrolment as a result of the competitive international student market, visa issues in 2022, and a decline in the number of international students studying high school in Ontario (Table 14).

Table 14: UNDERGRADUATE AND GRADUATE ENROLMENT

				Variance			
	2022/23 Budget	2022/23 Projection	2022/23 Actual	Actual vs. Budget		Actual vs. Projection	
Undergraduate FFTEs							
Domestic	25,835	25,806	25,996	162	0.6%	190	0.7%
International	4,774	4,530	4,604	(170)	-3.6%	74	1.6%
Total	**30,609**	**30,336**	**30,600**	**(8)**	**0.0%**	**264**	**0.9%**
Graduate FTEs							
Domestic	3,317	3,210	3,210	(107)	-3.2%	(0)	0.0%
International	1,358	1,504	1,504	146	10.7%	(0)	0.0%
Total	**4,675**	**4,714**	**4,713**	**39**	**0.8%**	**(1)**	**0.0%**
Total UG & G Combined							
Domestic	29,151	29,016	29,206	55	0.2%	190	0.7%
International	6,132	6,034	6,108	(24)	-0.4%	74	1.2%
Total	**35,283**	**35,050**	**35,314**	**31**	**0.1%**	**264**	**0.8%**

MOVE-IN WELCOME WEEK

For the first time since 2019, Housing Conference Services (HCS) hosted a move-in event to welcome the incoming students into McMaster's residence buildings in fall 2022. Faculty Reps, Residence Orientation Reps, Maroons, and Archway Reps brought move-in back with their dance moves and cheers. They also helped families unload their vehicles as they arrived. Staff members assisted in directing traffic, checking students into their residence spaces, and welcoming them to their campus home.

The provincial tuition rate cut of 10% in 2019/20 followed by flat domestic rates for 2020/21 to 2022/23 decreased domestic tuition revenues and was offset by transparent four-year international tuition rate increases incorporated into offers (Figure 11 and Table 15).

Figure 11: TUITION AND FTE ENROLMENT

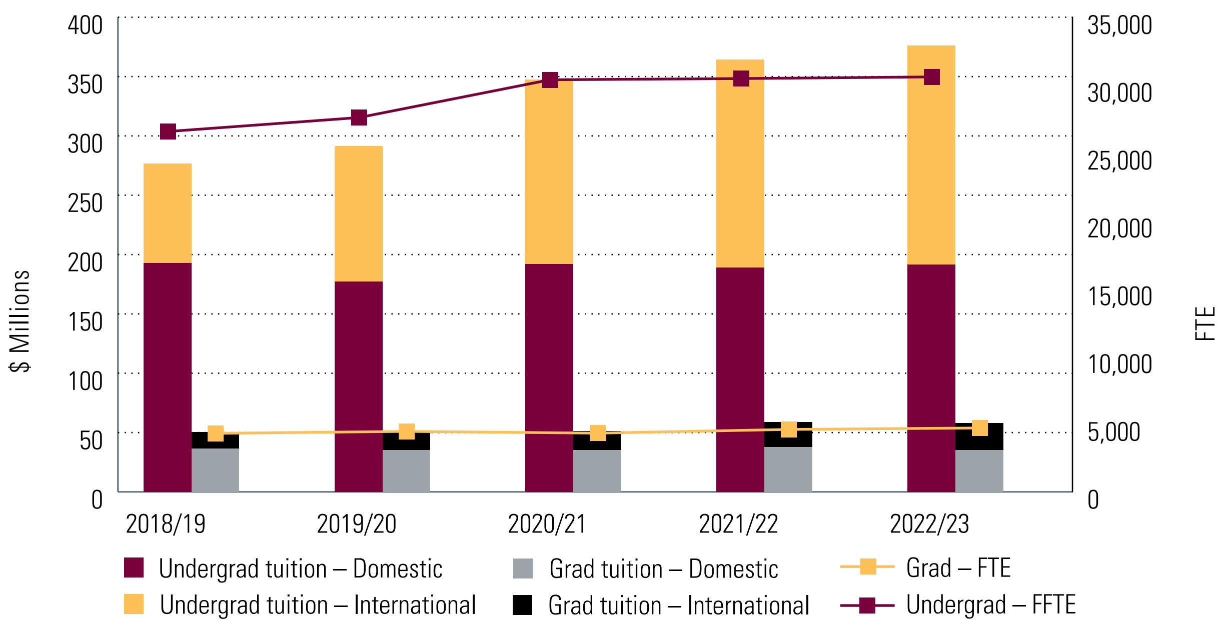


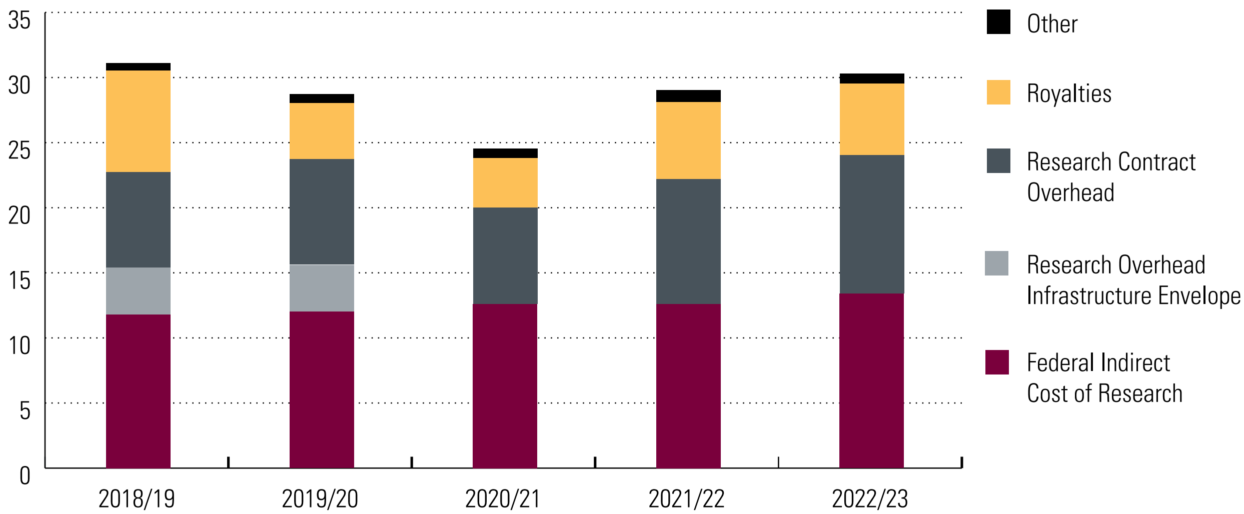
Table 15: TUITION AND FTE ENROLMENT

	Tuition ($ Millions)					FTE Enrolment				
	2018/19	2019/20	2020/21	2021/22	2022/23	2018/19	2019/20	2020/21	2021/22	2022/23
Undergraduate										
Domestic	192.6	177.1	192.0	188.8	191.6	23,759	24,070	26,062	25,861	25,996
International	84.1	114.3	155.3	175.5	184.3	2,815	3,533	4,327	4,615	4,604
Total	**276.7**	**291.4**	**347.3**	**364.3**	**375.9**	**26,575**	**27,603**	**30,388**	**30,477**	**30,600**
Graduate										
Domestic	36.6	35.1	35.0	37.9	35.0	3,080	3,140	3,218	3,240	3,210
International	13.8	16.3	16.0	20.9	22.9	1,238	1,320	1,114	1,365	1,504
Total	**50.3**	**51.3**	**51.0**	**58.7**	**57.9**	**4,319**	**4,460**	**4,332**	**4,606**	**4,713**
Total UG & G Combined										
Domestic	229.1	212.1	227.0	226.7	226.6	26,840	27,210	29,280	29,102	29,206
International	97.9	130.6	171.4	196.4	207.2	4,054	4,853	5,440	5,981	6,108
Total	**327.1**	**342.7**	**398.4**	**423.0**	**433.8**	**30,894**	**32,063**	**34,720**	**35,082**	**35,314**

RESEARCH OVERHEAD

Research overhead income was $4.7 million (18.6%) favourable to budget and $2.6 million (9.3%) favourable to projection due to increased research contract overhead, royalty revenues, and new federal research security funding. Both contract overhead and royalties fluctuate depending on activity (Figure 12). The Research Overhead Infrastructure Envelope (ROIE) grant rolled into MCU performance-based grant funding in 2021/22.

