Report of the Audit and Risk Committee Part II GD22-18

Board of Governors Meeting of October 6, 2022

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The following items arise from the Audit and Risk Committee meeting of September 26, 2022. They are presented to the Board of Governors for its consideration.

I. FOR ACTION BY THE BOARD OF GOVERNORS

1. Financial Report to the Board of Governors 2021-2022, Audited Financial Statements and Auditor's Report [AD22-07 & AD22-08]

The Audit and Risk Committee received the 2021-2022 Financial Report to the Board of Governors and the financial statements prepared by management as well as the audited financial statements for the year ended April 30, 2022 from the external auditors, Deloitte. The external auditors confirmed their opinion that the financial statements present fairly and in all material respects the financial position of the University as at April 30, 2022, and that the opinion is without qualification.

Following presentation of the report, a private meeting was held with the auditors in the absence of management, and subsequently, a private meeting was held with management in the absence of the auditors. The external auditors confirmed that they had received good cooperation from management in the conduct of the audit and management confirmed that that they had received good cooperation from the auditors.

By resolution, the Committee recommended to the Board of Governors, the approval of the Auditor's Report and Audited Financial Statements for the fiscal year ending April 30, 2022 as follows:

> *Be it resolved that the Audit and Risk Committee of the Board of Governors, on the recommendation of the Vice-Principal (Administration and Finance), recommend to the Board of Governors the approval of the 2021-2022 Financial Report to the Board of Governors including the external auditor's report and Audited Financial Statements of The Royal Institution for the Advancement of Learning/McGill University for the year ended April 30, 2022.*

The Financial Report to the Board of Governors has been distributed as Appendix A. The financial statements, which include the auditor's report, are also included in Appendix A.

2. Appointment of External Auditors for Fiscal Year 2023 [AD22-09]

Fiscal Year ending April 30, 2022, was the final year of Deloitte's 5-year contract for external audit services. The University launched a two-stage public Call for Tenders (CFT) for such services in June 2022. An internal committee was formed to evaluate the results of the tender. After a thorough review process in accordance with legislation, Deloitte was determined to be the successful tenderer.

The prices are firm for the term of the Contract. The annual price for the services in scope of the Contract has been set to $205,816 CAD (after applicable taxes and tax rebates) per year, and $1,029,081 CAD over the maximum sixty-month term (after applicable taxes and tax rebates).

Following discussion, the Audit and Risk Committee recommended to the Board of Governors that Deloitte be appointed as McGill's external Auditors for the fiscal year ending April 30, 2023.

> *Be it resolved that the Audit and Risk Committee, on the recommendation of the Vice-Principal (Administration and Finance) recommend to the Board of Governors, the appointment of Deloitte as external auditors of the University for the fiscal year ending April 30, 2023.*

II. FOR THE INFORMATION OF THE BOARD OF GOVERNORS

2. Update on Activities under the Policy on the Approval of Contracts and Designation of Signing Authority [AD22-03]

The Audit and Risk Committee received an update on the activities under the *Policy on the Approval of Contracts and Designation of Signing Authority*, which came into effect on May 1, 2018. The results for the first fiscal quarter (May 1, 2022 - July 31, 2022) were presented to the Committee.

3. Report on the Status of Management IA Action Items [AD22-04]

The Committee received a status report on Management's assessment of Internal Audit's "past due" items in relation to the probability and impact of occurrence. Items that are not resolved within one year of the issuance of the Internal Audit Report are considered "past due".

Members noted that significant progress has been achieved in resolving past due items and that the current report demonstrates continued stability in the resolution of those items. Accordingly, members suggested that this be the last submission of the report for the time being, with the understanding that Internal Audit will continue to provide a status report in its regular Internal Audit updates at each meeting.

4. Progress Report on Internal Audits [AD22-10]

The Committee received a progress report on internal audits, which had been recently completed or were in progress. Members were also briefed on the status of action items from previous audits carried out by Internal Audit.

5. Update on Review of Policy on Safe Disclosure ("Whistle Blowing") [AD22-06]

The Committee was provided with an update on the review of the *Policy on Safe Disclosure ("Whistle Blowing")*. The *Policy on Safe Disclosure ("Whistle Blowing")*, which provides for an impartial channel for the disclosure of Improper Activities and for a protection from reprisal for those who make such reports, was adopted in 2007 and revised in 2010 and 2015. It is anticipated that the Committee will consider revisions to the Policy at its next meeting.

6. Declaration of Compliance for period ended August 31, 2022 [AD22-01]

In accordance with its Terms of Reference, the Committee received and reviewed the Declaration of Compliance to August 31, 2022. The Declaration, which included signed reports by the responsible University Officers, generally confirmed the University's compliance with applicable laws and regulations.

7. Report on Quarterly Financial Results for Fiscal Period Ended July 31, 2022 and Variance Report [AD22-02]

The Committee received a quarterly report on the financial results for the period ended on July 31, 2022 and a variance report. This included a summary of Construction Projects as at August 15, 2022.

8. 2022-2023 Audit and Risk Committee Orientation Package [AD22-05]

The Committee received an orientation package for the 2022-2023 governance year, containing updated reference documents for the Committee's information

END
October 2022

McGill

2021 > 2022

Financial Report

To the Board of Governors

The Mission of McGill University

The mission of McGill University is the advancement of learning and the creation and dissemination of knowledge, by offering the best possible education, by carrying out research and scholarly activities judged to be excellent by the highest international standards, and by providing service to society.

McGill

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McGILL UNIVERSITY: RESOLUTION NO. GD211007-12.1.1

Extract from the minutes of a meeting of the Board of Governors of The Royal Institution for the Advancement of Learning/McGill University and The Royal Victoria College held in Montreal on October 7, 2021.

On a motion duly proposed and seconded, the Board of Governors, on the recommendation of the Audit and Risk Committee, approved the 2020-2021 Financial Report to the Board of Governors including the external auditor's report and Audited Financial Statements of The Royal Institution for the Advancement of Learning/McGill University for the year ended April 30, 2021.

Signed this 8th day of October 2021.

Edyta Rogowska
Secretary-General

Financial Report to the Board of Governors

Acknowledgement of Traditional Land
McGill University is on land which long served as a site of meeting and exchange amongst Indigenous peoples, including the Haudenosaunee and Anishinabeg nations. We acknowledge and thank the diverse Indigenous people whose footsteps have marked this territory on which peoples of the world now gather.

Management letter of responsibility

To the Board of Governors of McGill University

The financial report to the Board of Governors (BOG) McGill University has been prepared by management and recommended to the BOG for approval by the BOG Audit and Risk Committee.

Management is responsible for the preparation and fair presentation of the financial report in accordance with the Generally Accepted Accounting Principles (GAAP). This responsibility includes selecting the appropriate accounting principles and methods and exercising an objective judgment when making decisions affecting the measurements of transactions.

In discharging its responsibilities for the integrity and fairness of the financial report, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the financial report.

The BOG oversees management's responsibility for the financial reporting through the Audit and Risk Committee. The Audit and Risk Committee, comprised of four individuals who are neither management nor employees of the University, and two ex-officio members, reviews the financial report and recommends it for approval to the BOG. The Audit and Risk Committee fulfills its responsibilities by reviewing the financial information prepared by management and by discussing relevant matters with management and the external auditors. The Audit and Risk Committee is also responsible for recommending the financial report and the appointment of the University's external auditors to the BOG. The Audit and Risk Committee meets regularly with management and the external auditors to review the scope and timing of the audit, to discuss any audit findings and recommendations for improvement, and to ensure it has appropriately discharged its responsibilities.

Deloitte LLP has been appointed by the BOG to audit the financial statements and report directly to the Audit Committee; their report follows. The external auditors have full and free access to, and meet periodically with, both the Audit and Risk Committee and management to discuss their audit findings.

Respectfully submitted,

YVES BEAUCHAMP, C.M., C.Q., FCAE, Eng., Ph.D.
Vice-Principal, Administration and Finance

CRISTIANE TINMOUTH, CPA
Associate Vice-Principal, Financial Services

Executive Summary

The wide distribution of vaccines in Quebec over the beginning of 2021 allowed the University to plan for a progressive return to in-person activities, including in most teaching activities, starting in Fall 2021.

Over the Spring and Summer of 2021, a large planning exercise was started under the leadership of the Emergency Operations Center, to develop scenarios for return to in-person activities for our staff and students. Several scenarios were developed and refined over time to allow for flexibility to adapt to prevailing conditions in September 2021. Supported by a very high rate of vaccination among our students and staff populations (90%+), and by the widespread application of the provincial vaccine passport to non-academic activities, the University was able to deploy one of its most optimistic return-to-campus scenarios, with 85% of teaching activities given in person. Research activities that were necessary to perform in-person were able to do so throughout the 2021-2022 Academic year, although with some modifications around laboratory capacities. Although many extracurricular activities remained on hold in the Fall, the university managed to modulate its level of activities to the prevailing public health conditions, including the Omicron variant wave that hit Quebec in December 2021.

This wave led to a short delay of in-person return to teaching in January 2022; in time, when the semester started in January, approximately 95% of the University's teaching activities for Winter 2022 were scheduled in person. Some larger lecture courses did remain online for the Winter 2022 term. The public health situation has been improving since, and government-mandates restrictions have progressively been lifted, allowing more extracurricular activities to be held and more of our staff to return to in-person work, and full in-person convocations were possible in the spring of 2022. Student exchanges restarted for the first time since March 2020 in Winter 2022.

At the time of writing, the University is envisioning a return to operations that are essentially normal for the Fall 2022 semester.

COVID-19

- The University posted a net operating loss for the year of $43.4 million on a GAAP basis.

- MES Calculs Définitifs, which confirms our final provincial funding for Fiscal 2022, were received on June 20, 2022 confirming funding for the 2022 fiscal year. The provincial government allocated $160.7 million for retroactive salary indexation, of which McGill received $20.9 million. Another envelope of $25 million was allocated in partial compensation for additional costs incurred as a result of COVID – 19. McGill's share was nil.

- The pension deficit as at April 30, 2022 is $43.0 million, in comparison to nil as at April 30, 2021, as a result of unfavorable market conditions at that point in time.

- McGill was granted $131.4 million for infrastructure and IT spend by MES for Fiscal 2022, a decrease of $39.2 million over Fiscal 2021. Capital expenditures allocated to the Series B debentures of $160 million and the Series C debentures of $90 million were $8.3 million for IT projects and $3.3 million for deferred maintenance for the fiscal year ended April 30, 2022. The total spend to date for IT projects is $95.5 million and for deferred maintenance projects is $109.1 million.

- The average cost of borrowing for the fiscal year, through the use of cross currency swaps and bankers' acceptances, was 0.25% (2021 –0.33%).

*high*lights

- MES confirmed up to $118.7 million of long-term debt financing through Financement Québec to June 30, 2022. The entire allocation was received by March 2022. On January 26, 2022, a new financing regime was implemented through MES with Financement Quebec to borrow for MES funded portion of capital projects up to $363.8 million to May 31, 2022 via short term lines of credit. As at April 30, 2022, $50.3 million was drawn for the MES funded portion of capital projects. Non-MES-funded capital projects continued to be transacted through McGill's established borrowing facilities.

- The Campus Master Plan, endorsed by the Board in May 2019, is actively being implemented. This Master Plan is a living document that articulates a vision for increasing the quality of teaching, learning, research and student life—all while adhering to principles of sustainable growth, sound financial management, and responsible stewardship of heritage buildings.

- Our rating agencies, Moody's and S&P Global Ratings have reaffirmed our rating of Aa2 (stable) and AA-, respectively, on both the Series A ($150 million) Series B ($160 million) and Series C ($90 million) issuances.

- The total income distribution on endowment funds at 4.00% amounted to $69.2 million on realized income of $199.6 million, resulting in an under distribution of $130.4 million due to higher returns over our distribution rate. The under distribution increases the market value of the Endowment Fund.

- The distribution rate of 4% is maintained and will prevent encroachment on the endowment's capital based on the expected long-term returns after fees.

Operational Highlights

Overall Performance

McGill continues to positively distinguish itself from peer institutions, as indicated by the following performance highlights from FY 2021-2022:

Rankings

- QS World University Rankings: McGill is Canada's top university, and placed #31 in the world, versus #27 last year.
- *Maclean's* magazine: McGill was named the #1 medical-doctoral university in Canada for the 17th consecutive year.
- Times Higher Education World University Rankings: McGill placed #44, compared to #42 last year.
- Times Higher World Reputation Rankings: McGill placed #41, compared to #40 last year.
- Academic Rankings of World Universities ("Shanghai Rankings"): McGill placed #67, up from #78 last year.
- QS World University Rankings by Subject: McGill placed in the global Top 50 for 32 of the 43 subjects in which it is ranked, including two subjects in the Top 10. Rankings are based on detailed comparative analysis of 15,200 individual university programs taken by students at 1,543 universities in 161 countries.
- Center for World University Rankings (CWUR) annual World University Rankings: McGill ranks at #28, compared to #27 last year, out of 2,000 universities on the list. CWUR assesses 20,000 universities around the word.

Source: Office of Communications and External Relations

Finance

- In February 2022, S&P Global Ratings Services re-affirmed McGill's credit rating as AA- (stable).
- In January 2022, Moody's Investors Service re-affirmed McGill's credit rating as Aa2 (stable).

Source: Office of Administration and Finance

1st

Maclean's ranking of McGill university in Canada among institutions in the medical-doctoral category

Sustainability 2021-2022

- The University made significant progress in implementation of its Climate & Sustainability Strategy 2020-2025, achieving approximately 37% completion at the end of the 2021-2022 academic year.

- In line with its target to become a zero-waste campus by 2035, McGill expanded organic waste collection through the installation of multi-stream, standardized waste bins and by bringing compost collection services to 27 major academic buildings across the downtown and Macdonald campuses.

- McGill's GHG emissions fell 25% between the 2015 and 2020 calendar years, putting the University well on track to reach its goal of carbon neutrality by 2040.

- McGill, as one of 300 global organizations involved, nominated five exceptional projects for the Earthshot Prize, recognizing their ability to drive forward impactful climate and sustainability solutions.

- Co-leads of the Adapting Urban Environments research theme in the McGill Sustainability Systems Initiative (MSSI) publicly launched "Sus," an online platform designed to make sustainability data more accessible and encourage greater reflection on urban sustainability challenges.

- McGill prepared its inaugural Sustainable Development Goals (SDG) Report and participated in Canada's national SDG conference, Together | Ensemble, as part of the University Global Coalition SDG Action and Awareness Week.

- McGill's Bicentennial celebrations continued to centre on sustainability with the conclusion of impact200, its Student Sustainability Challenge, and multiple plant giveaways in partnership with the Macdonald Campus Farm and the Sustainability Projects Fund, during which more than a thousand house plants, flowers, herbs, and vegetable plants were distributed to the McGill community.

- McGill's sustainability engagement programs flourished again in the 2021-2022 academic year, reaching a milestone number of 100 virtual events certified, welcoming the McGill Staff Gardens back on campus, and involving over 250 McGillians in sustainability activities.

- McGill was named one of Canada's Greenest Employers for a fifth consecutive year thanks in part to the University's commitment to sustainable improvements to campus infrastructure and staff-led green initiatives.

- Macdonald Campus Farm sold over 14,000 kg of vegetable and fruit produce to four downtown residence dining halls in 2021, including 1,500 kg of apples, 2,500 kg of onions, and 3,500 kg of tomatoes.

Source: McGill Office of Sustainability

Infrastructure

In 2021-2022, work was **completed** on the following major projects:

- **Leacock Amphitheatre**: demolition and reconstruction of the terrace on the west side of the Leacock Building and redesign as an exterior amphitheatre, repairs to façades and waterproofing of underground structure.
- **Lyman Duff Medical Building, Pain CERC**: complete interior demolition and redesign of basement, 1st and 2nd floors of the 'new wing' to create central hub for research on pain.
- **Macdonald Campus**: upgrades to the exterior envelope, replacement of outdated equipment and renovations to the ballroom at **Centennial Centre**, and replacement of the roof at **Laird Hall**.
- At the **Gault Reserve**, construction of a new research facility housing offices and mobile lab units used in the integrative studies of weather, climate and air quality.
- **Calcul Québec/McGill High Performance Computing Centre**: extensive renovation project at École de technologie supérieure to house new data centre.

Work on the following projects is scheduled to be completed over the next year:

- **Macdonald Stewart Library Building**: repairs and restoration to exterior masonry walls, waterproofing of foundation walls, replacement of windows, refurbishing of interior spaces and upgrades to electromechanical systems.
- **Stewart Biology** (redevelopment of west wing): interior reconstruction to create state-of-the-art research and teaching spaces.
- Demolition of the **Raymond and Summerby greenhouses** at Macdonald Campus and construction of a **new greenhouse**.

Work continued or began on several projects, including:

- **Strathcona Music**: rehabilitation of the building envelope has begun and will continue into 2024, including consolidation of foundations, structural reinforcement of gables and roofs, and restoration of masonry walls and windows.
- **Raymond Building** (Macdonald Campus): replacement of roof, repairs to foundation and installation of French drain, replacement of HVAC systems and fume hoods, installation of sprinklers, emergency showers and eyewash stations.
- **Burnside Hall**: extensive renovation of the basement classrooms and washrooms.
- **Downtown powerhouse**: electrical infrastructure upgrades and other modifications required to support the installation of two electric boilers (replacing one of the natural gas boilers) and of an energy recovery system. The use of this new equipment will lead to a significant reduction in the University's greenhouse gas emissions and contribute to its goal of achieving carbon neutrality by 2040.

Work is scheduled to begin in the coming year on several major projects, including:

- The transformation of the downtown lower campus continues with the redesign and reconstruction of the upper portion of the **main road**, from the Y intersection to the McCall MacBain Arts Building, scheduled for 2023.
- **Sports Science Institute**: redevelopment of four row houses on Pine Ave. to welcome new institute.
- **McGill Space Institute**: construction of an extension to the building housing the McGill Space Institute at 3550 University.
- **Pollack Hall**: modernization of the concert hall, including improved seating, lighting, and audiovisual capacity, renovation of backstage and artists' spaces, and upgrade of HVAC systems.
- **The Neuro**: major renovation of ambulatory clinical spaces.
- Start of façade restoration projects planned at **McConnell Engineering, New Residence Hall** and **680 Sherbrooke**.

