



Annual Financial Report

Including the Audited Financial Statements

2023-2024



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The 2023/2024 Annual Financial Report brings to light the stories behind our teaching and learning initiatives, demonstrating how our investments have directly fueled academic excellence and innovation. This year's report not only details our financial outcomes but the photos inside emphasize and celebrate the tangible impact of our resources in enhancing the educational experiences of our students and faculty. Moreover, it highlights how our students continuously enrich our campus community and are actively working to create a brighter world.

Year in Review





This Annual Financial Report highlights McMaster's key achievements and initiatives in 2023/24, the third 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's mission and the University's audited financial statements.

The financial results in 2023/24 were impacted by international trends and events contributing to global inflation, as well as continued 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 domestic tuition freeze are more pronounced. The Provincial blue-ribbon panel on the financial sustainability of the post-secondary education sector was delivered in November 2023 with recommendations around grant funding and tuition. In response to historical domestic undergraduate enrolment growth over funded levels, the Ontario government announced one-time funding to support the costs of delivering Science, Technology, Engineering and Mathematics (STEM) degree programs in 2023/24. Additional grant funding from the Post-secondary Education Sustainability Fund is expected in 2024/25. Net investment returns of 8.8% contributed to the overall revenue increase of \$110.7 million or 7.9%. Expenses were impacted by inflation, increasing by \$122.9 million or 9.8%. Despite the challenges, the 2023/24 consolidated surplus remained strong at \$137.5 million.

The 2023/24 Operating Fund closed with a \$20.6 million surplus mainly resulting from STEM and medical grants,

as well as external recoveries, offset by compensation increases. Higher salary and benefit costs are driven both by additional faculty and staff required to support higher enrolment, as well as inflation and cost of living pressures. Additional contributions to current and future capital projects continue to be made.

McMaster's global reputation as a student-focused experiential learning environment anchored around leading research intensity continues to position the University as a destination of choice for students around the world. McMaster's new five-year Strategic Research Plan, *Transforming our region, impacting our world*, was developed in consultation with all faculties and key stakeholders over the last year and builds on the goal to positively transform lives through excellence and inclusivity. The vision of the McMaster Innovation Park (MIP) to create a thriving ecosystem for research and innovation was realized through the sale of Fusion Pharmaceuticals to AstraZeneca, with a definitive agreement signed March 2024. McMaster is revitalizing the vision and strategy for MIP to continue to drive innovation and economic development.

In addition to expense containment and prudent management, McMaster remains focused on alternative revenue generation opportunities to support the University mission and financial sustainability. The graduate student residence at 10 Bay Street welcomed its first residents as part of McMaster's ongoing commitment to provide more housing for its students. Partially opened in September 2023, initial construction challenges were resolved and the building is open for full occupancy starting in September 2024. Construction has begun on the Lincoln Alexander



Hall residence, scheduled to open in Fall 2026 with an additional 1,366 beds for undergraduate students. Other research-related real estate initiatives underway in 2023/24 included supporting the MIP research infrastructure development initiative with investments in the Portal and the OmniaBio B Project. This initiative enhances McMaster's research commercialization project initiated in 2017 with investments made to house several McMaster spin-off companies. Finally, the nuclear reactor has promising opportunities for production of medical isotopes and investigation of the feasibility of small modular reactors as the future of clean energy production in Canada.

Capital investments in 2023/24 totalled \$127.0 million with key student-focused projects including the Student Activity and Fitness Expansion project and the McLean Centre for Collaborative Discovery. Additionally, Peak

Shaver and Electric Boiler projects are 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.

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 target for the Salaried Pension Plan is a 30% reduction by 2030, and the Hourly Pension Plan target is 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](#)

[Strategic Mandate Agreement 2020-2025](#)

[Goals and Priorities](#)

[Consolidated Budget – June 2024](#)

[Strategic Research Plan](#)

[University Fact Book](#)

[Sustainability Policy](#)

[Sustainability Strategy 2022-2026](#)

[Campus Net Zero Carbon Roadmap](#)

[Responsible Investing Disclosures](#)

[Sustainable Procurement](#)

[Campus Plan](#)

By the Numbers

\$937,057,000

Available expendable resources vs. \$885,602,000 last year

\$126,951,000

Capital spending
vs. \$180,530,000
last year

\$1,516,441,000

Total revenue vs.
\$1,405,729,000 last year

\$137,453,000

Excess of revenues
over expenses vs.
149,629,000 last year

\$27,406

Endowment per
FTE students vs.
\$25,733 last year

\$1,378,988,000

Total expenses vs.
\$1,256,100,000 last year

\$42,800

Revenue per FTE students
vs. \$39,800 last year

\$(272,891,000)

Non-pension employee future benefit
obligation vs. \$(277,648,000) last year

\$196,437,000

Pension funding surplus
vs. \$13,892,000 last year

\$20,596,000

Excess of revenues
over expenses
Operating Fund only
vs. \$34,898,000
last year

\$2,305,689,000

Total net assets vs. \$1,916,983,000 last year

35,469

Enrolment (full-time equivalent
(FTE)) vs. 35,314 last year

9,282

Staff and Faculty head count vs. 8,962 last year

Financial Analysis

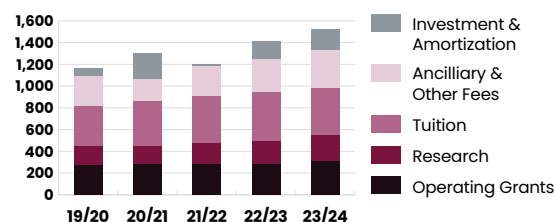


Key Financial Indicators

Total Revenues

- Revenues increased by \$110.7 million (7.9%).
- Investment income increased by \$23.7 million as a result of the net Investment Pool return of 8.8% (prior year return 7.1%). Excluding investment returns, revenue increased by \$87.0 million (6.7%).
- Operating grants increased by \$24.6 million (8.7%) due to a \$15.4 million grant for unfunded students and funding for expansion of nuclear operations.
- Research revenue increased by \$24.2 million (11.5%) due to utilization of funding received in prior years.
- Tuition income decreased by \$4.2 million (-0.9%) due to lower international enrolment offset by standard rate inflation.

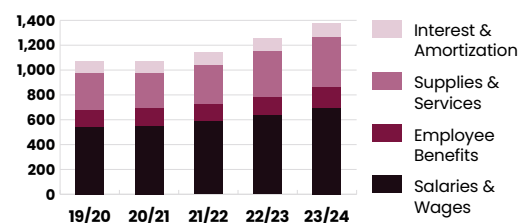
Total Revenues \$1,516.4M



Total Expenses

- Expenses increased by \$122.9 million (9.8%).
- Salaries and wages increased by \$61.0 million (9.6%) due to negotiated pay increases, and planned recruitment in key areas.
- Employee benefits increased by \$15.0 million (10.0%) in line with salary and wages.
- Supplies and services increased by \$41.9 million (11.5%) due to increases in research activities, scholarships and bursaries, and inflationary pressures.

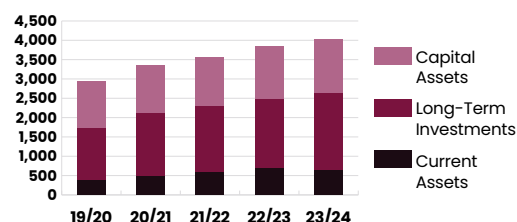
Total Expenses \$1,379.0M



Total Assets

- Total assets increased by \$179.5 million (4.7%).
- Total short and long-term investments increased by \$89.1 million (4.1%) due to increased investment returns.
- Other investments increased by \$21.4 million (47.9%) and loans receivable increased by \$26.0 million (61.6%) due to investments made into the OmniaBio B development project at McMaster Innovation Park.
- Net capital assets increased by \$31.8 million (2.3%) driven by net additions outpacing amortization.

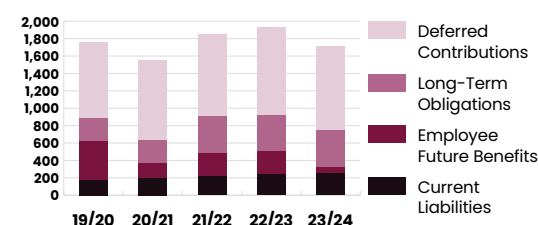
Total Assets \$4,025.8M



Total Liabilities

- Total liabilities decreased by \$209.2 million (-10.8%).
- Accrued employee future benefit obligations decreased by \$187.3 million (-71.0%) due to an increase in discount and interest rates related to the Federal Government's tightening monetary policy, as well as improved experience from the July 1, 2023 valuation.
- Deferred contributions decreased by \$28.0 million (-2.8%) due to amortization of prior year capital contributions.

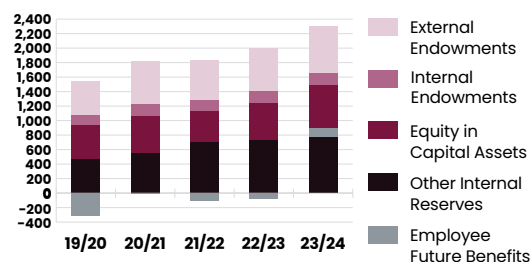
Total Liabilities \$1,720.1M



Total Net Assets

- Total net assets increased by \$388.7 million (20.3%).
- Internal reserves increased by \$255.4 million (39.7%) due to pension revaluation, improved investment returns and delays in spending operating funds.
- Equity in capital assets increased by \$68.7 million (13.2%) related to capital plan approved investments.
- Endowments increased by \$64.5 million (8.6%) due to increased investment returns and endowed donations.

Net Assets \$2,305.7M

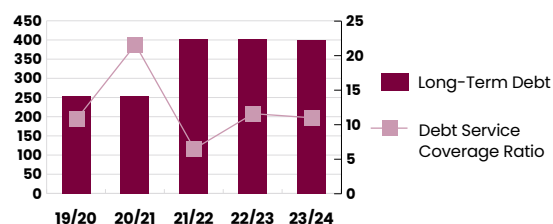


Key Financial Indicators

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 decreased to 11.0 times due to lower net income.
- Sinking funds exist to settle debts on maturity.

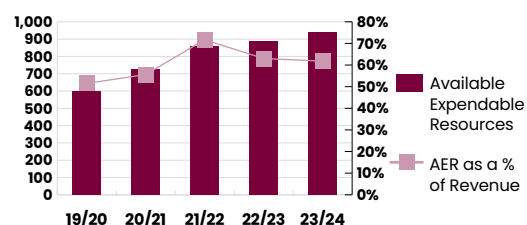
Long-term Debt \$400.9M



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 \$51.5 million (5.8%) 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).

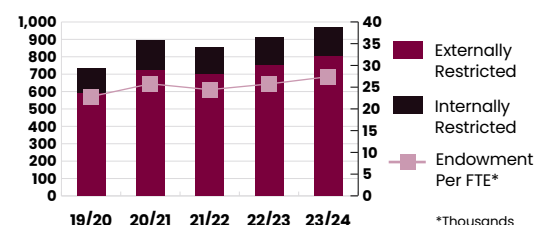
Available Expendable Resources \$937.1M



Trusts and Endowments

- Trusts and endowments increased by \$63.3 million (7.0%) related to the net Investment Pool return of 8.8%.
- Endowment funds per student increased 6.5% related to the higher fund balance and more than offsetting increased enrolment.

Trusts and Endowments \$972.0M

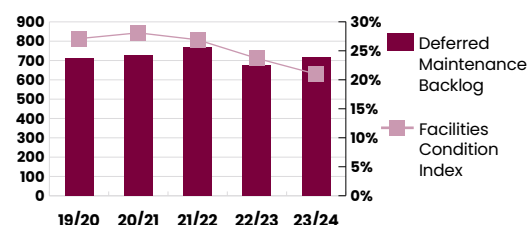


Deferred Maintenance

- 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 slightly increased due to escalation in construction costs 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.
- Facility Services continues to assess building health and concentrate spending on the deferred maintenance of buildings that are in poor condition, ensuring that the FCI is in the good to fair range.

Deferred Maintenance \$715.3M

Facility Condition Index (FCI) 21.0%

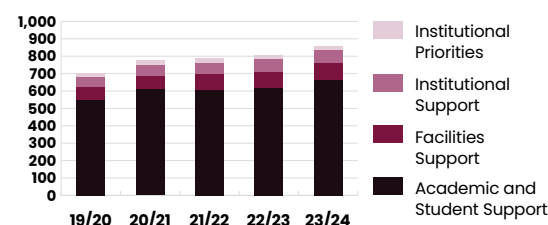


The Facility Condition Index (FCI) score is a measure of the current condition of campus buildings, defined as current maintenance requirements plus the next two years divided by current replacement value.

Operating Fund – Net Expenditures by Envelope

- Net Operating Fund expenditures increased by \$50.8 million (6.3%) mainly due to filling essential positions, approved salary increases, scholarships and bursaries, and capital expenditures.
- Early action to contain costs resulted in a decrease in some expense categories (see Supplemental Information).

Operating Fund – Net Expenditures by Envelope \$858.0M



Revenues

Total revenues increased by \$110.7 million (7.9%) to \$1,516.4 million (2022/23: \$1,405.7 million) driven by research activity, investment income, and one-time operating grants, net of a decline in tuition revenue as international enrolment softened. McMaster’s reputation in research and experiential learning continues to position the University as 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

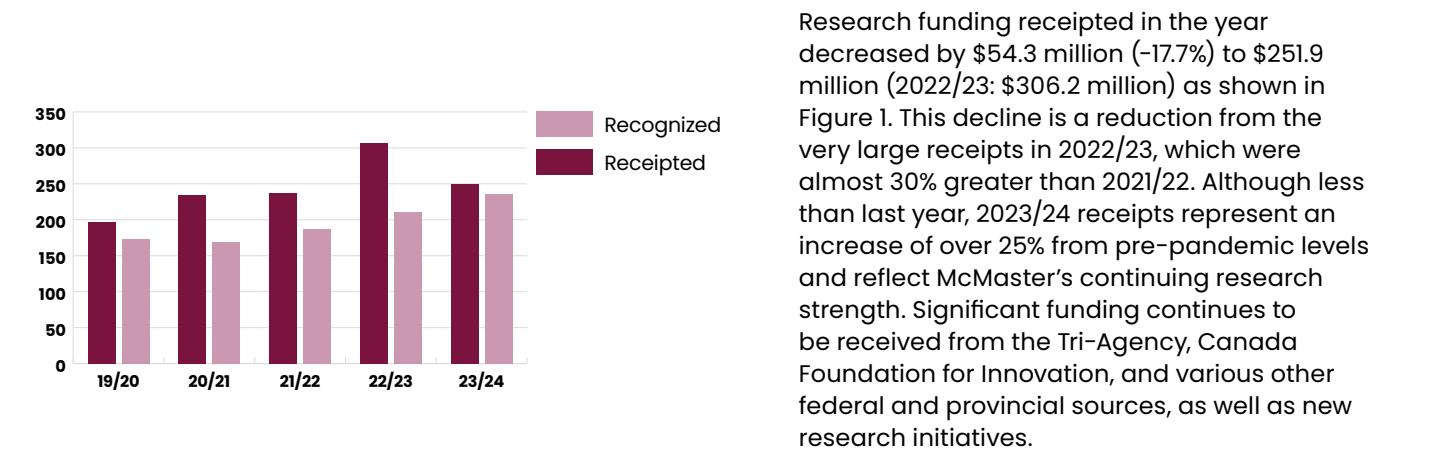
After remaining flat for many years, in 2023/24 operating grant revenue increased by \$24.6 million or 8.7%. The Ministry of Colleges and Universities (MCU) corridor funding model funds universities for enrolment that is plus or minus 3.0% of the enrolment funding mid-point based on 2016/17 funding. In 2023/24, domestic enrolment continued to exceed the maximum funding cap as unfunded students accepted in 2021/22 continued their studies. Although the recommendations of the blue-ribbon panel were not fully actioned, in 2023/24 operating grants from the MCU included one-time funding of \$15.4 million towards the cost of STEM student enrolment over the corridor level. In addition, McMaster received \$5.6 million from the federal and provincial governments to transition the nuclear reactor to 24/5 operations.