Figure 12: 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

The return to a complete fiscal year of full University operations is reflected in the other income in the Operating Fund. McMaster's budgeting approach projects revenues conservatively, particularly with uncertainty around post-pandemic activity at the time the budget was approved. The favourable variances of $6.9 million (5.7%) compared to budget and $10.8 million (9.1%) compared to projection were primarily due to unbudgeted direct provincial special-purpose and facility renewal grants, increased student services fees revenue and other fee-generating campus activities, application fees, and external recoveries, partially offset by a reduction in non-degree program tuition revenues.

GOOD NEIGHBOUR CAMPAIGN

McMaster launched the Good Neighbour campaign to welcome students to the areas surrounding campus and encourage positive neighbourly interactions. Students who moved to the Westdale and Ainslie Wood neighbourhoods last fall had the chance to get to know the families, businesses and other students nearby.

"The McMaster community is lucky to be surrounded by a beautiful neighbourhood filled with friendly people, local shops, and nature trails. Students play a role in making the neighbourhood a great place to live for everyone," says Sean Van Koughnett, Associate Vice-President and Dean of Students.

EXPENDITURES

Total Operating Fund expenditures were $807.2 million (Figure 13 and Figure 14) compared to budget and projected expenditures of $847.6 million and $832.0 million, respectively. The variances are small as a percentage of both the original budget (4.8%) and projection (3.0%) and are caused by the continuing post-pandemic impacts 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 13: TOTAL OPERATING FUND ACTUAL EXPENSE BY TYPE $ Millions

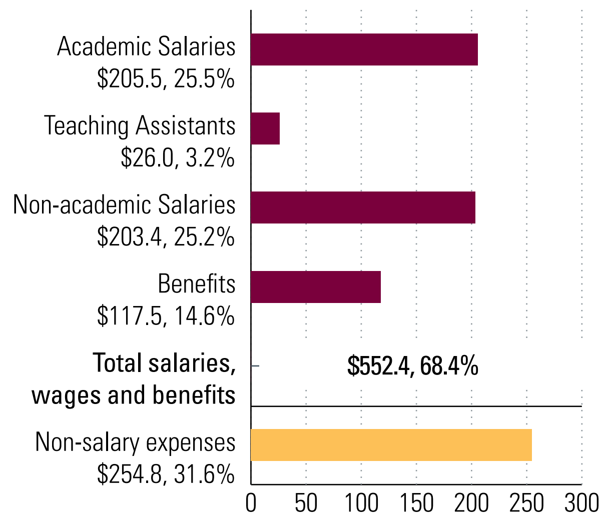
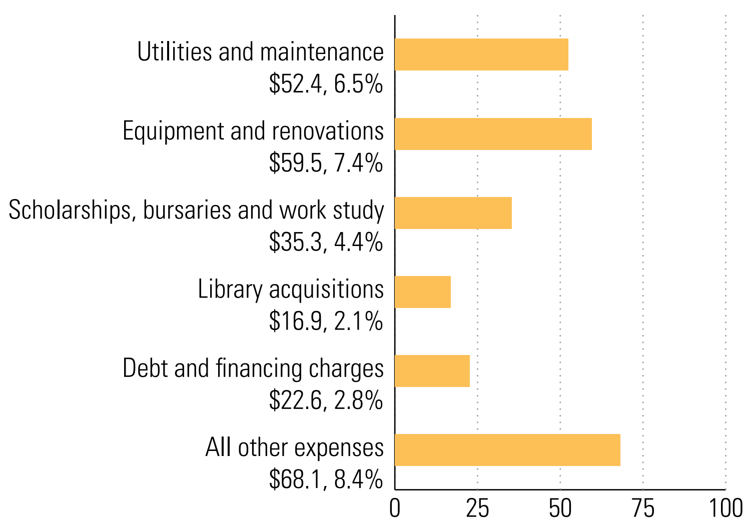


Figure 14: OPERATING FUND ACTUAL NON-SALARY EXPENSE BY TYPE $ Millions



Total expenses were favourable by $40.4 million (4.8%) compared to budget:

- Salaries, wages, and benefits were favourable by $12.7 million (2.2%) due to delayed hiring and unfilled staff vacancies.
- Utilities and maintenance were unfavourable by $7.2 million (-15.9%) predominantly due to higher hydro and gas costs.
- Equipment and renovations were favourable by $17.6 million (22.8%) due to a smaller final required instalment of the capital transfer for the McLean Centre for Collaborative Discovery, reduced Faculty of Science capital projects transfers, and delayed or re-directed renovations spending, partially offset by increased investments in future Faculty of Engineering capital priorities and capital funding support for the McMaster-Mohawk partnership for Advanced Medical Imaging Phase 1 and Phase 2.
- Scholarships, bursaries, and work study were unfavourable by $0.8 million (-2.2%) due to entrance award overages with an increased percentage of undergraduates presenting higher final admission averages, partially offset by lower graduate student scholarships.
- Library acquisitions were unfavourable by $2.3 million (-15.7%) due to acquisition of unique materials in the research collections area, additional electronic packages, online video and case content purchases, increases in serial subscriptions and membership costs.
- Debt and financing charges were favourable by $3.4 million (13.2%) due to delays in the completion of the Student Activity and Fitness Expansion building project.
- All other expenses were favourable by $17.0 million (20.0%) primarily due to lower than anticipated expenses related to post-pandemic activities including travel, meeting expenses, and research support costs. Expenses were also reduced by higher internal recoveries, including increased trust fund transfers due to increased activity in research centres and Chairs. This was partially offset by increased legal and professional services fees.

Total expenses were favourable by $24.9 million (3.0%) compared to projection:

- Salaries, wages, and benefits were favourable by $14.2 million (2.5%) primarily due to delayed hiring and unfilled staff vacancies.
- Utilities and maintenance were unfavourable by $3.5 million (-7.1%) predominantly due to higher hydro and gas costs.
- Equipment and renovations were favourable by $5.5 million (8.5%) primarily due to lower computer hardware, software, equipment, and renovation costs than projected.
- Scholarships, bursaries, and work study were favourable by $0.8 million (2.4%) due to lower than anticipated graduate student scholarships.
- Library acquisitions were unfavourable by $1.4 million (-8.8%) due to acquisition of unique materials in research collections area, additional electronic packages, online video and case content purchases, increases in serial subscriptions and membership costs.
- Debt and financing charges were favourable by $3.4 million (13.2%) due to delays in the completion of the Student Activity and Fitness Expansion building project.
- All other expenses were favourable by $5.7 million (7.7%) primarily due to lower than anticipated expenses related to post-pandemic activities, as well as higher internal recoveries. This was partially offset by increased professional services fees and research commercialization seed funding.