Source: Facilities Management and Ancillary Services

Operational highlights

Fall 2021
enrolment figures:
39,267 students

Tenure track academics total 1,720; net change of + 170 over the fiscal periods 2006 to 2022

1,231 academic hires over the period 2006 to 2022

Source: Enrolment Services and Analysis, Planning & Budget Office

Operations

- The editors of **Canada's Top 100 Employers** named McGill one of Montreal's Top Employers for the 14th consecutive year. The University earned high marks its programs to facilitate the balance between work and home life – including for new mothers. In addition to its maternity leave top-up payments for new mothers – to 100 percent of salary for 20 weeks – the University makes it easier for new mothers to return to work with onsite child care options, as well as the option to extend their leave into an unpaid leave of absence. McGill was also cited for its flexible work hours for employees, a 35-hour work week, and reduced summer hours.
- McGill was recognized as one of **Canada's Greenest Employers** for a fifth consecutive year. The designation recognizes the staff-driven culture of sustainability at McGill, including the Sustainability Projects Fund, the largest fund of its kind in Canada, valued at $1 million annually.
- On October 4, 2021, the **New Models of Work Project Office** launched a pilot project that sees 120 employees from five Units working out of an 8,500 square-foot space at 550 Sherbrooke St. W. Staff from Libraries, Human Resources, Communications & External Relations and the Office of Sustainability, as well as the New Models of Work Project team itself, will share the space for the next 18 months.
- On May 30, 2022, McGill launched its **Interim Flexible Work Arrangements (IFWA)** program to coincide with the upcoming transition to 100% on-campus presence of administrative and support staff. Flexible work options include alternate work schedules (flextime) and remote work (work from home, weekly or monthly basis) for up to 40% of the time.

Source: Human Resources

Students

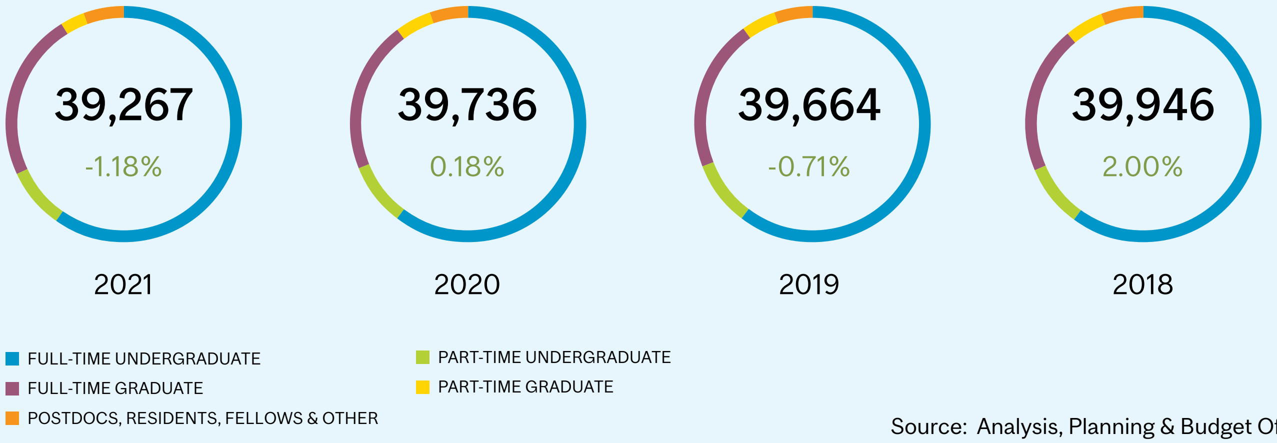
Total student enrolment at McGill in Fall 2021 surpassed the 39,200 mark between its downtown and Macdonald campuses. The majority of the students (83%) are enrolled in full-time undergraduate and graduate programs, as highlighted in the chart below.

Part-time undergraduate and graduate students represent 12%, while the remaining 5% of the population are students associated with post-doctoral studies, medical residents and fellows and other categories of students. Graduate students (full and part-time) accounted for 26% of the total.

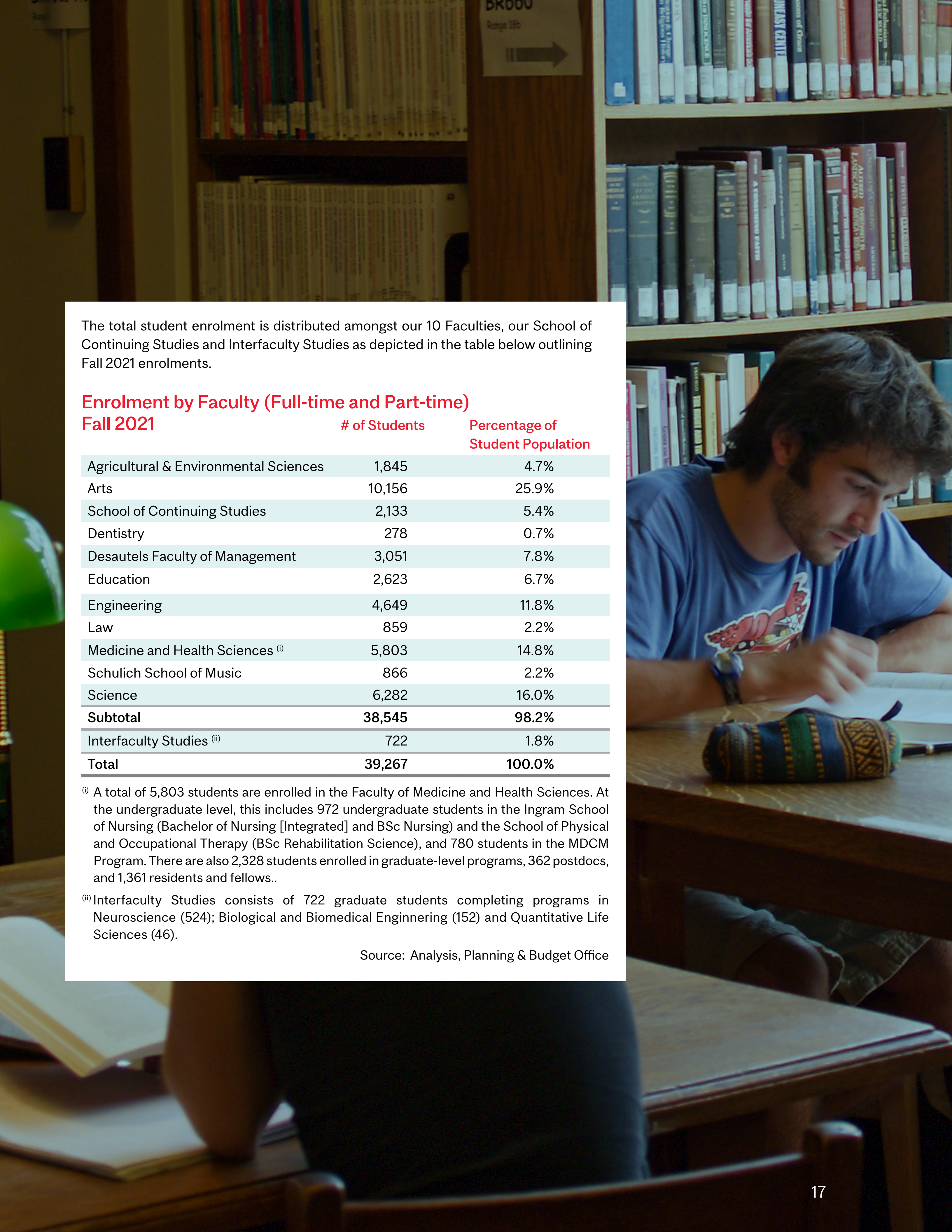
Overall, enrolment decreased by 1.18% year-over-year (prior year increase of 0.18%), as highlighted below:

Over
39,200
Students

Student Enrolment (Fall)



Source: Analysis, Planning & Budget Office



The total student enrolment is distributed amongst our 10 Faculties, our School of Continuing Studies and Interfaculty Studies as depicted in the table below outlining Fall 2021 enrolments.

Enrolment by Faculty (Full-time and Part-time) Fall 2021

	# of Students	Percentage of Student Population
Agricultural & Environmental Sciences	1,845	4.7%
Arts	10,156	25.9%
School of Continuing Studies	2,133	5.4%
Dentistry	278	0.7%
Desautels Faculty of Management	3,051	7.8%
Education	2,623	6.7%
Engineering	4,649	11.8%
Law	859	2.2%
Medicine and Health Sciences [i]	5,803	14.8%
Schulich School of Music	866	2.2%
Science	6,282	16.0%
Subtotal	**38,545**	**98.2%**
Interfaculty Studies [ii]	722	1.8%
Total	**39,267**	**100.0%**

[i] A total of 5,803 students are enrolled in the Faculty of Medicine and Health Sciences. At the undergraduate level, this includes 972 undergraduate students in the Ingram School of Nursing (Bachelor of Nursing [Integrated] and BSc Nursing) and the School of Physical and Occupational Therapy (BSc Rehabilitation Science), and 780 students in the MDCM Program. There are also 2,328 students enrolled in graduate-level programs, 362 postdocs, and 1,361 residents and fellows..

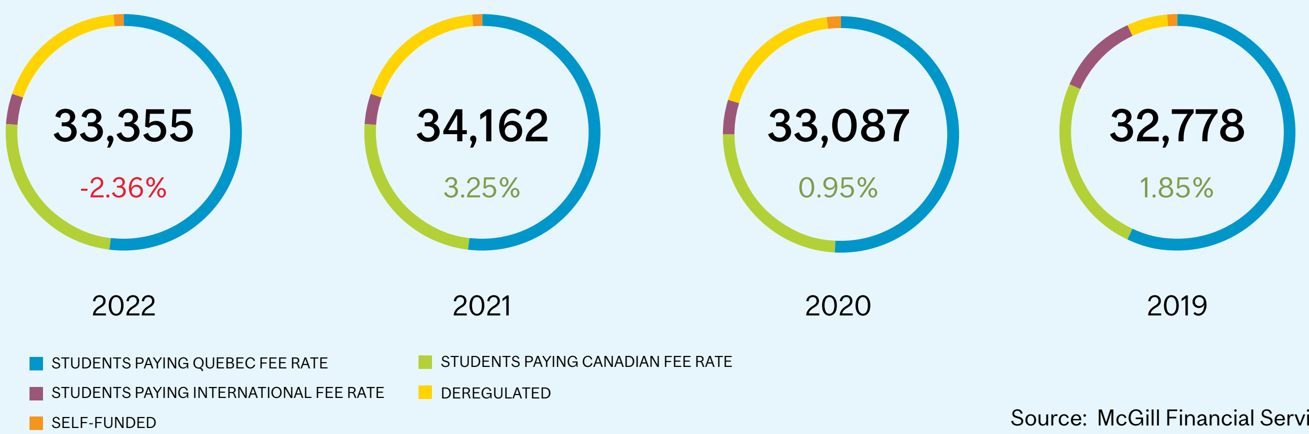
[ii] Interfaculty Studies consists of 722 graduate students completing programs in Neuroscience (524); Biological and Biomedical Enginnering (152) and Quantitative Life Sciences (46).

Source: Analysis, Planning & Budget Office

This mix of student enrolments effectively translates into full-time equivalent units (FTEs) which are the root of government funding (grants), tuition and fees. The following chart highlights the billed (tuition) FTEs over the last four years, realizing that McGill's overall student population is made up of students originating from Québec and the rest of Canada, as well as International students.

The MES funding model funds students at various amounts based on their discipline of study. For example, in fiscal 2021, an undergraduate student in Arts (grouped under *Sciences humaines et sociales* sector by MES) is funded at an annual amount of $7,105. On the other hand, an undergraduate student in Dentistry (classified as Médicine dentaire by MES) is funded at $34,823 per year.

Billed Tuition - Student FTEs



Source: McGill Financial Services

Overall, the total numbers of full-time equivalent (FTE) students decreased over 2020-21 by approximately 2.36%. The overall number of international FTEs (excluding those exempt from the supplement) decreased by 8.5% to 6,967 from 7,616 in the prior year.

The tuition fee (regulated by MES) for a full-time Québec student in 2021-22 was $2,825.20 ($90.84 per credit), an increase of 3.9% from 2020-21. The fee for a full-time out-of-province Canadian student was $8,505.60 ($283.52 per credit including supplements), a 3.9% increase from 2020-21. The fee for an International student in 2021-22 ranged from $18,571.50 ($619.05 per credit) to $56,544.00 (for the BCOM) including supplements, depending on the program. Currently, MES regulations require all Canadian Masters students to pay the out-of-province supplement, while Canadian Ph.D. students are exempt.

Since 2013-14, fee increases for regulated tuition have been limited to a cost of living index based on the "change in household disposable income for Quebec residents" (3.9% increase in the base Quebec rate of tuition in 2021-22 based on the reference period for this index of 2018-2019). These tuition amounts include amounts required to be contributed to the Province's financial aid regime.

In addition, McGill's current practice continues to set aside 30% of net tuition increases to the institutional financial aid program.

Government Funding

All tuition fee supplements paid to McGill University by Canadian and International students are deducted from the University's operating grant. The total Canadian and regulated international fee supplements deducted from our operating grants amounted to $60.1 million (2021: $59.8 million), representing 15.4% of all tuition collected. The government does provide a limited number of differential fee waivers for international students at the Graduate level which are administered through the Graduate & Postdoctoral Studies Office.

Starting in Fall 2015, newly admitted students from France paid fees at the Canadian rate due to a signing of an entente between Quebec and France. Following this, in Fall 2018, a new agreement signed with Belgium provides similar rates to students who are French native speakers. All MBA, certain specialized Masters in Management and Public Policy pay a self-funded tuition rate.

In 2019-20, the government extended this policy of deregulation to all undergraduate International students as well as 2nd cycle graduate non-thesis programs. No grant would be allocated for the students by the Province. Tuition for newly enrolled students increased by 7.7% in 2021-2022 for these deregulated programs, with the exception of B.A.; BA&Sc and Dentistry, where different rates were to apply with guaranteed tuition for the duration of the program. Returning students experienced more modest tuition increases (3.0% in 2021-22). All other international supplements in excess of the Québec (regulated) basic tuition fee ($2,725.20) are effectively remitted in their entirety to the Québec government via a "claw-back" in the annual operating grants.

Deregulated tuition fees totalled $165.8 million in 2021-2022 (2020-21: $174.7 million).

MES has defined Frais Institutionnels Obligatoires (FIOs), which essentially represent those administrative fees charged by universities to students in addition to tuition. The annual increase for McGill in 2021-2022 was limited to 3.9%, unless specific agreements are acknowledged by both McGill and the affected student groups/representatives.

The total "FIO's" revenue amounted to $41.8 million (2021: $40.2 million). In addition to FIOs, other student fees charged for non-credit courses, student services, Athletics, and other activities totaled $25.3 million (2021: $19.9 million). These fees, combined with tuition, totaled $389.1 million (2021: $382.3 million) and represent 39.8% (2021: 42.6%) of operating revenues.

Graduation

Degrees are awarded at two periods during the academic year: Fall and Spring Convocations. The following chart depicts the total number of degrees awarded for the two terms of the following academic years.

Graduation	2020-2021	2019-2020
Undergraduate	6,540	6,097
Masters	2,094	2,167
Doctoral	486	532
Certificates & Diplomas (Grad)	547	581
Residents & fellows	26	24
Total	**9,693**	**9,401**

Source: Enrolment Services

Almost

9,700

Graduates

Degrees, Certificates and Diplomas awarded, by Faculty	2020-2021	2019-2020
Agricultural & Environmental Sciences	481	494
Arts	2,434	2,231
Arts & Science (B.A. & S.c.)	123	100
School of Continuing Studies	843	751
Dentistry	82	85
Desautels Faculty of Management	1,008	971
Education	681	712
Engineering	1,013	991
Interfaculty Studies	98	117
Law	232	248
Medicine and Health Sciences	1,120	1,156
Schulich School of Music	245	244
Science	1,333	1,301
Total	**9,693**	**9,401**

Source: Analysis, Planning & Budget Office

International Students

In 2021, McGill welcomed over 11,900 International students from a variety of countries around the world, of whom 86% are from the countries listed.

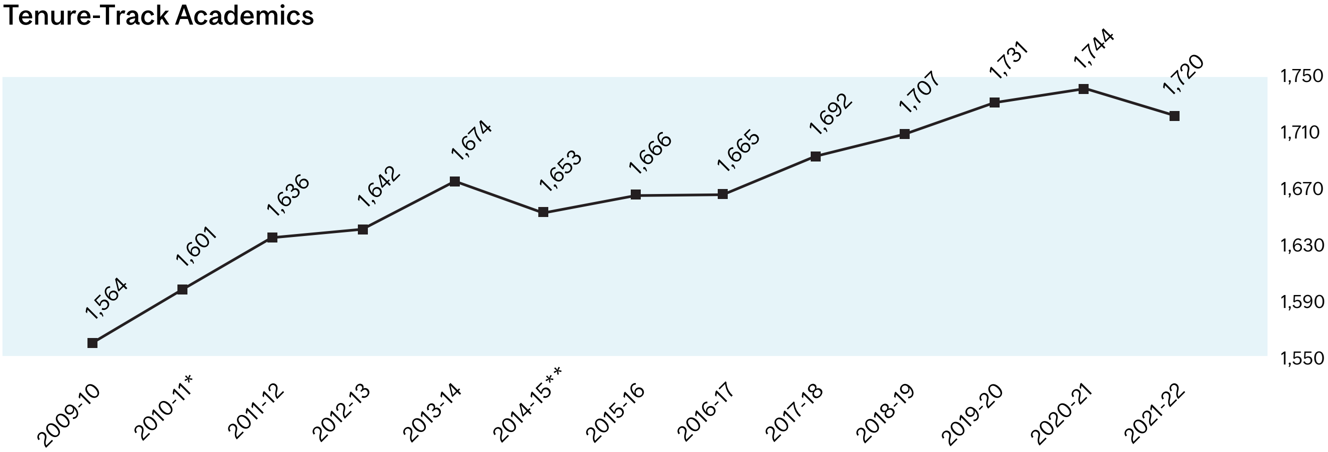
International Students - Full-time and Part-time	
Top 20 Countries	Fall 2021
1. China	2,985
2. USA	2,268
3. France	1,910
4. India	716
5. Iran	358
6. Turkey	230
7. Mexico	222
8. Saudi Arabia	204
9. South Korea	200
10. Bangladesh	183
11. United Kingdom	171
12. Pakistan	138
13. Brazil	134
14. Lebanon	108
15. Nigeria	87
16. Egypt	80
17. Japan	78
18. Vietnam	76
19. Germany	74
20. Colombia	66
Sub-Total	**10,288**

Source: Enrolment Services

Tenure-Track Academic Staff

Our academic staff ranks have continued to grow to support the new programs and program offerings to students. The academic renewal program, which started in the early 2000s, has resulted in many new faculty members, coming from all over the world in various fields of study. Currently, the total number of tenure-track academics is **1,720** as compared to 1,271 (fiscal 2000) prior to the academic renewal program. The Fiscal 2022 year end count is slightly lower predominently due to Covid-related delays in hiring and immigration.