In 2023/24, the MCU continued its transition toward performance-based funding and metric tracking across the sector. Except for the one-time STEM funding, MCU operating grants remained flat in total as the core operating grant decreased by \$27.5 million and performance funding increased by an equal amount. In real dollar terms, the operating grant held mainly frozen has not kept pace with inflation.

Research Grants and Contracts

Research expenditures increased by \$24.2 million (11.5%) due to spending on previously received grants and increased equipment acquisitions, resulting in \$235.3 million in research revenue recognized (2022/23: \$211.1 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: Received vs. Recognized in Income \$Millions



Tuition Fees

Revenue from tuition fees decreased by \$4.2 million (-0.9%) to \$441.5 million (2022/23: \$445.8 million). This decrease was caused by lower international tuition revenue of \$7.9 million, solely due to lower international undergraduate enrolment. During the pandemic, fully online classes allowed for a larger than normal intake in 2020/21. Since then, physical capacity has constrained first-year intake and has resulted in lower enrolment as the 2020/21 cohort graduates. This has been further exacerbated due to national visa challenges with international students.

Overall enrolment increased by 0.4%. Domestic enrolment of both undergraduate and graduate students increased by 1.7% (2022/23: 0.4%), with domestic tuition rates continuing to be frozen and enrolment targets limited by the provincial funding cap. International undergraduate enrolment decreased by 10.0% (2022/23: -0.2%), while international graduate enrolment increased by 8.0% (2022/23: 10.1%). 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. Over the last five years this enrolment mix change has resulted in a growing proportion of tuition from international students compared to domestic tuition and grants (Figure 2 and Figure 3). Consolidated tuition revenues include non-government funded programs, which are priced by market comparators and not subject to legislative caps.

Figure 2:
Operating Framework Tuition and Grant Funding

\$Millions

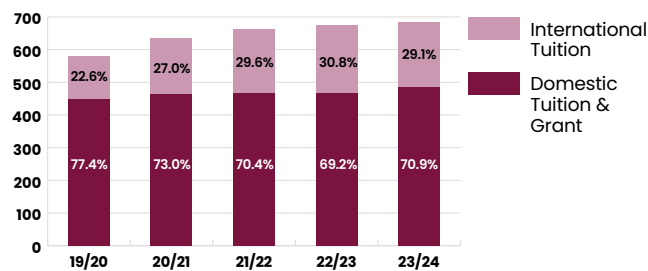
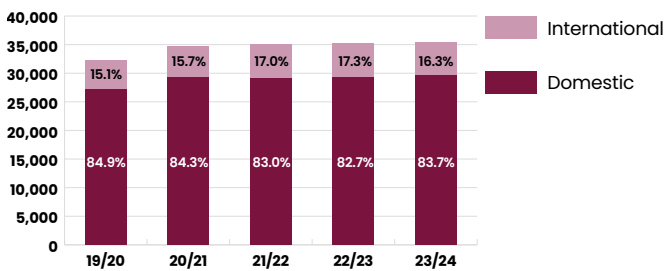


Figure 3:
Domestic and International FTE Enrolment



■ Student staff take part in a team-building activity as part of the 2023 Student Staff Development Conference (Photo by Christian Braun/McMaster University).

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 \$4.6 million (5.3%) to \$90.7 million (2022/23: \$86.1 million) as units continue to recover from the pandemic. 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. The overall ancillary reserve has grown to \$2.3 million in 2023/24 as most units achieved surpluses in the year and resumed capital investments.

As a result of ongoing financial pressures, the Real Estate, Ancillary Operations and Partnerships (REAP) department was formed in 2023/24 to explore and implement alternative financial strategies for the University. The REAP department aims to formulate McMaster's real estate strategy to leverage and monetize existing assets and engage in strategic acquisitions to diversify revenue sources and enhance financial stability.

Table 1: Sales by Ancillary Operations					\$Thousands
	2019/20	2020/21	2021/22	2022/23	2023/24
Housing and Conference Services	28,440	524	27,765	35,369	38,089
Hospitality Services	25,696	506	17,319	30,955	32,333
Campus Store	14,073	10,849	12,025	12,075	11,706
Continuing Education	8,342	9,276	8,336	7,851	8,575
Parking	5,345	161	3,110	5,622	5,706
Media Production Services	4,194	1,388	1,964	3,509	4,206
Other	-	-	-	-	11
	86,090	22,704	70,519	95,381	100,626
Less internal sales	(10,131)	(4,937)	(5,801)	(9,280)	(9,967)
	75,959	17,767	64,718	86,101	90,659



■ Indigenous Studies professor and McMaster Indigenous Research Institute director Savage Bear teaches a class. McMaster will host its first cohort of Indigenous Studies graduate students in fall 2024 when it launches the new MA in Indigenous Studies program, the first of its kind in Southern Ontario.

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 9.2% (2022/23: 7.5%), and net return of 8.8% (2022/23: 7.1%). Funds are invested based on a benchmark asset mix of 55.0% equities and 45.0% fixed income, real estate, and infrastructure. The Investment Pool performance policy tracks four-year annualized returns compared to the policy benchmark. The April 30, 2024 four-year annualized return for the Investment Pool was 9.0% or 1.1% above the policy benchmark of 7.9%.

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. To increase reporting transparency, in 2024 management will begin issuing an annual consolidated summary of investments on its website beginning with June 30, 2024 holdings.

Table 2: Investment Pool Consultant and Investment Managers

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; Fidelity Investments; Fiera Real Estate; Foyston, Gordon & Payne Inc.; Harris Associates L.P.; Harrison Street; Igneo Infrastructure Partners; Mesirow Financial; MetLife Investment Management; Morgan Stanley Investment Management Inc.; Russell Investments Canada Limited.

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				
	2019/20	2020/21	2021/22	2022/23	2023/24
Recognized Income	26,392	199,111	(32,252)	109,958	133,681
Amount posted directly to external endowments	(33,302)	96,932	(56,643)	8,410	23,013
Total Earned	(6,910)	296,043	(88,895)	118,368	156,694

Investment returns for endowed funds are used for purposes set out by donors or by the Board of Governors, where gifts are for discretionary purposes. Annual endowment spending is 4.0% plus a 1.0% allowance for trust administration costs. The total 5.0% annual spending is monitored against the five-year average rate of return. Net returns in excess of annual spending are allocated to capital preservation. Approximately \$23.3 million (2022/23: \$23.2 million) was allocated from the external endowment for student scholarships, bursaries, Chairs and Professorships, and other expenses.

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 post-retirement benefits and capital priorities.

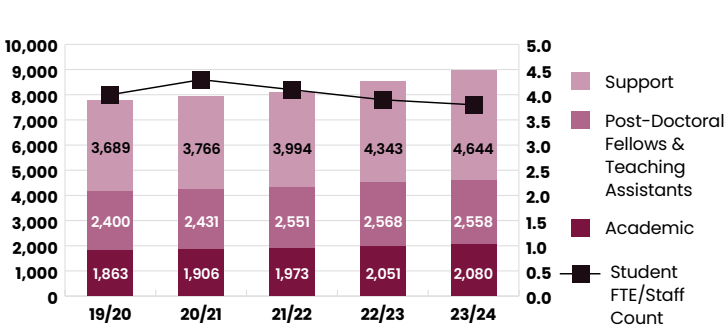
Compensation and Benefits

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 62.3% of total expenditures (2022/23: 62.4%). Figure 4 shows the count of 9,282 academic and permanent staff members at October 2023 (October 2022: 8,962). In anticipation of potential revenue declines in 2023/24, proactive actions were taken to evaluate staffing needs through attrition or timing of hires. Although the number of employees is increasing, control over hiring has decreased the number of staff for each student FTE to 3.8 (2022/23: 3.9).

Figure 4: Academic and Permanent Staff as of October 2023



Total compensation expenses of \$859.6 million (2022/23: \$783.6 million) are up 9.7%. Salary and wage costs increased 9.6% due to staff recruitment strategies, along with negotiated pay increases. Benefit costs increased in line with salary and wages. 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.



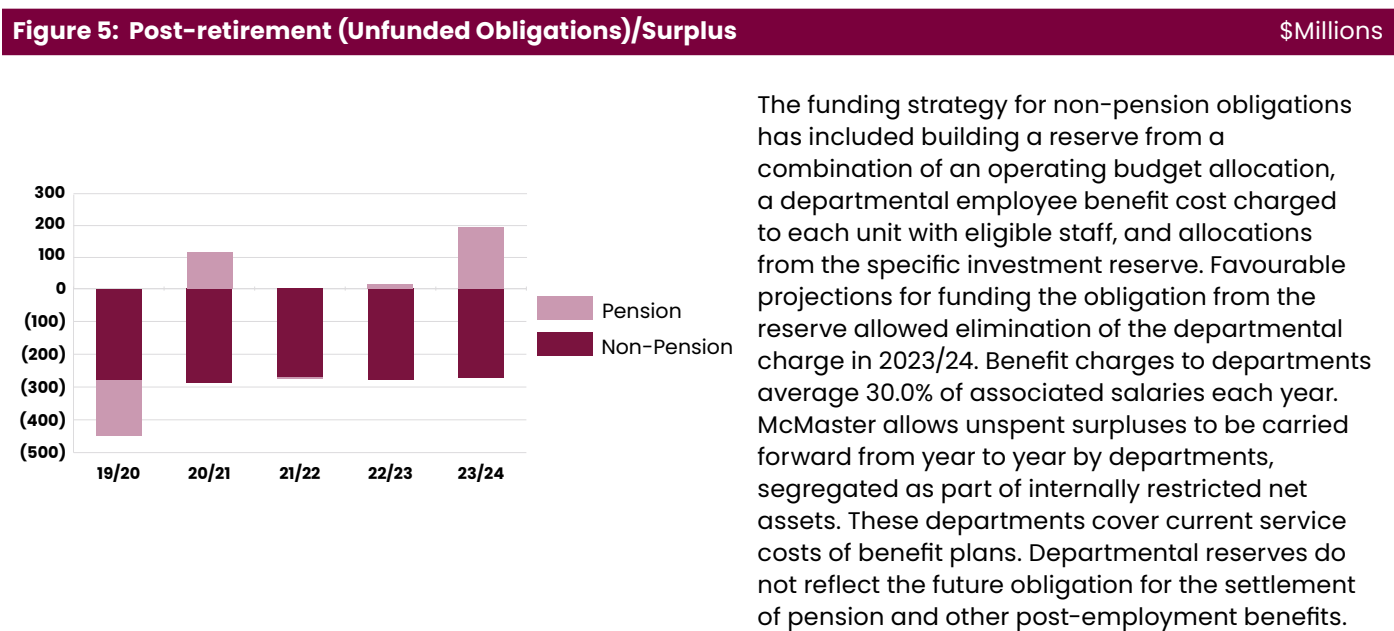
Thousands of people gathered at Ron Joyce Stadium to experience a stunning total eclipse. "This is the ultimate opportunity for astronomy outreach," said Veronika Dornan, a Physics and Astronomy PhD student, who also organized an event with the department's mobile planetarium.

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 2023/24, the EFB obligation for both pension and non-pension EFB (Figure 5) decreased by \$187.3 million (-71.0%) to \$76.5 million (2022/23: \$263.8 million) due to plan remeasurement. This obligation was calculated by McMaster's actuaries using updated census data for the salaried plans as of the last valuation date on July 1, 2023, including lower post-retirement indexation and other changes to demographic experience. In addition, the decrease was impacted by an increase to the discount rate and interest rates for determining commuted values. 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 declines could increase 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.



■ On a tour of the McMaster Nuclear Reactor, students in ENVIRSC/ENVSOCY 4EA3 — a course offered by the School of Earth, Environment and Society in the Faculty of Science — got an overview of its environmental protection and radiation safety programs, which ensure researchers, staff and students are well-equipped to handle radioactive materials safely.

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 825 full-time employees (2022/23: 702).

McMaster elected to file prior to required dates for both Salaried Pension Plans and Hourly Pension Plan actuarial valuations dated July 1, 2023 and July 1, 2022 respectively. These valuations have locked in recent strong performance and reduced required payments for the three years until the next mandatory valuation date. 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
	2019/20	2020/21	2021/22	2022/23	2023/24
Funded Status, Opening Balance	(82,609)	(171,231)	117,359	(6,832)	13,892
Current Service and Finance Cost	(38,841)	(48,930)	(34,068)	(38,154)	(39,739)
Remeasurements	(116,068)	274,006	(148,269)	17,384	177,974
University Contributions	66,287	63,514	58,146	41,494	44,310
Funded Status, Closing Balance, Net	(171,231)	117,359	(6,832)	13,892	196,437

A \$178.0 million positive pension remeasurement adjustment was made in the Statement of Net Assets (2022/23: \$17.4 million positive) primarily related to higher discount and interest rates and updated plan assumptions. Remeasurements are adjusted directly in reserves and have no impact on expenses.

The University Pension Plan (UPP) was launched on July 1, 2021 with currently four participating Ontario universities and 14 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

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 \$4.8 million (1.7%) to a deficit of \$272.9 million (2022/23: \$277.6 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 2030.