APPROPRIATIONS

The favourable results increase the Operating Fund appropriations balance by $34.9 million (15.4%) to $267.7 million (Figure 15), which represents an improvement of $39.6 million on budget and $37.8 million on projection. Appropriations are carried forward for expenditure in 2023/24 and future strategic and/or capital priorities. Of the total held in appropriations, $162.5 million is held by Faculties and another $38.3 million is held for academic priorities (Table 16). 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.

Overall Support unit appropriations reduced slightly in 2022/23 as these balances began to be drawn down as operations fully re-opened.

Figure 15: OPERATING FUND APPROPRIATIONS $ Millions

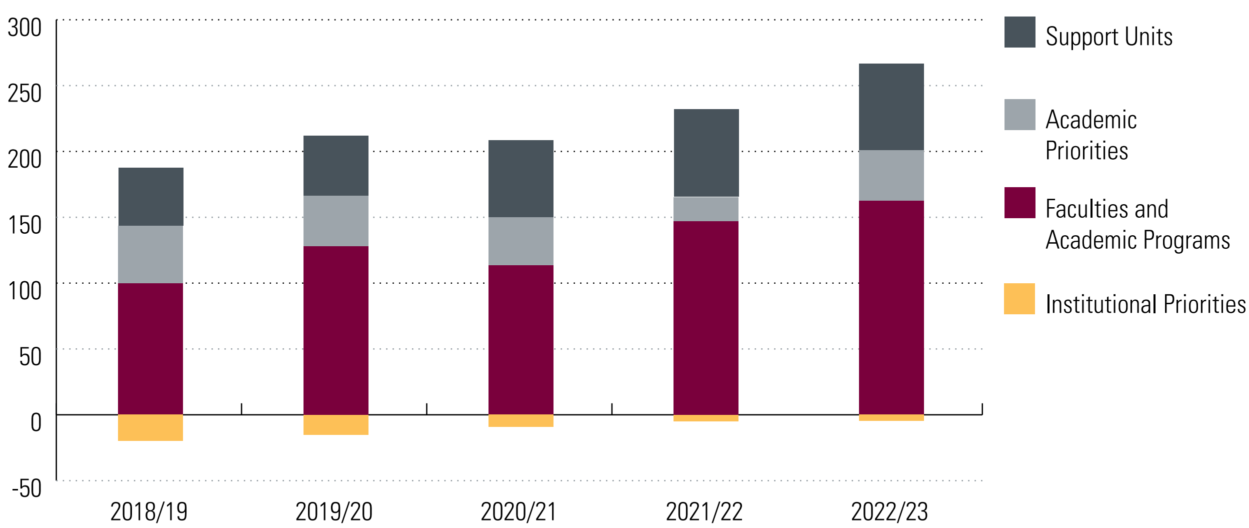


Table 16: APPROPRIATIONS VARIANCE TO PROJECTION BY ENVELOPE $ Thousands

	Appropriations May 1, 2022	Net Surplus (Deficit)	Appropriations April 30, 2023	Net Surplus (Deficit) Variance
Faculties and Academic Programs				
Business	4,903	13,119	18,022	2,000
Engineering	27,455	2,631	30,085	6,223
Health Sciences	49,273	1,310	50,583	73
Humanities	12,311	651	12,962	1,887
Science	29,448	(1,650)	27,798	4,699
Social Sciences	21,851	(21)	21,830	2,197
Arts & Science	1,564	(353)	1,212	(16)
Subtotal	**146,805**	**15,688**	**162,493**	**17,063**
Academic Priorities	18,451	19,829	38,280	2,720
Academic Support	17,628	(284)	17,345	4,871
Research Support	14,734	(1,862)	12,872	5,064
Student Support	17,697	2,882	20,578	6,535
Facilities Support	1,458	(624)	833	696
Institutional Support	14,929	(1,083)	13,846	4,169
Institutional Priorities*	(4,930)	353	(4,577)	(3,376)
Total Operating Fund	**226,772**	**34,898**	**261,670**	**37,742**

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

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 17):

- 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.

Table 17: RECONCILIATION OF OPERATING FUND SURPLUS TO CONSOLIDATED STATEMENT OF OPERATIONS — $ Thousands

				Variances Favourable (Unfavourable)	
	2022/23 Budget	2022/23 Projection	2022/23 Actual	Actual vs. Budget	Actual vs. Projection
Excess (deficiency) of Operating Fund revenues over expenses	(4,685)	(2,843)	34,898	39,583	37,741
Capital expenditures net of amortization	151,585	88,666	101,567	(50,018)	12,901
Investment income (loss) on internal endowments	2,662	(6,786)	4,460	1,798	11,246
Pension and non-pension adjustments	3,038	11,276	41,839	38,801	30,563
Changes in other reserves	(31,314)	(45,870)	(33,136)	(1,822)	12,734
Total accrual adjustment	**125,971**	**47,286**	**114,731**	**(11,240)**	**67,445**
Excess of revenues over expenses	**121,286**	**44,443**	**149,629**	**28,343**	**105,186**

MUSIC THERAPY

Rachael Finnerty, a PhD student in McMaster's Psychology, Neuroscience & Behaviour department, studied the effects of music therapy on a group of undergraduate students during the COVID-19 pandemic and has concluded that it reduces stress and anxiety and can be as effective as traditional talk therapy.

"The aim of bringing music therapy to campus is not only to reduce the number of students experiencing a mental health crisis, but to reduce the negative stigma associated with reaching out for help — particularly from a therapist," says Finnerty, who works under the supervision of Laurel Trainor, director of the McMaster Institute for Music and the Mind.

STATEMENT OF OPERATIONS

Table 18: CONSOLIDATED STATEMENT OF OPERATIONS (ACCRUAL BASIS)				$ Thousands	
				Variances Favourable (Unfavourable)	
	2022/23 Budget	2022/23 Projection	2022/23 Actual	Actual vs. Budget	Actual vs. Projection
Revenues					
Operating grants	274,106	284,816	284,621	10,515	(195)
Research grants and contracts	180,123	191,998	211,116	30,993	19,118
Tuition fees	465,728	445,056	445,751	(19,977)	695
Ancillary sales and services	93,845	90,264	86,101	(7,744)	(4,163)
Other revenues	189,239	201,862	221,350	32,111	19,488
Investment income, net	83,666	37,522	109,958	26,292	72,436
Amortization of deferred capital contributions	40,389	43,115	46,832	6,443	3,717
Total revenues	**1,327,096**	**1,294,633**	**1,405,729**	**78,633**	**111,096**
Expenses					
Salaries and wages	621,530	611,841	634,190	(12,660)	(22,349)
Employee benefits	148,578	141,671	149,404	(826)	(7,733)
Supplies and services	321,347	385,433	364,908	(43,561)	20,525
Interest on long-term obligations	18,129	18,122	18,185	(56)	(63)
Amortization of capital assets	96,226	93,123	89,413	6,813	3,710
Total expenses	**1,205,810**	**1,250,190**	**1,256,100**	**(50,290)**	**(5,910)**
Excess of revenues over expenses	**121,286**	**44,443**	**149,629**	**28,343**	**105,186**

As described above, uncertainty around the shape of post-pandemic operations and potential headwinds in the investment climate created challenging conditions for budgeting, however the conservative approach has resulted in overall favourable variances.