Tenure-Track Academics



■ Year End Complement

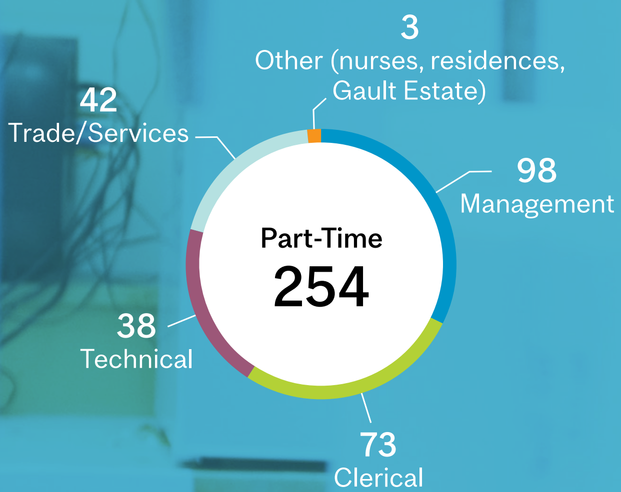
* 11 month year

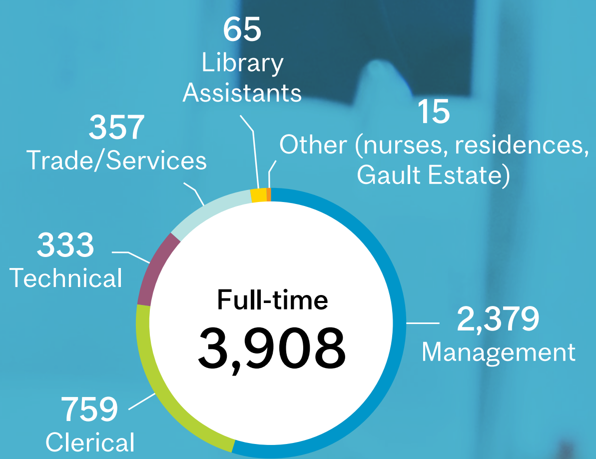
** 3 for 4 tenure track replacement plan

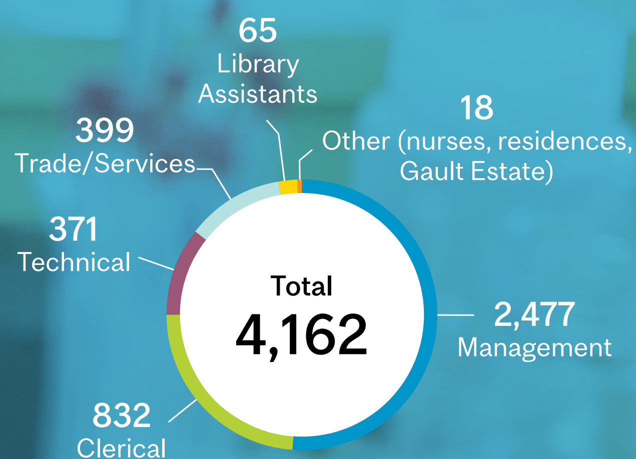
Source: Analysis, Planning & Budget Office

Administrative and Support Staff

The support network required to assist both students and professors is varied and comes from a variety of individuals working in different capacities around the University. A total of 4,162 individuals work to support the academic and research mission of the University, as at January 31, 2021, highlighted below:







Administrative Staff Awards

Each year, the Principal's Awards for Administrative and Support Staff program recognizes the outstanding contributions of administrative and support staff to McGill University. This annual program provides staff the opportunity to promote, acknowledge, and commend the exceptional efforts of their peers.

Source: Human Resources

Audited Financial Statements

Financial statements of

The Royal Institution for the Advancement of Learning / McGill University

April 30, 2022

Deloitte LLP
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Independent Auditor's Report

To the Trustees of The Royal Institution for the Advancement of Learning
and the Board of Governors of McGill University

Opinion

We have audited the financial statements of The Royal Institution for the Advancement of Learning / McGill University (the "University"), which comprise the balance sheet as at April 30, 2022, and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively 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 the results of its operations 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 ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our 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 ethical 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 audit opinion.

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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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.

We 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.

●, 2022

[1] CPA auditor, public accountancy permit No. A128741

The Royal Institution for the Advancement of Learning / McGill University

Statement of revenue and expenses

Year ended April 30, 2022

(In thousands of dollars)

	Notes	2022	2021
		$	$
Revenue			
Grants			
Federal		**259,148**	261,973
Provincial		**566,492**	509,852
United States		**10,943**	9,408
Other sources		**50,403**	31,793
Contracts		**26,627**	17,865
Tuition and fees		**389,118**	382,318
Sales of goods and services		**126,700**	82,610
Gifts and bequests		**66,816**	69,378
Foreign exchange gain		**2,317**	213
Investment and interest income	15	**80,615**	100,556
		1,579,179	1,465,966
Expenses			
Salaries and student support			
Academic		**394,004**	379,930
Administrative and support		**312,408**	287,610
Benefits		**129,658**	128,107
Student aid		**158,733**	144,396
Students		**44,070**	41,727
		1,038,873	981,770
Non-salary			
Material, supplies and publications		**55,038**	45,485
Contributions to partner institutions		**50,690**	55,769
Contract services		**37,998**	23,617
Professional fees		**30,724**	22,020
Travel		**4,968**	2,833
Cost of goods sold		**14,431**	7,926
Building occupancy costs		**32,533**	33,644
Energy		**19,637**	15,841
Other non-salary expenses		**33,545**	29,884
Hardware and software maintenance		**16,911**	15,664
Amortization of capital assets		**177,223**	170,928
Interest		**41,640**	40,652
Bank charges		**1,279**	1,255
		516,617	465,518
		1,555,490	1,447,288
Excess of revenue over expenses		**23,689**	18,678

The accompanying notes are an integral part of the financial statements.

The Royal Institution for the Advancement of Learning / McGill University

Statement of changes in net assets

Year ended April 30, 2022
(In thousands of dollars)

	Unrestricted	Internally restricted	Externally restricted	Invested in capital assets	Endowments	Total
	$	$	$	$	$	$
Net assets (deficiency), April 30, 2020	(354,826)	106,572	—	215,814	1,523,806	1,491,366
Excess (deficiency) of revenue over expenses	114,251	(27,509)	17,619	(85,683)	—	18,678
Pension liability remeasurement*	38,565	—	—	—	—	38,565
Post-employment benefit remeasurement*	3,518	—	—	—	—	3,518
Endowment contributions and gifts in kind	—	—	—	2,249	43,960	46,209
Investment income items reported as direct increase in net assets	—	—	—	—	248,928	248,928
Net change in internally restricted net assets	(14,111)	38,290	—	(2,262)	(21,917)	—
Investment in capital assets	(67,960)	—	(15,583)	83,543	—	—
Other transfers	(23,488)	11,466	(2,036)	38	14,020	—
Net assets (deficiency), April 30, 2021	**(304,051)**	**128,819**	**—**	**213,699**	**1,808,797**	**1,847,264**
Excess (deficiency) of revenue over expenses	**103,604**	**3,661**	**15,947**	**(99,523)**	**—**	**23,689**
Pension liability remeasurement*	**(49,398)**	**—**	**—**	**—**	**—**	**(49,398)**
Endowment contributions and gifts in kind	**—**	**—**	**—**	**61,429**	**35,930**	**97,359**
Investment loss items reported as direct decrease in net assets	**—**	**—**	**—**	**—**	**(107,395)**	**(107,395)**
Net change in internally restricted net assets	**(33,604)**	**31,802**	**—**	**(2,175)**	**3,977**	**—**
Investment in capital assets	**(97,294)**	**—**	**(23,934)**	**121,228**	**—**	**—**
Other transfers	**36,252**	**(42,449)**	**7,987**	**48**	**(1,838)**	**—**
Net assets (deficiency), April 30, 2022	**(344,491)**	**121,833**	**—**	**294,706**	**1,739,471**	**1,811,519**

* As at April 30, 2022, the accumulated post-employment benefit remeasurement is $50,075 ($50,075 as at April 30, 2021) and the accumulated pension liability remeasurement is $130,497 ($81,099 as at April 30, 2021).

The accompanying notes are an integral part of the financial statements.

The Royal Institution for the Advancement of Learning / McGill University

Balance sheet

As at April 30, 2022

(In thousands of dollars)

	Notes	2022	2021
		$	$
Assets			
Current assets			
Cash and cash equivalents		**134,406**	36,008
Short-term investments	17	**140,906**	115,107
Receivables	3 and 4	**442,988**	429,619
Prepaid expenses		**8,597**	9,974
Inventory		**1,749**	1,949
		728,646	592,657
Marketable securities	17	**1,966,091**	2,049,912
Grants and contracts related to research receivable		**104,388**	37,393
Capital grants receivable	4	**984,080**	945,884
Loans receivable	5	**2,225**	3,575
Capital assets	6	**1,913,233**	1,789,125
		5,698,663	5,418,546
Liabilities			
Current liabilities			
Bank indebtedness	7	**36,210**	5,520
Accounts payable and accrued liabilities	8	**282,201**	258,207
Unearned revenue		**44,916**	48,627
Current portion of long-term debt	11	**78,188**	76,669
		441,515	389,023
Deferred contributions	9	**899,424**	824,046
Deferred capital contributions	10	**1,177,714**	1,105,425
Long-term debt	11	**1,240,851**	1,168,858
Accrued pension liability	12	**42,985**	—
Post-employment benefit obligation	12	**84,655**	83,930
		3,887,144	3,571,282
Commitments, contingent liabilities	19 and 20		
Net assets			
Invested in capital assets		**294,706**	213,699
Externally restricted for endowment purposes	13	**1,739,471**	1,808,797
Internally restricted	14	**121,833**	128,819
Unrestricted		**(344,491)**	(304,051)
		1,811,519	1,847,264
		5,698,663	5,418,546

The accompanying notes are an integral part of the financial statements.

Approved by the Board of Governors

____, Governor

____, Secretary-General

The Royal Institution for the Advancement of Learning / McGill University

Statement of cash flows

Year ended April 30, 2022
(In thousands of dollars)

	Notes	2022	2021
		$	$
Operating activities			
Excess of revenue over expenses		**23,689**	18,678
Adjustments for:			
Amortization of capital assets		**177,223**	170,928
Amortization of bond discount		**210**	216
Amortization of deferred contributions	9	**(487,316)**	(445,147)
Amortization of deferred capital contributions	10	**(79,962)**	(84,327)
Change in fair value of investments	15	**842**	14,203
Change in fair value of derivative financial instruments	15	**4,900**	(20,700)
Change in pension liability		**(6,413)**	(8,042)
Change in post-retirement benefit obligation		**725**	991
		(366,102)	(353,200)
Net change in non-cash working capital items	16	**4,580**	42,735
Increase in government grant receivable		**(58,546)**	(41,089)
Increase in grants and contracts related to research receivable		**(42,416)**	(17,711)
Increase in deferred contributions		**562,694**	579,857
		100,210	210,592
Investing activities			
Increase in short-term investments		**(25,799)**	(56,448)
Acquisition of capital assets		**(301,649)**	(228,481)
Purchase of marketable securities		**(1,217,061)**	(1,506,487)
Proceeds from sale of marketable securities		**1,295,140**	1,186,523
Decrease in loans receivable		**1,350**	1,313
		(248,019)	(603,580)
Financing activities			
Change in bank indebtedness		**30,690**	(115,369)
Investment (loss) income reported as direct (decrease) increase in net assets		**(107,395)**	248,928
Endowment contributions and gifts in kind		**97,359**	46,209
Issuance of long-term debt		**149,970**	134,876
Repayment of long-term debt		**(76,668)**	(65,990)
Deferred capital contributions		**152,251**	159,837
		246,207	408,491
Net increase in cash and cash equivalents		**98,398**	15,503
Cash and cash equivalents, beginning of year		**36,008**	20,505
Cash and cash equivalents, end of year		**134,406**	36,008

Non-cash transactions

Capital assets additions amounting to $42,918 ($43,236 in 2021), included in accounts payable and accrued liabilities, have no cash flow impact.

The accompanying notes are an integral part of the financial statements.

1. Status and nature of activities

The Corporation with the legal name "Governors, Principal and Fellows of McGill College" ("McGill College") was incorporated in 1821 under Royal Charter and is a university with the power of conferring degrees. The Royal Institution for the Advancement of Learning ("The Royal Institution") was incorporated in 1802 and holds all property acquired by, transferred or bequeathed to McGill College and assumes all debt incurred by McGill College. Together, these two corporations constitute the entity known as McGill University ("McGill" or the "University"). McGill's operations include all of the activities of its teaching and research units such as the Montreal Neurological Institute, Macdonald Campus in Sainte-Anne-de-Bellevue and the Morgan Arboretum.

McGill is a not-for-profit organization dedicated to providing post-secondary education and to conducting research and is exempt from tax under the provisions of the *Canadian Income Tax Act*.

2. Accounting policies

The financial statements of the University have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) using the deferral method and include the following significant accounting policies:

Adoption of the amendments to Section 3856, Financial Instruments, for financial instruments originated or exchanged in a related party transaction

Effective May 1, 2021, the Company has adopted the amendments to Handbook Section 3856, Financial Instruments ("Section 3856") related to the recognition of financial instruments originated or exchanged in a related party transaction, referred to herein as the "related party financial instruments amendments".

These amendments to Section 3856 establish new guidance for determining the measurement of a related party financial instrument. These modifications require that such a financial instrument is initially measured at cost, which is determined depending on whether the instrument has repayment terms.

The adoption of the amendments has no material impact on the disclosures, nor the amounts recognized in the Corporation's financial statements in the current period.

Consolidation

The net results of not-for-profit organizations affiliated with McGill are not reported in these financial statements, as those organizations are not under the control of McGill.

Revenue recognition

The University follows the deferral method of accounting for restricted contributions, which includes gifts and bequests, grants and contracts. Under the deferral method, amounts that are restricted are recorded as deferred contributions and are recognized as revenue when the related expense is incurred. Where contributions relate to capital assets, the revenue is recognized on the same basis as the amortization of the asset acquired. Unrestricted contributions are recognized as revenue when received. Endowment contributions are recognized as a direct increase in net assets in the year in which they are received. Pledged donations are not recognized until received.

2. Accounting policies (continued)

Revenue recognition (continued)

Interest revenue and investment income are recorded on an accrual basis. Realized gains and losses on sales of investments are recorded when securities are sold based on the cost. Unrealized gains and losses related to the change in fair value are recorded as investment income. To the extent that investment income is restricted, it is included in the deferred contributions account and recognized when the related expense is incurred, except for the excess or deficiency of amounts made available for spending and unrealized gains and losses on externally restricted endowments, which are recorded as a direct increase or decrease to endowments.

Tuition and fees are recognized as revenue in the year during which the course sessions are held.

Sales of goods and services are recognized at the point of sale or when the service has been provided.

Gifts in kind are recorded at their fair value on receipt or at a nominal value when fair value cannot be reasonably determined. The value of gifts in kind in 2022 is $61.4 million ($2.2 million in 2021). In 2022, two gifts in kind represent $61.2 million. The value of contributed volunteer hours is not recognized in these financial statements.

Government operating grants are recorded in the period for which they are granted.

Research grants are recorded based on the deferral method and are recognized as revenue in the year in which related expenses are recognized.

Financial instruments

Initial measurement

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value when the University becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities originated or exchanged in related party transactions are initially recognized at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of financial instruments with repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. The cost of financial instruments without repayment terms is determined using the consideration transferred or received by the University in the transaction.

Subsequent measurement

All financial instruments are subsequently measured at amortized cost except for investments and derivative financial instruments, which are measured at fair value at the balance sheet date. Fair value fluctuations, dividends and interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment and interest income. The fair value quote received from the bank counterparty is used as a proxy for the fair value of derivative financial instruments.

Transaction costs

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transactions costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of revenue and expenses as interest income or expense.

2. Accounting policies (continued)

Financial instruments (continued)

Impairment

With respect to financial assets measured at cost or amortized cost, the University recognizes in the statement of revenues and expenses an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of revenue and expenses in the period the reversal occurs.

Foreign exchange

Monetary assets and liabilities and other assets accounted for at fair value denominated in foreign currencies are translated into Canadian dollars using foreign exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenue and expense items are translated into Canadian dollars at the rates of exchange prevailing at the date of the transaction. The gain or loss resulting from translation is included in the statement of revenue and expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term investments with a term to maturity of three months of less at the date of acquisition.

Student loans

Student loans are due within one year after graduation and do not bear interest up until that time. After their due date, interest is charged based on the prevailing rates when the loan agreements were signed. A provision is recorded for estimated uncollectible amounts.

Inventory

Inventory, including books and supplies, is valued at the lower of cost (calculated using the first-in, first-out method) and net realizable value.

Capital assets

Capital assets are recorded at cost. Constructed assets do not include interest incurred during construction. Contributed capital assets are recorded at appraised fair value at the date of contribution when fair value can be reasonably estimated; otherwise, they are recorded at a nominal amount. Non-depreciable assets, including artwork and collections, are recorded at appraised value at the time of acquisition. Amortization of assets under development commences when development is completed. The amortization is calculated on a straight-line basis over the estimated useful life in years of various asset categories as follows:

Land improvements	10 or 20 years
Buildings	20 to 50 years
Major renovations	20 to 40 years
Leasehold improvements	Over term of lease, to a maximum of 10 years
Equipment	3 to 20 years
Rolling stock	5 years
Library materials	10 years
Intangible assets (primarily software)	3 to 5 years

2. Accounting policies (continued)

Write-downs of tangible capital assets and intangible assets

When conditions indicate that a tangible capital asset or an intangible asset is impaired, the net carrying amount of the tangible capital asset or the intangible asset shall be written down to the asset's fair value or replacement cost. The write-downs of tangible capital assets and intangible assets shall be accounted for as expenses in the statement of revenue and expenses.
A write-down shall not be reversed.