In 2023/24, non-pension employee benefit expenses increased by \$1.4 million (6.7%) to \$22.1 million (2022/23: \$20.7 million) due to an increase in both current service and finance cost (Table 5). University claim payments increased by \$1.3 million over the prior year due to increases in covered employees and inflation.

Table 5: Change in Funded Status of Non-Pension Benefit Plan					\$Thousands
	2019/20	2020/21	2021/22	2022/23	2023/24
Funded Status, Opening Balance	(274,681)	(277,215)	(287,287)	(268,882)	(277,648)
Current Service and Finance Cost	(22,949)	(22,020)	(23,032)	(20,701)	(22,078)
Remeasurements	12,501	3,918	32,324	2,279	15,877
University Contributions	7,914	8,030	9,113	9,656	10,958
	(277,215)	(287,287)	(268,882)	(277,648)	(272,891)
Internally Restricted Reserve	116,252	193,519	191,955	212,729	235,005
Funded Status, Closing Balance, Net	(160,963)	(93,768)	(76,927)	(64,919)	(37,886)

Strategic Projects and Financing

McMaster’s 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 to ensure McMaster is well positioned to tackle local and global issues, and building 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. 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. The updated McMaster Campus Plan along with the annual Capital Plan and the Net Zero Carbon Roadmap, will provide a framework for future capital initiatives.

McMaster’s 2023/24 total capital expenditures totalled \$127.0 million (2022/23: \$180.5 million) and are summarized in Table 6. Capital expenditures decreased from the prior year as the backlog from the pandemic cleared and projects were completed. Capital projects underway in 2023/24 included the McLean Centre for Collaborative Discovery, the greenhouse and Life Sciences Building renovation, the Student Activity and Fitness Expansion (SAFE), the Peak Shaver and Electric Boiler project to reduce carbon emissions from 13,670 tonnes of CO₂e annually to less than 1,000 tonnes, and infrastructure projects to support research commercialization. In addition, the Portal building was purchased from McMaster Innovation Park, home to research commercialization companies including Fusion, Triumvira, Enedym, and Eecomobility.

Table 6: Capital Asset Additions					\$Thousands
	2019/20	2020/21	2021/22	2022/23	2023/24
Land, Completed Building Projects & Construction in Progress	77,150	54,018	76,308	117,319	78,314
Computers, Software, Furniture and Other Equipment	40,694	43,649	44,787	51,130	35,788
Library Materials	10,078	11,649	11,889	12,081	12,849
Total Capital Asset Additions	127,922	109,316	132,984	180,530	126,951



■ The Concurrent Certificate in Creative Writing and Narrative Arts (CWNA) in the Department of English and Cultural Studies helps students from various disciplines enhance their writing through mentorship and community support.

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. Development of the innovation ecosystem continues through refreshing the strategy of the McMaster Innovation Park, as well as investments in promising research start-ups identified by the McMaster Seed Fund (McMaster MSF Holdings, Inc.). McMaster’s support was instrumental to the success of Fusion Pharmaceuticals, developer of next-generation radioconjugates as precision medicine, which was acquired by AstraZeneca in 2024.

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 1,366 beds. Construction of the new undergraduate residence, Lincoln Alexander Hall, began during the year. In addition, the OmniaBio B development project is nearing completion at McMaster Innovation Park with anchor tenant OmniaBio Inc., a contract development and manufacturing organization producing gene-modified cells and viral vectors.

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 to \$98.4 million (2022/23: \$102.6 million) due to scheduled loan repayments. Loans carry varying repayment terms and interest rates, reflecting 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 allowing revenue-generating investments to proceed despite recent increases in bank lending rates.



■ The Perimeter Scholars International Program is an interactive one-year Master’s program focused on theoretical physics, offering only 25 spots to top students from around the world who apply. Besart Lajci, a fourth-year student, is one of the few admitted to the program and will learn from faculty and international researchers who created some of the theories being discussed in class.

Financial Accountability Framework

In 2023/24, MCU implemented a new Financial Accountability Framework to be used with 2022/23 and future fiscal years. Developed in collaboration with the Council of Ontario Universities, the framework consists of eight financial indicators in three categories and is intended to proactively monitor the financial health of universities across the province. Metrics are calculated annually using results in the audited financial statements. Each metric is measured against medium and high thresholds, with risk scores and resulting actions assigned depending on the average score in each category.

Although the framework was effective in 2022/23, Table 7 includes comparative data for five years as measured against the medium-risk target to demonstrate that prudent financial management has consistently placed McMaster in the low-risk category. Over this period no metrics have breached the high-risk threshold. Following issuance of additional debt in 2021/22 the debt ratio is expected to be above the medium threshold, however the 2023/24 metric is in the low range due to the favourable remeasurement of employee future benefits.

Table 7: Financial Accountability Framework Metrics						
	Target	2019/20	2020/21	2021/22	2022/23	2023/24
Liquidity						
Primary Reserve Ratio (Days)	> 90	204	247	274	257	248
Working Capital Ratio	> 1.25	2.2	2.4	2.7	2.8	2.6
Sustainability						
Viability Ratio	> 60%	223.49%	270.45%	204.37%	210.67%	222.87%
Debt Ratio	< 35%	42.90%	31.93%	39.07%	38.26%	32.07%
Debt to Revenue Ratio	< 35%	23.06%	20.58%	35.10%	29.90%	27.73%
Interest Burden Ratio	< 2%	1.34%	1.34%	1.64%	1.56%	1.41%
Performance						
Net Income/Loss Ratio	> 1.5%	7.93%	17.84%	4.42%	10.64%	9.06%
Net Operating Revenues	> 7%	9%	30%	10%	20%	13%
Low risk	Medium risk					

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 2023/24, the Chief Risk Office continued to elevate and integrate risk awareness throughout the University. Following completion of the risk taxonomy and risk register, bi-annual risk assessment is conducted to identify emerging risks and inform leaders' strategic decision-making.

The President, Vice-Presidents and Board committees review quarterly reports on priority and emerging risks. 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 risk categories identified through this process are:		
Financial	Strategic	Government
Research	Operational	Geopolitical
Teaching & Learning	Reputation	

Key risks are further sub-divided into 51 sub-categories with 13 priority risks identified for institutional focus and action.

Climate-Related Financial Disclosures



McMaster voluntarily developed a reporting approach based upon the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) in fiscal year 2019/20. The integration of these recommendations is intended to support carbon footprint disclosure associated with investments by following an internationally recognized and consistent reporting framework. McMaster implemented its investment-related carbon emissions reporting based on the carbon dioxide equivalent (CO₂e) intensity metric¹ recommended by the standard, along with carbon reduction target-setting and reporting to promote understandability and improve comparability with other organizations. McMaster intends to broaden its climate-related disclosure to include its operations.

Concurrent with the release of its 2023 status report on October 12, 2023, the TCFD has fulfilled its mandate. The Financial Stability Board (FSB), an international body that monitors and makes recommendations about the global financial system, has requested the International Financial Reporting Standards Foundation to assume the role of monitoring of the progress of companies' climate-related disclosures from TCFD.

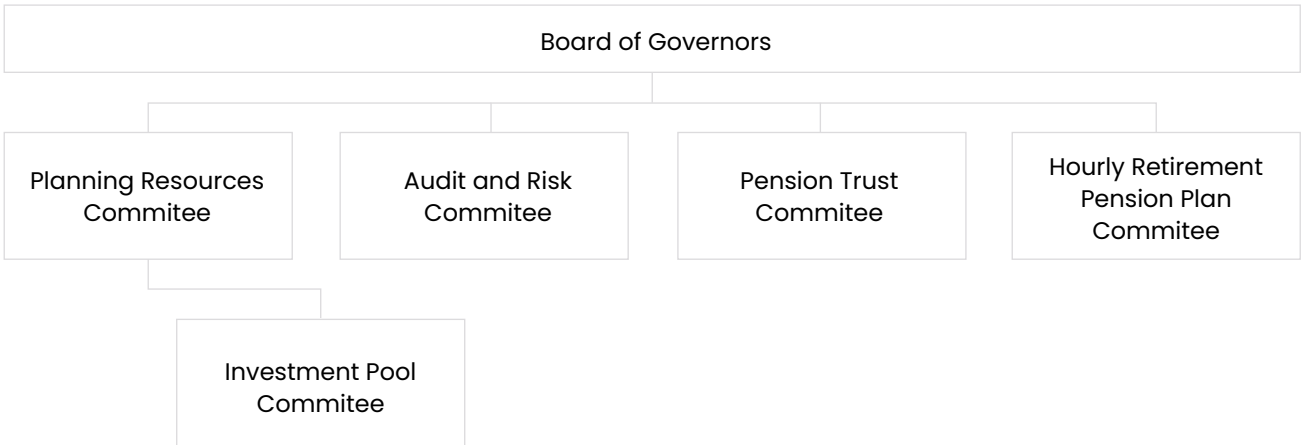
As part of McMaster's ongoing commitment to transparent and responsible sustainability practices, we are continually exploring opportunities to further enhance our sustainability-related disclosures. Building upon the existing adoption of the TCFD recommendations, McMaster is reviewing alignment of future sustainability disclosures with the Canadian Sustainability Disclosure Standards (CSDS) which is aligned with International Sustainability Standards Board (ISSB) standards. The CSDS alignment with ISSB's globally recognized standards represents 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.

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 6 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 6: Board Committee Reporting



¹Weighted Average Carbon Intensity (WACI)

In addition to annual multi-year financial projections, a 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 2022/23 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. 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 \$1.6 billion and \$2.6 billion in assets under management, respectively. The investments for both the Investment Pool and Salaried Pension Plan are diversified across asset classes, investment managers, and geography whereby environmental, societal, and governance (ESG) issues are routinely discussed with investment managers and the Investment Pool consultant. Additional analysis to support climate risks and opportunities is obtained through a third-party service (MSCI), which provides climate-related emissions converted to a single CO2 measure by holding. MSCI reporting identifies the top ten contributors to McMaster's portfolio carbon intensity and provides analysis on whether these contributors are leaders or laggards on climate mitigation efforts. The MSCI information is used to engage in climate discussions with investment managers to ensure the investment rationale is acceptable and aligned to McMaster's responsible investing philosophy.

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

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).

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 Salaried Pension 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 2023/24, McMaster attained a significant milestone by achieving its 2030 goal of reducing the Investment Pool's weighted average carbon intensity (WACI) by more than 75% six 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 Canadian Equities portfolio to a low-carbon investment strategy in 2024, which built upon the transition of US Equities to a low-carbon strategy in 2023. Investing in these low-carbon investment strategies has reduced carbon exposure while managing return and risk. McMaster also took additional 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 has now invested \$17.2 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 \$32 million² as investments are acquired by the fund.

During the reporting period, McMaster's exposure to the CU200 declined by 23% to represent 1.1% of the Investment Pool's investments.

²In 2022 the Board approved a commitment of US\$24 million to the Brookfield Global Transition Fund.



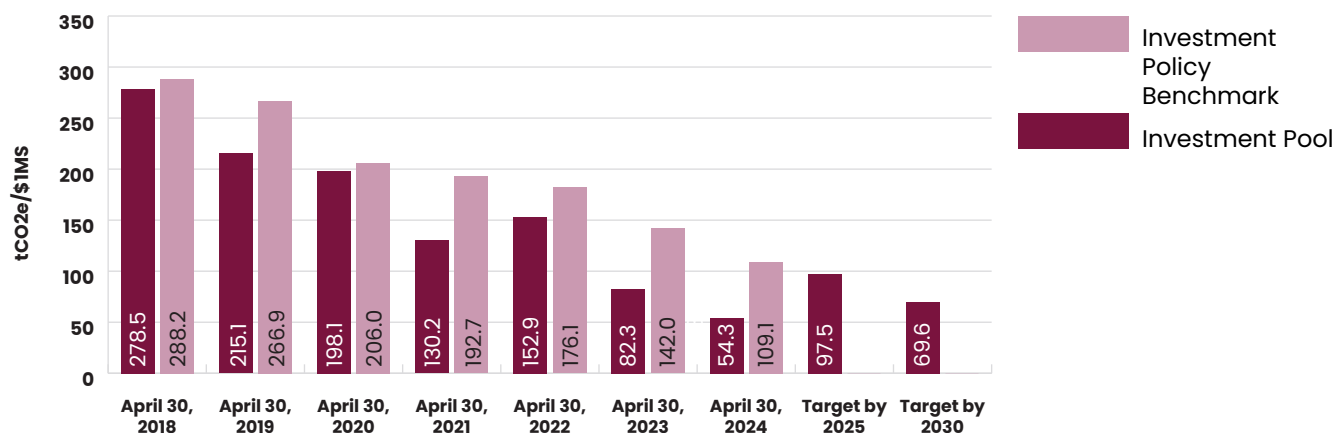
■ Connecting McMaster faculty and staff with unwanted but still useful office items has been the mission of the Trash to Treasure reuse program. With support from Facility Services, University Technology Services (UTS) and the Office of Sustainability, the program aims to streamline the process of office supply redistribution on campus by making it easy for participants to post or find free or low-cost office items via a dedicated Microsoft Teams channel.

Metrics and Targets

Metrics – Scope 1 and 2 Greenhouse Gas (GHG) Emissions

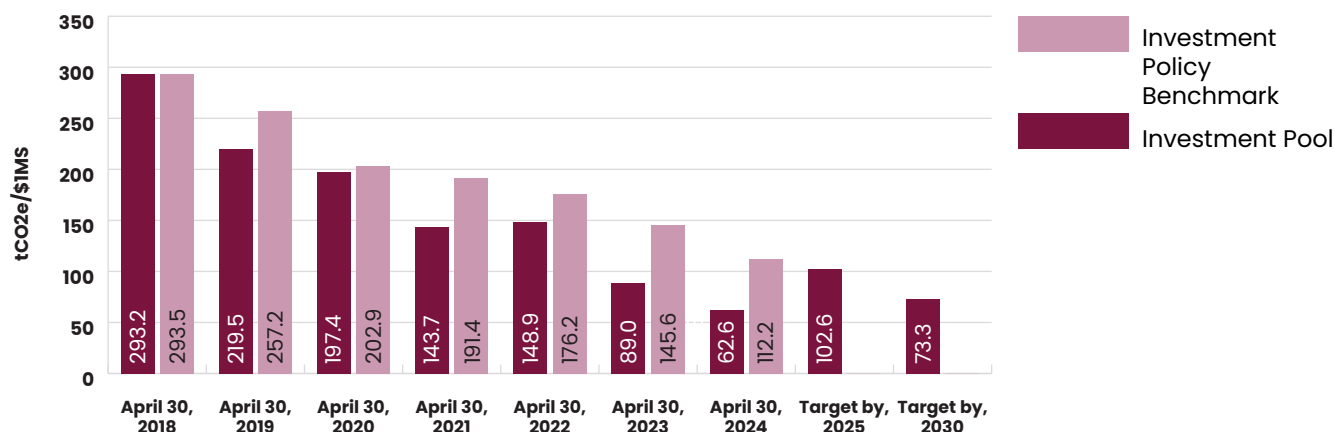
McMaster completes a third-party measurement of its weighted average carbon intensity (WACI) relative to its policy benchmark annually. This measure translates GHG emissions into a single carbon dioxide (CO₂) measure and is reported as tonnes of CO₂ equivalent emitted per million US dollars in sales (written as tCO₂e/\$1MS). As of April 30, 2024, the Investment Pool public equities WACI was 54.3 tCO₂e/\$1MS (2022/23: 82.3 tCO₂e/\$1MS) relative to the fund policy benchmark of 109.1 tCO₂e/\$1MS (2022/23: 142.0 tCO₂e/\$1MS). This WACI measure is 80.5% lower than the 2018 baseline measurement year of 278.5 tCO₂e/\$1MS (Figure 7).