Except tuition and ancillary sales, revenues were generally favourable.

- Enrolment- and performance-based operating grants have been held flat at the 2016/17 level, however some additional targeted funding has been received.
- Although international enrolment increased overall, the targeted increase did not materialize.
- Ancillary sales increased materially over 2021/22 but did not reach anticipated levels.
- Revenue from research grants and contracts, as well as other income from fees increased as activity resumed on campus.
- Investment income was projected conservatively due to inflation and the ongoing conflict in Ukraine but achieved a 7.1% return.

Total expenses were unfavourable primarily due to filling vacancies, staffing for additional activities and negotiated increases. Projections for supplies and services included estimates of inflationary impacts as well as planned projects that have been delayed to 2023/24.

STATEMENT OF FINANCIAL POSITION

Table 19: CONSOLIDATED STATEMENT OF FINANCIAL POSITION					$ Thousands
				Variances Increase (Decrease)	
	2022/23 Budget	2022/23 Projection	2022/23 Actual	Actual vs. Budget	Actual vs. Projection
Assets					
Cash	18,294	22,705	29,357	11,063	6,652
Short-term investments	209,039	310,374	409,815	200,776	99,441
Investments	1,819,614	1,658,539	1,755,574	(64,040)	97,035
Capital assets	1,471,896	1,368,823	1,366,222	(105,674)	(2,601)
Other assets	227,609	287,101	285,294	57,685	(1,807)
Total assets	**3,746,452**	**3,647,542**	**3,846,262**	**99,810**	**198,720**
Liabilities and deferred contributions					
Current liabilities	204,259	227,499	240,450	36,191	12,951
Deferred contributions for future expenses	899,024	970,318	1,004,698	105,674	34,380
Long-term debt	416,769	420,422	420,375	3,606	(47)
Employee future benefits and pension	176,793	287,621	263,756	86,963	(23,865)
Total liabilities and deferred contributions	**1,696,845**	**1,905,860**	**1,929,279**	**232,434**	**23,419**
Net assets					
Internally restricted	658,424	541,554	643,920	(14,504)	102,366
Equity in capital assets	617,561	521,768	522,555	(95,006)	787
Endowments					
Internal	175,616	149,829	161,076	(14,540)	11,247
External	598,006	528,531	589,432	(8,574)	60,901
Total net assets	**2,049,607**	**1,741,682**	**1,916,983**	**(132,624)**	**175,301**
Total liabilities and net assets	**3,746,452**	**3,647,542**	**3,846,262**	**99,810**	**198,720**

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 in 2021/22 were not anticipated in the budget, offsetting the higher return in 2022/23.
- Investment returns were projected at break-even for 2022/23; the higher return increased the value of internal and external endowments, as well as internally restricted reserves.
- Capital projects continued to progress slower than originally planned.

STATEMENT OF CASH FLOWS

Table 20: CONSOLIDATED STATEMENT OF CASH FLOWS				$ Thousands	
				Variances Favourable (Unfavourable)	
	2022/23 Budget	2022/23 Projection	2022/23 Actual	Actual vs. Budget	Actual vs. Projection
Excess of revenues over expenses	121,286	44,443	149,629	28,343	105,186
Adjustments for non-cash items					
Amortization of deferred capital contributions	(40,389)	(43,115)	(46,832)	(6,443)	(3,717)
Amortization of capital assets	96,226	93,123	89,413	(6,813)	(3,710)
Increase in decommissioning obligation	10,324	10,324	19,664	9,340	9,340
Net change in deferred contributions	758	890	845	87	(45)
Net change in other non-cash items	36,350	59,309	88,298	51,948	28,989
Financing and investing activities					
Purchase of capital assets, net	(261,281)	(185,883)	(179,572)	81,709	6,311
Net change in investments	28,765	40,656	(155,819)	(184,584)	(196,475)
Net change in external endowments	9,298	(19,723)	41,053	31,755	60,776
Principal repayments on long-term obligations	(703)	(805)	(808)	(105)	(3)
Increase/(decrease) in cash	**634**	**(781)**	**5,871**	**5,237**	**6,652**
Cash, beginning of year	17,660	23,486	23,486	5,826	-
Cash, end of year	**18,294**	**22,705**	**29,357**	**11,063**	**6,652**

Variances on the Statement of Cash Flows primarily relate to the higher than anticipated investment returns, with the net change in cash balance close to budget and projection.


McMaster University

Financial Statements

Table of Contents

McMaster University

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, 2023 and the results of its operations, changes in net assets and its cash flows for the year ended April 30, 2023. 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, 2023 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.

Vice-President, Operations and Finance	President	Interim Chief Financial Officer (CFO)
October 26, 2023		

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

INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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 auditor's 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.

Auditor's 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 auditor's 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 auditor’s 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 auditor’s 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
October 26, 2023

McMASTER UNIVERSITY
Statement of Financial Position
April 30, 2023, with comparative figures for 2022
(thousands of dollars)

	2023	2022
Assets		
Current assets:		
Cash	$ 29,357	$ 23,486
Short-term investments (note 2)	409,815	342,510
Accounts receivable (note 3)	172,228	152,335
Loans receivable (note 4)	42,136	26,005
Inventories	7,868	5,741
Prepaid expenses and deposits	16,473	21,686
	677,877	571,763
Investments (note 2)	1,755,574	1,667,060
Other investments (note 5)	44,661	42,546
Other assets (note 6)	1,928	2,023
Capital assets (note 7)	1,366,222	1,276,062
	$ 3,846,262	$ 3,559,454
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 215,482	$ 184,149
Deferred revenue	24,110	27,665
Current portion of long-term obligations (note 9)	858	805
	240,450	212,619
Long-term obligations (note 9)	420,375	420,390
Accrued employee future benefits (note 10)	263,756	275,714
Deferred contributions (note 11):		
Deferred for future expenses	546,838	481,991
Deferred capital contributions	457,860	462,102
	1,004,698	944,093
Net assets:		
Unrestricted	-	-
Internally restricted (note 12)	643,920	580,073
Equity in capital assets (note 13)	522,555	421,571
Endowments (note 14):		
Internal	161,076	156,615
External	589,432	548,379
	1,916,983	1,706,638
Commitments and contingencies (note 16)		
	$ 3,846,262	$ 3,559,454

On behalf of the Board of Governors:

_________________________ Chair, Board of Governors

_________________________ Chair, Audit and Risk Committee

See accompanying notes to financial statements

McMASTER UNIVERSITY
Statement of Operations
Year ended April 30, 2023, with comparative figures for 2022
(thousands of dollars)

	2023	2022
Revenues:		
Operating grants	$ 284,621	$ 284,747
Research grants and contracts	211,116	187,315
Tuition fees	445,751	437,397
Other (note 17)	145,340	131,896
Ancillary sales and services	86,101	64,718
Investment income (loss), net	109,958	(32,252)
Donations and other grants	62,572	66,389
Research overhead grants	13,438	12,567
Amortization of deferred capital contributions	46,832	44,853
	1,405,729	1,197,630
Expenses:		
Salaries and wages	634,190	586,899
Employee benefits	149,404	138,893
Supplies and services	364,908	314,178
Interest on long-term obligations	18,185	17,392
Amortization of capital assets	89,413	87,340
	1,256,100	1,144,702
Excess of revenues over expenses	$ 149,629	$ 52,928

