2022/2023

Financial Report

To the Board of Governors

McGill

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.

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McGILL UNIVERSITY: RESOLUTION NO. GD231005-14.1.1

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 5, 2023:

> *On a motion duly proposed and seconded, the Board of Governors, on the recommendation of the Audit and Risk Committee, approved the 2022-2023 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, 2023.*

Signed this 10th day of October 2023.

Edyta Rogowska
Secretary-General

Financial Report
to the Board of Governors

Principal's Message

An extract of Principal Saini's First Message to the McGill Community

"Over the years, I have been fortunate to enjoy a career in higher education that has taken me across continents. In these diverse contexts, I have seen how broadly McGill's legacy of excellence resonates. Built over two centuries and counting, it is a reputation that is owed particularly to the incredible people – the students, professors, staff, alumni, and volunteers – who comprise this community."

"As I prepared over the last few months to assume my new responsibilities, I have enjoyed learning more about the University's numerous contributions over time. In doing so, one question that I have been mulling over is: How do we expand on this stellar record of accomplishment to create a third century that surpasses the last two?"

"Fortunately, there are many strengths upon which we can already build. These include, for example, McGill's location and role in the Montréal and Québec communities, our extensive international presence and partnerships, our relentless pursuit of excellence that goes hand in hand with a steadfast commitment to equity, diversity, and inclusion, and our exceptional ability combined with an unshakable motivation to address the complex challenges facing our world."

"Our ability to deliver effectively on the promise we hold for this complex world will depend on our ability to work together as a cohesive McGill that is purposefully aligned with our mission. Over the next few months, I will have the opportunity to meet with many of you. I am eager to learn from you and to hear your thoughts on how, together, we will make McGill's third century our most impactful yet."

April 3, 2023

Links to supplement information providing additional in-depth discussion of University information include :

- **Principal's Initiatives**
- **Sustainability Progress and Reports**
- **University Quick *facts***
- **Socially Responsible Investing**
- **Budget Book**
- **Pension Plan Annual Report**
- **Campus Master Plan**

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 2023 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.

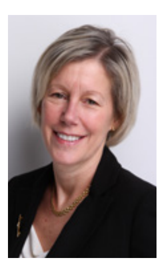
The BOG oversees management's responsibility for the financial reporting through the Audit and Risk Committee. The Audit and Risk Committee, comprised of four individuals who are neither management nor employees of the University, and two ex-officio members, reviews the financial report and recommends it for approval to the BOG. The Audit and Risk Committee meets three times a year and 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 and Risk 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,