Figure 7: 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 95%. Total Investment Pool carbon measurements, including both public equity and fixed income, have lower data availability ranging between 78% and 84% and are therefore less reliable. McMaster's total pool WACI at April 30, 2024 is 62.6 tCO₂e/\$1MS, down 78.6% from the 2018 baseline year (Figure 8). McMaster will continue to incorporate the best available measures to track and monitor its carbon footprint.

Figure 8: 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 asset³. 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 8 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 8: Proportion of Scope 1 and 2 Data Availability (Total Portfolio)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Investment Pool	81.5%	78.1%	78.6%	79.5%	78.7%	84.3%	78.5%
Investment Policy Benchmark	72.3%	76.4%	75.5%	75.6%	78.7%	83.1%	78.7%

McMaster monitors investment manager holdings in the Carbon Underground 200™ (CU200). Table 9 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, 2024, 32.4% weight of companies within the listed public equity portfolio offer clean technology solutions (2022/23: 32.4% weight).

Table 9: McMaster Carbon Underground 200™ Top 5 Exposure

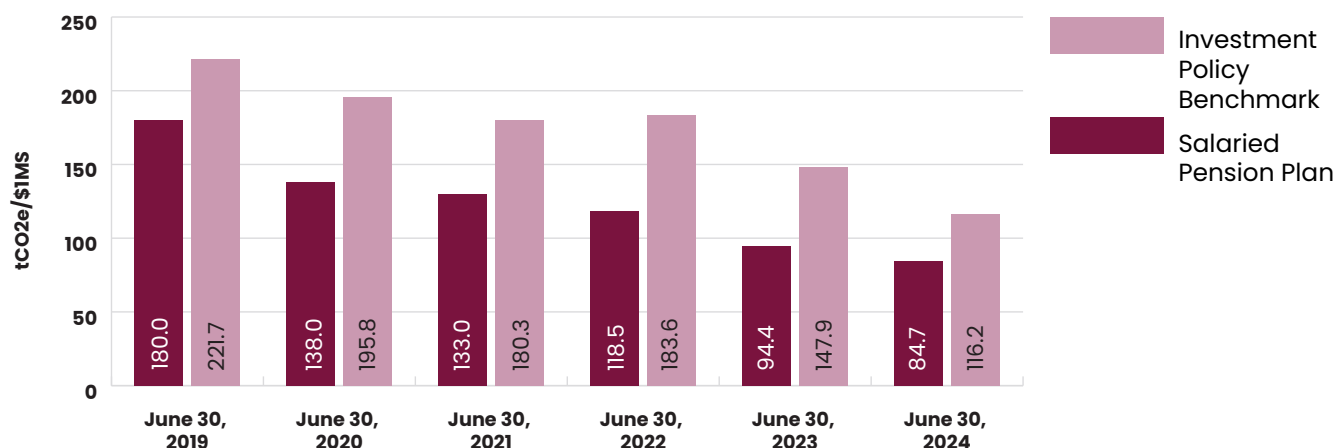
2024	Company	Market Value (\$Millions)	Investment Pool (%)
1	TotalEnergies	3.1	0.2%
2	Glencore	2.0	0.1%
3	Imperial Oil	1.3	0.1%
4	Antero Resources	1.3	0.1%
5	ConocoPhillips	1.2	0.1%
	Subtotal – Top 5 CU200 Exposure	8.9	0.6%
	Total CU200 Exposure	17.6	1.1%

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%

The Salaried Plans' WACI has been measured (Figure 9). As at June 30, 2024 the Salaried Plans' WACI for publicly listed equities was 84.7 tCO₂e/\$1MS (2022/23: 94.4 tCO₂e/\$1MS) compared to the portfolio's benchmark WACI of 116.2 tCO₂e/\$1MS (2022/23: 147.9 tCO₂e/\$1MS). The Salaried Plans' WACI at the total pool level was 112.4 tCO₂e/\$1MS (2022/23: 124.1 tCO₂e/\$1MS) compared to the portfolio's benchmark WACI of 142.7 tCO₂e/\$1MS (2022/23: 175.8 tCO₂e/\$1MS).

³Scope 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 9: Salaried Pension Plans Public Equities Weighted Average Carbon Intensity



The Hourly Plans' WACI has been measured. As at June 30, 2024 the Hourly Plan's WACI for publicly listed equities was 71.9 tCO₂e/\$1MS (2022/23: 82.9 tCO₂e/\$1MS) compared to the portfolio's benchmark WACI of 147.9 tCO₂e/\$1MS (2022/23: 175.1 tCO₂e/\$1MS). The Hourly Plan's WACI at the total portfolio level was 79.8 tCO₂e/\$1MS (2022/23: 98.2 tCO₂e/\$1MS) compared to the portfolio's benchmark WACI of 153.1 tCO₂e/\$1MS (2022/23: 177.2 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 carbon reduction target of 30% by 2030.

The Hourly Pension Plan carbon intensity is lower relative to its benchmark portfolio given its investment manager's strategy. The Hourly Pension Plan target is to maintain carbon at or below current levels.



■ Despite a busy final term, Melinda Meleki created McMaster's first yearbook for graduating Black students. Balancing group projects and job hunting, she was determined to celebrate her peers' resilience. With help from the Black Student Success Centre, she recruited volunteers, organized photoshoots, and designed the yearbook cover. Now graduated, Meleki is considering a career in science illustration, blending her love for art and science.

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 financial statements.

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 financial statements represent the results of all funds combined.

The 2023/24 Operating Fund financial results compared to the approved budget are presented in this section as well as a comparison of the budget to the consolidated results on a full accrual basis.

Operating Fund Summary

The Operating Fund represents approximately 60.0% 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 2023/24 Operating Fund budget included several strategic funding priorities, such as international student recruitment and support, campus accessibility, information technology and security expansion, inflationary library costs and digital audio-visual classroom upgrades. Overall, the budget supported McMaster's Strategic Mandate Agreement objectives, including key differentiation goals, enrolment targets, and other targeted program outcomes. The Operating Fund ended 2023/24 in a more favourable position compared to the budget due to one-time grant funding from the province, other income growth, reduced expenses as well as a more favourable closing appropriation balance from the prior year, and more favourable compared to the projection mainly due to higher other income (Table 10).



■ Recent Science graduate Nichols Cocco '22, who has autism, ADHD and OCD, successfully navigated the transition to university with the help of McMaster's Student Accessibility Services (SAS). "Our team of professionals work across disciplines to develop accommodation plans and provide learning strategies, transcription services, assistive technology, test administration and exam invigilation," said Mei-Ju Shih, director of SAS. "SAS provides compassionate, individualized service to more than 4,000 students with disabilities at McMaster each year."

Table 10: Operating Fund Summary

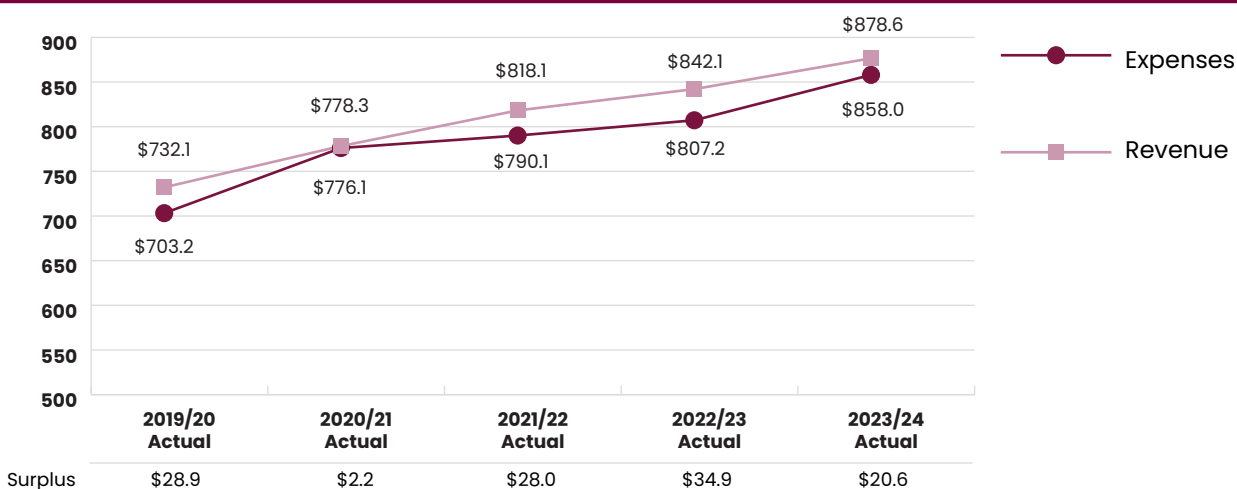
\$Thousands

					Variance			
	2022/23 Actual	2023/24 Budget	2023/24 Projection	2023/24 Actual	Actual vs. Budget		Actual vs. Projection	
Revenues								
Provincial Grants	239,170	240,222	255,124	254,823	14,601	6.1%	(301)	-0.1%
Tuition	433,809	433,810	429,226	429,362	(4,448)	-1.0%	136	0.0%
Research Overhead Income	30,307	26,974	29,069	31,348	4,373	16.2%	2,278	7.8%
Investment Income	9,467	9,467	9,467	9,467	-	0.0%	-	0.0%
Other Income	129,342	124,364	140,538	153,578	29,214	23.5%	13,040	9.3%
Total Revenues	842,095	834,837	863,424	878,578	43,741	5.2%	15,153	1.8%
Expenses								
Salaries, Wages and Benefits	552,375	598,373	604,053	597,966	406	0.1%	6,086	1.0%
Utilities and Maintenance	52,443	51,192	49,890	50,320	872	1.7%	(430)	-0.9%
Equipment and Renovations	59,518	55,471	52,985	64,805	(9,335)	-16.8%	(11,821)	-22.3%
Scholarships, Bursaries, and Work Study	35,301	36,828	39,711	38,678	(1,850)	-5.0%	1,033	2.6%
Library Acquisitions	16,907	15,660	15,819	16,637	(978)	-6.2%	(818)	-5.2%
Debt and Financing Charges	22,570	25,355	25,330	22,133	3,223	12.7%	3,198	12.6%
All Other Expenses	68,084	81,790	71,310	67,443	14,348	17.5%	3,867	5.4%
Total Expenses	807,197	864,668	859,097	857,982	6,686	0.8%	1,115	0.1%
Excess of Revenues Over Expenses	34,898	(29,831)	4,327	20,596	50,427	169.0%	16,269	376.0%
Fund Balance, Beginning of Year	226,772	223,928	261,670	261,672	37,743	16.9%	2	0.0%
Fund Balance, End of Year	261,670	194,097	265,997	282,267	88,170	45.4%	16,270	6.1%

The Operating Fund surplus highlights McMaster's continued strong academic reputation as well as efforts to generate alternative revenues and focus on cost containment while still enabling targeted strategic and capital investments (Figure 10).

Figure 10: Operating Fund Revenue and Expenses Trend

\$Millions



Sources of Funding

Total Operating Fund revenues were \$878.6 million compared to budget \$834.8 million and projection of \$863.4 million. Overall revenue growth is attributed to one-time STEM funding from MCU, other special purpose provincial grants, higher royalties and external recoveries. Other sources of revenue remain relatively flat (Figure 11).

Figure 11: Operating Fund Revenue Trend by Type \$Millions



Undergraduate students Fatemeh Zahirisaransari, Elizabeth Akinsola and Suyash Khasnobish, along with team mentor and graduate student Cassandra Chan, represented McMaster at the Alberta Not-for-Profit Association (ANPA) 2024 External Case Competition, where they were challenged to create – in only 24 hours – a major business and funding plan for an Alberta-registered charity that supports long-term care residents.

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 was first activated in 2023/24. McMaster missed targets on two of the ten metrics⁴ but the impact to the grant amount was immaterial. The funding envelopes are defined as follows (Table 11):

- 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 2023/24, the total provincial grant was in line with projection, but was higher than budget by \$14.6 million predominantly due to McMaster's share of the one-time Sustainability Fund for STEM enrolments funding provided by MCU. The 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 dropped slightly in 2023/24 along with international enrolment to \$3.5 million.

Table 11: Provincial Grants						\$Thousands	
						Variance	
	2023/24 Budget	2023/24 Projection	2023/24 Actual	Actual vs. Budget		Actual vs. Projection	
Enrolment Envelope							
Core Operating Grant	130,401	103,761	100,089	(30,312)	-23.2%	(3,672)	-3.5%
Differentiation Envelope							
Performance/Student Success Grant	112,450	139,090	142,517	30,067	26.7%	3,427	2.5%
Special Purpose Envelope							
Grants for Clinical Programs	916	352	352	(564)	-61.6%	-	0.1%
STEM Enrolment Grant	-	15,373	15,373	15,373		-	0.0%
International Student Recovery	(3,545)	(3,452)	(3,508)	37	1.0%	(56)	-1.6%
Total Provincial Grants	240,222	255,124	254,823	14,601	6.1%	(301)	-0.1%

⁴For Metric 1 Graduate Employment Rate in a Related Field, McMaster achieved 98.85% of the metric. At almost 92.5% the target metric is historically high. For Metric 8 Industry Sponsored Research, McMaster achieved 82.77% of the target. This is set at pre-pandemic levels when targets were at historical highs. The recent challenging economic environment resulted in lower achievement levels across the sector.

Tuition

Tuition results are lower than budget due to lower international enrolment than targeted as a result of the competitive international student market, partially offset by over-target enrolment of domestic undergraduate students (Table 12).