Net assets

Balances invested in capital assets represent net assets that are not available for other purposes because they have been invested in capital assets.

Endowments must be used in accordance with the various purposes established by donors, with endowment principal maintained intact over time in accordance with McGill's endowment policy.

Internally restricted net assets are funds set aside for specific purposes as determined by the Board of Governors from time to time.

Employee future benefits

The University has a defined contribution pension plan, which has a defined benefit component that provides a minimum level of pension benefits for eligible plan members. The University also has certain post-employment benefits plans and a legacy defined benefit pension plan.

The cost of providing defined pension benefits and post-employment benefit plans other than pensions is determined by independent actuaries. The University has chosen to evaluate the accrued benefit obligations by using the actuarial valuation for funding purposes. The actuarial valuation performed every three years is based on the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The most recent actuarial evaluation for funding purposes was dated December 31, 2019.

For the purpose of calculating the expected return on plan assets, the assets are valued at fair value.

The University recognizes:

- in the balance sheet, the accrued benefit obligations, reduced by the fair value of plan assets and adjusted for any valuation allowance (either the defined benefit asset or the accrued benefit obligation);
- in the statement of revenue and expenses, the cost of the plan for the year; and
- in the statement of changes in net assets, revaluations and other items arising in particular from the difference between the actual return on plan assets and the return calculated using the discount rate determined from actuarial gains and losses, past services, settlement, compression and asset ceiling for defined benefits.

Use of estimates

The preparation of financial statements in accordance with Canadian ASNPO requires management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenues and expenses reported in the financial statements. In particular, significant estimates are made regarding valuation of receivables, fair values of non-publicly traded investments and financial instruments, estimated useful life of capital assets, provisions for contingencies, pay equity and employee future benefits. Actual results may ultimately differ from these estimates.

(Tabular amounts in thousands of dollars)

3. Receivables

	2022	2021
	$	$
Operating, net of provision for doubtful accounts of $1,026 ($2,834 as at April 30, 2021)	**44,285**	26,191
Student loans, net of provision for doubtful accounts of $461 ($535 as at April 30, 2021)	**1,674**	2,080
Investment income	**1,905**	1,995
Government operating grants	**71,672**	51,650
Grants and contracts related to research – short-term	**247,498**	272,077
Capital grants receivable – short-term	**75,954**	75,626
	442,988	429,619

4. Capital grants receivable

Capital grants receivable relate to capital grants approved by the Ministère de l'Enseignement supérieur (MES), but funded through long-term debt issued in McGill's name or not yet funded. These amounts are due immediately; however, only a portion of their collection is expected within the next fiscal year and the remainder is presented as long-term.

5. Loans receivable

Loans receivable bear interest at rates varying from 2.208% to 3.013% (2.208% to 3.013% as at April 30, 2021), with maturities up to eight years.

6. Capital assets

			2022	2021
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Land	**29,023**	**—**	**29,023**	28,627
Land improvements	**62,664**	**30,204**	**32,460**	35,564
Buildings	**665,793**	**401,178**	**264,615**	273,280
Major renovations	**1,515,460**	**512,200**	**1,003,260**	952,585
Leasehold improvements	**35,356**	**9,816**	**25,540**	23,559
Equipment	**566,016**	**313,852**	**252,164**	209,985
Rolling stock	**2,405**	**1,692**	**713**	596
Library materials	**214,379**	**116,856**	**97,523**	94,918
Intangible assets	**62,145**	**41,666**	**20,479**	36,834
Non-depreciable assets	**36,230**	**—**	**36,230**	11,449
	3,189,471	**1,427,464**	**1,762,007**	1,667,397
Assets under development	**151,226**	**—**	**151,226**	121,728
	3,340,697	**1,427,464**	**1,913,233**	1,789,125

(Tabular amounts in thousands of dollars)

7. Bank indebtedness

In accordance with MES regulations, McGill's Board of Governors has approved maximum borrowings of $400 million ($400 million as at April 30, 2021), under short-term credit facilities, of which none has been used as at April 30, 2022 (none as at April 30, 2021). There are $36.2 million in short-term borrowings from Financement-Québec related to capital projects included in bank indebtedness ($5.5 million in 2021). Unsecured and uncommitted operating lines of credit, totalling $545 million ($495 million as at April 30, 2021), are available to McGill and are normally drawn through bankers' acceptances for periods of up to one year. The lines of credit bear interest at the prime rate or banker's acceptance rate. The prime rate averaged 2.53% for the year (2.45% in 2021). Through the use of bankers' acceptances and cross currency swaps, the average cost of borrowing for the year was 0.25% (0.33% as at April 30, 2021). The banker's acceptance rate in effect as at April 30, 2022 was 1.33% (0.41% as at April 30, 2021). There were no banker's acceptances outstanding at year-end (nil in April 30, 2021).

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include $13.0 million ($12.5 million as at April 30, 2021) of government remittances.

9. Deferred contributions

Deferred contributions represent the unspent portion of funds received for restricted purposes other than capital asset purchases, which are included under deferred capital contributions in Note 10.

	2022	2021
	$	$
Balance, beginning of year	**824,046**	689,336
Restricted funds received during the year	**489,126**	525,237
Gifts and bequests	**73,568**	54,620
Amortization of deferred contributions	**(487,316)**	(445,147)
Balance, end of year	**899,424**	824,046

The balance at the end of the year is composed of:

	2022	2021
	$	$
Federal grants	**465,865**	436,167
Provincial grants	**142,159**	116,247
United States grants	**14,388**	13,478
Other grant sponsors	**30,868**	36,573
Contracts	**38,544**	36,063
Gifts and bequests	**188,511**	166,308
Endowment income	**13,581**	13,921
Investment income	**5,508**	5,289
	899,424	824,046

(Tabular amounts in thousands of dollars)

10. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as grant revenue in the statement of revenue and expenses. The deferred capital contributions balance consists of the following:

	2022	2021
	$	$
Balance, beginning of year	**1,105,425**	1,029,915
Deferred capital contributions received	**152,251**	159,837
Amortization of deferred capital contributions	**(79,962)**	(84,327)
Balance, end of year	**1,177,714**	1,105,425
Composed of contributions from the following sources:		
MES	**727,323**	656,033
Other provincial	**147,439**	148,333
Federal	**190,890**	198,822
Gifts and donations	**100,294**	93,059
Specific grant agreements	**11,768**	9,178
Balance, end of year	**1,177,714**	1,105,425

(Tabular amounts in thousands of dollars)

11. Long-term debt

	2022	2021
	$	$
Government of Québec debt notes(i)		
2.559%, expired December 1, 2021	**—**	348
1.709%, expired March 1, 2022	**—**	4,907
2.947%, due September 1, 2022	**750**	2,217
2.947%, due September 1, 2022	**720**	2,130
2.226%, due September 1, 2022	**924**	2,771
3.013%, due September 28, 2022	**1,059**	2,087
2.044%, due October 1, 2022	**509**	1,503
1.639%, due March 1, 2023	**1,108**	1,916
2.324%, due September 1, 2024	**4,487**	6,282
2.054%, due November 1, 2024	**5,664**	7,552
2.949%, due March 1, 2025	**16,523**	21,662
0.760%, due November 1, 2025	**3,559**	4,449
2.408%, due September 1, 2026	**38,640**	41,400
2.149%, due September 1, 2026	**10,109**	11,735
1.499%, due October 1, 2026	**10,099**	—
2.126%, due March 1, 2027	**4,088**	—
2.280%, due September 1, 2027	**36,489**	38,227
2.787%, due September 1, 2027	**48,779**	52,856
3.021%, due December 1, 2028	**8,013**	9,123
3.082%, due December 1, 2029	**89,692**	100,504
2.208%, due December 12, 2029	**2,517**	2,801
2.379%, due November 1, 2032	**126,506**	138,068
4.991%, due June 1, 2034	**13,000**	14,000
3.680%, due June 1, 2034	**37,800**	39,900
3.161%, due June 1, 2034	**41,800**	44,000
2.451%, due November 1, 2034	**5,353**	5,765
2.549%, due November 1, 2039	**63,586**	67,119
1.954%, due November 1, 2040	**123,906**	130,427
2.592%, due October 1, 2041	**90,731**	—
2,592%, due October 1, 2041	**13,752**	—
2.933%, due December 1, 2042	**50,887**	53,309
3.218%, due December 1, 2043	**20,824**	21,771
Total	**871,874**	828,829
McGill Senior Unsecured Debentures(ii)		
6.150% Series “A”, mature on September 22, 2042	**150,000**	150,000
3.975% Series “B”, mature on January 29, 2056	**160,000**	160,000
2.926% Series “C”, mature on July 26, 2049	**90,000**	90,000
	400,000	400,000
Loans payable(iii) (iv)	**51,754**	21,497
Bond discounts and issuance costs	**(4,589)**	(4,799)
	47,165	16,698
Total long-term debt	**1,319,039**	1,245,527
Current portion	**78,188**	76,669
	1,240,851	1,168,858

(Tabular amounts in thousands of dollars)

11. Long-term debt (continued)

(i) Notes are secured by the Government of Québec, and regular interest and capital repayments are made by the Government on McGill's behalf. Interest on the notes is paid semi-annually and capital repayments are due on each note's anniversary date. Capital repayments due annually and final payments including lump sums due at maturity are as follows:

	Annual payment	Final payment on maturity
	$	$
2.947%, due September 1, 2022*	—	750
2.947%, due September 1, 2022*	—	720
2.226%, due September 1, 2022	—	924
3.013%, due September 28, 2022*	—	1,059
2.044%, due October 1, 2022	—	509
1.639%, due March 1, 2023	—	1,108
2.324%, due September 1, 2024	1,795	897
2.054%, due November 1, 2024	1,888	1,888
2.949%, due March 1, 2025	5,140	6,243
0.760%, due November 1, 2025	890	889
2.408%, due September 1, 2026	2,760	27,600
2.149%, due September 1, 2026	1,626	3,605
1.499%, due October 1, 2026	2,020	2,019
2.126%, due March 1, 2027	819	812
2.280%, due September 1, 2027	1,738	27,799
2.787%, due September 1, 2027	4,077	28,394
3.021%, due December 1, 2028	1,110	1,353
3.082%, due December 1, 2029	10,812	14,008
2.208%, due December 12, 2029*	285	339
2.379%, due November 1, 2032	11,562	10,886
4.991%, due June 1, 2034	1,000	1,000
3.680%, due June 1, 2034	2,100	12,600
3.161%, due June 1, 2034	2,200	15,400
2.451%, due November 1, 2034	412	409
2.549%, due November 1, 2039	3,533	3,525
1.954%, due November 1, 2040	6,521	6,528
2.592%, due October 1, 2041	4,536	4,547
2.592%, due October 1, 2041	688	680
2.933%, due December 1, 2042	2,423	2,427
3.218%, due December 1, 2043	947	937

* Annual payments vary from year to year.

(ii) McGill periodically issues unsecured debentures with 40-year terms that are repayable in full at maturity. Unlike MES notes, McGill will be required to repay these obligations from resources generated by McGill. Semi-annual interest payments are paid by McGill.

(iii) In August 2017, McGill entered into a 10-year loan agreement of $25 million, with a 20-year amortization period. The loan bears interest at the banker's acceptance rate plus 0.73% with a 10-year rate swap for an all-in rate of 2.84%.

(Tabular amounts in thousands of dollars)

11. Long-term debt (continued)

(iv) In April 2022, McGill entered into a term loan facility of $31.3 million. The initial term of the loan is 5 years. The loan bears interest at the banker's acceptance rate plus 0.38% with a 20-year interest rate swap agreement. The all-in interest rate is 3.48% for the 5-year term.

Repayments of the principal due in each of the next five years are as follows:

	$
2023	78,188
2024	73,194
2025	73,474
2026	64,521
2027	90,524

12. Employee future benefits

Pension plan

The University has a defined contribution pension plan (the "Plan"), which has a defined benefit component that provides a minimum level of pension benefits for eligible plan members. Employee contributions are accumulated together with employer contributions and invested in the Plan's accumulation fund. Upon an employee's retirement, the accumulated amount is available for the purchase of a retirement annuity to be underwritten by a provider of the retiree's choice. Prior to January 1, 2011, employees were able to obtain a McGill annuity upon retirement.

The University measures its accrued benefit obligations and fair value of the plan assets for accounting purposes as at April 30 of each year. The most recent actuarial valuation of the pension plan for funding purposes was as at December 31, 2019, and the next required valuation will be no later than as at December 31, 2022. The contributions made by the University for the period are $12,562 ($17,690 as at April 30, 2021).

Post-employment benefit obligation

The University provides post-employment benefits other than pension benefits to eligible retired employees, including health and dental care. The present value of these commitments as at April 30, 2022, is estimated at $84.7 million ($83.9 million as at April 30, 2021).
These amounts are recorded as liabilities.

Pension plan defined contribution plan

The University has a defined contribution pension plan offered to basically all employees.
The University contributes to the Plan up to a maximum of 10.8% of the employees' basic earnings depending on the age of the employee.

(Tabular amounts in thousands of dollars)

12. Employee future benefits (continued)

Pension plan defined contribution plan (continued)

The significant information about the University's Plan is as follows:

	2022	2021
	$	$
Cash payments recognized	**46,419**	50,028
Benefit costs	**28,654**	26,936
Accrued pension liability		
Defined benefit cost		
Current service cost	**7,060**	8,130
Interest (earned) cost on accrued benefit obligation	**(911)**	1,518
	6,149	9,648

The information about the University's accrued pension liability is as follows:

	2022	2021
	$	$
Accrued benefit obligations	**289,895**	270,370
Fair value of plan assets	**246,910**	270,370
Plan deficit	**42,985**	—
Accrued pension liability	**42,985**	—

Based on the fair value of Plan assets, the assets of the Plan are composed of:

	2022	2021
	%	%
Cash equivalents	**2.31**	1.94
Alternative assets	**2.42**	2.04
Equity	**54.05**	53.53
Fixed income	**41.22**	42.49

The significant assumptions used are as follows:

	2022	2021
	%	%
Discount rate		
Active	**5.75**	5.75
Retirees	**4.50**	4.50
Salary inflation allowance	**3.00**	3.00

(Tabular amounts in thousands of dollars)

12. Employee future benefits (continued)

Post-employment benefit obligation – unfunded benefits

	2022	2021
	$	$
Balance, beginning of year	**83,930**	86,457
Current service cost	**715**	875
Interest cost on accrued benefit obligation	**4,018**	4,154
Benefits paid	**(4,008)**	(4,038)
Net actuarial gain	**—**	(3,518)
Balance, end of year	**84,655**	83,930

The significant assumptions used are as follows (weighted average):

	2022	2021
	%	%
Post-employment benefit obligation as at year-end		
Discount rate – active	**5.75**	5.75
Discount rate – retirees	**4.50**	4.50
Rate of compensation increase – Academics	**4.50**	4.50
Rate of compensation increase – Non-academics	**3.00**	3.00
Health care cost trend rates		
Current trend rate	**4.42**	4.20
Ultimate trend rate	**4.00**	4.00
Year of ultimate trend rate	**2040**	2040

13. Externally restricted for endowment purposes

	2022	2021
	$	$
Faculty endowments	**601,045**	573,361
Student aid	**490,449**	474,130
Research endowments	**116,887**	115,710
Emerging priorities	**15,808**	15,842
Library endowments	**25,949**	24,683
Student services	**8,348**	8,280
Annuities	**4,594**	4,540
	1,263,080	1,216,546
Accumulated income	**484,065**	428,893
Unrealized (loss) gain	**(7,674)**	163,358
	1,739,471	1,808,797

(Tabular amounts in thousands of dollars)

13. Externally restricted for endowment purposes (continued)

Endowments consist of externally restricted donations received by the University. The endowment principal is required to be maintained intact over time subject to the University's capital preservation investment and disbursement policy. The investment income generated from endowments must be used in accordance with the various purposes established by the donors. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they are provided.

Investment income on endowments, which comprises interest, dividends and realized and unrealized gains and losses, is recorded in the statement of revenue and expenses when this income is available for spending at the discretion of the University or is available for spending as conditions have been met. A policy has been established by the University with the objective of protecting the real value of endowments by limiting the amount of income made available for spending and requiring reinvestment of income not made available. The amount made available for spending is set by authorization of the Board of Governors at 4.00% of the average fair value of the endowments of the past three years. The excess of actual income over the amount made available for spending is recorded as a direct increase in endowment funds. In the event that the actual income is less than the amount made available for spending or the income is negative, the shortfall is taken from the accumulated reinvested income and is recorded as a direct decrease in net assets. In accordance with the policy, the unspent portion of the amount made available for spending is capitalized and recorded as a direct increase in endowment funds. For individual endowment funds without sufficient accumulated reinvested income, endowment capital may be encroached upon. These amounts are expected to be recovered by future net investment income.

In addition, the Board of Governors has approved a charge of 1.10% (1.10% in 2021) of the fair value of investments to cover internal and external investment management costs. As these costs are recorded in the operating and restricted funds, this amount is included in the interfund transfers each year.

14. Internally restricted net assets

	2022	2021
	$	$
Self-financing teaching and research	**40,074**	43,476
Professor start-up funds	**15,080**	15,075
Emerging priorities	**20,005**	20,005
Other	**46,674**	50,263
	121,833	128,819

15. Investment and interest income

	2022	2021
	$	$
Change in fair value of investments	**(842)**	(14,203)
Change in fair value of derivative financial instruments	**(4,900)**	20,700
Interest income	**8,419**	22,062
Investment income	**77,938**	71,997
	80,615	100,556

(Tabular amounts in thousands of dollars)

16. Net change in non-cash working capital items

	2022	2021
	$	$
Receivables (operating, student loans and investment income)	**(17,598)**	3,566
Prepaid expenses	**1,377**	(745)
Inventory	**200**	252
Accounts payable and accrued liabilities	**24,312**	26,744
Unearned revenue	**(3,711)**	12,918
	4,580	42,735

17. Financial instruments

Financial risks

McGill is subject to market risk, which is the risk that the value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk. The concentration of risk is minimized because of McGill's diversification of its investment portfolio.