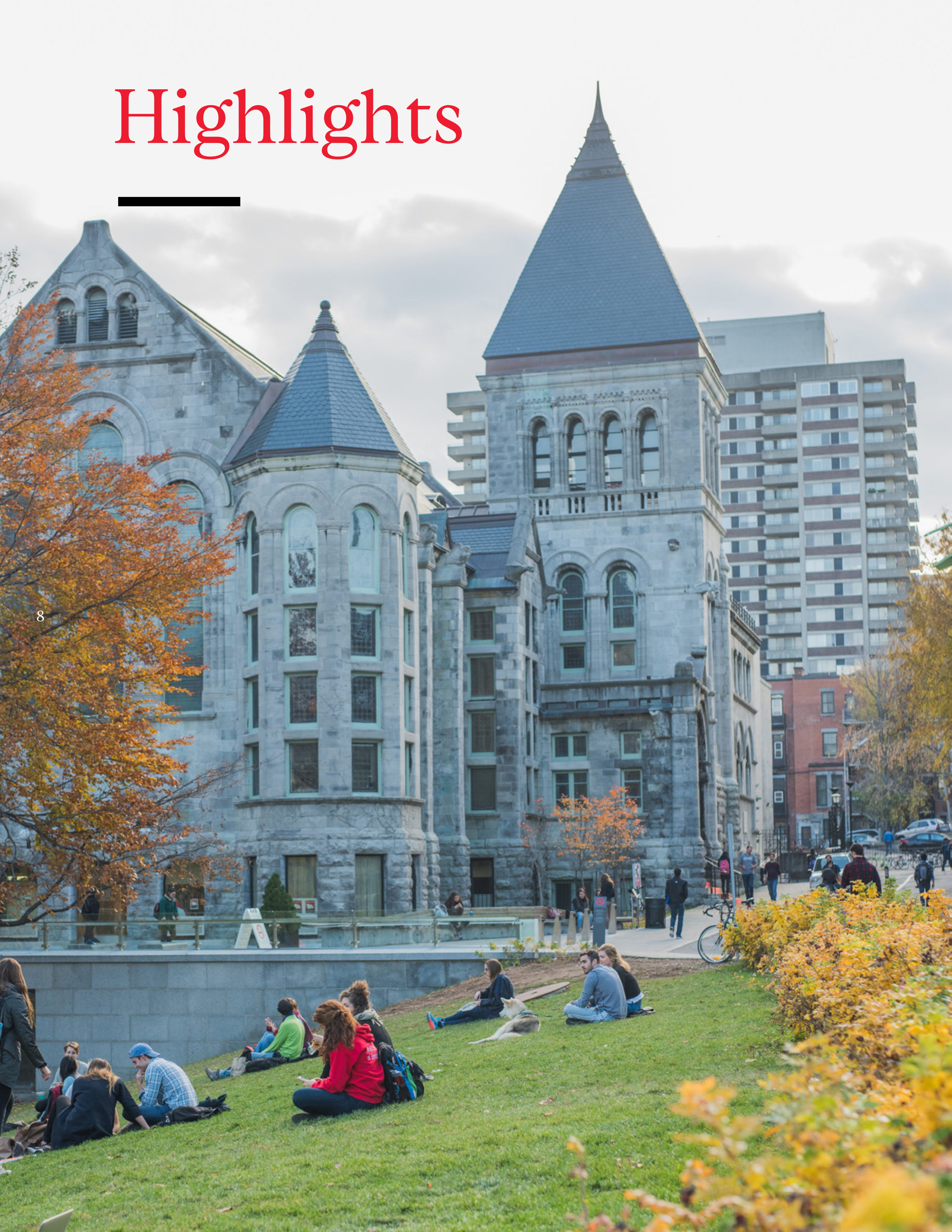
YVES BEAUCHAMP, C.M., C.Q., FCAE, Eng., Ph.D.
Vice-Principal, Administration and Finance

* In office until July 21, 2023. Interim Vice-Principal Diana Dutton took office thereafter.



CRISTIANE TINMOUTH, CPA
Associate Vice-Principal, Financial Services

Highlights



2023

Operating loss of

$28.4 M

for the year on a GAAP basis versus net operating loss of $43.4 M in Fiscal 2022.

$65.7 M

Is the pension deficit as at April 30, 2023, in comparison to $43.0 million as at April 30, 2022, as a result of a temporary unfavorable market condition at that point in time.

Aa2
AA-

Moody's and S&P Global Ratings maintained, respectively on both the Series A ($150 million) Series B ($160 million) and Series C ($90 million) issuances.

Highlights

4%

DISTRIBUTION RATE

The total income distribution on endowment funds amounted to $72.4 million on interest and dividend income of $22.5 million, resulting in an over distribution of $49.9 million. This was more than offset by Unrealized gains of $110.3 million (2022 - unrealized losses of $232.4 million).

Ministère de l’enseignement supérieur du Québec (MES) Calculs Définitifs, which confirms our final provincial funding for Fiscal 2023, were received on July 6, 2023. Our recurring envelopes amounted to $408.8 million.

$104.9 M

Amount granted for infrastructure and IT spend by MES for Fiscal 2023. (Fiscal 2022 – $131.4 M granted)

A decrease of $26.5 million over Fiscal 2022. Capital expenditures allocated to the Series B debentures of $160 million and the Series C debentures of $90 million were $12.9 million for IT projects and $7.2 million for deferred maintenance for the fiscal year ended April 30, 2023. The total spend to date for IT projects is $108.4 million and for deferred maintenance projects is $116.3 million.

2023

$26.5 M

Long-term debt
financing through
Financement Quebec
to June 30, 2023 as
confirmed by MES.
(Fiscal 2022 - $118.7 M)

The entire allocation was received by November 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 $988.2 million to May 31, 2023 via short term lines of credit. As at April 30, 2023, $248.6 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.

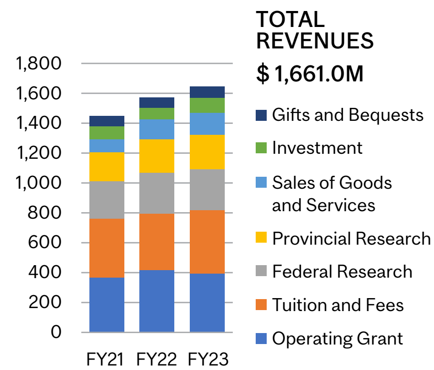
The Campus Master Plan

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.

