McMaster University

Statement of Management Responsibility

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

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

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

Mercer (Canada) Limited has been retained by the University in order to provide an estimate of the University's current year position for pension and other employee future benefits. Management has provided the valuation actuary with the information necessary for the completion of the University's report and retains ultimate responsibility for the determination and estimation of the pension and other employee future benefits liabilities reported.

The Board of Governors carries out its responsibility for review of the financial statements and this Annual Financial Report principally through the Planning and Resources Committee and its Audit and Risk Committee. No members of the Audit and Risk Committee are officers or employees of the University. The Audit and Risk Committee meets regularly with management, as well as the internal auditors and the external auditors, to discuss the results of the audit examinations and financial reporting matters, and to satisfy itself that each party is properly discharging its responsibilities. The auditors have full access to the Audit and Risk Committee with and without the presence of management.

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

Vice-President, Operations and Finance	President	AVP (Administration) & CFO

October 31, 2022

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Hamilton ON L8P 4W7
Canada
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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of McMaster University

Opinion

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

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

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

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

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
October 31, 2022

McMASTER UNIVERSITY
Statement of Financial Position
April 30, 2022, with comparative figures for 2021
(thousands of dollars)

		2022		2021
Assets				
Current assets:				
Cash	$	23,486	$	19,406
Short-term investments (note 2)		342,510		284,351
Accounts receivable (note 3)		152,335		124,481
Loans receivable (note 4)		26,005		22,989
Inventories		5,741		6,357
Prepaid expenses and deposits		21,686		16,967
		571,763		474,551
Investments (note 2)		1,667,060		1,614,783
Other investments (note 5)		42,546		34,405
Other assets (note 6)		2,023		2,135
Capital assets (note 7)		1,276,062		1,231,476
	$	3,559,454	$	3,357,350
Liabilities, Deferred Contributions and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 8)	$	184,149	$	170,342
Deferred revenue		27,665		25,285
Current portion of long-term obligations (note 9)		805		756
		212,619		196,383
Long-term obligations (note 9)		420,390		267,635
Accrued employee future benefits (note 10)		275,714		169,928
Deferred contributions (note 11):				
Deferred for future expenses		481,991		437,990
Deferred capital contributions		462,102		480,736
		944,093		918,726
Net assets:				
Unrestricted		-		-
Internally restricted (note 12)		580,073		543,692
Equity in capital assets (note 13)		421,571		504,770
Endowments (note 14):				
Internal		156,615		171,813
External		548,379		584,403
		1,706,638		1,804,678
Commitments and contingencies (note 15)				
	$	3,559,454	$	3,357,350

On behalf of the Board of Governors:

Chair, Board of Governors

Chair, Audit and Risk Committee

McMASTER UNIVERSITY
Statement of Operations
Year ended April 30, 2022, with comparative figures for 2021
(thousands of dollars)

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

See accompanying notes to financial statements

McMASTER UNIVERSITY
Statement of Changes in Net Assets
Year ended April 30, 2022, with comparative figures for 2021
(thousands of dollars)

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

See accompanying notes to financial statements

McMASTER UNIVERSITY
Statement of Cash Flows
Year ended April 30, 2022, with comparative figures for 2021
(thousands of dollars)

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

See accompanying notes to financial statements

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

1. Significant accounting policies:

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

(a) Basis of presentation:

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

Independent entities:
McMaster Divinity College
McMaster Students Union, Inc.
McMaster University Centre Incorporated
McMaster Children's Centre, Inc.
McMaster Association of Part-Time Students (MAPS)
University Club of McMaster
Graduate Students Association (GSA)

Other entities:
The McMaster University Trust
Friends of McMaster Incorporated

The Gore District Land Trust:

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

The First Longwood Innovation Trust:

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

McMaster MSF Holdings Inc.:

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

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

1. Significant accounting policies (continued):

(a) Basis of presentation (continued):

Halton McMaster Family Health Centre:

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

(b) Revenue recognition:

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

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

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

(c) Financial instruments:

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

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

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

1. Significant accounting policies (continued):

(d) Derivative financial instruments:

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

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

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

(e) Investments:

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

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

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

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

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

(f) Inventories:

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

(g) Capital assets:

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

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

1. Significant accounting policies (continued):

(g) Capital assets (continued):

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

(h) Collections and works of art:

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

(i) Contributed services:

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

(j) Ancillary enterprises:

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

(k) Employee future benefits:

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

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

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

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

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

1. Significant accounting policies (continued):

(l) Net assets:

Net assets are classified as follows:

Unrestricted: excess of revenues over expenses without specific restrictions.