Table 12: Undergraduate and Graduate Enrolment

Variance							
	2023/24 Budget	2023/24 Projection	2023/24 Actual	Actual vs. Budget		Actual vs. Projection	
Undergraduate FTEs							
Domestic	25,535	26,225	26,459	924	3.6%	234	0.9%
International	4,294	4,063	4,146	(148)	-3.5%	82	2.0%
Total	29,829	30,288	30,605	776	2.6%	317	1.0%
Graduate FTEs							
Domestic	3,304	3,252	3,240	(64)	-1.9%	(12)	-0.4%
International	1,494	1,624	1,624	129	8.7%	-	0.0%
Total	4,798	4,876	4,864	66	1.4%	(12)	-0.2%
Total							
Domestic	28,839	29,477	29,699	860	3.0%	223	0.8%
International	5,788	5,687	5,769	(19)	-0.3%	82	1.4%
Total	34,627	35,164	35,469	842	2.4%	305	0.9%

The provincial tuition rate cut of 10% in 2019/20 followed by flat domestic rates for 2020/21 to 2023/24 has held domestic tuition revenues at low levels. International tuition revenue declined due to lower enrolment despite transparent four-year international tuition rate increases incorporated into offers (Table 13).

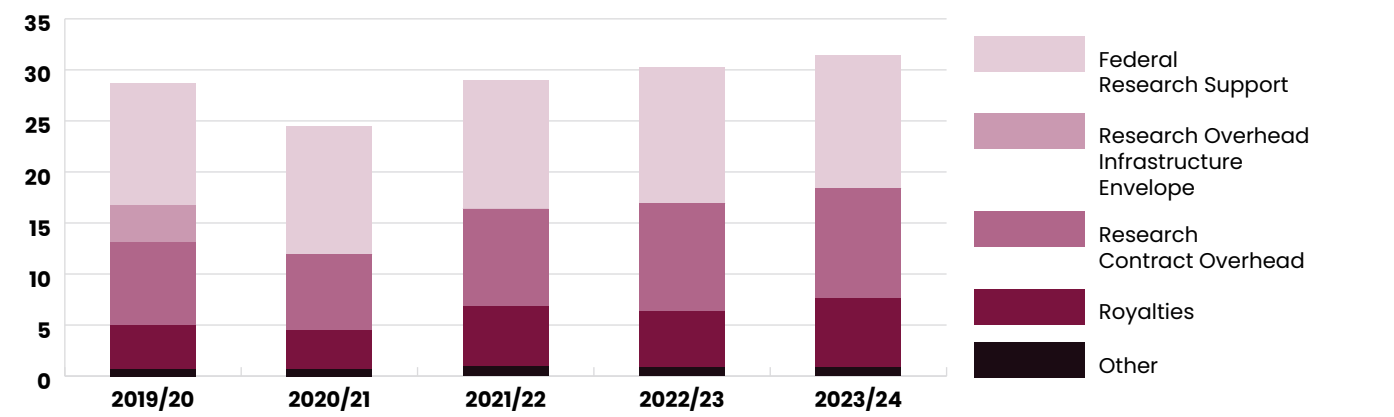
Table 13: Tuition and FTE Enrolment

		Tuition (\$Millions)					FTE Enrolment				
		2019/20	2020/21	2021/22	2022/23	2023/24	2019/20	2020/21	2021/22	2022/23	2023/24
Undergraduate FTEs	Undergraduate										
	Domestic	177.1	192.0	188.8	191.6	196.0	24,070	26,062	25,861	25,996	26,459
	International	114.3	155.3	175.5	184.3	172.8	3,533	4,327	4,615	4,604	4,146
	Total	291.4	347.3	364.3	375.9	368.8	27,603	30,388	30,477	30,600	30,605
Graduate FTEs	Graduate										
	Domestic	35.1	35.0	37.9	35.0	34.0	3,140	3,218	3,240	3,210	3,240
	International	16.3	16.0	20.9	22.9	26.6	1,320	1,114	1,365	1,504	1,624
	Total	51.3	51.0	58.7	57.9	60.6	4,460	4,332	4,606	4,713	4,864
Total	Total										
	Domestic	212.1	227.0	226.7	226.6	230.0	27,210	29,280	29,102	29,206	29,699
	International	130.6	171.4	196.4	207.2	199.3	4,853	5,440	5,981	6,108	5,769
	Total	342.7	398.4	423.0	433.8	429.4	32,063	34,720	35,082	35,314	35,469

Research Overhead

Research overhead income was \$4.4 million (16.2%) favourable to budget and \$2.3 million (7.8%) favourable to projection due to increased research contract overhead and royalty revenues. 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 2020/21.

Figure 12: Research Overhead Income

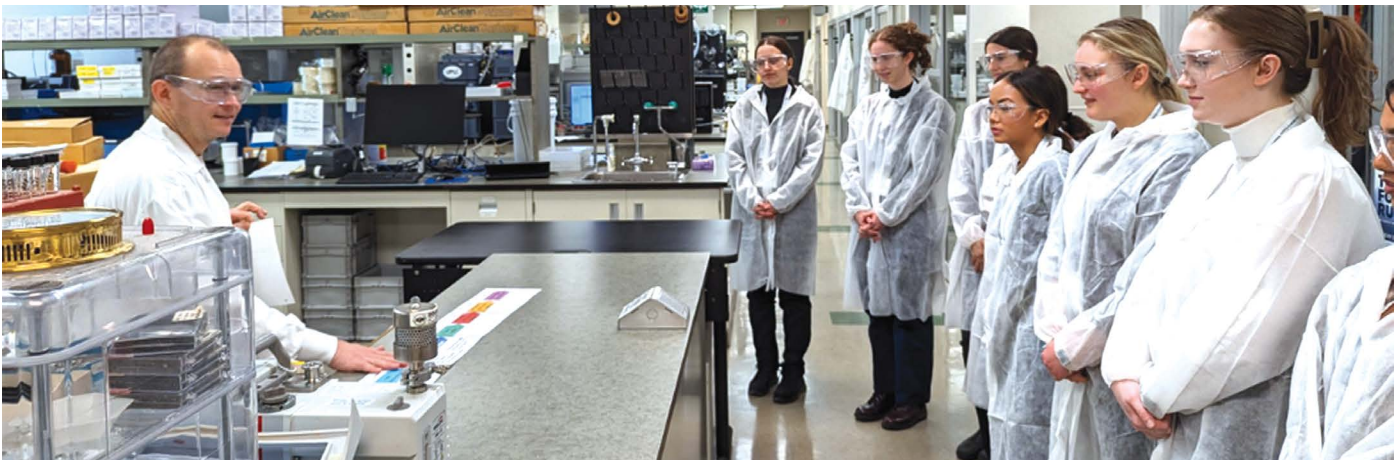


Investment Income

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

McMaster’s budgeting approach projects revenues conservatively, particularly with continued uncertainty around post-pandemic activity at the time the budget was approved. The favourable variances in Other Income of \$29.2 million (23.5%) compared to budget and \$13.0 million (9.3%) compared to projection were primarily due to unbudgeted direct provincial medical and nursing expansion grants, special purpose and facility renewal grants, federal and provincial nuclear reactor funding for the move to 24/5 operations, higher fee-generating campus activities, research commercialization revenue and external recoveries including utilities.



Thirty fourth-year Biology and Pharmacology Co-op students participated in the Faculty of Science’s first Career and Cooperative Education field trip, visiting top research institutions in Toronto, including the Ontario Institute for Cancer Research (OICR), University Health Network (UHN), and Sick Kids Hospital. Organized by Career Development Manager Andreea Nicu, the event aimed to expose students to potential career paths and leading employers.

Expenditures

Total Operating Fund expenditures were \$858.0 million (Figure 13 and Figure 14) compared to budget and projected expenditures of \$864.7 million and \$859.1 million, respectively. The overall favourable variances are very small as a percentage of both the original budget (0.8%) and projection (0.1%) and are caused by the efforts to contain expenses, as well as the effect of some conservative budgeting, partially offset by some additional unplanned capital transfers.

Figure 13: Total Operating Fund Actual Expense by Type \$Millions

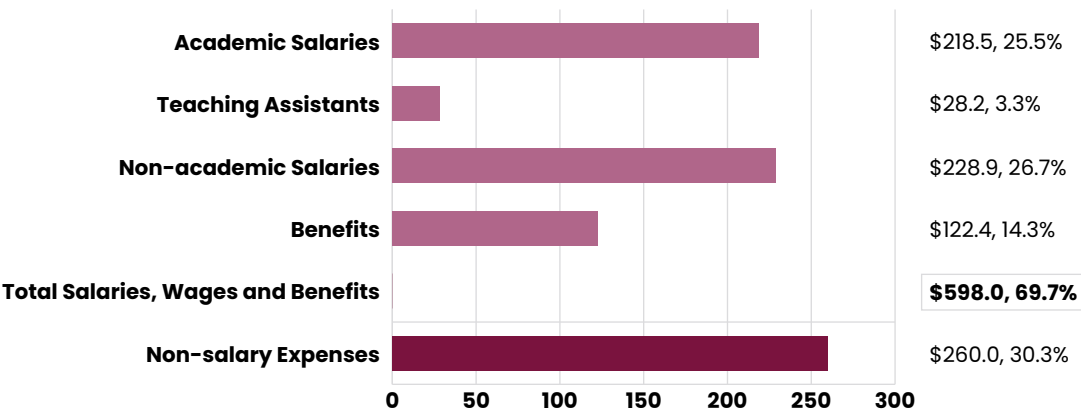
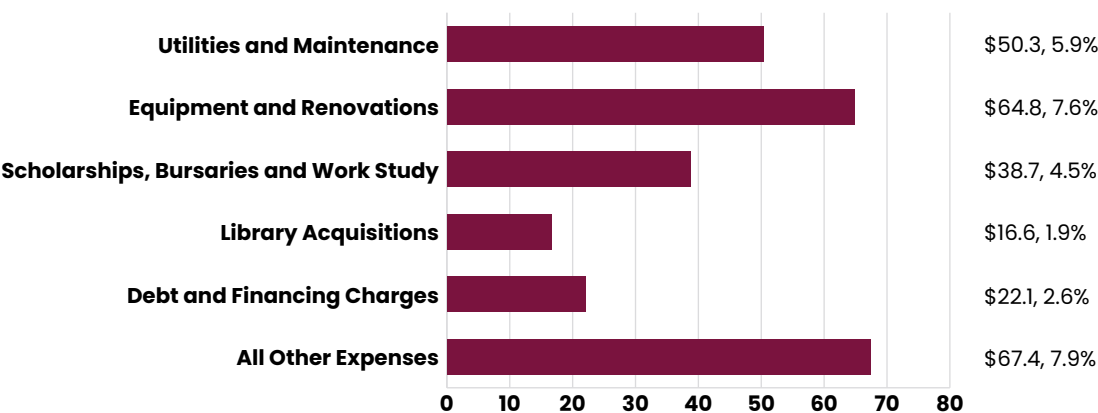


Figure 14: Operating Fund Actual Non-Salary Expense by Type \$Millions



Total expenses were favourable by \$6.7 million (0.8%) compared to budget:

- Salaries, wages, and benefits were in line with budget.
- Utilities and maintenance were favourable by \$0.9 million (1.7%) predominantly due to lower usage on most utilities categories and reclassification of the rent for new Student Activity and Fitness space to the Other Expenses category.
- Equipment and renovations were unfavourable by \$9.4 million (-16.8%) due to higher capital transfers for the McLean Centre, the Student Activity and Fitness Expansion project, and the capital reserve as funding became available; as well as advance funding for renovations to the Biointerfaces Institute which will be returned in 2024/25 from research funding.
- Scholarships, bursaries, and work study were unfavourable by \$1.9 million (-5.0%) due to additional spending on bursaries and awards to support enrolment, partially offset by lower domestic graduate scholarships.
- Library acquisitions were unfavourable by \$1.0 million (-6.2%) due to higher acquisition prices and additional acquisitions.
- Debt and financing charges were favourable by \$3.2 million (12.7%) due to delays in the full completion of the Student Activity and Fitness Expansion project.
- All other expenses were favourable by \$14.4 million (17.5%) primarily due to lower spend as a result of adjusting to post-pandemic operations and cost containment efforts, including reduced discretionary research support and special projects expenses, partially offset by timing of consulting costs, and higher bad debt and royalty expenses.

Total expenses were favourable by \$1.1 million (0.1%) compared to projection:

- Salaries, wages, and benefits were favourable by \$6.1 million (1.0%) primarily due to delayed hiring and unfilled staff vacancies.
- Utilities and maintenance were unfavourable by \$0.4 million (-0.9%) predominantly due to higher usage and rates for hydro, higher water usage and increased building maintenance costs, offset by lower gas usage due to the warmer winter.
- Equipment and renovations were unfavourable by \$11.8 million (-22.3%) as described above.
- Scholarships, bursaries, and work study were favourable by \$1.0 million (2.6%) due to lower domestic graduate scholarships.
- Library acquisitions were unfavourable by \$0.8 million (-5.2%) due to higher acquisitions prices and additional acquisitions.
- Debt and financing charges were favourable by \$3.2 million (12.6%) due to delays in the full completion of the Student Activity and Fitness Expansion project.
- All other expenses were favourable by \$3.9 million (5.4%) primarily due to cost containment efforts as described above.

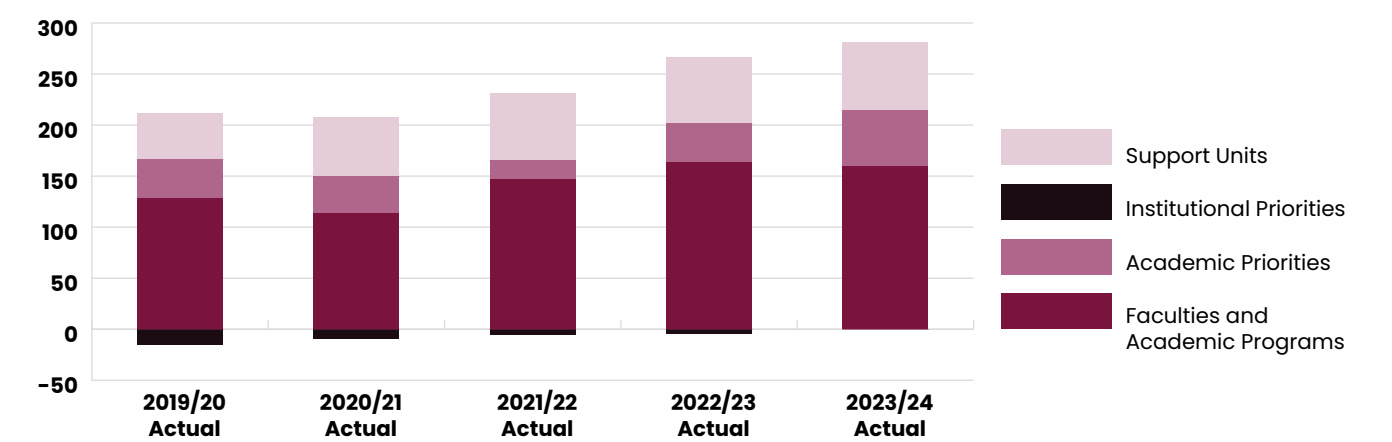
Appropriations

The favourable results increase the Operating Fund appropriations balance by \$20.6 million (7.9%) to \$282.3 million (Figure 15), which represents an improvement of \$88.2 million on budget and \$16.3 million on projection. Appropriations are carried forward for expenditure in 2024/25 and future strategic and/or capital priorities.