Key Financial Indicators

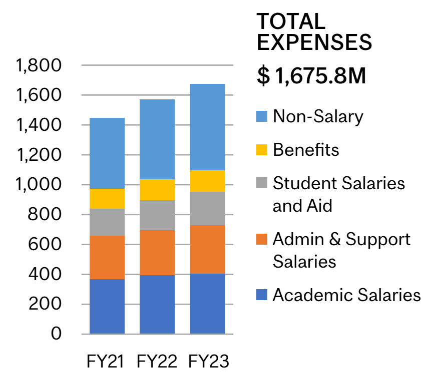
TOTAL REVENUES

- Revenues increased by $81.8M or 5.2% in large part to investment income increase of $20.3M (24.5%)
- Federal research grants increased by $22.2M (8.6%)
- Return to campus increased Sales of Goods and Services by $17.7M (14.0%)
- Gifts and Bequests increased $8.9M (13.3%)
- Provincial operating grant increased by $11.1M (2.6%)
- Tuition and Fees as well as Provincial research grants remained stable over FY22



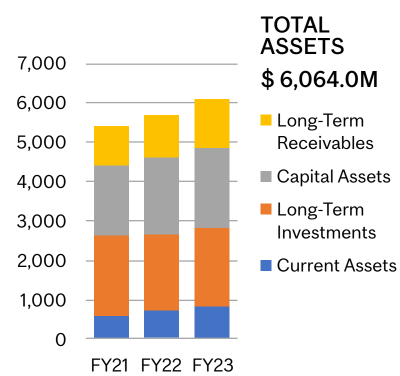
TOTAL EXPENSES

- Expenses increased by $120.3M (7.7%)
- Academic salaries increased by $14.0M (3.6%) largely attributed to salary policy
- Admin & support salaries increased $24M (7.7%) due to negotiated pay increase and the annual compensation review
- Benefits increased commensurate with salaries
- Student salaries and aid increased $12.5M (7.9%)
- Non-salary increased $55M (10.7%) largely due to increased travel and building occupancy costs as activities resumed to pre-pandemic levels



TOTAL ASSETS

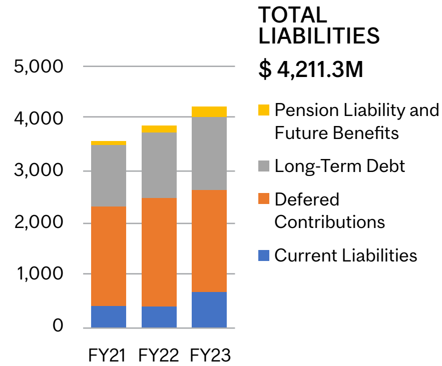
- Total assets increased $365.3M (6.4%)
- Net capital assets increased $126.1M (6.6%)
- Long-term receivables increased $96.8M (8.9%) on account of research and capital grants
- Long-term investments, at market value, increased $47.5M (2.5%)
- Current assets increased $92.M (12.6%) largely attributed to excess cash invested in short-term investments



Key Financial Indicators

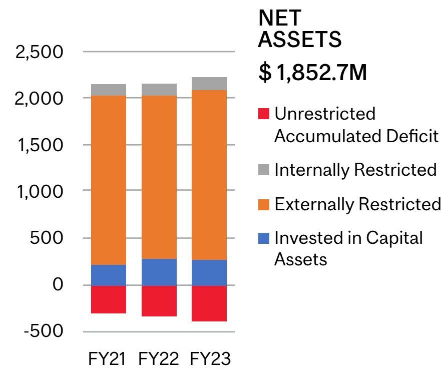
TOTAL LIABILITIES

- Total liabilities increased $36.3M (9.4%)
- Net deferred contributions increased by $124.1% (6.0%) due to increased capital contributions
- Current liabilities increased $255.6M (63.1%) largely due to increased short-term borrowings from Financement Quebec (FQ) related to capital projects
- Long-term debt decreased $48.2M (3.9%) due to the new financing regime with FQ
- Pension and future benefit obligations increased by $28.8M (22.6%) due to year end remeasurements at current interest rates.