Internally restricted:

Employee future benefits: unfunded portion of pension and other non-pension retirement and post-employment benefits, net of funds set aside to meet estimated future obligations.
Other internal reserves: as approved by the Board, amounts include unexpended departmental carry forward amounts for future expenditures or amounts set aside to settle future oriented obligations.

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

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

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

(m) Endowment capital protection policy:

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

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

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

(n) Decommissioning obligation:

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

(o) Foreign currency translation:

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

(p) Use of estimates:

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

2. Investments:

Details of investments are as follows:

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

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

3. Accounts receivable:

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

4. Loans receivable:

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

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

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

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

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

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

5. Other investments:

Details of other investments are as follows:

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

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

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

5. Other investments (continued):

(a) The Gore District Land Trust:

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

Details of the investment are as follows:

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

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

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

(b) The First Longwood Innovation Trust

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

Details of the investment are as follows:

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

5. Other investments (continued):

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

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

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

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

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

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

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

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

(c) Halton McMaster Family Health Centre:

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

(d) KCAP McMaster Grad GP Inc.:

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

5. Other investments (continued):

(e) Other investments:

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

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

6. Other assets:

Details of other assets are as follows:

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

(a) Loans receivable:

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

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

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

(b) Collections:

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

7. Capital assets:

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

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

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

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

8. Accounts payable and accrued liabilities:

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

9. Long-term obligations:

Details of long-term obligations are as follows:

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

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

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

(a) The bank term loan is unsecured and is being amortized over 30 years. The outstanding loan amount is subject to a 30 year interest rate swap agreement on an original notional principal of $20,954,441 with the banker whereby the University receives a floating interest rate while paying a fixed (10 year) rate of 6.384%.

(b) In June 2021, the Board approved the issuance of up to $25 million in Senior Unsecured Series C Debentures. The $25 million debentures, which are unsecured, bear interest at 3.255% per annum payable semi-annually in June and December. The proceeds of the issue are being used to finance and/or re-finance various green projects as directed or approved by the Board of Governors.

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

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

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

9. Long-term obligations (continued):

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

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

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

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

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

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

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

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

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

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

10. Employee future benefits:

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

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

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

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

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

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

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

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

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

10. Employee future benefits (continued):

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

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

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

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

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

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

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

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

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

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

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

10. Employee future benefits (continued):

(h) For measurement purposes, a 4.91% annual increase in per capita drug costs was assumed for 2022, grading down to 4.00% in and after 2031. For all other health care costs, an annual rate of increase of 4.00% was assumed.

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

- hourly rated employee pensions: completed as at January 1, 2020, the next required filing date is January 1, 2023.
- salaried employees' pensions: completed as at July 1, 2021, the next required filing date is July 1, 2024.
- other (post-retirement benefit): completed as at March 31, 2022; the next valuation date is March 31, 2023.
- other (post-employment and retirement allowance): completed as at April 30, 2022.

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

(j) In 2008, the University created a group RRSP for certain types of new employees. University and employees' contributions in 2022 amounted to $5,453,000 (2021 - $4,779,000). In 2022, the University had 704 members (2021 - 618).

(k) The University has internal reserves set aside in the amount of $191,955,000 (2021 - $193,519,000) for the accrued benefit obligation of the non-pension post-retirement benefit plan included in (note 12(b)).