See accompanying notes to financial statements

McMASTER UNIVERSITY
Statement of Changes in Net Assets
Year ended April 30, 2023, with comparative figures for 2022
(thousands of dollars)

	Unrestricted	Internally restricted	Equity in capital assets	Endowments Internal	Endowments External	2023 Total	2022 Total
Net assets, beginning of year	$ -	$ 580,073	$ 421,571	$ 156,615	$ 548,379	$ 1,706,638	$ 1,804,678
Excess (deficiency) of revenues over expenses	192,210	-	(42,581)	-	-	149,629	52,928
External endowment contributions:							
Contributions (note 14)	-	-	-	-	32,640	32,640	20,619
Protection of capital (note 14)	-	-	-	-	8,413	8,413	(56,643)
Transfers and adjustments:							
Transfers for specific purposes (note 12)	(43,227)	44,184	(957)	-	-	-	-
Capital transactions from operating (note 13)	(144,522)	-	144,522	-	-	-	-
Transfer to internal endowments (note 14)	(4,461)	-	-	4,461	-	-	-
Remeasurements and other items (note 10)	-	19,663	-	-	-	19,663	(114,944)
	-	63,847	100,984	4,461	41,053	210,345	(98,040)
Net assets, end of year	$ -	$ 643,920	$ 522,555	$ 161,076	$ 589,432	$ 1,916,983	$ 1,706,638

See accompanying notes to financial statements

McMASTER UNIVERSITY
Statement of Cash Flows
Year ended April 30, 2023, with comparative figures for 2022
(thousands of dollars)

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ 149,629	$ 52,928
Adjustments for non-cash items:		
Amortization of deferred capital contributions	(46,832)	(44,853)
Amortization of capital assets	89,413	87,340
Employee future benefits	7,705	(9,158)
Equity loss of other investments (note 5)	3,985	1,859
Increase in decommissioning obligation (note 9)	845	3,560
	204,745	91,676
Net change in contributions deferred for future expenses	64,847	44,001
Net change in other non-cash working capital (note 15)	10,971	(15,770)
	280,563	119,907
Investing activities:		
Purchase of capital assets	(180,530)	(132,984)
Proceeds on recovery of capital expenditures	957	1,058
Net change in loans receivable	(16,131)	(3,016)
Net change in investments	(155,819)	(110,436)
Net change in other investments	(6,100)	(10,000)
Net change in other assets	95	112
Net change in external endowments (note 14(b))	41,053	(36,024)
Deferred capital contributions (note 11(b))	42,590	26,219
	(273,885)	(265,071)
Financing activities:		
Issuance of long-term debt	-	150,000
Principal repayments on long-term obligations (note 9)	(807)	(756)
	(807)	149,244
Net increase in cash	5,871	4,080
Cash, beginning of year	23,486	19,406
Cash, end of year	$ 29,357	$ 23,486

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 and note 16(j)) 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.

1000352106 Limited Partnership:

The investment in 1000352106 Limited Partnership ('Partnership") (note 5 and note 16(j)) is accounted for by the equity method as permitted by accounting standards for not-for-profit organizations. Since the Partnership has a December 31st fiscal year end, the University will record its share of the operating results effective on that date.

KCAP Hamilton Grad LP:

The investment in KCAP Hamilton Grad LP (note 5 and note 16(h)) is accounted for by the equity method as permitted by accounting standards for not-for-profit organizations. Since KCAP Hamilton Grad LP has a December 31st fiscal year end, the University will record 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 pension plans, non-registered supplemental executive retirement plans (SERP), 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. For 2023, the actuarial method of determining the accrued benefit obligations for all defined benefit pension plans (excluding SERP) and other non-pension plans continues to 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. Beginning with the 2023 fiscal year, obligations and related costs for SERP are accrued using the accounting valuation method (note 1(q)).

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. 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

1. Significant accounting policies (continued):

(q) Accounting policy adoption:

During the year, accounting standard Section 3462 Employee Future Benefits, was amended to clarify the measurement of the defined benefit obligation for plans with a legislative, regulatory or contractual requirement to prepare a funding valuation. These amendments also apply to Section 3463, Reporting Employee Future Benefits by Not-for-Profit Organizations. The amendments remove the accommodation to allow the use of a funding valuation for defined benefit plans without a funding valuation requirement. As a result, the non-registered supplemental executive retirement plans (SERP) will no longer be permitted to use the funding valuation basis and must instead be measured using plan-specific accounting valuations. There will be no change for McMaster's defined benefit registered pension plans and non-registered post-retirement and post-employment plans, each of which has a requirement (either legislative or contractual) to prepare a funding valuation and is permitted to continue using the funding valuation basis. The amendments are effective for financial statements relating to fiscal years beginning on or after January 1, 2022, and were applied to the University's financial statements for the year ended April 30, 2023. The effect of the change (related to the SERP) as at May 1, 2022 is nominal.

2. Investments:

Details of investments are as follows:

(thousands of dollars)	2023		2022	
	Fair value	Cost	Fair value	Cost
Equities:				
Canadian	$ 150,996	$ 136,947	$ 153,125	$ 140,085
United States	402,256	393,876	384,398	217,174
Non-North American	334,315	311,365	262,556	277,341
	887,567	842,188	800,079	634,600
Fixed income	612,807	655,670	677,567	733,580
Other	255,200	211,662	189,414	165,323
	1,755,574	1,709,520	1,667,060	1,533,503
Short-term investments	409,815	410,401	342,510	344,421
	$ 2,165,389	$ 2,119,921	$ 2,009,570	$ 1,877,924

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.

Fixed income investments include medium-term investments of $327,731,000 (2022 - $342,835,000) which are part of working capital.

3. Accounts receivable:

(thousands of dollars)	2023	2022
Research grants	$ 123,243	$ 98,159
Students	15,490	13,997
Government grants	7,929	6,747
Other	31,495	39,245
	178,157	158,148
Less allowance for doubtful accounts	5,929	5,813
Balance, end of year	$ 172,228	$ 152,335

4. Loans receivable:

Included in loans receivable are the following items:

(thousands of dollars)	2023	2022
Gore Hamilton Spectator building acquisition loan	$ 11,500	$ 11,500
Gore demand loan	1,505	1,505
Gore demand loan operations	13,000	13,000
1000352106 Limited Partnership loan	15,325	-
McMaster MSF Holdings Inc.	806	-
	$ 42,136	$ 26,005

During the year, the University extended the $11,500,000 (2022 - $11,500,000) loan to Gore for an additional year. The loan has been extended to February 28, 2024. The loan bears a fixed interest rate of 2.54% (2022 - 2.54% fixed rate).

The University has a demand loan to Gore in the amount of $1,504,803 (2022 - $1,504,803) representing distribution of net earnings for 2021, 2020 and 2019 declared by the trust. The 2021 and 2020 loans of $148,804 and $313,190, respectively, bear interest at a fixed rate of 3% per annum. The 2019 loan of $1,042,809 is interest free. 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 (2022 - $13,000,000). 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 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 interim loan financing of $15,325,000 (2022 - $nil) to 1000352106 Limited Partnership (note 5).

During the year, the University provided a loan to McMaster MSF Holdings Inc. (note 5) of $806,000 (2022 - $nil). The loan was repaid in May 2023.