NET ASSETS

- Net assets increased $41.2M (2.3%)
- Internally and externally restricted fund balances increased
- Unrestricted accumulated deficit increased due to pension and post employment remeasurements and increased post-pandemic expenses exceeding revenues



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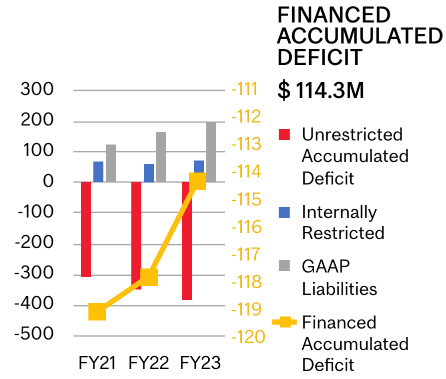
FINANCED ACCUMULATED DEFICIT (FAD)

- The FAD represents the accumulated deficit net of internally restricted fund balances and GAAP liabilities for vacation, pension and post-employment obligations
- The Unrestricted accumulated deficit has increased to $385M (12.0% increase)
- The FAD has decreased to $114.9M (2.5%) as GAAP liabilities and internally restricted fund balances have increased



Operational Highlights

Overall Performance

McGill continues to positively distinguish itself from peer institutions, as indicated by the following performance highlights from FY 2022-2023:

Rankings

- **QS World University Rankings:** McGill is Canada's top university, and placed #31 in the world, down from #27 last year.

- **Maclean's magazine:** McGill was named the #1 medical-doctoral university in Canada for the 18^{th} consecutive year.

- **Times Higher Education World University Rankings:** McGill placed#46, down from #44 last year.

- **Times Higher Education World Reputation Rankings:** McGill placed #50, down from #41 last year.

- **Academic Rankings of World Universities ("Shanghai Rankings"):** McGill placed #73, down from #67 last year.

- **QS World University Rankings by Subject:** Forty-four subjects taught at McGill rate in the top 100 worldwide, with 28 ranked in global top 50.
    - The University has three subjects ranked in the global Top 10, *one more than last year*. McGill's top performer is Engineering – Mineral & Mining, coming in at sixth for the second-straight year. It marks the seventh consecutive year Mineral & Mining ranks in the global Top 10. Anatomy & Physiology rates seventh best in the world, jumping from 15th in 2022. McGill's other Top 10 subject is Library & Information Management, holding steady at eighth spot for the second straight year. Rankings are based on a detailed comparative analysis of 15,700 individual university programs taken by students at 1,594 universities in 93 countries and territories.

- **Center for World University Rankings (CWUR) annual World University Rankings:** In the CWUR's annual Global 2000 Rankings, McGill came in at 26th, moving up from 27^{th} last year. The ranking puts McGill in the top 0.2 per cent in the world. To compile its Global 2000 list, the CWUR rates 20,531 institutions from 95 countries.

SOURCE: OFFICE OF COMMUNICATIONS AND EXTERNAL RELATIONS

Embedding sustainability in McGill governance and administration

In 2014, McGill launched its first sustainability strategy, which included a bold commitment to embed sustainability in its governance and administration. Since that date, McGill has made great strides towards this goal—implementing several key initiatives that have undoubtedly strengthened the institutional culture of sustainability at the University.

One of the first actions taken was to embed sustainability considerations into all decisions made by McGill's governing bodies. By incorporating a sustainability section in the memoranda accompanying files and reports, sustainability was acknowledged and prioritized in the various dossiers being reviewed. Soon after, the University started publishing an annual sustainability report—which is also shared with the Board of Governors—to ensure the University leadership is informed about the institution's sustainability achievements and progress.

Four sustainability key performance indicators (KPIs) were also added to the set of KPIs that the Board of Governors reviews annually to measure institutional success. These four KPIs track the University's greenhouse gas emissions, its sustainability rating, its waste diversion rate, and the implementation of its sustainability strategy. Their inclusion, alongside core activities such as enrolment, research, and employee satisfaction, demonstrates that advancements in sustainability are considered strategic priorities for McGill. This momentum culminated when a Board Committee on Sustainability was convened in 2020 to help the University establish and achieve institutional sustainability priorities, and to monitor progress.