11. Deferred contributions:

(a) Deferred for future expenses:

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

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

Deferred contributions consist of the following:

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

11. Deferred contributions (continued):

(b) Deferred capital contributions:

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

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

Deferred capital contributions consist of the following:

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

12. Internally restricted net assets:

Details of internally restricted net assets are as follows:

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

12. Internally restricted net assets (continued):

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

(b) Other retirement and post employment benefit plans (net): unfunded portion of health, dental and life insurance benefits for retirees and employees on long term disability of $268,882,000 (2021 - $287,287,000), net of employer committed funding held in internal reserves of $191,955,000 (2021 - $193,519,000) for the accrued benefit obligation of the non-pension post-retirement benefit plan (note 10(k)).

(c) Unexpended departmental carryforwards: departmental operating reserves available for spending by faculties to protect against possible adverse circumstances such as changes in student enrolment (tuition fee impacts) and/or operating grant reductions.

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

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

(d) Unexpended research funds: represent research residual funds and other research contributions specifically to fund research operations, facilities and projects.

(e) Employee benefit: funds collected from departments toward benefit related pension and non-pension payments not yet due in the fiscal period.

(f) Ancillaries: deficits accumulated are repaid by the ancillaries and surplus funds accumulated are for reinvestment into ancillary infrastructure or systems projects to advance ancillary operations.

(g) Specific purpose: funds to mitigate the risks associated primarily with volatility in income from equity investments, representing accumulated realized and unrealized investment earnings (losses) after commitments to the operating fund. The primary use of this reserve is to supplement endowment funding to support student bursaries, scholarships, and other expenditures when investment income is insufficient. It may also be used to fund other strategic reserves such as the post-retirement benefits and capital reserves. In fiscal 2022, $nil (2021 - $45 million) was transferred to the post-retirement benefit reserve and $7.5 million (2021 - $25 million) to the capital reserve as part of the long term funding strategy for these commitments.

(h) Research investments: represents the fair value of publicly held research entities, including accumulated realized and unrealized investment earnings, as well as the cost of privately held research entities.

(i) MIP investment: represents accumulated investment earnings from the investment in The Gore District Land Trust and The First Longwood Innovation Trust.

(j) Other: non-cash reserve which primarily represents timing differences between cash accounting and accrual accounting.

(k) Sinking funds: funds set aside to settle debt bullet repayments of $120 million due in each of 2052 and 2065, $25 million due in 2051 and $125 million due in 2071. During the year, $15 million was transferred to sinking funds from equity in capital assets.

12. Internally restricted net assets (continued):

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

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

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

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

(m) Capital reserves: funds for planned capital projects committed and confirmed by governance approvals, as outlined in note 15(d). During the year, $136.1 million was transferred to capital reserves from equity in capital assets.

(n) Facilities services projects: holding accounts for temporarily unspent funds for construction projects in progress.

13. Equity in capital assets:

The equity in capital assets is calculated as follows:

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

Details of the transfer for capital transactions are as follows:

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

14. Endowments:

(a) Internal:

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

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

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

(b) External:

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

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

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

15. Commitments and contingencies:

(a) Canadian Universities Reciprocal Insurance Exchange:

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

(b) Legal claims:

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

(c) Debt Service Deficiency Agreement:

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

(d) Capital commitments:

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

(e) Energy Retrofit Agreement:

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

(f) Leases:

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

(thousands of dollars)	
2023	$ 6,717
2024	6,925
2025	5,080
2026	5,030
2027	3,458

15. Commitments and contingencies (continued):

(g) McMaster Main Street Student Residence:

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

(h) Grad Residence and Parking Garage:

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

(i) Research Commercialization:

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

(j) McMaster Innovation Park:

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

16. Other income:

Details of other income are as follows:

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

17. Related party transactions:

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

18. Financial risks and concentration of credit risk:

(a) Liquidity risk:

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

(b) Credit risk:

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

(c) Interest rate risk:

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

(d) Currency risk:

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

19. Ontario student opportunity trust fund:

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

(a) Ontario Student Opportunity Trust Fund - Phase I

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

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

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

(b) Ontario Student Opportunity Trust Fund - Phase II

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

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

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

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

20. Ontario trust for student support:

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

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

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

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

21. Pledges:

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

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McMaster University

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