The University has foreign currency risk arising from its foreign-denominated marketable securities. As at April 30, 2022, McGill's foreign-denominated marketable securities had a fair value of $1.255 billion ($1.261 billion as at April 30, 2021), the most significant of which were U.S. dollar-denominated marketable securities of $753 million ($726 million as at April 30, 2021).

The University has interest rate risk from the impact of interest rate changes on McGill's cash flows for variable rate debt and financial position for the impact of changes in interest rates on the fair value of fixed-rate marketable securities.

McGill is exposed to other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The University is exposed to other price risk through its marketable securities.

McGill is also exposed to credit risk from its debtors. A significant portion of McGill's receivables is due from governments, which are believed to be at low risk of default. For the remaining receivables, the concentration of risk is minimized because of McGill's large and diverse base of counterparties and investments.

McGill's objective is to have sufficient liquidity to meet its liabilities when due. McGill monitors its cash balances and cash flows generated from operations to meet its requirements. As at April 30, 2022, the most significant financial liabilities are bank indebtedness, accounts payable and accrued liabilities and long-term debt.

Derivatives

As approved by the Investment Committee of the Board, McGill has forward contracts and cross-currency swaps outstanding of US$314.4 million with a forward rate of 1.2707 as at April 30, 2022, maturing through May 2022 (US$286.4 million with a forward rate of 1.2841 as at April 30, 2021, maturing through December 2021). As at April 30, 2022, the fair value of these contracts was an unrealized loss of $2.3 million, which was recorded in marketable securities (an unrealized gain of $15.6 million as at April 30, 2021).

(Tabular amounts in thousands of dollars)

17. Financial instruments (continued)

Derivatives (continued)

In October 2003, McGill entered into an agreement with RBC Dominion Securities (RBCDS) whereby it invested in a US$13.0 million U.S. dollar-denominated bond maturing in 2029. Under this agreement, the bond principal and the semi-annual interest payments due to McGill were swapped with RBCDS in exchange for RBCDS paying McGill $85.7 million in 2029. The fair value of the bond and the swap agreement is $68.5 million ($72.9 million as at April 30, 2021) and is included in marketable securities.

The U.S. dollar-denominated investment outstanding will result (at maturity) in the forfeiture of the interest receivable in exchange for a fixed amount of proceeds. As at April 30, 2022, the fair value of the swap is $47.3 million ($46.0 million as at April 30, 2021).

The future value of this investment, including accumulated growth to the year 2042, is planned to be used to redeem the $150.0 million of outstanding senior debentures.

The University entered into rate lock contracts amounting to $114.5 million of nominal value with a settlement date of May 1, 2022. As at April 30, 2022, the fair value of the rate locks is an unrealized gain of $11.8 million which has been included in marketable securities (an unrealized gain of $3.1 million as at April 30, 2021). The University entered into the rate lock contracts to protect against a rate increase for the remaining anticipated issuance of $150.0 million of long-term debt. The contracts are rolled-over every three months with a settlement at market value, yielding a realized gain or loss, until the full issuance of the long-term debt.

The University has no cross-currency swaps outstanding as at April 30, 2022 (nil as at April 30, 2021).

In August of 2017, McGill entered into a Term Loan Facility with BMO for $25.0 million to finance the property located at 680 Sherbrooke West, Montréal. The term of the loan is 10 or 20 years at the election of the University. As part of the loan agreement with BMO, the University agrees to enter into an interest rate swap agreement with the Bank on the closing rate for a term not exceeding 20 years. As of August 2017, the all-in interest rates would be 2.84% for a 10-year term. As of April 30, 2022, the fair value of the swap arrangement incurred an unrealized gain of $1.5 million ($0.7 million loss in 2021).

In April 2022, McGill entered into a Term Loan Facility with TD for $31.3 million to finance to a library management facility located in Valleyfield. The initial term of the loan is 5 years. As part of the loan agreement, the University agrees to enter into a 20 year interest rate swap agreement with the Ministry of Finance. The all-in interest rate is 3.48% for the 5-year term. As of April 30, 2022, the fair value of the swap arrangement incurred an unrealized gain of $0.8 million.

Marketable securities

The marketable securities portfolio comprises the following types of investments:

	2022	2021
	%	%
Canadian equity	**10.5**	10.8
U.S. equity	**27.2**	25.1
Non-North American equity	**22.6**	24.8
Canadian fixed income	**14.0**	14.0
US fixed income	**0.1**	0.3
Hedge funds	**4.0**	3.9
Alternate strategies, including private equity and other	**21.6**	21.1
	100.0	100.0

(Tabular amounts in thousands of dollars)

17. Externally restricted for endowment purposes (continued)

Marketable securities (continued)

Short-term investments consist of highly liquid fixed-income securities maturing within one year and bearing interest rates ranging from 0.34% to 5.66% (0.17% to 1.44% as at April 30, 2021).

18. Pledges

Outstanding donation pledges, net of provision for doubtful accounts of $1.7 million, as at April 30, 2022, amounted to $241.0 million ($1.2 million, as at April 30, 2021, amounted to $214.0 million). These have not been recognized in the financial statements.

19. Commitments

Operating leases

The future minimum lease payments under existing operating leases due in the forthcoming years are as follows:

	$
2023	19,346
2024	23,408
2025	15,323
2026	12,637
2027	11,834
2028 and thereafter	89,933
	172,481

Construction in progress

McGill has undertaken the construction of several new buildings and, as a result, has commitments totalling $256.5 million. These commitments are expected to be met in the normal course of operations.

Private equity and private real estate funding commitments

As part of its investment activities, McGill places some of its endowment investments through private equity and private real estate funds. McGill is committed to invest an additional $318.9 million within the next five years in accordance with its arrangements with these funds.

20. Contingent liabilities

Litigation

In the normal course of its activities, McGill is party to various legal proceedings, including claims related to labour laws and the *Civil Code of Québec*. Although it is not possible to determine the ultimate outcome of such proceedings initiated and ongoing as at April 30, 2022, management is of the opinion that they will be resolved without material effect on McGill's financial position. Any amount McGill may be required to pay will be charged to operations in the year of settlement; if the amount can be estimated and is considered likely to occur, it will be provided for in accrued liabilities.

20. Contingent liabilities (continued)

Litigation (continued)

In the normal course of McGill's building construction projects, various claims secured by construction hypothecs have been made by building contractors to secure payments. Such hypothecs are related to the buildings constructed or under construction.

21. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Financial Highlights

Mission

Administration and Finance is entrusted with McGill's physical, financial, technological and human resources. Each day we strive to continually improve as we provide a respectful, supportive and safe environment for all. Hailing from diverse professions, we are committed to our work and accountable for getting the job done right as we partner with those whose learning, teaching, research and administrative contributions make McGill extraordinary. We are committed to a culture of service and performance.

Reporting Period
Year Ended April 30, 2022

Total combined assets liabilities and net assets include the Operating (Unrestricted) Restricted, Plant and Endowment Funds.

Total Combined Assets
2022: $5.69 billion (2021: $5.42 billion)

(in millions of dollars)

	2022	2021
Cash and short term investments	**275.3**	151.1
Receivables, including operating, government operating grant, grants and contracts related to research, capital grants, student loans and investment income	**443.1**	429.7
Prepaid expenses and inventory	**10.3**	11.9
Marketable securities related to the endowment fund and plant fund (related to the bond issuances)	**1,966.1**	2,049.9
Capital assets, including land, buildings and major renovations, equipment, library materials, leashehold improvements and intangible assets as well as assets under development	**1,913.2**	1,789.1
Long term receivables related to capital and research	**1,090.7**	986.9
TOTAL	**5,698.7**	5,418.6

Total Combined Liabilities and Net Assets

2022: $5.69 billion (2021: $5.42 billion)

(in millions of dollars)

	2022	2021
Bank indebtedness	36.2	5.5
Accounts Payable and accruals including amounts due to supplies, payroll accruals and deductions at source remittances	282.2	258.2
Unearned revenues for tuition and fees for the summer session, deposits for student housing and deferred grants of $5M (2019 - $5M)	44.9	48.6
Current portion of long-term debt expected to be partially financed by MES in Fiscal 2020	78.2	76.7
Deferred research and capital contributions	2,077.1	1,929.5
Long-term debt, including notes from Financement Quebec and McGill issued bonds and other loans payable	1,240.9	1,168.9
Pension liability and Post-employment obligations	127.7	83.9
Net Assets:		
Invested in Capital Assets	*294.7*	*213.7*
Externally Restricted	*1,739.5*	*1,808.8*
Internally Restricted	*121.8*	*128.8*
Unrestricted deficit	*(344.5)*	*(304.0)*
Sub Total	1,811.5	1,847.3
TOTAL	5,698.7	5,418.6

Net cash position
(Financial Statement note 7)

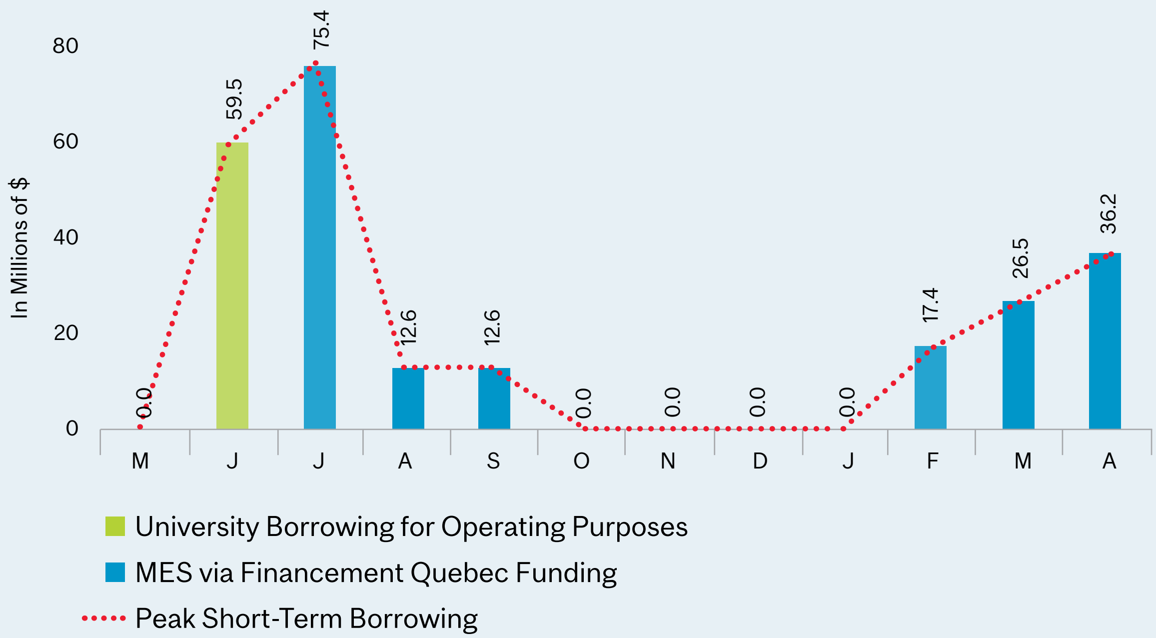
The Board of Governors has authorized a maximum of $400 million in bank borrowing from available credit facilities totaling $545 million (see Note 7 in the Audited Financial Statements). As at April 30, 2022, McGill had bank indebtedness of $36.2 million, as compared to $5.5 million one year earlier. The net cash position, excluding endowment investments of $12.5 million (2021: $6.7 million) held for operations, was $226.6 million (2020: $138.9 million).

As at April 30, 2022, the total capital borrowings owed from MES amounted to $178.5 million (2021: $160.9 million). These amounts include annual capital and deferred maintenance grants, as well as other specific capital grants and prior year financings which the University has temporarily refinanced on behalf of MES. The timing of the issuance of long-term debt to reimburse the temporary borrowings is dictated by MES.

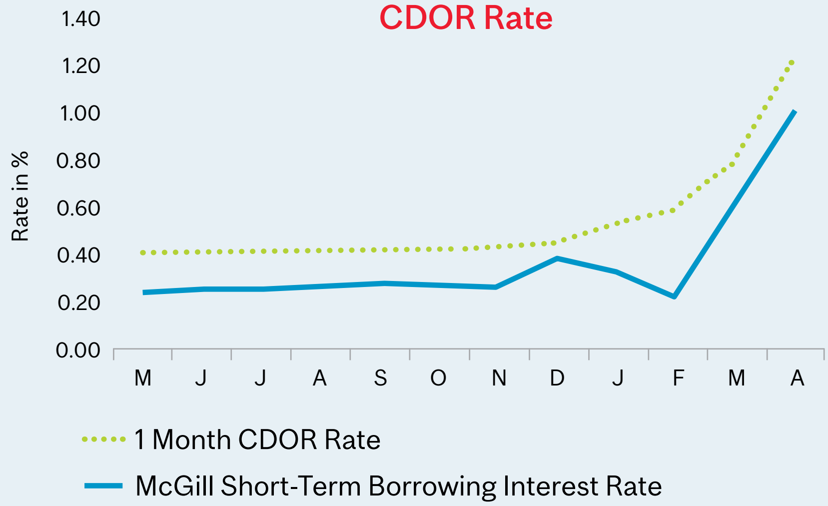
The line of credit bears interest at the prime rate or banker's acceptance rate. The prime rate averaged 2.53% for the year (2.45% in 2021). Through the use of bankers' acceptances and cross currency swaps, the average cost of borrowing for the year was 0.25% (0.33% as at April 30, 2021). The banker's acceptance rate in effect as at April 30, 2022, was 1.33% (0.41% as at April 30, 2021). There were no bankers' acceptances outstanding at year-end (nil in April 30, 2021).


Hilton
Garden Inn

Monthly Peak Short-Term Borrowing



McGill Short-Term Borrowing Interest Rate vs CDOR Rate



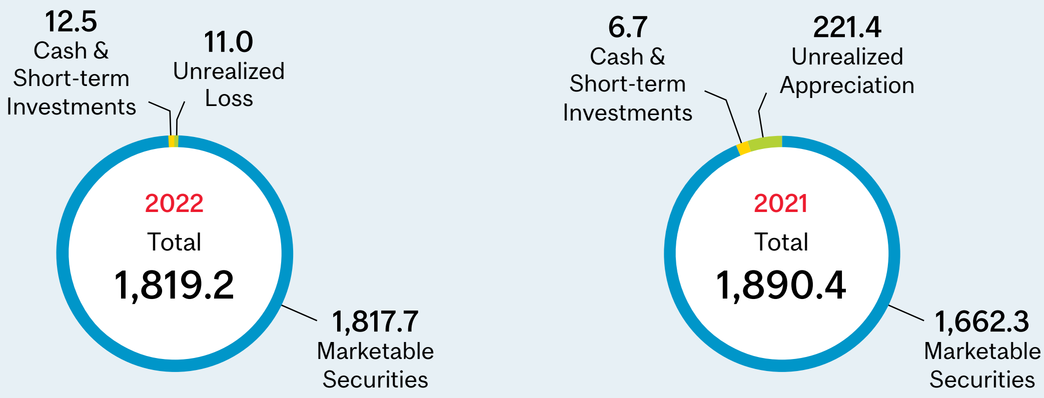
Source: McGill Office of Investments

Marketable securities at market value
(Financial Statements, Note 17)

Total marketable securities amount to $1,966.1 million (2021: $2,049.9million) and include $1,815.3 million (2021: $1,892.1 million) relating to endowment investments.

Of this total, $150.6 million (2021: $157.7 million) consists of $68.2 million relating to an investment purchased from proceeds of the 2002 McGill Bond issue of $150 million and $82.4 million relating to the 2016 McGill 40 year bond of $160 million and the 2020 McGill 30 year bond of $90 million. The investment from the proceeds of the 2002 bond issuance is expected to yield $85.7 million at maturity in 2029. The investment proceeds will be reinvested to align with the maturity of the bond issuance in 2042. The total endowment assets managed as part of the McGill Investment Pool amount to $1,819.2 million (2021: $1,890.4 million), including the $1,815.3 million in marketable securities mentioned above. The following chart outlines the significant assets included in the $1,819.2 million.

Market Value of Endowment Assets as April 30
($ millions)



Source: McGill Financial Services

Capital assets
(Financial Statements, Note 6)

Total net capital assets amount to $1.913 billion (2021: $1.789 billion) and include various asset categories.

Additions during the year amounted to $301.5 million (2021: $236.0 million) as undernoted:

	2022	2021
Buildings and renovations, including major projects at the following buildings: Stewart Biology, Leacock, Duff Medical, Centennial Centre, Bronfman and McIntyre Medical among others under $5.0 million each	127.3	125.4
Equipment and intangibles, including scientific, computing, furniture and office, audiovisual, specialized, mechanical equipment, as well as network communications	145.4	73.3
Library books	22.7	24.5
Land and Leasehold improvements	5.6	12.5
Other Assets (vehicles)	0.5	0.3
TOTAL	301.5	236.0

CAPITAL ASSETS

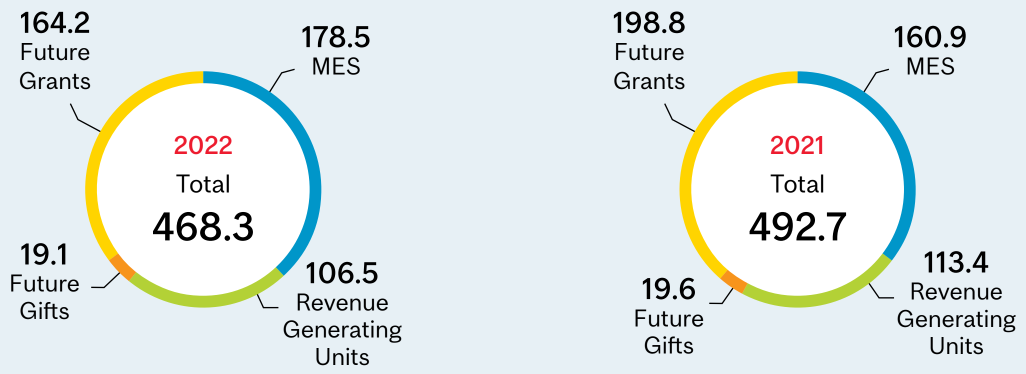
The majority of the funding for capital projects is from the Québec Government, the Federal Government, and the Canada Foundation for Innovation (CFI). Other expected sources of funding include future gifts and capital grants to be applied to existing building costs. These amounts are temporarily financed by short-term bank borrowings.

A total of $19.1 million (2021: $19.6 million), is expected from future commitments on buildings including the Montreal Neurological Institute (MNI), the Bronfman Building, Faculty of Law renovations and the Dietetics and Human Nutrition Lab.