As the University keeps working towards decarbonizing its energy systems, increasing biodiversity, and minimizing waste, among other sustainability initiatives, these measures to embed sustainability in McGill's governance and administration ensure that sustainability considerations are tackled at the highest level of our institution.

Sustainability Facts

(May 1, 2022 - April 30, 2023)

More than **15,000** kilograms of produce grown at the Macdonald Campus Farm was served at dining halls on the Downtown campus in 2022 as part of the McGill Feeding McGill program.

The Sustainability Projects Fund (SPF), the largest fund of its kind in Canada, financed its 300th project in August 2022. Since its creation, the SPF has allocated more than **$10.8 million** in seed-funding to support student- and staff-led initiatives on campus.

More than **44,500 trees** have been planted as part of the Bayano-McGill Reforestation Project, a partnership with Indigenous communities in eastern Panama. Since 2020, this project has offset more than 1,000 tonnes of CO_2e emissions, contributing to McGill's progress toward carbon neutrality.

Sustainability Facts

(May 1, 2022 - April 30, 2023)

More than 2,100 McGill community members participated in sustainability-related workshops, trainings or presentations hosted by the Office of Sustainability in 2022, and more than 5,200 volunteers have been mobilized to assist with sustainability projects on campus.

One in five vehicles used on the Downtown campus by Facilities Management and Ancillary Services are electric, and as of Fall 2020, there were **21 charging stations** across McGill campuses, including 16 in the recently renovated McIntyre Medical Building parking garage.

McGill launched an online **sustainability module** available to all students who want to learn about ways they can incorporate sustainability into their time at McGill. This flagship action of the University's sustainability strategy is part of a commitment to provide more sustainability education opportunities.

The expansion of McGill's compost collection efforts allowed the Downtown campus to divert **28,586 kilograms** of organic waste (roughly the weight of five elephants) in the first seven months of 2022 alone.

Infrastructure

In 2022-2023, work was completed on 15 projects, including 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.

There are currently 59 projects in construction. Work on the following projects is scheduled to be completed by the end of FY 2024:

- **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.
- Construction of a **new greenhouse** at Macdonald Campus.
- **Burnside Hall**: extensive renovation of the basement classrooms and washrooms.

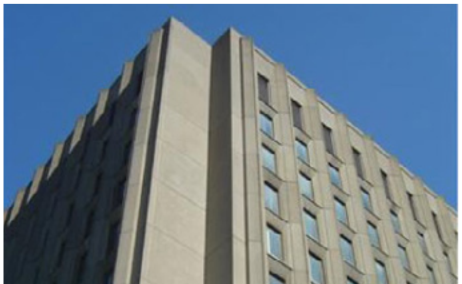
Work continued or began on several projects, including:

- **Sylvan Adams Sports Science Institute**: redevelopment of four row houses on Pine Ave. to welcome new sports research institute.
- Restoration of façades at **New Residence Hall**, to be completed over three summers.
- **Strathcona Music**: rehabilitation of the building envelope is underway and will continue into 2026, 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.
- **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.

There are currently more than 50 projects scheduled to go to construction in the coming year, including the following major projects:

- 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 2024.
- **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.
- Replacement of the curtain wall at **680 Sherbrooke**.
- Replacement of the electrical distribution infrastructure at **Burnside Hall**.
- Upgrade of electrical and mechanical systems at the **McConnell Arena**.

SOURCE: FACILITIES MANAGEMENT AND ANCILLARY SERVICES



Operations

McGill has been named to the **Montreal's Top Employers** list for the 15th consecutive year. The University earned recognition for a wide range of its employee benefits. Topping the list are flexible work arrangements and generous vacation plans offered to employees - with a starting vacation allowance of three weeks and reduced summer hours. McGill was also cited for its family-friendly benefits, including maternity leave top-up payments for new mothers. New parents have the flexibility to extend their parental leave to an unpaid leave of absence and may take advantage of onsite daycare at McGill's downtown campus when returning to work. McGill was also recognized for its commitment to equity, diversity, and inclusion, notably its dedication to increasing the representation and career opportunities for Black staff as part of its Action Plan to Address Anti-Black Racism.

McGill's **Interim Flexible Work Arrangements (IFWA)** program passed the one-year mark on June 1, 2023. With over 2,000 administrative and support staff participating and benefitting from increased flexibility in their work schedules, this program has been an important source of learning about evolving employee and employer needs across the University. The program has been extended to allow administrative and support staff to continue with their current IFWA arrangements while McGill actively engages in determining the next steps.