5. Other investments:

Details of other investments are as follows:

(thousands of dollars)	2023	2022
The Gore District Land Trust (a)	$ 13,478	$ 13,598
The First Longwood Innovation Trust (b)	3,200	7,065
Halton McMaster Family Health Centre (c)	4,720	4,720
KCAP Hamilton Grad LP (d)	16,512	16,512
1000352106 Limited Partnership (e)	6,096	-
Other Investments (f)	655	651
	$ 44,661	$ 42,546

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

(thousands of dollars)	2023	2022
The Gore District Land Trust (a)	$ (120)	$ 149
The First Longwood Innovation Trust (b)	(3,865)	(2,008)
	$ (3,985)	$ (1,859)

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)	2023	2022
Balance, beginning of year	$ 13,598	$ 13,598
Equity (loss) earnings	(120)	149
Distribution	-	(149)
Balance, end of year	$ 13,478	$ 13,598

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

(thousands of dollars)	December 31, 2022	December 31, 2021
Total assets	$ 41,877	$ 43,929
Total liabilities	$ 28,399	$ 30,331
Total trusts' equity	13,478	13,598
	$ 41,877	$ 43,929
Results of operations:		
Total revenues	$ 869	$ 783
Total expenses	989	634
Net (loss) earnings	$ (120)	$ 149
Cash flows:		
(Used in) provided by operating activities	$ (2,281)	$ 2,826
Used in financing and investing activities	(200)	-
(Decrease) increase in cash	$ (2,481)	$ 2,826

During the year, the University provided professional services to Gore at a fee which amounted to $10,000 (2022 - $10,000) and earned interest income of $695,960 (2022 - $550,824).

Subsequent to its year end, Gore, as the lessor, entered into a conditional land lease agreement on February 6, 2023 for the purpose of constructing and operating a hotel. A rent-free period will begin upon the commencement date up until substantial completion of the project. Lease payments will begin for a term of ninety-nine years once the rent-free period ceases. At the end of the term of the lease, and if Gore permits, there is an option for the lessee to continue operations as a monthly tenant.

(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)	2023	2022
Balance, beginning of year	$ 7,065	$ 9,073
Equity loss	(3,865)	(2,008)

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, 2023. One loan receivable in the amount of $1,318,370 (2022 - $1,391,983) and another loan receivable in the amount of $408,691 (2022 - $434,583).

The University is party to a Debt Service Deficiency Agreement as disclosed in note 16(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, 2023, $64,375 (2022 - $89,467) in income was recorded by the University.

Included in rent expense for the University for the year ended April 30, 2023 is $4,885,287 (2022 - $5,034,947). Included in accounts receivable at April 30, 2023 is $2,505,998 (2022 - $2,277,946) receivable from FLIT. Included in note 16(f) are $23,972,854 (2022 - $27,209,361) in operating lease commitments with FLIT.

During the year, the University provided payroll services at a fee which amounted to $13,200 (2022 - $13,200) and earned interest income of $36,196 (2022 - $21,743) on the accounts receivable balance.

Refer to (note 16(j)) for events subsequent to year end involving equity and upfront financing associated with the OmniaBio B Project.

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

(thousands of dollars)	December 31, 2022	December 31, 2021
Total assets	$ 115,004	$ 116,625
Total liabilities	$ 111,804	$ 109,560
Total deferred capital grants	-	-
Total trusts' equity	3,200	7,065
	$ 115,004	$ 116,625
Results of operations:		
Total revenues	$ 16,364	$ 14,634
Total expenses	20,229	16,642
Net earnings	$ (3,865)	$ (2,008)
Cash flows:		
(Used in) provided by operating activities	$ (542)	$ 6,645
Provided by (used in) financing and investing activities	326	(5,740)
(Decrease) increase in cash and short-term investments	$ (216)	$ 905

(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 Hamilton Grad LP:

McMaster holds an equity contribution of $16,512,000 (2022 - $16,512,000) representing a 50% interest in a partnership for two developments in downtown Hamilton. At April 30, 2023, $12,612,000 (2022 - $12,612,000) has been contributed to the McMaster Graduate Student Residence (note 16(h)) located at 10 Bay Street, Hamilton. The contribution is to fund construction development costs. At April 30, 2023, $3,900,000 (2022 - $3,900,000) is McMaster's equity contribution to acquire the property located at 22 Bay Street, Hamilton.

5. Other investments (continued):

(e) 1000352106 Limited Partnership:

During the year, the University made an equity contribution of $6,096,000 (2022 - $nil) to a partnership for a development (note 16(j)) located on the west quadrant of the McMaster Innovation Park lands. At April 30, 2023, the University holds 100% interest in the partnership.

(f) 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 owned by the University. The company's principal activity is providing consulting services related to research investments. MMHI has a fiscal year end of December 31st and paid no financial transactions from incorporation in November 2021 to April 30, 2023. Included in loans receivable (note 4) at April 30, 2023, was an amount of $806,000 (2022 - $nil) owing from MMHI.

6. Other assets:

Details of other assets are as follows:

(thousands of dollars)	2023	2022
Loans receivable (a)	$ 1,928	$ 2,023
Collections (b)	-	-
	$ 1,928	$ 2,023

(a) Loans receivable:

The University has a long-term loan receivable from First Longwood Innovation Trust (FLIT), operating as McMaster Innovation Park (MIP), in the amount of $1,318,370 (April 30, 2022 - $1,391,933). The loan has a 15-year amortization period and bears interest at a fixed rate of 3%.

The University has a loan receivable from FLIT in the amount of $408,691 (2022 - $434,583). 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 loan receivable from a lessee in the amount of $196,875 (2022 - $196,875) for lease fit-out costs as of April 30, 2023.

(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 $566,796 (2022 - $407,310).

7. Capital assets:

(thousands of dollars)	Cost	Accumulated amortization	2023 Net
Land	$ 89,747	$ -	$ 89,747
Buildings and building components	1,626,779	582,116	1,044,663
Decommissioning retirement costs	5,939	1,467	4,472
Site improvements	30,687	19,331	11,356
Leasehold improvements	81,184	35,733	45,451
Library materials	235,016	205,990	29,026
Equipment, furnishings and vehicles	459,946	364,414	95,532
Computing systems and computing equipment	147,934	101,959	45,975
	$ 2,677,232	$ 1,311,010	$ 1,366,222

(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

Included in buildings and building components is $209,612,000 (2022 - $146,463,000) representing buildings currently under construction and not available for use or subject to amortization.

During the year, capital asset additions amounted to $180,530,000 (2022 - $132,984,000). Of these additions, $143,715,000 (2022 - $109,591,000) were financed with internally restricted net assets (note 13), $36,800,000 (2022 - $20,700,000) were financed with deferred capital contributions (note 11), and $nil (2022 - $2,700,000) 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 $5,877,000 (2022 - $4,919,000).

9. Long-term obligations:

Details of long-term obligations are as follows:

(thousands of dollars)	Maturity	Interest rate	Current portion	Non-current portion	2023 Total outstanding	2022 Total outstanding
Long term debt:						
Bank term loan (a)	May 2033	floating	858	10,893	11,751	12,558
Debentures (b)	Jun 2051	3.255%	-	25,000	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	125,000
			858	400,893	401,751	402,558
Decommissioning obligations (f)			-	19,482	19,482	18,637
			$ 858	$ 420,375	$ 421,233	$ 421,195

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

2024	858
2025	915
2026	975
2027	1,039
2028	1,107

(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, 2023 amounted to $6,391,000 (2022 - $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, 2023 amounted to $27,628,000 (2022 - $25,727,000).

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, 2023 amounted to $15,950,000 (2022 - $14,846,000).