Of the total held in appropriations, \$159.4 million is held by Faculties and another \$55.3 million is held for academic priorities (Table 14). Further, some Faculty appropriation balances have been transferred to capital reserves in prior years pending approval of projects to support long-term infrastructure needs based on student enrolment growth and changing space use requirements post-pandemic. Overall Support Unit appropriations increased slightly in 2023/24 as these areas focused on cost constraint and faced some delayed spending.

McMaster’s reserve fund policy sets a target range for appropriations at one to four months of Operating Fund expenditures. The current balance of \$282.3 million is at the top end of the range. Future strategic initiatives are expected to utilize some of this funding to advance McMaster’s mission while maintaining a healthy reserve.

Figure 15: Operating Fund Appropriations \$Millions



Eleven professors from Engineering, Science, and Health Sciences competed for McMaster’s Professor Entrepreneur Fellowship, which allows full-time faculty to focus on their research, with innovations like ultra-fast EV chargers, cell-based drug delivery, and net-zero housing. The fellowship, part of the McMaster Entrepreneurship Academy, provides access to entrepreneurship programming, mentorship, and business development support to help faculty advance their ventures from lab to market.

Table 14: Appropriations Variance to Projection by Envelope

\$Thousands

	Appropriations May 1, 2023	Net Surplus (Deficit)	Appropriations April 30, 2024	Net Surplus (Deficit) Variance
Faculties and Academic Programs				
Business	18,022	5,931	23,953	421
Engineering	29,654	(4,942)	24,711	(1,798)
Health Sciences	50,583	(3,822)	46,761	1,323
Humanities	13,917	(1,085)	12,833	1,550
Science	28,229	718	28,946	2,687
Social Sciences	21,830	(530)	21,299	2,565
Arts & Science	1,212	(305)	907	27
Sub-total	163,448	(4,037)	159,411	6,776
Academic Priorities	38,280	16,982	55,262	(7,776)
Academic Support	16,390	(80)	16,310	2,724
Research Support	12,872	3,633	16,505	6,257
Student Support	20,578	(484)	20,094	4,796
Facilities Support	835	(1,231)	(396)	(392)
Institutional Support	13,846	595	14,441	3,121
Institutional Priorities*	(4,577)	5,217	641	764
Total Operating Fund	261,672	20,596	282,267	16,269

*Includes the approved funding for the Mosaic project, which was fully repaid in 2023/24



■ The W Booth School of Engineering Practice and Technology and the DeGroote School of Business at McMaster University have introduced a new Accelerated MBA pathway for graduates of the Bachelor of Technology (BTech) programs. Starting in Fall 2025, BTech graduates can complete a DeGroote MBA in just eight months full-time or part-time. This initiative enhances the synergy between technical expertise and strategic business skills, preparing graduates to lead in various industries.

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:

- 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.

Statement of Operations

Table 15: Consolidated Statement of Operations (Accrual Basis)					\$Thousands
	2023/24 Budget	2023/24 Projection	2023/24 Actual	Actual vs. Budget	Actual vs. Projection
Revenues					
Operating Grants	284,795	300,602	309,242	24,447	8,640
Research Grants and Contracts	196,798	229,199	235,302	38,504	6,103
Tuition Fees	448,529	441,737	441,531	(6,998)	(206)
Ancillary Sales and Services	95,656	96,226	90,659	(4,997)	(5,567)
Other Revenues	209,336	217,463	255,342	46,006	37,879
Investment Income (net)	90,619	102,979	133,681	43,062	30,702
Amortization of Deferred Capital Contributions	41,377	46,402	50,684	9,307	4,282
Total Revenues	1,367,110	1,434,608	1,516,441	149,331	81,833
Expenses					
Salaries and Wages	636,317	701,468	695,184	(58,867)	6,284
Employee Benefits	144,504	159,585	164,392	(19,888)	(4,807)
Supplies and Services	392,776	384,385	406,767	(13,991)	(22,382)
Interest on Long-term Debt	18,068	18,068	18,130	(62)	(62)
Amortization of Capital Assets	101,205	94,299	94,515	6,690	(216)
Total Expenses	1,292,870	1,357,805	1,378,988	(86,118)	(21,183)
Excess of Revenues Over Expenses	74,240	76,803	137,453	63,213	60,650

McMaster takes a conservative approach to budgeting. Research, donations, investment and other revenues increased over the prior year, but receipt can be uncertain at the time of budgeting. With the conservative approach, these revenues and the related expenses may not be included in the budget until confirmed. Overall, this approach has resulted in favourable variances except for tuition and ancillary sales.

- Enrolment- and performance-based operating grants have been held flat at the 2016/17 level, however a one-time grant for unfunded STEM students additional targeted funding was received.
- Revenue recognized on research grants and contracts increased as activity increased on awards received in prior years.
- Lower tuition was due to less international student enrolment than projected, offset by higher domestic enrolment.

- Ancillary sales increased over 2022/23 but did not reach anticipated levels, primarily as parking and the Campus Store continue to adjust to the post-pandemic environment.
- Other revenues were higher than budget due to additional health funding, royalties, and recoveries for utilities.
- Net investment income was projected at the long-term rate of 5.6% but achieved a 8.8% return.

Total expenses were unfavourable primarily related to spending on the additional revenue received. Projections for supplies and services included estimates of inflationary impacts as well as planned projects that have been delayed to 2024/25.

Statement of Financial Position

Table 16: Consolidated Statement of Financial Position					\$Thousands
	2023/24 Budget	2023/24 Projection	2023/24 Actual	Actual vs. Budget	Actual vs. Projection
Assets					
Cash	23,418	26,549	31,523	8,105	4,974
Short-term Investments	321,389	363,682	341,301	19,912	(22,381)
Investments	1,737,840	1,801,253	1,913,223	175,383	111,970
Capital Assets	1,473,231	1,427,286	1,398,014	(75,217)	(29,272)
Other Assets	281,422	350,194	341,707	60,285	(8,487)
Total Assets	3,837,300	3,968,964	4,025,768	188,468	56,804
Liabilities and Deferred Contributions					
Current Liabilities	243,421	258,778	246,460	3,039	(12,318)
Deferred Contributions for Future Expenses	1,037,664	1,029,754	976,708	(60,956)	(53,046)
Long-term Debt	420,440	420,392	420,457	17	65
Employee Future Benefits and Pension	300,123	250,237	76,454	(223,669)	(173,783)
Total Liabilities and Deferred Contributions	2,001,648	1,959,161	1,720,079	(281,569)	(239,082)
Net Assets					
Internally Restricted Reserves	541,027	652,022	899,336	358,309	247,314
Equity in Capital Assets	605,411	593,135	591,283	(14,128)	(1,852)
Endowments					
Internal	151,436	163,166	169,691	18,255	6,525
External	537,778	601,480	645,379	107,601	43,899
Total Net Assets	1,835,652	2,009,803	2,305,689	470,037	295,886
Total Liabilities and Net Assets	3,837,300	3,968,964	4,025,768	188,468	56,804

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

- Higher returns than projected on investment asset holdings, resulting in higher balances in investments, endowments and internally restricted reserves.
- Significant positive remeasurement of employee future benefits due to higher interest rates and updated assumptions following the July 1, 2023 valuation of the salaried plans.
- Less spending on capital projects than originally planned.
- Greater spending on research projects, drawing down deferred contributions as the matching revenue is recognized.

Statement of Cash Flows

Table 17: Consolidated Statement of Cash Flows					\$Thousands
	2023/24 Budget	2023/24 Projection	2023/24 Actual	Actual vs. Budget	Actual vs. Projection
Excess of Revenues Over Expenses	74,240	76,803	137,453	63,213	60,650
Adjustments for Non-Cash Items					
Amortization of Deferred Capital Contributions	(41,377)	(46,402)	(50,684)	(9,307)	(4,282)
Amortization of Capital Assets	101,205	94,299	94,515	(6,690)	216
Employee Future Benefits	10,358	3,844	6,549	(3,809)	2,705
Change in Decommissioning Obligation	933	932	995	62	63
Net Change in Deferred Contributions	45,723	51,459	734	(44,989)	(50,725)
Net Change in Other Non-cash Working Capital	34,172	(60,025)	(49,005)	(83,177)	11,020
Financing and Investing Activities					
Purchase of Capital Assets	(205,614)	(155,362)	(126,307)	79,307	29,055
Net Change in Investments	(90,315)	454	(89,135)	1,180	(89,589)
Net Change in External Endowments	9,246	12,048	55,947	46,701	43,899
Deferred Capital Contributions	63,000	20,000	21,960	(41,040)	1,960
Principal Repayments on Long-term Obligations	(858)	(858)	(856)	2	2
Increase/(Decrease) in Cash	713	(2,808)	2,166	1,453	4,974
Cash, Beginning of Year	22,705	29,357	29,357	6,652	-
Cash, End of Year	23,418	26,549	31,523	8,105	4,974

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.



■ In Associate Professor Nicholas Bock's Abnormal Psychology course, students often inquire about the prevalence of mental health issues across different cultures and groups. However, due to gaps in research, answers are often uncertain. Danielle Amos, a fifth-year Human Behaviour student, is addressing this by seeking out studies on mental illness in underrepresented populations to make the course more inclusive. Recruited through the Student Partners Program, Amos is working to incorporate cross-cultural material into lectures and hopes to invite speakers of color to share their perspectives.

Financial Statements



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- Notes to Financial Statements

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.

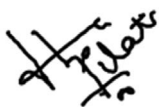
Management has prepared the financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Management believes the financial statements present fairly the University's financial position as at April 30, 2024 and the results of its operations, changes in net assets and its cash flows for the year ended April 30, 2024. 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, 2024 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
October 24, 2024



President



Chief Financial Officer (CFO)



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, 2024
- 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, 2024, 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.



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Other Information

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

- the information, other than the financial statements and the auditor's 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 auditor's report thereon, included in Annual Financial Report document as at the date of this auditor's 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.



Page 4

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
October 24, 2024

McMASTER UNIVERSITY

Statement of Financial Position

April 30, 2024, with comparative figures for 2023

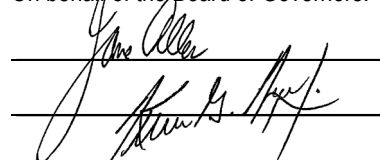
(thousands of dollars)

	2024	2023
Assets		
Current assets:		
Cash	\$ 31,523	\$ 29,357
Short-term investments (note 2)	341,301	409,815
Accounts receivable (note 3)	182,059	172,228
Loans receivable (note 4)	68,104	42,136
Inventories	7,129	7,868
Prepaid expenses and deposits	16,698	16,473
	646,814	677,877
Investments (note 2)	1,913,223	1,755,574
Other investments (note 5)	66,036	44,661
Other assets (note 6)	1,681	1,928
Capital assets (note 7)	1,398,014	1,366,222
	\$ 4,025,768	\$ 3,846,262

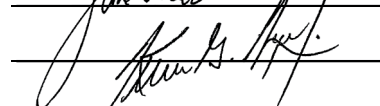
Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 221,333	\$ 215,482
Deferred revenue	24,212	24,110
Current portion of long-term obligations (note 9)	915	858
	246,460	240,450
Long-term obligations (note 9)	420,457	420,375
Accrued employee future benefits (note 10)	76,454	263,756
Deferred contributions (note 11):		
Deferred for future expenses	547,572	546,838
Deferred capital contributions	429,136	457,860
	976,708	1,004,698
Net assets:		
Unrestricted	-	-
Internally restricted (note 12)	899,336	643,920
Equity in capital assets (note 13)	591,283	522,555
Endowments (note 14):		
Internal	169,691	161,076
External	645,379	589,432
	2,305,689	1,916,983
Commitments and contingencies (note 16)		
	\$ 4,025,768	\$ 3,846,262

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, 2024, with comparative figures for 2023

(thousands of dollars)

	2024	2023
Revenues:		
Operating grants	\$ 309,242	\$ 284,621
Research grants and contracts	235,302	211,116
Tuition fees	441,531	445,751
Other (note 17)	172,742	145,340
Ancillary sales and services	90,659	86,101
Investment income, net	133,681	109,958
Donations and other grants	70,107	62,572
Research overhead grants	12,493	13,438
Amortization of deferred capital contributions	50,684	46,832
	1,516,441	1,405,729
Expenses:		
Salaries and wages	695,184	634,190
Employee benefits	164,392	149,404
Supplies and services	406,767	364,908
Interest on long-term obligations	18,130	18,185
Amortization of capital assets	94,515	89,413
	1,378,988	1,256,100
Excess of revenues over expenses	\$ 137,453	\$ 149,629

See accompanying notes to financial statements

McMASTER UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2024, with comparative figures for 2023

(thousands of dollars)

	Unrestricted	Internally restricted	Equity in capital assets	Endowments		2024	2023
				Internal	External	Total	Total
Net assets, beginning of year	\$ -	\$ 643,920	\$ 522,555	\$ 161,076	\$ 589,432	\$ 1,916,983	\$ 1,706,638
Excess (deficiency) of revenues over expenses	181,284	-	(43,831)	-	-	137,453	149,629
External endowment contributions:							
Contributions (note 14)	-	-	-	-	32,451	32,451	32,640
Protection of capital (note 14)	-	-	-	-	23,013	23,013	8,413
Transfers and adjustments:							
Transfers for specific purposes (note 12)	(60,812)	61,456	(644)	-	-	-	-
Capital transactions from operating (note 13)	(112,857)	-	112,857	-	-	-	-
Transfer to internal endowments (note 14)	(7,615)	-	-	7,615	-	-	-
Remeasurements and other items (note 10, note 12, note 14)	-	193,960	346	1,000	483	195,789	19,663
	-	255,416	68,728	8,615	55,947	388,706	210,345
Net assets, end of year	\$ -	\$ 899,336	\$ 591,283	\$ 169,691	\$ 645,379	\$ 2,305,689	\$ 1,916,983

See accompanying notes to financial statements

McMASTER UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2024, with comparative figures for 2023

(thousands of dollars)

	2024	2023
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 137,453	\$ 149,629
Adjustments for non-cash items:		
Amortization of deferred capital contributions	(50,684)	(46,832)
Amortization of capital assets	94,515	89,413
Employee future benefits	6,549	7,705
Equity loss of other investments (note 5)	4,606	3,985
Increase in decommissioning obligation (note 9)	995	845
	193,434	204,745
Net change in contributions deferred for future expenses	734	64,847
Net change in other non-cash working capital (note 15)	(3,364)	10,971
	190,804	280,563
Investing activities:		
Purchase of capital assets	(126,951)	(180,530)
Proceeds on recovery of capital expenditures	644	957
Net change in loans receivable	(25,968)	(16,131)
Net change in investments	(89,135)	(155,819)
Net change in other investments	(25,981)	(6,100)
Net change in other assets	247	95
Net change in external endowments (note 14(b))	55,947	41,053
Deferred capital contributions (note 11(b))	21,960	42,590
Other non cash items	1,455	-
	(187,782)	(273,885)
Financing activities:		
Issuance of long-term debt	-	-
Principal repayments on long-term obligations (note 9)	(856)	(807)
	(856)	(807)
Net increase in cash	2,166	5,871
Cash, beginning of year	29,357	23,486
Cash, end of year	\$ 31,523	\$ 29,357

See accompanying notes to financial statements

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

1. Significant accounting policies:

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

(a) Basis of presentation:

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

Independent entities:

McMaster Divinity College

McMaster Students Union, Inc.