In addition to the above, revenue-generating projects (such as residences, parking, etc.) are expected to generate annual capital and interest repayments for its share of the $150 million 2002 bond debenture issue. As at April 30, 2022, a total of $106.5 million (2021: $113.4 million) is expected to be recovered from revenue-generating units, including the three former hotel acquisitions since 2002 which are used as student residences.

The following chart depicts two years of outstanding sources of funding for capital asset spending, which when received, will reduce short-term borrowings.

Sources of funding for Capital Assets spending
($ millions)



Current liabilities

(Millions of dollars)

	2022	2021
Accounts Payable and accruals including amounts due to supplies, payroll accruals and deductions at source remittances.	**282.2**	258.2
Unearned revenues for tuition and fees for the summer session, deposits for student housing and deferred grants.	**44.9**	48.6
Current portion of long-term debt expected to be partially financed by MES in Fiscal 2022.	**78.2**	76.7
TOTAL	**$405.3**	$383.5

In 2001, McGill created a pay equity plan in accordance with the Pay Equity Act and posted the results of the exercise on November 21, 2001. The required pay equity adjustments were paid in five installments between 2001 and 2005.

In 2002, several McGill employees represented by MUNACA made complaints regarding the 2001 pay equity results with the Pay Equity Commission. Although the complaints were filed after the applicable time period, in 2004, the Pay Equity Commission notified the University of its decision to investigate the pay equity exercise as its own initiative. Subsequently, McGill and MUNACA entered into a conciliation process with the Pay Equity Commission in order to arrive at an agreement concerning the implementation of the pay equity exercise on November 21, 2001, specifically with respect to the method of analysis used at the time of implementation of pay equity. As a result of reaching an agreement, the required retroactive pay equity adjustments were paid between February 2014 and May 2016. The payments during this time period covered the adjustments required from the 2001 and 2005 pay equity audits as required by law.

The following pay equity audit was completed in December 2010 and the results were posted in accordance to the Pay Equity Act on March 31, 2016 and June 29, 2016. Complaints were filed by unions and employees. The University had produced the December 2015 pay equity audit and results were posted in accordance to the Pay Equity Act on December 21, 2016 and on March 24, 2017. Again complaints were filed by unions and employees.

The complaints filed on the 2010 and 2015 pay equity audits did not result in an agreement through the conciliation process with the Pay Equity Commission and the one of the participating unions, MUNACA. Consequently, the retroactive pay equity adjustments for four (4) MUNACA positions (PED 119, PED 156, PED 190 and PED 194) are suspended. In 2018, the CNESST initiated an investigation and rendered a decision on February 22, 2022. This decision has been appealed by multiple parties (the University, MUNACA/PSAC and an individual plaintiff) with the Tribunal administratif du travail. The first day of hearing is scheduled on August 2, 2022.

CURRENT LIABILITIES

The *Projet de loi 10* sanctioned in April 2019 amended the Pay Equity Act. The Act amends the date on which required adjustments from a pay equity audit become payable, making each adjustment payable as of the date of the event leading to the adjustment, and specifies the terms and conditions of payment of the adjustments. Pay equity adjustment payments bear interest as of 90 days from the posting of a pay equity audit. The Act requires certain employers who decide to conduct a pay equity audit alone to carry out a participation process. It also requires the employers to report to the bargaining units on the process when posting the result of the audit.

Given the significance of pay equity to the University, McGill is still assessing the impact of the amendments to the Act. Due to these recent changes and the pending CNESST investigation, McGill will request to postpone the 2020 pay equity audit until the CNESST investigation is completed. The results of the investigation are crucial to McGill'spay equity plan and must bee valuated prior to the next pay equity audit.

Deferred contributions (Financial Statements, Notes 9 and 10)

With the adoption of the GAAP deferral method, restricted contributions/revenues are deferred until the matching expense is incurred. In the case of restricted contributions received for non-capital expenses, the total deferred contribution as at April 30, 2022 amounted to $899.4 (2021: $824.0 million). These revenues will be recognized in the future when the associated non-capital expenditure is incurred and reflects an overall decrease in research revenue inflows during the year.

With respect to deferred capital contributions, the April 30, 2022 total was $1,177.7 million (2021: $1,105.4 million) and reflects increased funding for Capital Assets. These revenues will be recognized in the future as the underlying assets are amortized annually.

Long-term debt (Financial Statements, Note 11)

Total MES issued debt increased by a net $73.3 million (2021: net increase of $68.8 million) as a result of new Financement Québec Promissory Notes (Notes) issued by MES totaling $150.0 million (2021: $134.9 million). This was used to repay matured bonds and repayment of previously issued notes totaling $76.7 million (2021: $65.1 million).

Long-term liabilities – Employee future benefits (Financial Statements, Note 12)

These include pension obligations that have been confirmed by independent external actuaries of $43.0 million (2021: $0.00 million), and post-employment benefits of $ 84.7 million (2021: $83.9 million).

The increase in the pension obligation is largely related to the downturn in the markets on April 30, 2022.

The most recent actuarial valuation of the pension plans for funding purposes was at December 31, 2019 and the next required valuation must be no later than December 31, 2022

LONG-TERM
DEBT/LIABILITIES

Net Assets (Financial Statements, Note 13 and 14)

Net assets in a not-for-profit environment represents capital which is invested in assets and/or surpluses (deficits) pertaining to core missions. GAAP classifies net assets in various categories according to any restrictions imposed on future spending, including Invested in Capital Assets, Externally Restricted, Internally Restricted, and Unrestricted.

- The Invested in Capital Assets represents the accumulated amounts contributed to the University for the purpose of acquiring long-term capital assets.
- Externally and Internally Restricted balances are amounts available for future purposes and are affected by the nature of the restriction imposed by external or internal parties.
- Unrestricted Net Assets balances represent the total amount of accumulated surpluses (deficits), assuming all internally restricted balances are spent in the future.

(In millions of dollars)	2022	2021
Invested in Capital Assets	294.7	213.7
Externally Restricted	1,739.5	1,808.8
Internally Restricted	121.8	128.8
Unrestricted deficit	(344.5)	(304.0)
TOTAL	$1,811.5	$1,847.3

Of the total net assets above, the University's GAAP Unrestricted (Operating) Net Assets are undernoted ($millions)

	2022	2021
Unrestricted deficit	(344.5)	(304.0)
Internally Restricted Net Assets	62.4	65.4
Unrestricted Net Assets	**(282.1)**	**(238.6)**

The above unrestricted net assets have been affected by the following GAAP liabilities:

	2022	2020
Vacation Accrual	36.6	35.6
Pension Obligation	43.0	-
Post-employment benefits	84.7	83.9
	164.3	119.5

Once the GAAP liabilities are removed the "financed" accumulated deficit is $117.8M (2021: $119.1M).

NET ASSETS

OVERALL SOURCES OF REVENUES AND EXPENSES

In accordance with GAAP the presentation outlines revenues and expenses in the line item Excess (deficiency) of revenues over expenses, which do not include inter-fund transfer items. The latter are considered in arriving at the change in the Net Assets balance for each year. Contributions to capital assets and other transfers, including endowment income not available for spending, must be considered when evaluating the change in "operating accumulated deficit"

Total Combined Sources of Revenues
2022: $1.58 billion (2021: $1.47 billion)

	2022	2021
Government of Quebec to fulfill teaching mission	**420.7**	378.9
Tuition and fees, including domestic, Canadian, international students and self funded programs	**389.1**	382.3
Government of Canada research and infrastructure grants, including Tri-Agency and CFI	**259.2**	262.0
Research and infrastructure grants and contracts, recognized to the extent expenses are incurred, including MES, US government grants and other sources	**233.7**	187.7
Sales of goods and services generated by student housing and hospitality services, bookstore sales, faculty programs, community services (ex. School of continuing studies, Executive Institute, Dental clinic), student services, such as athletics and health services	**126.7**	82.6
Investment and interest income from endowment income distribution and contributions to operations as well as unrealized gains and losses on investments.	**83.0**	100.8
Gifts and bequests	**66.8**	69.4
	1,579.2	1,466.0

Total Combined Sources of Expenses
2022: $1.56 billion (2021: $1.45 billion)

	2022	2021
Academic salaries, teaching and research	394.0	380.0
Admin & support salaries, teaching and research	312.4	287.6
Student salaries and aid	202.8	186.1
Benefits	129.7	128.1
Non-salary expenses, including amortization, materials & supplies, interest, building occupancy, travel and others	516.6	465.5
	1,555.5	1,447.3

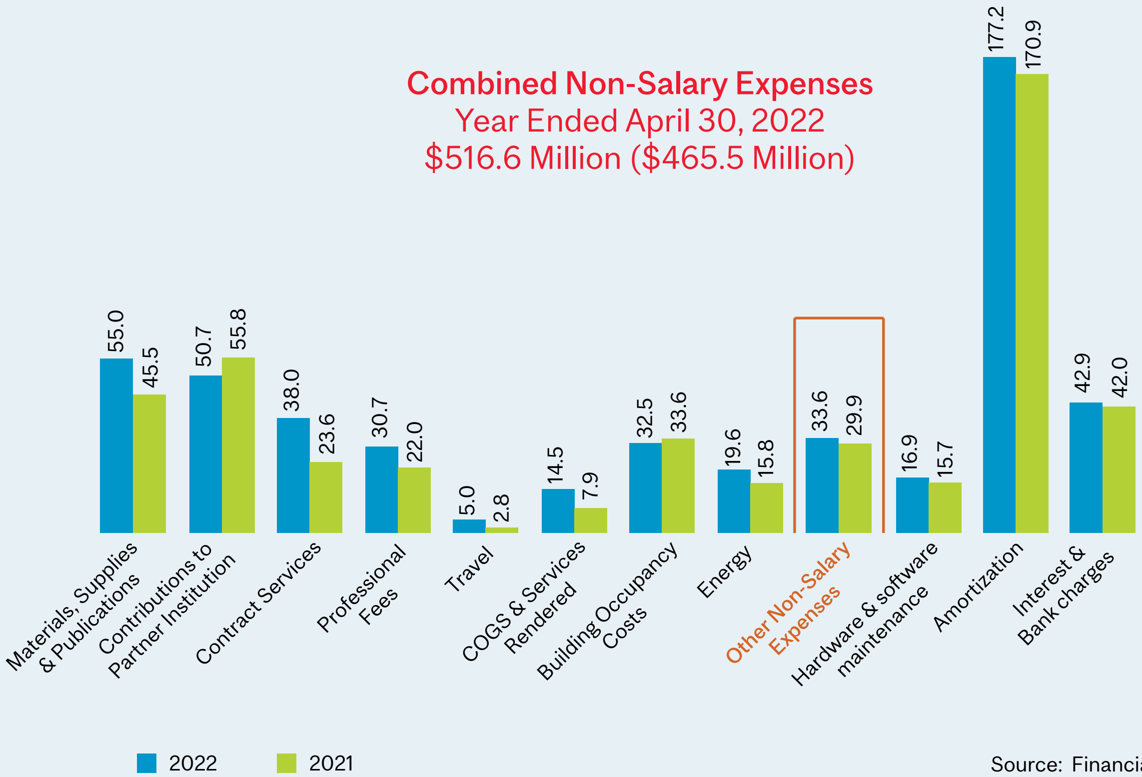
	2022	2021
Excess of revenues over expenses before interfund transfers	23.7	18.7

Total Compensation and student support amounted to $ 1,038.9 million (2021: $981.8 million). This represents 66.8% (2021: 67.8%) of total expenditures, excluding inter- fund transfers.

Fund by Fund Sources of Revenues and Expenses and Interfund Transfers

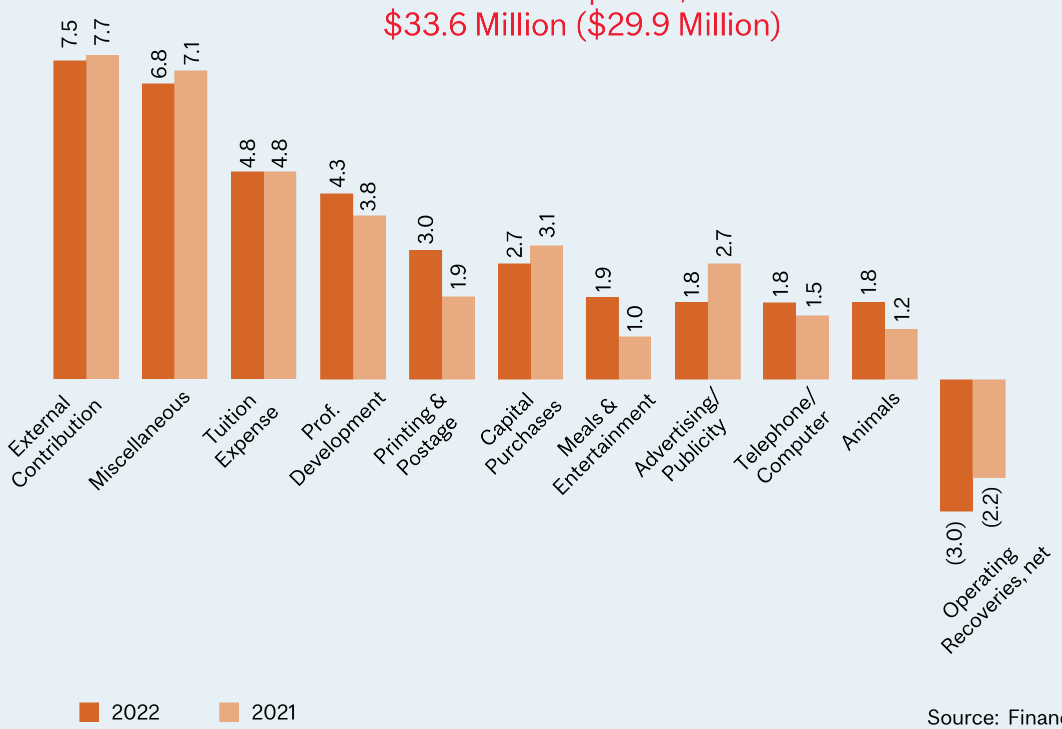
	Unrestricted (Operating) Fund	Restricted Fund	Plant Fund	Endowment Fund	Total
Total Revenues	978.2	482.1	118.9	-	1,579.2
Total Expenses	(868.7)	(466.1)	220.7	-	1,555.5
Excess (deficiency) of revenues over expenses before the undernoted	**109.5**	**16.0**	**(101.8)**	-	**23.7**
Interfund Transfers (out) in	(152.9)	(16.0)	182.7	(73.3)	**(59.5)**
Increase (Decrease in Net Assets)	**(43.4)**	**0.0**	**80.9**	**(73.3)**	**(35.8)**

Combined Non-Salary Expenses
Year Ended April 30, 2022
$516.6 Million ($465.5 Million)



Source: Financial Services

Combined "Other Non-Salary Expenses"
Year Ended April 30, 2022
$33.6 Million ($29.9 Million)



Source: Financial Services

SOURCES OF REVENUES

Total Grant revenue - all sources

Grant revenue used to support the teaching and research mission of the University totaled $887 million in 2022 (2021: $813 million), which represents 56% (2021: 55%) of total revenues.

Per GAAP, research revenue is recorded to the extent that research operating and amortization expenses are incurred. The following table outlines grant revenues from the various sources, whether operating (unrestricted), restricted, or capital in nature.

			2022		
Purpose	Quebec	Canada	US	Other Sources	Total
Operating	421	-	-	-	421
Capital	82	23	-	-	105
Indirect Costs (Operating)	-	32	-	-	32
Research (Restricted) Grants	36	181	11	46	274
Other Restricted Grants	28	22	-	5	55
Total:	**567**	**258**	**11**	**51**	**887**

			2021		
Purpose	Quebec	Canada	US	Other Sources	Total
Operating	381	-	-	-	381
Capital	76	24	-	-	99
Indirect Costs (Operating)	-	31	-	-	31
Research (Restricted) Grants	31	188	9	46	257
Other Restricted Grants	23	19	-	5	45
Total:	**510**	**262**	**9**	**51**	**813**

a) Operating grants

These include amounts received from MES to operate the University and are based on a valuation of the total student population reported during the year. Other annual operating grants include amounts for research support, and specific initiatives. As part of the calculation of the operating grant, MES reduces the grants for any recoveries or "supplements" charged (and collected) by the universities from Canadian and International students. Certain students are exempt from being charged supplements due to international treaty agreements or other regulations in force. The supplements "returned" to MES in fiscal 2022 total $36.4 million (2021: $36.8 million) and $23.8 million (2021: $23.0 million) for Canadian and International students, respectively.

In the meantime, universities can charge what they deem appropriate to students in the 6 disciplines, which are Management, Science, Engineering, Law, Mathematics, and Computer Science. Starting in fiscal 2019- 2020, all international students are deregulated, as well as 2nd cycle graduate non-thesis programs.