Shaping the Future of Healthy Hybrid @ McGill is a university-wide initiative currently underway to help McGill shape the guiding principles and frameworks that will inform the next phase of flexible work arrangements for administrative and support staff. The University has made important progress in gathering data and learning from the IFWA program, as well as from other important initiatives including the New Models of Work pilot project, surveys, and benchmarking with other institutions. Beginning in January of this year, focus groups with multiple stakeholders from across the community are providing feedback based on their experiences with hybrid work, and helping to identify and address important questions that emerge in our highly diverse work environment.

Source: Human Resources

Operational Highlights

39,513
STUDENTS
Fall 2022 enrollment figures 0.63% increase over Fall 2021

1,704
TENURE TRACK ACADEMICS

4,374
ADMIN & SUPPORT STAFF

SOURCE: ENROLMENT SERVICES AND ANALYSIS, PLANNING & BUDGET OFFICE

Over

39,500

Students

Students

Total student enrolment at McGill in Fall 2022 surpassed the 39,500 mark between its downtown and Macdonald campuses. The majority of the students (81%) are enrolled in full-time undergraduate and graduate programs, as highlighted in the chart below.

Part-time undergraduate and graduate students represent 13%, 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 increased by 0.63% year-over-year (prior year decrease of 1.18%), as highlighted below:

Student Enrolment (Fall)

	2022	2021	2020	2019
	39,513	39,267	39,736	39,664
	0.63%	-1.18%	0.18%	-0.71%
FULL-TIME UNDERGRADUATE	23,140	23,520	24,041	23,931
PART-TIME UNDERGRADUATE	3,945	3,245	3,443	3,547
FULL-TIME GRADUATE	9,048	9,114	8,254	8,301
PART-TIME GRADUATE	1,296	1,297	2,011	1,900
POSTDOCS, RESIDENTS, FELLOWS	2,084	2,091	1,987	1,985

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 2022 enrolments.

Enrolment by Faculty (Full-time and Part-time) Fall 2022	# of Students	Percentage of Student Population
Agricultural & Environmental Sciences	1,777	4.5%
Arts	10,017	25.4%
School of Continuing Studies	2,290	5.8%
Dentistry	278	0.7%
Desautels Faculty of Management	3,176	8.0%
Education	2,590	6.6%
Engineering	4,637	11.7%
Law	907	2.3%
Medicine and Health Sciences (i)	5,895	14.9%
Schulich School of Music	851	2.2%
Science	6,292	15.9%
Subtotal	**38,710**	**98.0%**
Interfaculty Studies (ii)	803	2.0%
Total	**39,513**	100%

(i) A total of 5,895 students are enrolled in the Faculty of Medicine and Health Sciences. At the undergraduate level, this includes 1,046 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 809 students in the MDCM Program. There are also 2,331 students enrolled in graduate-level programs, 310 postdocs, and 1,399 residents and fellows.

(ii) Interfaculty Studies consists of 803 graduate students completing programs in Neuroscience (586); Biological and Biomedical Engineering (166) and Quantitative Life Sciences (51).

SOURCE: ANALYSIS, PLANNING & BUDGET OFFICE

This mix of student enrolments effectively translates into full-time equivalent units (FTEs) which is the basis 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 2023, an undergraduate student in Arts (grouped under Sciences *humaines et sociales* sector by MES) is funded at an annual amount of $7,333. On the other hand, an undergraduate student in Dentistry (classified as Médicine dentaire by MES) is funded at $35,772 per year.

Billed Tuition – Student FTEs

	2023	2022	2021	2020
	32,920	33,355	34,162	33,087
	-1.30%	-2.36%	3.25%	0.95%
QUEBEC STUDENTS	18,019.54	17,748.26	17,777.02	16,903.49
CANADIAN STUDENTS	8,051.58	8,092.61	8,294.61	7,945.78
INTERNATIONAL STUDENTS	1,333.5	1,388.18	1,377.43	1,565.84
SELF-FUNDED PROGRAMS	493	547	473.98	572.79
DEREGULATED INTERNATIONAL UNDERGRADUATES	5,023	5,579	6,239.34	6,099.54

SOURCE: MCGILL FINANCIAL SERVICES

Overall, the total numbers of full-time equivalent (FTE) students decreased over 2021-22 by approximately 1.30%. The overall number of international FTEs (excluding those exempt from the supplement) decreased by 8.76% to 6,356 from 6,967 in the prior year.