McMaster University Centre Incorporated

McMaster Children's Centre, Inc.

McMaster Association of Part-Time Students (MAPS)

Graduate Students Association (GSA)

Other entities:

Friends of McMaster Incorporated

In fiscal 2024, the University Club of McMaster and the McMaster University Trust were dissolved.

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 controlled by the University based on board composition commencing in fiscal 2024. The investment is accounted for by the equity method (note 5 and note 16(k)) 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. 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. Financial information is disclosed in note 10.

Accounting standard Section 3463 Reporting Employee Future Benefits by Not-for-Profit Organizations allows use of a funding valuation to measure defined benefit obligations for plans with a legislative, regulatory or contractual requirement. The actuarial method of determining the accrued benefit obligations for all defined benefit pension plans (excluding SERP) and other non-pension plans uses 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. Obligations and related costs for SERP are accrued using the accounting valuation method.

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 those estimates.

2. Investments:

Details of investments are as follows:

(thousands of dollars)	2024		2023	
	Fair value	Cost	Fair value	Cost
Equities:				
Canadian	\$ 104,375	\$ 100,783	\$ 150,996	\$ 136,947
United States	487,277	426,177	402,256	393,876
Non-North American	356,630	311,344	334,315	311,365
	948,282	838,304	887,567	842,188
Fixed income	707,034	754,965	612,807	655,670
Other	257,907	215,591	255,200	211,662
	1,913,223	1,808,860	1,755,574	1,709,520
Short-term investments	341,301	341,333	409,815	410,401
	\$ 2,254,524	\$ 2,150,193	\$ 2,165,389	\$ 2,119,921

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 \$338,390,000 (2023 - \$327,731,000) which are part of working capital.

3. Accounts receivable:

(thousands of dollars)	2024	2023
Research grants	\$ 116,175	\$ 123,243
Students	17,801	15,490
Government grants	11,230	7,929
Other	43,777	31,495
	188,983	178,157
Less allowance for doubtful accounts	6,924	5,929
Balance, end of year	\$ 182,059	\$ 172,228

4. Loans receivable:

Included in loans receivable are the following items:

(thousands of dollars)	2024	2023
Gore Hamilton Spectator building acquisition loan	\$ 11,500	\$ 11,500
Gore demand loan	1,564	1,505
Gore demand loan operations	13,000	13,000
1000352106 Limited Partnership loan	42,040	15,325
McMaster MSF Holdings Inc.	-	806
	\$ 68,104	\$ 42,136

During the year, the University extended the \$11,500,000 (2023 - \$11,500,000) loan to Gore for an additional year. The loan has been extended to February 28, 2025. The loan bears a fixed interest rate of 2.54% (2023 - 2.54% fixed rate).

The University has a demand loan to Gore in the amount of \$1,564,000 (2023 - \$1,505,000) representing distribution of net earnings for 2023, 2021, 2020 and 2019 declared by the trust. The 2023, 2021 and 2020 loans of \$59,252, \$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 four 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 (2023 - \$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, the University 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.

In fiscal 2024, the University entered into a non-revolving demand loan with 1000352106 Limited Partnership in the amount of \$60,956,000 to finance the development and construction costs of the OmniaBio B development project. The loan bears interest at CIBC Prime Rate plus 1.00% per annum, compounded annually not in advance. As of April 30, 2024, \$42,040,000 (2023 - \$15,325,000) is outstanding from the Partnership (note 5). The loan receivable includes \$1,640,000 of accrued and compounded interest earned in fiscal 2024. The demand loan is payable at any time at the sole discretion of the lender.

During the year, McMaster MSF Holdings Inc. (note 5) repaid the loan in full (2023 - \$806,000).

5. Other investments:

Details of other investments are as follows:

(thousands of dollars)	2024	2023
The Gore District Land Trust (a)	\$ 13,478	\$ 13,478
The First Longwood Innovation Trust (b)	10,334	3,200
Halton McMaster Family Health Centre (c)	4,720	4,720
KCAP Hamilton Grad LP (d)	16,512	16,512
1000352106 Limited Partnership (e)	20,319	6,096
Other Investments (f)	673	655
	\$ 66,036	\$ 44,661

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

(thousands of dollars)	2024	2023
The Gore District Land Trust (a)	\$ 59	\$ (120)
The First Longwood Innovation Trust (b)	(4,665)	(3,865)
	\$ (4,606)	\$ (3,985)

5. Other investments (continued):

(a) The Gore District Land Trust:

Gore 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)	2024	2023
Balance, beginning of year	\$ 13,478	\$ 13,598
Equity (loss) earnings	59	(120)
Distribution	(59)	-
Balance, end of year	\$ 13,478	\$ 13,478

Pertinent information from Gore's financial statements are as follows:

(thousands of dollars)	December 31, 2023	December 31, 2022
Total assets	\$ 41,484	\$ 41,877
Total liabilities	\$ 28,006	\$ 28,399
Total trusts' equity	13,478	13,478
	\$ 41,484	\$ 41,877
Results of operations:		
Total revenues	\$ 916	\$ 869
Total expenses	857	989
Net (loss) earnings	\$ 59	\$ (120)
Cash flows:		
Provided by (Used in) operating activities	\$ (295)	\$ (2,281)
Provided by (Used in) financing and investing activities	-	(200)
Increase (Decrease) in cash	\$ (295)	\$ (2,481)

During the year, the University provided professional services to Gore at a fee which amounted to \$10,000 (2023 - \$10,000) and earned interest income of \$698,000 (2023 - \$696,000).

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. Per an amending agreement dated December 1, 2023, the conditional land lease has been extended to July 31, 2024. 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.

5. Other investments (continued):

(b) 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)	2024	2023
Balance, beginning of year	\$ 3,200	\$ 7,065
Equity loss	(4,665)	(3,865)
Contributed surplus	11,799	-
Balance, end of year	\$ 10,334	\$ 3,200

Included in Other assets in note 6 are two loans receivable from FLIT at April 30, 2024. One loan receivable in the amount of \$1,214,000 (2023 - \$1,318,000) and another loan receivable in the amount of \$377,000 (2023 - \$413,000).

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, 2024, \$81,000 (2023 - \$64,000) in income was recorded by the University.

Included in rent expense for the University for the year ended April 30, 2024 is \$5,738,000 (2023 - \$4,885,000). Included in accounts receivable at April 30, 2024 is \$3,829,000 (2023 - \$2,506,000) receivable from FLIT. Included in note 16(f) are \$3,591,000 (2023 - \$23,973,000) in operating lease commitments with FLIT.

During the year, the University provided payroll services at a fee which amounted to \$13,000 (2023 - \$13,000) and earned interest income of \$54,000 (2023 - \$36,000) on the accounts receivable balance.

During the year, the University acquired the Portal Project from FLIT for \$14,000,000. As the transaction occurred between related parties outside of the normal course of business, the asset has been recorded at the carrying value of \$2,200,000 at the transaction date. The difference between the exchange and carrying value, is recorded as a direct increase to the Investment in FLIT, as a contributed surplus.

Pertinent information from the FLIT's financial statements are as follows:

(thousands of dollars)	December 31, 2023	December 31, 2022
Total assets	\$ 123,127	\$ 115,004
Total liabilities	\$ 112,793	\$ 111,804
Total deferred capital grants	-	-
Total trusts' equity	10,334	3,200
	\$ 123,127	\$ 115,004
Results of operations:		
Total revenues	\$ 20,040	\$ 16,364
Total expenses	24,705	20,229
Net earnings	\$ (4,665)	\$ (3,865)
Cash flows:		
Provided by (used in) operating activities	\$ 335	\$ (542)
Provided by (used in) financing and investing activities	5,234	326
(Decrease) increase in cash and short-term investments	\$ 5,569	\$ (216)

5. Other investments (continued):

(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:

The University holds an equity contribution of \$16,512,000 (2023 - \$16,512,000) representing a 50% interest in a partnership for two developments in downtown Hamilton. At April 30, 2024, \$12,612,000 (2023 - \$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, 2024, \$3,900,000 (2023 - \$3,900,000) is the University's equity contribution to acquire the property located at 22 Bay Street, Hamilton.

The new McMaster Graduate Student Residence is to provide approximately 640 beds and a 265 space parking garage in downtown Hamilton. The residence opened September 2023, with occupancy available on a phased approach. The residence was substantially complete March 2024. It will be managed, operated and used by the University to support its mission as part of the housing ancillary operation.

The parking garage is being constructed as part of the residence and will be 100% owned by the University, internally financed and maintained as part of the parking ancillary operation. Construction costs on the parking garage at April 30, 2024 amounted to \$22,000,000 (April 30, 2023 - \$20,900,000).

Included in accounts receivable at April 30, 2024 is \$552,000 (2023 - nil) receivable from KCAP Hamilton Grad LP.

(e) 1000352106 Limited Partnership:

This partnership was established for the development of the OmniaBio B development project on the west quadrant of McMaster Innovation Park lands. At April 30, 2024, the University holds an equity contribution of \$20,319,000 (2023 - \$6,096,000) as a 100% interest in the partnership.

Refer to (note 16(j)) for commitments related to the OmniaBio B Project.

(f) Other investments:

Other investments consist primarily of shares in privately held companies in which the University 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, 2024. In fiscal 2024, MMHI paid off the loan of \$806,000 owed to the University, there are no loans outstanding at April 30, 2024 (note 4).

6. Other assets:

Details of other assets are as follows:

(thousands of dollars)	2024	2023
Loans receivable (a)	\$ 1,681	\$ 1,928
Collections (b)	-	-
	\$ 1,681	\$ 1,928

(a) Loans receivable:

The University has a long-term loan receivable from FLIT, operating as McMaster Innovation Park ("MIP"), in the amount of \$1,214,000 (April 30, 2023 - \$1,318,000). 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 \$377,000 (2023 - \$413,000). 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 \$90,000 (2023 - \$197,000) for lease fit-out costs as of April 30, 2024.

(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 \$48,000 (2023 - \$567,000).

7. Capital assets:

(thousands of dollars)	Cost	Accumulated amortization	2024 Net
Land	\$ 89,755	\$ -	\$ 89,755
Buildings and building components	1,764,632	641,830	1,122,802
Decommissioning retirement costs	6,018	1,675	4,343
Site improvements	30,687	20,570	10,117
Leasehold improvements	20,991	14,002	6,989
Library materials	247,803	217,336	30,467
Equipment, furnishings and vehicles	463,950	371,510	92,440
Computing systems and computing equipment	145,637	104,536	41,101
	\$ 2,769,473	\$ 1,371,459	\$ 1,398,014

(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

Included in buildings and building components is \$196,670,000 (2023 - \$209,612,000) representing buildings currently under construction and not available for use or subject to amortization.

During the year, capital asset additions amounted to \$126,951,000 (2023 - \$180,530,000). Of these additions, \$112,423,000 (2023 - \$143,715,000) were financed with internally restricted net assets (note 13), \$14,528,000 (2023 - \$36,800,000) were financed with deferred capital contributions (note 11).

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 \$8,212,000 (2023 - \$5,877,000).

9. Long-term obligations:

Details of long-term obligations are as follows:

(thousands of dollars)					2024	2023
	Maturity	Interest rate	Current portion	Non-current portion	Total outstanding	Total outstanding
Long term debt:						
Bank term loan (a)	May 2033	floating	915	9,980	10,895	11,751
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
			915	399,980	400,895	401,751
Decommissioning obligations (f)			-	20,477	20,477	19,482
			\$ 915	\$ 420,457	\$ 421,372	\$ 421,233

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

2025	915
2026	975
2027	1,039
2028	1,107
2029	1,180

- (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 \$20,954,000 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 \$25,000,000 in Senior Unsecured Series C Debentures. The \$25,000,000 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, 2024 amounted to \$6,977,000 (2023 - \$6,391,000).

- (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, 2024 amounted to \$30,135,000 (2023 - \$27,628,000).

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, 2024 amounted to \$17,404,000 (2023 - \$15,950,000).

- (e) In June 2021, the Board approved the issuance of up to \$125,000,000 in Senior Unsecured Series B Debentures. The \$125,000,000 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, 2024 amounted to \$9,522,000 (2023 - \$8,722,000).

- (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, 2024, the fair value of the trust funds amounted to \$18,079,000 (2023 - \$15,893,000). The net present value of the estimated cost for decommissioning at April 30, 2024 is \$19,591,000 (2023 - \$18,675,000) 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, 2024, the amount of the obligation was \$886,000 (2023 - \$807,000), an increase of \$79,000 (2023: 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)	2024		2023	
	Notional value	Fair value	Notional value	Fair value
30-year interest rate swap	\$ 10,895	\$ (1,064)	\$ 11,751	\$ (1,750)

The change in fair value of the swap for the year ended April 30, 2024 is \$686,000 (2023 - \$486,000).

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 funding valuation basis for this plan is determined with reference to the University's annual periodic Budget Committee Recommendations.