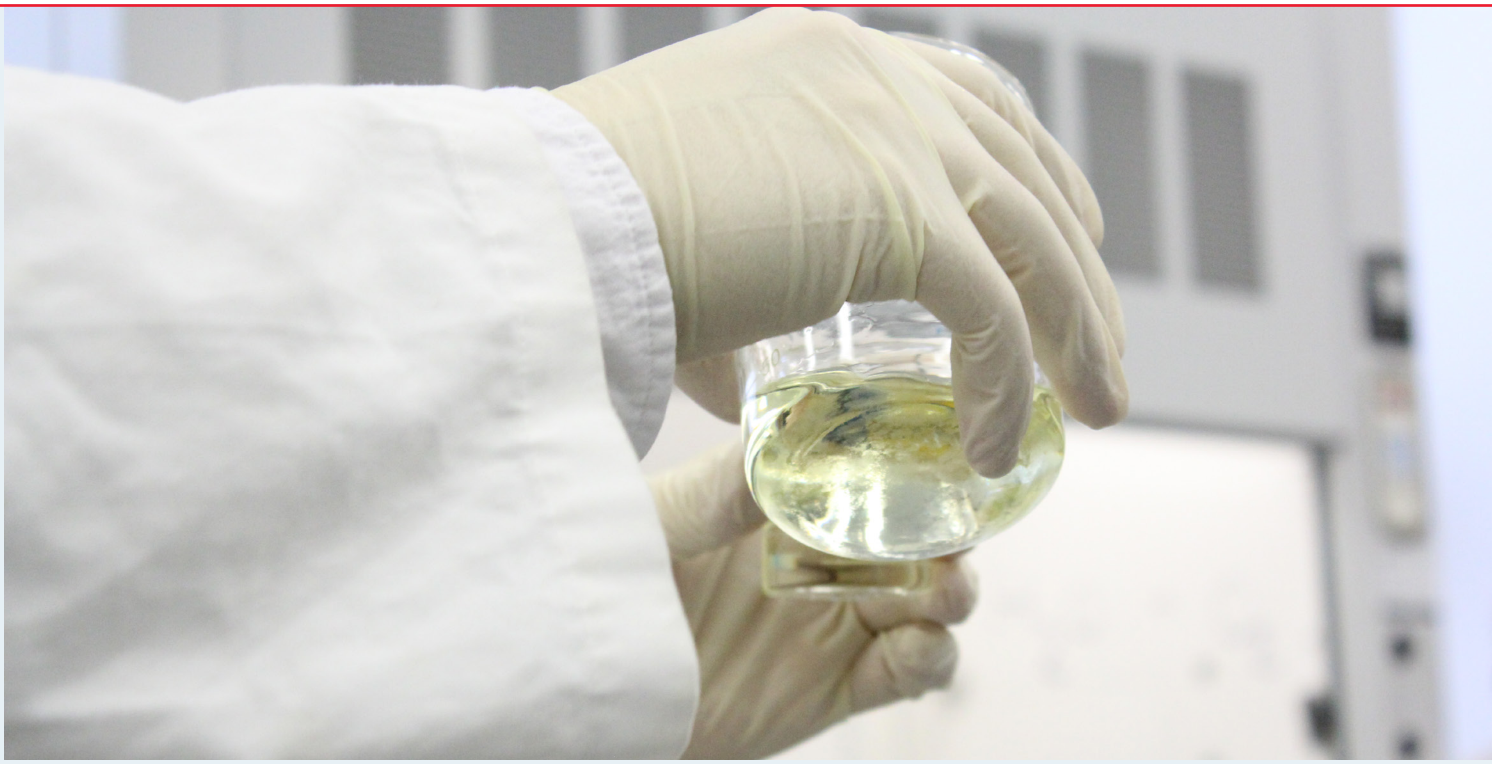
In addition to the above supplements, MES also "claws-back" $11.4 million (2021: $10.5 million) in student aid contributions, indirectly collected via tuition fees. These amounts are accumulated and distributed by the Province's financial aid system.

b) Capital grants

These consist of annual or specific grants received by the University. In fiscal 2022 McGill University was granted $131.4 million from capital and deferred maintenance grants, a decrease of $39.2 million over fiscal 2021, representing a gradual return to normalized allocations, following a catch up in Fiscal 2021.

GAAP requires the deferral of grants in order to match future capital/amortization expenses and includes the portion of prior year awards, and which are recognized in the year to match amortization expenses. Accordingly, the level of Capital grants recorded is in excess of amounts received in order to match the annual amortization expense.

GRANTS



c) Federal Research Support Fund (RSF)

(formerly known as the Indirect Costs Program)

The RSF was introduced in 2003 as part of the federal government's strategy to support Canadian institutions in research and development. The RSF has a 2021-22 budget of $369.4 million, including incremental project grants of $58.8 million, and supports 155 postsecondary institutions across the country. The RSF compensates universities for costs associated with their research enterprise. Grant amounts are based on the funding received by researchers from the Tri-Agency agencies - the Canadian Institutes of Health Research (CIHR), the Natural Sciences and Engineering Research Council (NSERC) and the Social Sciences and Humanities Research Council (SSHRC).

Over the past several years, McGill's share has remained stable between 7-8% and is expected to remain at this level over the next three years. In fiscal 2022, McGill's RSF grant was $32.0 million less the amount distributed to affiliated hospitals of $9.4 million. This amount represents 21.1% of the direct cost of research.

The net amount retained by McGill will vary depending on where the research activity is actually carried out in those years when the three-year average is calculated.

Federal Research Support Grant

	2022	2021
Federal Grant	32,019	31,085
Amount Remitted to Hospitals	(9,366)	(9,292)
Total:	**22,653**	**21,793**

Source: McGill Financial Services

d) Research grants and contracts

McGill is considered one of Canada's top research intensive universities. Annually, the University attracts research grants and contracts from various governments, foundations, corporations, and other sources. The overall research activity is generally summarized in two main streams: direct research grants and contracts and infrastructure grants.

The direct research grants and contracts are primarily characterized by annual grant awards from the federal tri-agency, provincial granting councils, or other grant sponsors from Canada or other countries. Since the early 2000s, both the provincial and federal levels of government have also created new pools of resources to fund research infrastructure: Canada via the Canada Foundation for Innovation (CFI), and Québec through various matching programs.

e) Other restricted grants

In order to support research activities, both the federal and provincial governments have awarded McGill students with scholarships and other support. Specifically, the federal government awarded approximately $18.7 million (2021: $19.1 million) while the provincial government awarded $3.1 million (2021: $2.5 million) for similar purposes. In addition, the provincial government funded other activities and programs, including $5.9 million (2021: $5.9 million) for teaching costs in the affiliated hospitals, and $17.6 million (2021: $28.4 million) for strategic mandates, bursaries for abroad, and other restricted activities.

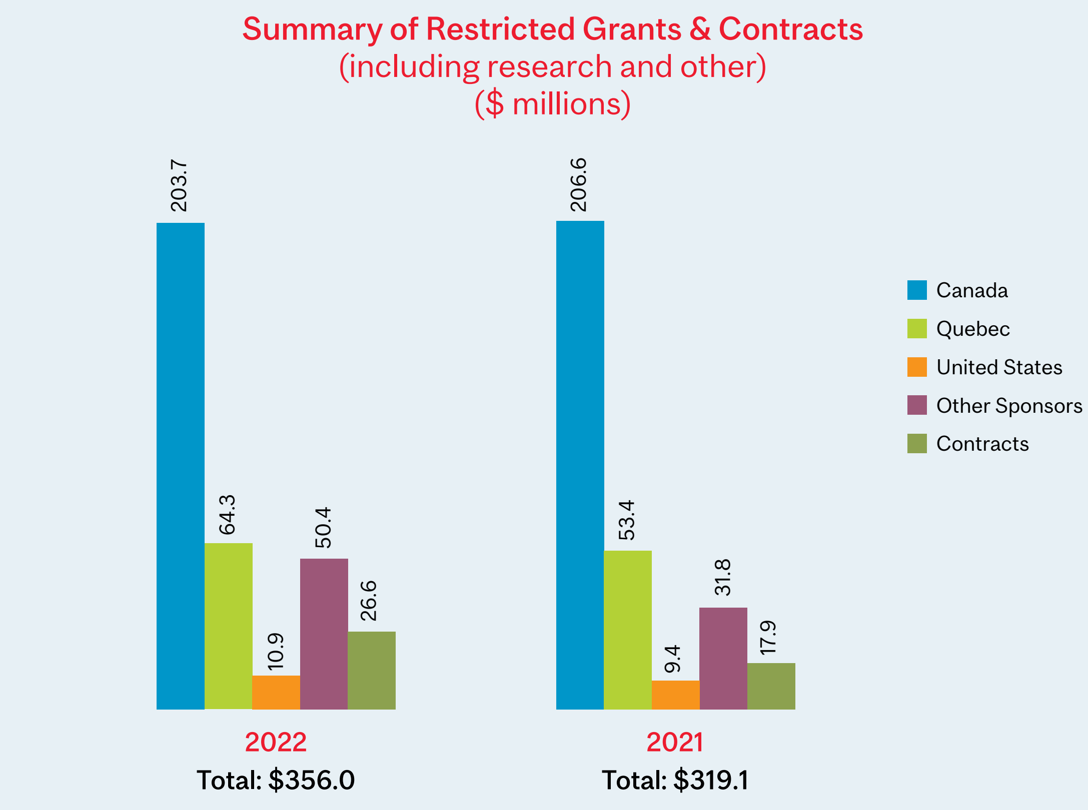
GRANTS

Research and Restricted Activities

Direct funded research totaled $228.2 million (2021: $218.9 million). A further $46.0 million (2021: $38.2 million) was generated in infrastructure grants and $25.3 million (2021: $17.9 million) in contracts.

The largest sponsors of restricted grants (including those relating to research above) continue to be the federal and provincial governments. Together, they account for $268.0 million (2021: $260.0 million) of the total in grants and contracts.

The following chart outlines the total restricted research grants and contracts generated for either research or other restricted purposes (e.g. aid) over the last three years:



Source: McGill Financial Services

As outlined earlier, research revenue recorded using the deferred method is recognized only to the extent expenses are incurred.In the year grants are awarded, these associated revenues are either spent or deferred as "deferred contributions". The following table highlights total research revenue awarded in both fiscal years:

AWARDED BASIS - Research Revenues ($ millions)	2022	2021
Federal Government:		
Tri Agencies/Council	**115.2**	129.3
CFI	**56.1**	23.8
Canada Research Chairs	**29.4**	31.5
CFREF	**16.9**	15.4
New Frontiers in Research Fund	**2.7**	3.3
Innovation, Science and Economic Development	**3.4**	1.5
Other	**14.1**	14.9
Public Health Agency	**(2.6)**	28.5
CRCEF	**(1.5)**	25.3
	233.7	273.5
Quebec Government:		
CFI	41.4	29.2
FRSQ/FRQNT/FQRSC	**24.5**	8.4
Other	**19.5**	12.1
	85.4	49.7
Canadian Foundations & Associations	**25.0**	38.9
Contracts	**28.3**	20.4
Other	**28.0**	30.9
	81.3	90.2
Total:	**400.4**	413.4

OTHER RESTRICTED FUNDS

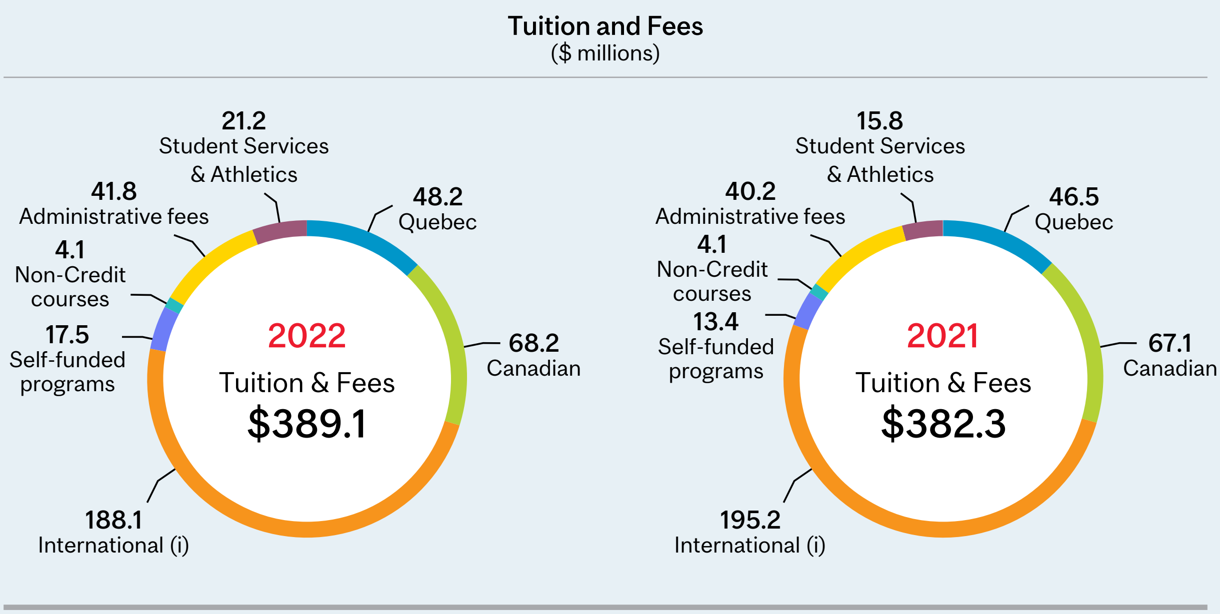
In addition to restricted grants and contracts recognized and included on the previous page, total research and other restricted funding is supplemented by other sources of revenues, including investment income of $68.5 million (2021: $59.4 million), restricted gift of $51.5 million (2021: $56.7 million), and other sources totaling $6.1 million (2021: $6.0 million). Total sources of revenues available for restricted and research purposes amounted to $482.1 million (2021: $441.1 million).

On a GAAP basis, overall restricted expenses amount to $466.1 million versus $423.5 million in the prior year, prior to inter-fund transfers relating to capital assets of $21.1 million (2021: $14.6 million). Under GAAP, capital assets are capitalized and amortized over the economic lives of the associated assets. As a result, the associated restricted grant revenue is deferred as Deferred capital contributions and recorded as income annually over the life of the asset in order to match the annual amortization expense.

Tuition and fees

The second largest source of revenue for the University is tuition and fees totaling $389.1 million (2021: $382.3 million), which accounts for 24.6% (2020: 26.2%) of total revenue.

Tuition is derived from both credit courses (i.e. students are funded by the province) and non-credit courses, which are considered to be self-financing and the University is free to charge what the market will bear. In addition to tuition, the University charges fees for various services and activities, and is included in the following chart.



(i) Including $165.8 million (2021: $174.7 million) of deregulated fees charged to undergraduate students.

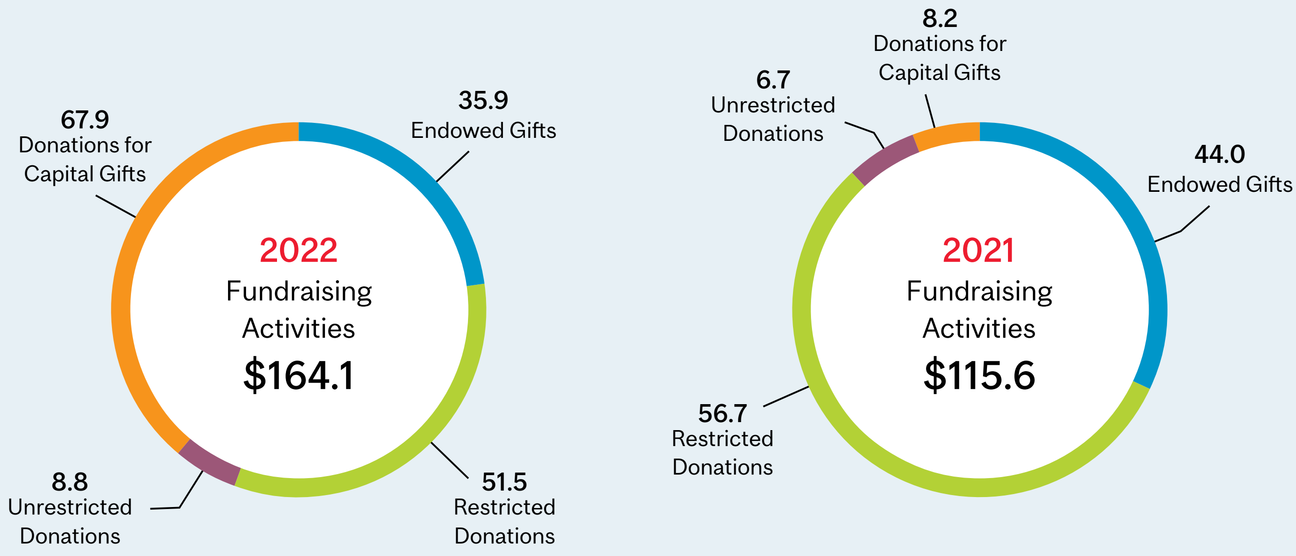
TUITION AND FEES

FUNDRAISING ACTIVITIES

During the fiscal year a total of $164.1 million (2021: $115.6 million) was received, including gifts in kind.

The following chart illustrates all gifts and bequests revenue including endowment gifts of $35.9 million (2021: $44.0 million) over the last two years:

Gifts and Bequests
($ millions)



Source: McGill Financial Services

Fundraising activities including philanthropic research amount to $206.6 million (2021: $153.8 million).

FUNDRAISING

ENDOWMENT GIFTS

All donations received for endowed purposes are invested by the Endowment Fund and include specific spending restrictions, as per the wishes of the donors. McGill's current policy is to distribute 4.0%, as approved by the Board of Governors, of investment earnings to the beneficiaries of the Endowments. In fiscal 2022, $69.2 million (2021: $69.7 million at 4%) was distributed, based on an MIP unit rate of $16.25 (prior year: $16.82).

Overall, the total change in the Endowment (net of Distributions and fees) resulted in a 3.9% decrease (2021: 19.6% increase) in the fund. Of the total, 1.9% (2021: 2.8%) was generated from new endowment gifts received in the year.

Also, as at April 30, 2022, the accumulated unspent investment income, held as part of Endowment Assets amounted to $503.0 million (2021: $390.9 million) and represents 7.3 times (2021: 5.6 times) the current annual distributions.

The table below outlines the overall growth in McGill's Endowment Net Assets.

($ millions)	2022		2021	
Opening Book Value	1,648.6		1,489.2	
Unrealized Gain in Market Value	221.4		73.9	
Opening Market Value	**1,870.0**		**1,563.1**	
New Gifts Received	35.9	1.9%	43.9	2.8%
Net Income Realized	179.2	9.6%	172.6	11.0%
Net Income Distributed (Net of capitalizations)	(54.7)	(2.9%)	(54.0)	(3.5%)
Transfer to Other Funds, excluding Trusts	(1.3)	(0.1%)	(3.1)	(0.2%)
Realized Increase in Assets	**159.1**	**8.5%**	**154.9**	**10.2%**
Unrealized (Loss) Gain in Market Value	**(232.4)**	**(12.4%)**	**147.5**	**9.4%**
Total (Decrease) Increase in Fund Value	(73.3)	**(3.9%)**	306.9	**19.6%**
Closing Book Value	1,807.7	100.6%	1,648.6	88.2%
Unrealized (Loss) Gain in Market Value	(11.0)	(0.6%)	221.4	11.8%
Closing Market Value	**1,796.7**		**1,870.0**	

Source: McGill Financial Services

ENDOWMENT

Deferred Maintenance – Campus Renewal

The current estimate of McGill's total deferred maintenance (DM) inventory is $1.39 billion[1]. The building condition assessment is a cyclical exercise and each asset (building or other physical infrastructure) is assessed once every five years. Fiscal 2023 will be the fourth year of the five-year cycle underway.