(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, 2023 amounted to $8,722,000 (2022 - $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, 2023, the fair value of the trust funds amounted to $15,893,000 (2022 - $14,452,000). The net present value of the estimated cost for decommissioning at April 30, 2023 is $18,675,000 (2022 - $17,802,000) 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, 2023, the amount of the obligation was $807,000 (2022 - $835,000), a decrease of $28,000 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)	2023		2022	
	Notional value	Fair value	Notional value	Fair value
30-year interest rate swap	$ 11,751	$ (1,750)	$ 12,558	$ (2,236)

The change in fair value of the swap for the year ended April 30, 2023 is $486,000 (2022 - $1,721,000).

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)	2023			
	Pension			
	Registered	Supplemental	Other	Total
Accrued benefit obligation	$ 2,433,082	$ 54,590	$ 277,648	$ 2,765,320
Fair value of plan assets	2,501,564	-	-	2,501,564
Funded status - surplus (deficiency)	$ 68,482	$ (54,590)	$ (277,648)	$ (263,756)

(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)

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

(thousands of dollars)	2023			
	Pension			
	Registered	Supplemental	Other	Total
Current service cost	$ 38,064	$ 37	$ 7,036	$ 45,137
Interest cost (income), net	(2,977)	3,030	13,665	13,718
	$ 35,087	$ 3,067	$ 20,701	$ 58,855

(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

10. Employee future benefits (continued):

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

(thousands of dollars)	2023			
	Pension			
	Registered	Supplemental	Other	Total
Investment gain (loss)	$ (47)	$ -	$ -	$ (47)
Valuation allowance	(4,333)	-	-	(4,333)
Actuarial gain (loss) on accrued benefit obligation	13,658	8,106	2,279	24,043
	$ 9,278	$ 8,106	$ 2,279	$ 19,663

(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)

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

	Percentage of fair value of total plan	Target allocation percentage
Equity securities	67.0%	65.0%
Debt securities	32.7%	35.0%
Other	0.3%	0.0%

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

	Pension	Other
Discount rate	5.10%	5.13%
Rate of compensation increase	3.9%	-

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

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

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

(thousands of dollars)	2023		2022	
	Pension	Other	Pension	Other
Employer contributions	$ 41,494	$ 9,656	$ 58,146	$ 8,112
Employee contributions	32,078	-	30,161	-
Benefits paid	119,346	9,656	124,302	8,112

10. Employee future benefits (continued):

(h) The respective plans actuarial valuation for funding purposes completion and filing dates are as follows:

- hourly rated employee pensions: completed as at July 1, 2022, the next required filing date is July 1, 2025.
- 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, 2023; the next valuation date is March 31, 2024.
- other (post-employment and retirement allowance): completed as at April 30, 2023.

The results of valuations not completed as of April 30, 2023 have been extrapolated to April 30, 2023, which is the measurement date used to determine the accrued benefit obligation for all employee future benefit plans.

(i) In 2008, the University created a group RRSP for certain types of new employees. University and employees' contributions in 2023 amounted to $6,659,000 (2022 - $5,453,000). In 2023, the University had 835 members (2022 - 704).

(j) The University has internally restricted reserves set aside in the amount of $212,729,000 (2022 - $191,955,000) 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)	2023	2022
Balance, beginning of year	$ 481,991	$ 437,990
Deferred contributions received	448,272	378,356
	930,263	816,346
Less:		
Amounts recognized as revenue	(346,805)	(315,111)
Deferred capital contributions transfer	(36,620)	(19,244)
Balance, end of year	$ 546,838	$ 481,991

Deferred contributions consist of the following:

(thousands of dollars)	2023	2022
Research grants and contracts	$ 366,249	$ 307,693
Donations, other grants and investment income	158,207	151,655
Other restricted funds	22,382	22,643
	$ 546,838	$ 481,991

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)	2023	2022
Balance, beginning of year	$ 462,102	$ 480,736
Add: contribution received and transfers	42,590	26,219
Less: amount amortized to revenue	(46,832)	(44,853)
Balance, end of year	$ 457,860	$ 462,102

Deferred capital contributions consist of the following:

(thousands of dollars)	2023	2022
Amounts subject to amortization	$ 440,115	$ 450,105
Amounts not subject to amortization	17,745	11,997
	$ 457,860	$ 462,102

12. Internally restricted net assets:

Details of internally restricted net assets are as follows:

(thousands of dollars)	2023	2022
Pensions (a)	$ (15,687)	$ (45,518)
Other retirement and post employment benefit plans (net) (b)	(64,919)	(76,927)
Employee future benefits	(80,606)	(122,445)
Unexpended departmental carryforwards (c)	261,672	226,774
Unexpended research funds (d)	67,760	58,506
Employee benefit (e)	6,300	9,850
Ancillaries (f)	278	(3,277)
Specific purpose (g)	89,111	61,517
Research investments (h)	3,101	2,102
MIP investment (i)	(1,763)	2,223
Other (j)	15,135	12,243
Sinking funds (k)	58,691	54,633
Internally financed capital projects (l)	(102,623)	(103,205)
Capital reserves (m)	282,688	258,898
Facilities services projects (n)	44,176	122,254
Other internal reserves	724,526	702,518
	$ 643,920	$ 580,073

12. Internally restricted net assets (continued):

(a) Pensions: the net pension funding position, determined by a third party actuary.

(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 $277,648,000 (2022 - $268,882,000), net of employer committed funding held in internal reserves of $212,729,000 (2022 - $191,955,000) for the accrued benefit obligation of the non-pension post-retirement benefit plan (note 10(j)).

(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)	2023	2022
Unexpended departmental carryforwards (c)	$ 261,672	$ 226,774
Ancillaries (f)	278	(3,277)
Employee benefit (e)	6,300	9,850
Pensions (a)	(15,687)	(45,518)
Other retirement and post employment benefit plans (b)	(64,919)	(76,927)
	$ 187,644	$ 110,902

(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 2023, $7.5 million (2022 - $7.5 million) was transferred 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 (loss) 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.

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) Project	Funding source		April 30, 2023 balance
Stadium	Pledges, fundraising	$	(6,074)
Les Prince Residence	Ancillary operations		(11,925)
David Braley Athletic Centre	Student levies, pledges, fundraising		-
Peter George Centre for Living and Learning	Ancillary operations		(45,236)
Parking Consolidation Loan	Parking		(9,829)
McMaster Automotive Resource Centre (MARC)	Various		(4,297)
McMaster University Medical Centre (MUMC)	Various		(1,438)
Comprehensive Energy Reduction Program	Various		(22,294)
Biomedical Engineering and Advanced Manufacturing (BEAM)	Various		(522)
Other	Various		(1,008)
		$	(102,623)

(thousands of dollars) Project	Funding source		April 30, 2022 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)

(m) Capital reserves: funds for planned capital projects committed and confirmed by governance approvals, as outlined in note 16(d). During the year, $1.0 million (2022 - $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)	2023	2022
Capital assets	$ 1,366,222	$ 1,276,062
Less amounts financed by:		
Net long-term obligations	(403,552)	(404,386)
Deferred capital contributions subject to amortization	(440,115)	(450,105)
	$ 522,555	$ 421,571

Details of the transfer for capital transactions are as follows:

(thousands of dollars)	2023	2022
Repayment of long-term debt	$ 807	$ 756
Capital asset purchases from operating, net of disposals	143,715	109,591
	$ 144,522	$ 110,347

14. Endowments:

(a) Internal:

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

(thousands of dollars)	2023	2022
Balance, beginning of year	$ 156,615	$ 171,813
Donations	151	40
Investment income (loss)	10,360	(9,510)
Net transfers and expenses	(6,050)	(5,728)
Balance, end of year	$ 161,076	$ 156,615

Included in internal endowments is an amount of $72,425,000 (2022 - $70,778,000) reflecting the legacy of Dr. H. L. Hooker and $69,527,000 (2022 - $67,406,000) 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)	2023	2022
Balance, beginning of year	$ 548,379	$ 584,403
External contributions	32,640	20,619
Income retained (withdrawn) - capital protection policy	8,413	(56,643)
Balance, end of year	$ 589,432	$ 548,379

Investment income (loss) on external endowments amounted to $31,608,000 (2022 - $(36,431,000)). 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 $23,197,000 (2022 - $20,214,000), plus net transfers of $3,000 (2022 - $2,000). The amount made available for spending is recorded as investment income in the statement of operations.