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)					2024
	Pension		Other	Total	
	Registered	Supplemental			
Accrued benefit obligation	\$ 2,392,606	\$ 51,085	\$ 272,891	\$ 2,716,582	
Fair value of plan assets	\$ 2,640,128	\$ -	\$ -	2,640,128	
Funded status - surplus (deficiency)	\$ 247,522	\$ (51,085)	\$ (272,891)	\$ (76,454)	

(thousands of dollars)					2023
	Pension		Other	Total	
	Registered	Supplemental			
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)	

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

(thousands of dollars)					2024
	Pension		Other	Total	
	Registered	Supplemental			
Current service cost	\$ 40,652	\$ 42	\$ 7,840	\$ 48,534	
Interest cost (income), net	\$ (3,524)	\$ 2,569	\$ 14,238	13,283	
	\$ 37,128	\$ 2,611	\$ 22,078	\$ 61,817	

(thousands of dollars)					2023
	Pension		Other	Total	
	Registered	Supplemental			
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	

10. Employee future benefits (continued):

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

(thousands of dollars)					2024
	Pension		Other	Total	
	Registered	Supplemental			
Investment gain (loss)	\$ 89,120	\$ -	\$ -	\$ 89,120	
Valuation allowance	\$ (34,456)	\$ -	\$ -	\$ (34,456)	
Actuarial gain (loss) on accrued benefit obligation	\$ 123,528	\$ (218)	\$ 15,877	139,187	
	\$ 178,192	\$ (218)	\$ 15,877	\$ 193,851	

(thousands of dollars)					2023
	Pension		Other	Total	
	Registered	Supplemental			
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	

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

	Percentage of fair value of total plan	Target allocation percentage
Equity securities	70.3%	68.0%
Debt securities	29.4%	32.0%
Other	0.3%	0.0%

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

	Pension	Other
Discount rate	5.68%	5.69%
Rate of compensation increase	3.90%	-

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

	Pension	Other
Discount rate	5.10%	5.13%
Rate of compensation increase	3.99%	-

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

(thousands of dollars)					2024	2023
	Pension		Other	Pension	Other	
Employer contributions	\$ 44,310	\$ 10,958	\$ 41,494	\$ 9,656		
Employee contributions	\$ 34,038	\$ -	32,078	-		
Benefits paid	\$ 123,146	\$ 10,958	119,346	9,656		

10. Employee future benefits (continued):

- (h) The respective plans actuarial valuation for funding purposes completion and filing dates are as follows:
- salaried employees' pensions: completed as at July 1, 2023, the next required filing date is July 1, 2026.
 - hourly rated employee pensions: completed as at July 1, 2022, the next required filing date is July 1, 2025.
 - other (postretirement benefit): completed as at March 31, 2024; the next valuation date is March 31, 2025.
 - other (postemployment and retirement allowance): completed as at April 30, 2024.

The results of valuations not completed as of April 30, 2024 have been extrapolated to April 30, 2024, 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. The University's and employees' contributions in 2024 amounted to \$8,156,000 (2023 - \$6,659,000). In 2024, the University had 1,016 members (2023 - 835).
- (j) The University has internally restricted reserves set aside in the amount of \$235,005,000 (2023 - \$212,729,000) 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)	2024	2023
Balance, beginning of year	\$ 546,838	\$ 481,991
Deferred contributions received	401,036	448,272
	947,874	930,263
Less:		
Amounts recognized as revenue	(385,774)	(346,805)
Deferred capital contributions transfer	(14,528)	(36,620)
Balance, end of year	\$ 547,572	\$ 546,838

Deferred contributions consist of the following:

(thousands of dollars)	2024	2023
Research grants and contracts	\$ 369,628	\$ 366,249
Donations, other grants and investment income	156,972	158,207
Other restricted funds	20,972	22,382
	\$ 547,572	\$ 546,838

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)	2024	2023
Balance, beginning of year	\$ 457,860	\$ 462,102
Add: contribution received and transfers	21,960	42,590
Less: amount amortized to revenue	(50,684)	(46,832)
Balance, end of year	\$ 429,136	\$ 457,860

Deferred capital contributions consist of the following:

(thousands of dollars)	2024	2023
Amounts subject to amortization	\$ 403,959	\$ 440,115
Amounts not subject to amortization	25,177	17,745
	\$ 429,136	\$ 457,860

12. Internally restricted net assets:

Details of internally restricted net assets are as follows:

(thousands of dollars)	2024	2023
Pensions (a)	\$ 169,856	\$ (15,687)
Other retirement and post employment benefit plans (net) (b)	(37,886)	(64,919)
Employee future benefits	131,970	(80,606)
Unexpended departmental carryforwards (c)	282,267	261,672
Unexpended research funds (d)	72,590	67,760
Employee benefit (e)	3,930	6,300
Ancillaries (f)	2,283	278
Specific purpose (g)	114,728	89,111
Research investments (h)	5,745	3,101
MIP investment (i)	(6,368)	(1,763)
Other (j)	18,659	15,135
Sinking funds (k)	64,038	58,691
Internally financed capital projects (l)	(98,428)	(102,623)
Capital reserves and facilities services projects (m and n)	307,922	326,864
Other internal reserves	767,366	724,526
	\$ 899,336	\$ 643,920

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 \$272,891,000 (2023 - \$277,648,000), net of employer committed funding held in internal reserves of \$235,005,000 (2023 - \$212,729,000) 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)	2024	2023
Unexpended departmental carryforwards (c)	282,267	261,672
Ancillaries (f)	2,283	278
Employee benefit (e)	3,930	6,300
Pensions (a)	\$ 169,856	\$ (15,687)
Other retirement and post employment benefit plans (b)	(37,886)	(64,919)
	\$ 420,450	\$ 187,644

- (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 2024, \$17,500,000 (2023 - \$7,500,000) 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 Gore and FLIT.
- (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 \$120,000,000 due in each of 2052 and 2065, \$25,000,000 due in 2051 and \$125,000,000 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	2024	2023
Stadium	Pledges, fundraising	\$ (5,454)	\$ (6,074)
Les Prince Residence	Ancillary operations	(11,412)	(11,925)
Peter George Centre for Living and Learning	Ancillary operations	(44,548)	(45,236)
Parking Consolidation Loan	Parking	(9,484)	(9,829)
McMaster Automotive Resource Centre (MARC)	Various	(3,872)	(4,297)
McMaster University Medical Centre (MUMC)	Various	(938)	(1,438)
Comprehensive Energy Reduction Program	Various	(21,384)	(22,294)
Biomedical Engineering and Advanced Manufacturing (BEAM)	Various	(447)	(522)
Other	Various	(889)	(1,008)
		\$ (98,428)	\$ (102,623)

- (m) Capital reserves: represent funds for planned capital projects committed and confirmed by governance approvals, as outlined in note 16(d). During the year, \$346,000 (2023 - \$1,000,000) was transferred to capital reserves from equity in capital assets. Combined with facilities services projects in fiscal 2024, note 12(n).
- (n) Facilities services projects: holding accounts for temporarily unspent funds for construction projects in progress. Combined with capital reserves in fiscal 2024, note 12(m).

13. Equity in capital assets:

The equity in capital assets is calculated as follows:

(thousands of dollars)		
	2024	2023
Capital assets	\$ 1,398,014	\$ 1,366,222
Less amounts financed by:		
Net long-term obligations	(402,772)	(403,552)
Deferred capital contributions subject to amortization	(403,959)	(440,115)
	\$ 591,283	\$ 522,555

Details of the transfer for capital transactions are as follows:

(thousands of dollars)		
	2024	2023
Repayment of long-term debt	\$ 856	\$ 807
Capital asset purchases from operating, net of disposals	112,001	143,715
	\$ 112,857	\$ 144,522

14. Endowments:

(a) Internal:

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

(thousands of dollars)	2024	2023
Balance, beginning of year	\$ 161,076	\$ 156,615
Donations	147	151
Investment income (loss)	13,643	10,360
Net transfers and expenses	(5,175)	(6,050)
Balance, end of year	\$ 169,691	\$ 161,076

Included in internal endowments is an amount of \$75,463,000 (2023 - \$72,425,000) reflecting the legacy of Dr. H. L. Hooker and \$72,980,000 (2023 - \$69,527,000) 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)	2024	2023
Balance, beginning of year	\$ 589,432	\$ 548,379
External contributions	32,451	32,640
Income retained (withdrawn) - capital protection policy	23,013	8,413
Net transfers	483	-
Balance, end of year	\$ 645,379	\$ 589,432

Investment income (loss) on external endowments amounted to \$46,271,000 (2023 - \$31,608,000). 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 \$23,258,000 (2023 - \$23,197,000). 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)	2024	2023
Accounts receivable	\$ (9,831)	\$ (19,893)
Inventories	739	(2,127)
Prepaid expenses and deposits	(225)	5,213
Accounts payable and accrued liabilities	5,851	31,333
Deferred revenue	102	(3,555)
Balance, end of year	\$ (3,364)	\$ 10,971

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 \$23,000,000 of long-term debt extended to FLIT, in the event of default. The total amount of debt outstanding and subject to the Debt Service Deficiency Agreement at April 30, 2024 was \$15,300,000 (2023 - \$16,400,000). Since the agreement may expire without being drawn upon, it does not necessarily represent future cash requirements. As of April 30, 2024, 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 \$134,600,000 at April 30, 2024 (2023 - \$209,400,000). The major commitments are as follows: McLean Centre (\$64,000,000), PeakShavers and Boilers project (\$14,600,000) and ETC Boiler Replacement (\$15,000,000).

(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, 2024, the University's remaining share of the costs are estimated to be \$4,800,000 (2023 - \$5,700,000). 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)

2025	\$ 4,894
2026	4,846
2027	3,370
2028	3,183
2029	3,062

(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 the University 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, 2024, \$16,400,000 (2023 - \$16,400,000) 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. To support this project the University has entered into a 99 year land lease effective October 1, 2019, with four 25 year renewal options.

(i) Research Commercialization:

In June 2017, the Board approved an investment of up to \$25,000,000 in leasehold improvements to facilities at MIP, including up to \$5,000,000 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 \$45,000,000. 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. The \$70,000,000 of approved investment, has been fully spent and is included in capital in capital assets, as of April 30, 2024 (2023 - \$66,700,000).

16. Commitments and contingencies (continued):

(j) 1000352106 Limited Partnership:

In June 2023, the Board of Governors approved an increase in funding to a maximum of \$85,000,000 to the Partnership to complete the project. To date \$60,700,000 has been transferred to the Partnership for the project, with \$42,040,000 as a loan receivable for the University as of April 30, 2024 (note 4). The loan receivable includes \$1,640,000 of accrued and compounded interest.

(k) McMaster Innovation Park:

In June 2024, the Board of Governors approved a funding plan totaling \$35,600,000. The capital funding will be provided over a three-year period beginning June 1, 2024. These funds will be utilized to support MIP's capital and funding requirements.

The University previously entered into a Stand by Loan Agreement with FLIT, to provide interim financing, as alternative financing for debt associated with acquisition of 44 Frid Street building. The facility amount is \$21,900,000 (2023 \$21,900,000). As of April 30, 2024, no obligation exists under the agreement and as a result, no amount has been recognized as a liability on the statement of financial position. As of September 2024, this agreement is no longer required or in effect.

In June 2023, the Board of Governors approved the University to be signatory on an agreement with Alectra for a DES system upgrade servicing the west side of Longwood Road at MIP. In fiscal 2024, the University did not proceed further in discussions, with no related commitments at the current time.

17. Other income:

Details of other income are as follows:

(thousands of dollars)	Major Sources	2024	2023
Faculty of Health Sciences	Non-degree educational fees, specifically funded programs, international postgraduates stipends, space/equipment rentals, other student fees	\$ 79,486	\$ 70,143
Other Faculties	Non-degree educational fees, international postgraduate stipends, space/equipment rentals, other student fees	13,174	12,299
Academic Services	Contracts and patent royalties, registrar administration fees	17,624	13,842
Student Services	Athletics and Recreation memberships and user fees	28,509	25,082
Miscellaneous	Nuclear reactor sales, application fees, late payment fees, sales of utilities and other departmental sales	34,737	25,066
Other Investment Income	Gore, FLIT and all private or publicly traded entities	(788)	(1,092)
		\$ 172,742	\$ 145,340

18. Related party transactions:

In addition to certain transactions and balances disclosed in note 5, the University received funds of approximately \$1,530,000 (2023 - \$3,736,000) 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 \$75,000,000 committed line of credit. The credit facility can be used for general corporate purposes including shorter term funding requirements to support liquidity requirements. The line of credit was not used in 2024. In addition, the University could issue unsecured debentures or enter into other long term financing agreements to assist in the funding of capital projects. There has been no material change to the risk exposure from 2023.

(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 2023.

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)	2024	2023
Endowment balance, beginning of year	\$ 36,131	\$ 33,402
Investment income retained for protection of capital	6,951	3,025
Investment income transferred to expendable income	(562)	(296)
Endowment balance, end of year	42,520	36,131
Funds available for awards, beginning of year	-	-
Investment income	1,837	1,769
Bursaries awarded (2024 - 1,823 awards; 2023 - 1,714 awards)	(2,399)	(2,064)
Investment income transferred from endowment balance	562	295
Funds available for awards, end of year	-	-
Total funds at book value	\$ 42,520	\$ 36,131

The market value of the endowment as at April 30, 2024 was \$45,960,000 (2023 - \$42,142,000).

(b) Ontario Student Opportunity Trust Fund - Phase II

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

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

(thousands of dollars)	2024	2023
Endowment balance, beginning of year	\$ 7,964	\$ 6,744
Investment income retained for protection of capital	1,205	1,220
Endowment balance, end of year	9,169	7,964
Funds available for awards, beginning of year	110	120
Investment income for expenditures	328	316
Bursaries awarded (2024 - 339 awards; 2023 - 486 awards)	(341)	(326)
Funds available for awards, end of year	97	110
Total funds at book value	\$ 9,266	\$ 8,074

The market value of the endowment as at April 30, 2024 was \$7,901,000 (2023 - \$7,648,000).

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)	2024	2023
Endowment balance, beginning of year	\$ 52,516	\$ 44,235
Investment income retained for protection of capital	8,189	8,281
Endowment balance, end of year	60,705	52,516
Funds available for awards, beginning of year	583	732
Investment income for expenditures	1,949	1,889
Bursaries awarded (2024 - 752 awards; 2023 - 742 awards)	(2,211)	(2,038)
Funds available for awards, end of year	321	583
Total funds at book value	\$ 61,026	\$ 53,099

The market value of the endowment as at April 30, 2024 was \$58,713,000 (2023 - \$56,418,000).

22. Pledges:

Outstanding but unrecorded pledges for donations and other fund raising amounted to approximately \$93,000,000 (2023 - \$105,000,000) (Unaudited).

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1280 Main Street West
Hamilton, ON L8N 1E9

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