Deficiencies identified as part of these assessments are reviewed once a year to identify those that have been corrected through capital projects. Between the first condition assessment in 2013 and summer 2021, $189 million of deficiencies were addressed through capital projects (246 projects for a total investment of $431 million).

In FY22, civil infrastructure was added to the inventory of physical assets and deficiencies. Civil works include roadways, steps, and any exterior paved surfaces; underground piping such as potable water distribution, and rain and sanitary drainage; central power distribution; service tunnels; septic tanks; and manholes. Including civil infrastructure has added $59 million to the University's deferred maintenance inventory.

Campus renewal also includes projects that are not part of the assessment of the deferred maintenance deficit, such as lab, classroom or other space upgrades. As of the end of FY22, a total of 208 projects were in progress, in addition to 118 that were being assessed.

Funding

Applicable in Fiscal 2021-2022, McGill's annual allocation, as established through the *Plan quinquennal des investissements universitaires* (which includes but is not restricted to funding for deferred maintenance), was set at $131.4, down from $170.5 million the previous year, including an envelope of $1.8 million dedicated to the conservation of heritage buildings.

McGill must still contend with a high Facilities Condition Index[2] (FCI). McGill's FCI stands at 29.6%, up from 26.5% a year ago. The addition of civil infrastructure to McGill's deferred maintenance deficit has contributed to this increase, as the FCI for McGill's civil infrastructure stands at 79.5%, compared to 28.7% for buildings. The total replacement value of McGill's physical infrastructure is $3 billion (with the newly-added civil infrastructure and construction costs adjusted to reflect current market costs).

A more important contributor to the FCI increase is the fact that unaddressed deficiencies get worse and therefore costlier to correct, especially in the current market conditions where the costs of materials and labour have soared. As does the rest of the public sector, McGill continues to suffer from the shortage of contractors and consultants (engineers, architects), which has resulted in low participation in the University's call for tenders and a 15 to 20 per cent increased value in the bids submitted[3].

[1] We obtain this figure by adding a 40 per cent correction factor to our current deficiency cost of $884 million ($842 million for buildings plus $42 million for civil infrastructure) to reflect other known costs associated with project execution. An additional $150 million to cover DM issues identified by the evaluators but which require further studies remains an approximation and is added, for a total of $1.39 billion.

[2] The Facilities Condition Index (FCI) is the ratio of the value of deferred maintenance to building replacement value. An FCI over 10 per cent is considered "serious".

[3] As per the Société québécoise des infrastructures, the construction price index for the institutional market in Québec has increased 8.2% over the past year, adding to the 6.7% increase from the previous year.

Master Plan Implementation Updates

Spring 2022

Following approval of the Master Plan by the Board of Governors in May 2019, Campus Planning and Development has been actively pursuing several activities in support of its implementation:

Space Allocation Directive: McGill has adopted a directive that will ensure the effective, efficient and equitable allocation of University Space resources. This directive will allow space use to be aligned with strategic goals and best practices while also supporting reporting and compliance requirements. Best practices for post pandemic space planning and the upcoming recommendations from the New Models of Work pilot project will be integrated into any new guidelines and standards.

Revision of McGill's by-law 95-039: *A planification concertée* process has been initiated with the City of Montreal to update the urban planning framework for the University. Working with a diverse team of professionals, this comprehensive process will enable McGill to more effectively pursue the objectives and transformative initiatives identified in the Master Plan.

Indigenous Representation on Campus: In support of the calls to action identified in the Provost's Task Force on Indigenous Studies and Indigenous Education, Indigenous physical representation is being pursued through ongoing collaboration with the Indigenous Initiatives office and the broader Indigenous community at McGill.

Monitoring and Governance: The Architecture and Planning Advisory Panel and Facilities' internal Design Review Committee continue to meet to review selected projects to ensure their integration into McGill's heritage and architectural landscape. The created University Capital Priorities Working Group (UCPWG) is actively prioritizing large, planned projects to ensure their alignment with McGill's capital spending plan.

Real Estate Strategy: Implementation of the real estate strategy defined in the Master Plan is ongoing with the objective to dispose of 16,200 gsm of properties by 2033.

Specific Development Projects: In keeping with the Master Plan and approved recommendations of the UCPWG, specified several specific transformations and interventions are being implemented as capital projects. Key projects include:

- New Vic
- Fiat-Lux
- Collections Management Facility
- Macdonald Engineering Workshops and Macdonald Harrington Retrofit
- Research and Innovation Pavilion at Macdonald Campus
- McGill Space Institute
- Wilson Hall
- Leacock Transformation
- Centre of Excellence for Neurological Disorders

CAMPUS RENEWAL

Update on the New Vic Project – June 2022

Participation in OCPM consultations

In the fall of 2021, the *Office de consultation publique de Montréal* (OCPM) held a public consultation on proposed bylaws for the requalification of the former Royal Victoria Hospital (RVH) site that would greenlight the *Société québecoise des infrastructures* (SQI)'s Royal Victoria site master plan, as well as McGill's New Vic Project. Over the course of six sessions, more than 100 stakeholders, including civil society groups, private citizens, not-for-profit organizations, and industry groups took part in the consultations and submitted briefs. In May 2022, the OCPM published their final report recommending the approval of the two bylaws, with a special mention thanking McGill on an exemplary collaboration with stakeholders and organizers.

Confirmed Budget and Provincial Government Contribution

In March 2022, during the announcement of the 2022-2023 provincial budget documents, the Quebec government renewed its commitment to the New Vic Project by way of a $522.4M contribution in the *Plan Québécois des infrastructures 2022-2032*. This funding comes in addition to $4M attributed for a preliminary opportunity study, $37M attributed for the completion of an opportunity study (*Dossier d'opportunité*) in 2018, $20.4M for the completion of a business case (*Dossier d'affaires*), as well as $36.2M for preparatory construction work, for a total contribution of $620M.

Dossier d'affaires Approval and Preliminary Work

In compliance with the Quebec government's *Directive sur la gestion des projets majeurs d'infrastructure publique*, which outlines the governance measures for major public infrastructure projects, the development of a detailed *dossier d'affaires* was prepared for the New Vic Project and, following approval by the McGill's Board of Governors, was submitted to the *Conseil des ministres* in Spring 2022.

The project's functional and technical program was completed in 2021 and the design concept reached the 50% mark in June 2022, marking the end of the architectural design phase. Moreover, the decontamination of heritage buildings A, E, and L and pavilions M and S began in January 2022.

In order to engage and involve Indigenous representatives for Indigenous physical representation in the project's design, several exchanges with Indigenous education organizations, Mohawk alumni, and Elders occurred with over a dozen bilateral meetings.

Given that a significant number of citizens and civil society groups indicated their wish that the former Royal Victoria Hospital site remains public property, the Government of Quebec and McGill University agreed on going forward with an emphyteutic lease, a form of ownership that will allow the University to occupy the site long-term while keeping its property in the public domain.

Next steps

The provincial government's approval of the *dossier d'affaires* was received in the summer of 2022. This decision allows the University to confirm the beginning of the construction phase. A groundbreaking ceremony will be organized in collaboration with the New Vic partners to mark the start of this major infrastructure project.

As the New Vic Project enters its construction phase, the project team, in collaboration with the construction manager, will develop the project breakdown for the construction phase, confirm the schedule, validate costs, and continue the effective management of the project's risks and ongoing decontamination. Moreover, the New Vic team will ensure sound community relations with internal and external stakeholders using efficient communication, innovative space planning, and inclusive change management strategies throughout its implementation phase.

McGill will continue to work collaboratively with the Royal Victoria Hospital site's requalification partners to keep all stakeholders and constituents informed about this exciting project for McGill, Montreal, and all of Quebec.

Update on the Fiat Lux Project – June 2022

Overview

Since deposit of the 15% design development documents in December 2021 the project has focused its primary activities on the evaluation of the project scope and content through ongoing dialogue with various McGill and external stakeholders, value engineering/cost analysis exercises, and in-depth discussions with the primary project donor and their representatives. In April, McGill authorized Fiat Lux to proceed with the next development stage, preparation of the 30% design documents based upon a recalibrated project scope and budget of $253M. The 30% documents will be deposited in July for review by all stakeholders.

City and Ministerial Approvals

Working in step with McGill's *planification concertee* process with the City of Montreal, the Fiat Lux project has prepared the framework for a submission for city approval in the fall of 2022. Discussions with the city confirm the conformity of the project with all bylaws, including the proposed deconstruction of the existing Redpath Library. It is anticipated that Fiat Lux would be presented for initial review by the borough CCU no later than November. The project has also been submitted to the *Ministère de la Culture et des Communications* for initial review by the *Conseil du patrimoine culturel du Québec* no later than September. The Dossier d'affaires for Fiat Lux will be submitted for formal evaluation by the SQI at the end of 60% design development stage, this is anticipated to be ready in March 2023 and preparation of the dossier is underway.

Related Project Scope and Phasing

There are numerous activities which must be carried out prior to the Fiat Lux construction stage, anticipated for the spring of 2024. Foremost among these is the construction of the Remote Collection Storage Facility which broke ground in Valleyfield in March and will be substantially complete by the end of this year, to be followed by the installation and commissioning of the automated storage equipment. Ingestion of the Library collection is expected to commence before September 2023. To complete the Fiat Lux project in a single construction phase, all occupants, contents and activities of the McLennan-Redpath Library must be relocated, to that end, work with McGill's Campus Planning and Development Office and the Facilities Management and Ancillary Services has been moving forward to ensure all staff requirements and student services will be accommodated prior to the start of construction.

Next steps

Following McGill's review of the 30% design documents and approval to proceed with the 60% design stage, the City and Ministerial approvals mentioned above are critical to maintaining the project schedule. Also, identification and obtention of the project resources which will need to be in place in 2023 as the project begins its transition towards the realization stage, needs to be concluded in the fall of 2022.

FIAT LUX PROJECT

McGill Bond Rating

Moody's Investor Services reaffirmed an Aa2, Stable rating in January 2022. Moody's confirmed that the University continues to hold premier status in the Province of Québec and a dominant national and international market presence. The University's financial profile also benefits from generous donor support and an improved provincial funding environment for post-secondary institutions in Quebec. It also cites McGill's successful navigation of operating pressures stemming from COVID-19. It considers McGill to be one of Canada's most prominent and internationally renowned institutions and cites the following factors for the rating:

- Excellent brand and strategic positioning supported by international reputation.
- Substantial wealth with cash and investments surpassing $2 billion, with good future growth potential.
- Leverage supported by provincial debt service subsidies..

S&P Global Rating Service reaffirmed an AA- (stable) rating in February 2022 and a continued stable outlook. While the pandemic continues to present a risk to McGill's credit profile, McGill's excellent student demand and research profiles have remained extremely strong. The following opinions support the rating:

- Provincial support that is stable and consistent with the likelihood of extraordinary support from the Provincial government in the event of financial distress
- McGill's maintenance of robust financial resources, which help offset the high debt burden..

Outlook

With the COVID-19 crisis still not behind us, McGill has been actively planning for safely resuming on-campus activities again this fall.

As our society learns to live with COVID-19, our community's safety and well- being continues to be the utmost priority. Despite the great uncertainty of these times, the University's mission is unchanged. As the pandemic continues to evolve, the McGill community remains committed to supporting our faculty and staff, whether they're on campus or participating from a distance and to supporting and engaging our students in the same high caliber life and learning experience for which our University has become world-renowned.

McGill's planning processes are comprehensive and driven by academic priorities. These processes invite consideration of virtually every aspect of its operations, including finances, administrative services, physical resources, and University goals and activities with respect to philanthropy and government relations. It is a demanding, but crucial process, as we aim to build on our exceptional teaching and research strengths for the future. If we are to sustain and build on our academic strengths, impact, and reputation, consistent with our mission, we must be selective and strategic in our activities, investments, resource generation, and expenditures. The purpose of this process is to identify the academic priorities and objectives of every faculty and McGill as a whole, implement plans to achieve them, and measure our progress with discipline.

McGill's activities are guided by the Principal's Priorities, the Strategic Academic Plan, and the Strategic Research Plan. The Campus Master Plan provides direction with respect to our infrastructure and physical plant in support of the University's academic mission. Investments in those priorities necessary to maintain McGill's position as a leading, global research university, together with employee future benefits and pay equity legislation, have recently placed McGill in an operating deficit position. However, we have a plan to re-establish a balanced budget in the near term. Many public, North American research-intensive universities have faced this challenge in recent years in the context of limited public funding.

The University's multi-year planning model assumes that we will fund our plans through reallocations and newly generated revenue. Mechanisms have been built into the model to allow for the flexibility to introduce across-the-board and/or selective reductions in expense budgets, should they prove to be necessary. A further refinement of this model will incorporate other strategic directions and initiatives.

The financial impacts of COVID-19 may delay a return to a balanced budget in the latter years of the five-year budget plan. MES is still requesting balanced budgets from universities. The deregulation of international tuition effective fall 2019 will help alleviate the challenge of achieving a balanced budget over time. In the short term, revenue growth will be affected by McGill's commitment to maintain tuition levels for deregulated students who were already enrolled at the University when the new policy came into force. Finally, we are still under the obligation to ensure that future annual budgets address the GAAP accumulated deficit for purposes of reducing it over a reasonable timeframe.

Glossary

Accrual: The accrual method of accounting reports revenue when earned (rather than received), and expenses when incurred (rather than paid).

Accumulated Deficit: The total debt (i.e., the sum of the deficits from the unrestricted fund) incurred to support the accumulated spending that is in excess of revenue.

Amortization: Systematic and rational allocation of costs of assets over time when economic benefits of such assets are expected to arise over several accounting periods. Also, for those units required to repay internal loans, it represents the systematic repayment of the debt over the agreed period.

Bequest: A gift given to the university at the time of a person's death as set forth in the individual's last will and testament. Bequests can have a variety of forms including, but not limited to: cash, marketable securities, tangible fixed assets, and consumable commodities. Bequests are classified according to the absence or presence of donor stipulations as unrestricted, temporarily restricted, or permanently restricted.

Budget: An organizational plan stated in monetary terms; functions as a tool to measure revenue and expenditures against expectations.

Calculs Définitifs: Document released by the provincial government confirming the final operating grant of Quebec universities for the fiscal year ended. The document is typically released in the summer of fiscal year ended the prior April.

Capital Assets: Assets used in operations, either tangible (e.g., plant, property, equipment) or intangible (e.g., software) that have an initial useful life of more than one year. See also Plant Fund.

Capitalization: Term used in relation to the Endowment Fund when unspent distributed income is reinvested in the Endowment Fund.

CFI: Canadian Fondation for Innovation

CFREF: Canada First Research Excellence Fund

Conditional grant: 10% of the provincial grant, which can be withheld by the MES if a university runs an annual deficit, based on a predetermined formula (excluding year-end audit adjustments), without providing a plan to return to a balanced budget. This grant is accrued and typically paid subsequent to year-end.

Decapitalization: Term used in relation to the Endowment Fund when previously capitalized distributed income is credited back to the spendable fund.

Deferred Maintenance: The amount of renovation and upgrade required for the University's physical infrastructure. The repairs are serious and urgent in-nature as preventive maintenance was not performed in prior years. Examples include: upgrading ventilation systems, roof replacements, and building facade replacements.

Deficit: Also known as overdraft; the amount by which a fund's expenses and transfers out exceed revenue and transfers in.

Deregulated: Refers to tuition fees that are set by the University rather than by government regulation.

Donation: An act of presenting something as gift, bequest, or contribution, especially to a public institution or charity.

Endowment Fund: Consists of all gifts, donations, and bequests, including those for Chairs, financial aid, and other specific purposes, held in perpetuity and invested to earn a reasonable rate of return over time, while attempting to protect the purchasing power of the original gift. The earned income is distributed according to the University policy in effect, and is spent as specifically designated by the donor.

Forfaitaires: (also called tuition supplements) the additional tuition, above the Québec student tuition, charged to out-of-province Canadians and International students. These amounts are determined by MES annually and the universities remit them back to the Province in exchange for having the students funded through the grant at the level for in-province students.

FRQNT: Fonds de Recherche du Québec - Nature et Technologie

FQRS: Fonds de la recherche en santé Québec

FRQSC: Fonds de Recherche du Québec - Societe et Culture

Fund Balance: The difference between assets and liabilities in a fund; also defined as the cumulative results of a fund.

Gift: A resource provided by a donor who enters into the transaction voluntarily and receives nothing other than a token of appreciation in exchange for the resource he/she is providing. Contributions can have a variety of forms including, but not limited to: cash, marketable securities, tangible fixed assets, and consumable commodities. Gifts are classified according to the absence or presence of donor stipulations as unrestricted, temporarily restricted, or permanently restricted. See also Bequest, Contribution, and Donation.

Grant: A monetary award, allowance or subsidy. Indirect costs of research: Institutional costs incurred by the University to support research projects, including items such as infrastructure costs, utilities, computer infrastructure, and administrative support for commercialization of research.

Investment: Refers to an exchange of cash for a less liquid asset that is expected to increase in value beyond the initial purchase price. Investment vehicles include corporate stocks and bonds, government bonds and real estate.

MES: Ministère de l'enseignement supérieur du Quebec.

Plant Fund: Capital projects and assets; including those funds from Québec capital grants, donations, and other sources.

Operating grant: The grant received from the MES in support of the primary mission teaching and research. The preliminary amount is presented in the *Règles budgétaires* and confirmed in the *Calculs définitifs*. Also known as the 'subvention de fonctionnement' in French.

Règles budgétaires: Document released by the provincial government describing the preliminary operating grant of Québec universities for the upcoming fiscal year. The document is usually released during the summer of the fiscal year to which it applies.

Restricted Fund: Any fund with stipulations imposed by a sponsor or donor external to the University. A particular project or activity is specified in writing by the donor. These funds also refer to research-related funds from Canadian, Québec and international sources.

Revenue: Income generated by the supply of goods or services by the University unit to an external customer. Some examples are: tuition and fees, sales of goods and services to external entities, and earnings on investments.

Self-funded Programs: Programs for which universities in Québec are allowed by the provincial government to set the fees but for which no grant is received. This represents a small number of students enrolled in specialized Masters-level programs in Management as well as non-Québec students studying in distance programs outside Québec.

Surplus: the amount by which a fund's revenue and transfers in exceed expenses and transfers out.

Tenure-stream: A term that refers to either tenured or tenure-track academic staff.

Tenured: permanent academic appointment granted to Associate and Full Professors who have demonstrated excellence in teaching and research.

McGill