15. Net change in other non-cash working capital:

Details of the change in other non-cash working capital is as follows:

(thousands of dollars)	2023	2022
Accounts receivable	$ (19,893)	$ (27,854)
Inventories	(2,127)	616
Prepaid expenses and deposits	5,213	(4,719)
Accounts payable and accrued liabilities	31,333	13,807
Deferred revenue	(3,555)	2,380
Balance, end of year	$ 10,971	$ (15,770)

16. 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, 2023 was $16.4 million (2022 - $17.4 million). Since the agreement may expire without being drawn upon, it does not necessarily represent future cash requirements. As of April 30, 2023, 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 $209.4 million at April 30, 2023 (2022 - $249.1 million). The major commitments are as follows: McLean Centre ($98.1million), PeakShavers and Boilers project ($17.0 million) and ETC Boiler Replacement ($15.3 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, 2023, the University's remaining share of the costs are estimated to be $5.7 million (2022 - $6.7 million). Payments to IHS will take place up to 2029.

16. Commitments and contingencies (continued):

(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)	
2024	$ 8,694
2025	8,629
2026	8,620
2027	6,842
2028	6,885

(g) McMaster Main Street Student Residence:

The University has agreed to acquire a 16% interest in Hamilton Undergrad Limited Partnership 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. The residence project is designed to be a public-private partnership project. At April 30, 2023, $16.4 million (2022 - $16.3 million) is recorded in land, which will be contributed to the partnership. The project is expected to be completed by the fall of 2026. The residence will be managed, operated and used by the University to support its mission as part of the housing ancillary operation.

(h) Grad Residence and Parking Garage:

The University has a 50% interest in KCAP Hamilton Grad LP (note 5(d)), a public-private partnership to provide a new graduate residence with approximately 640 beds and a 265 space parking garage in downtown Hamilton. The residence will open in September 2023 and will be managed, operated and used by the University to support its mission as part of the housing ancillary operation. 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 residence and will be 100% McMaster owned, internally financed and maintained as part of the parking ancillary operation. Construction costs on the parking garage at April 30, 2023 amounted to $20.9 million (April 30, 2022 - $10.1 million).

(i) Research Commercialization:

In June 2017, the Board approved an investment of up to $25 million in leasehold improvements to 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. Since then, the Board has approved additional investments up to $45 million. 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 into the space in fiscal 2021. Of the total $70 million approved investment, $66.7 million has been spent and included in capital assets, as of April 30, 2023 (2022 - $48.2 million).

16. Commitments and contingencies (continued):

(j) McMaster Innovation Park:

In June 2023, the Board of Governors approved the investment of up to $16.5 million in equity in the 1000352106 Limited Partnership, for the OmniaBio B Project. In June 2023, the Board of Governors approved an increase to a maximum of $85 million for the interim loan financing to 1000352106 Limited Partnership to complete the project.

Pursuant to the 2022 approval of the Board of Directors, the University will enter into a letter of intent to acquire a leasehold interest in the existing Portal Project from MIP for $14 million, with a closing date no later than December 31, 2024.

17. Other income:

Details of other income are as follows:

(thousands of dollars)	Major Sources	2023	2022
Faculty of Health Sciences	Non-degree educational fees, specifically funded programs, international postgraduates stipends, space/equipment rentals, other student fees	$ 70,143	$ 64,483
Other Faculties	Non-degree educational fees, international postgraduate stipends, space/equipment rentals, other student fees	12,299	6,984
Academic Services	Contracts and patent royalties, registrar administration fees	13,842	14,354
Student Services	Athletics and Recreation memberships and user fees	25,082	21,669
Miscellaneous	Nuclear reactor sales, application fees, late payment fees, sales of utilities and other departmental sales	25,066	22,500
Other Investment Income	Gore, FLIT and all private or publicly traded entities	(1,092)	1,906
		$ 145,340	$ 131,896

18. Related party transactions:

In addition to certain transactions and balances disclosed in note 5, the University received funds of approximately $3,736,000 (2022 - $10,880,000) during the year from Friends of McMaster Incorporated.

19. 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 2023. 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 2023.

19. Financial risks and concentration of credit risk (continued):

(b) Credit risk:

Credit risk refers to the risk that a counterpart 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.

20. 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)	2023	2022
Endowment balance, beginning of year	$ 33,402	$ 31,179
Investment income retained for protection of capital	3,025	2,463
Investment income transferred to expendable income	(296)	(240)
Endowment balance, end of year	36,131	33,402
Funds available for awards, beginning of year	-	-
Investment income	1,769	1,670
Bursaries awarded (2023 - 1,714 awards; 2022 - 1,384 awards)	(2,064)	(1,910)
Investment income transferred from endowment balance	295	240
Funds available for awards, end of year	-	-
Total funds at book value	$ 36,131	$ 33,402

The market value of the endowment as at April 30, 2023 was $42,142,000 (2022 - $41,019,000).

20. Ontario student opportunity trust fund (continued):

(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)	2023	2022
Endowment balance, beginning of year	$ 6,744	$ 6,182
Investment income retained for protection of capital	1,220	562
Endowment balance, end of year	7,964	6,744
Funds available for awards, beginning of year	120	79
Investment income for expenditures	316	299
Bursaries awarded (2023 - 486 awards; 2022 - 263 awards)	(326)	(258)
Funds available for awards, end of year	110	120
Total funds at book value	$ 8,074	$ 6,864

The market value of the endowment as at April 30, 2023 was $7,648,000 (2022 - $7,534,000).

21. 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)	2023	2022
Endowment balance, beginning of year	$ 44,235	$ 40,307
Investment income retained for protection of capital	8,281	3,928
Endowment balance, end of year	52,516	44,235
Funds available for awards, beginning of year	732	753
Investment income for expenditures	1,889	1,793
Bursaries awarded (2023 -742 awards; 2022 - 563 awards)	(2,038)	(1,814)
Funds available for awards, end of year	583	732
Total funds at book value	$ 53,099	$ 44,967

The market value of the endowment as at April 30, 2023 was $56,418,000 (2022 - $55,130,000).

22. Pledges:

Outstanding but unrecorded pledges for donations and other fund raising amounted to approximately $105,000,000 (2022 - $97,000,000) (Unaudited).

The Office of Financial Affairs supports and promotes sustainability. To download a pdf version of this report please visit financial-affairs.mcmaster.ca

McMaster University

Financial Affairs
1280 Main Street West
Hamilton, ON L8N 1E9

Designed and produced by Media Production Services