The tuition fee (regulated by MES) for a full-time Québec student in 2022-23 was $2,797.20 ($93.24 per credit), an increase of 2.64% from 2021-22. The fee for a full-time out-of-province Canadian student was $8,730.30 ($291.01 per credit including supplements), a 2.64% increase from 2021-22. The fee for an International student in 2022-23 ranged from $19,128.60 ($637.62 per credit) to $63,693.60 (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". In 2022-23 the MES changed the indexation basis to the Consumer Price Index for Quebec (2.64% increase in the base Quebec rate of tuition in 2022-23)

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 supplements deducted from our operating grants amounted to $65.5 million (2022: $60.1 million), representing 16.8% 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 programs and a small number of students registered in distance programs outside of Quebec pay a self-funded tuition rate.

As of 2019-20, the government announced that all undergraduate International students could be deregulated, as well as 2nd cycle graduate non-thesis programs including post-graduate medicine and dentistry programs. No grant would be allocated for the students by the Province. Universities in Quebec were therefore permitted to set the tuition rate for all such programs. Tuition for newly enrolled students increased by 12.6% in 2022-2023 for several of these deregulated programs. Returning students experienced more modest tuition increases (3.0% in 2022-23). Previously, only specific undergraduate disciplines, including Management, Science, Engineering, Law, Mathematics and Computer Science had been deregulated. All other international tuition fees in excess of the Québec (regulated) basic tuition fee ($2,797.20) are effectively remitted in their entirety to the Québec government via a "claw-back" in the annual operating grants.

The deregulation of the afore-mentioned programs generated revenues of $160.7 million in 2022-2023 (2021-22: $165.8 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 2022-2023 was limited to 2.64%, unless specific agreements are acknowledged by both McGill and the affected student groups/representatives.

The total "FIO's" revenue amounted to $43.4 million (2022: $41.8 million). In addition to FIOs, other student fees charged for non-credit courses, student services, Athletics, and other activities totaled $26.5 million (2022: $25.3 million). These fees, combined with tuition, totaled $389.1 million (2022 : $389.1 million) and represent 37.9% (2022: 39.9%) of operating revenues.

Over

9,500

Graduates

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	2021-2022	2020-2021
Undergraduate	6,423	6,540
Masters	2,018	2,094
Doctoral	517	486
Certificates & Diplomas (Grad)	543	547
Residents & fellows	26	26
Total	**9,527**	**9,693**

SOURCE: ENROLMENT SERVICES

Degrees, Certificates and Diplomas awarded, by Faculty	2021-2022	2020-2021
Agricultural & Environmental Sciences	469	481
Arts	2,316	2,434
Arts & Science (B.A. & S.c.)	138	123
School of Continuing Studies	748	843
Dental Medicine and Oral Health Sciences	96	82
Desautels Faculty of Management	915	1,008
Education	712	681
Engineering	956	1,013
Interfaculty Studies	107	98
Law	232	232
Medicine and Health Sciences	1,168	1,120
Schulich School of Music	216	245
Science	1,454	1,333
Total	**9,527**	**9,693**

SOURCE: ANALYSIS, PLANNING & BUDGET OFFICE

International Students

In 2022, McGill welcomed over 12,000 International students from a variety of countries around the world, of whom 85% are from the countries listed.

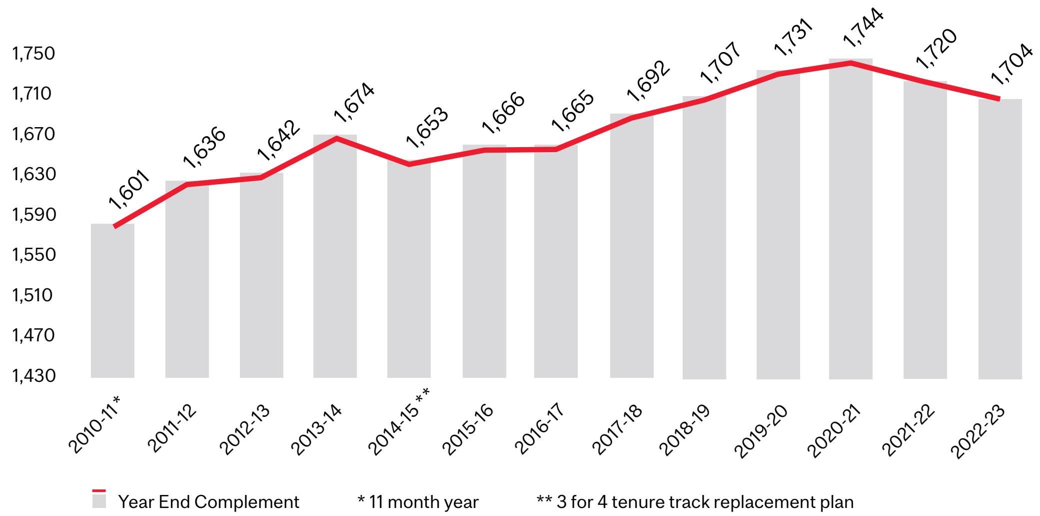
International Students - Full-time and Part-time		
Top 20 Countries		Fall 2022
1.	China	2,697
2.	France	2,146
3.	USA	2,052
4.	India	777
5.	Iran	414
6.	Mexico	225
7.	United Kingdom	211
8.	Saudi Arabia	207
9.	Turkey	189
10.	South Korea	189
11.	Bangladesh	166
12.	Brazil	122
13.	Lebanon	119
14.	Pakistan	109
15.	Germany	98
16.	Kuwait	94
17.	Belgium	88
18.	Morocco	83
19.	Nigeria	81
20.	Egypt	79
Sub-Total		**10,146**

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 1,704 as compared to 1,271 (fiscal 2000) prior to the academic renewal program. The Fiscal 2023 year end count is slightly lower predominantly due to Covid-related delays in hiring and immigration.

Tenure-Track Academics



* 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 4,374 individuals work to support the academic and research mission of the University, as at January 31, 2023, highlighted below:

Part-Time
225

- **66** Management
- **83** Clerical
- **42** Technical
- **32** Trade/Services
- **2** Other (nurses, residences, Gault Estate)

Full-Time
4,149

- **2,168** Management
- **1,218** Clerical
- **332** Technical
- **359** Trade/Services
- **59** Library Assistants
- **13** Other (nurses, residences, Gault Estate)

Total
4,374

- **2,234** Management
- **1,301** Clerical
- **374** Technical
- **391** Trade/Services
- **59** Library Assistants
- **15** Other (nurses, residences, Gault Estate)

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.

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, 2023

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

Total Combined Assets
2023: $6.06 billion (2022: $5.69 billion)

(in millions of dollars)

	2023	2022
Cash and short term investments	**354.3**	275.3
Receivables, including operating, government operating grant, grants and contracts related to research, capital grants, student loans and investment income	**453.5**	443.1
Prepaid expenses and inventory	**15.8**	10.3
Marketable securities related to the endowment fund and plant fund (related to the bond issuances)	**2,013.6**	1,966.1
Capital assets, including land, buildings and major renovations, equipment, library materials, leasehold improvements and intangible assets as well as assets under development	**2,039.3**	1,913.2
Long term receivables related to capital and research	**1,187.5**	1,090.7
TOTAL	**6,064.0**	5,698.7

Reporting Period
Year Ended April 30, 2023

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

Total Combined Liabilities and Net Assets
2023: $6.06 billion (2022: $5.69 billion)

(in millions of dollars)

	2023	2022
Bank indebtedness	**248.7**	36.2
Accounts Payable and accruals including amounts due to supplies, payroll accruals and deductions at source remittances	**278.7**	282.2
Unearned revenues for tuition and fees for the summer session, deposits for student housing and deferred grants of $5M (2019 - $5M)	**58.8**	44.9
Current portion of long-term debt expected to be partially financed by MES in Fiscal 2020	**74.9**	78.2
Deferred research and capital contributions	**2,201.1**	2,077.1
Long-term debt, including notes from Financement Quebec and McGill issued bonds and other loans payable	**1,192.7**	1,240.9
Pension liability and Post-employment obligations	**156.4**	127.7
Net Assets:		
Invested in Capital Assets	***279.2***	*294.7*
Externally Restricted	***1,822.3***	*1,739.5*
Internally Restricted	***136.9***	*121.8*
Unrestricted deficit	***(385.7)***	*(344.5)*
Sub Total	**1,852.7**	1,811.5
TOTAL	6,064.0	5,698.7

Net cash position

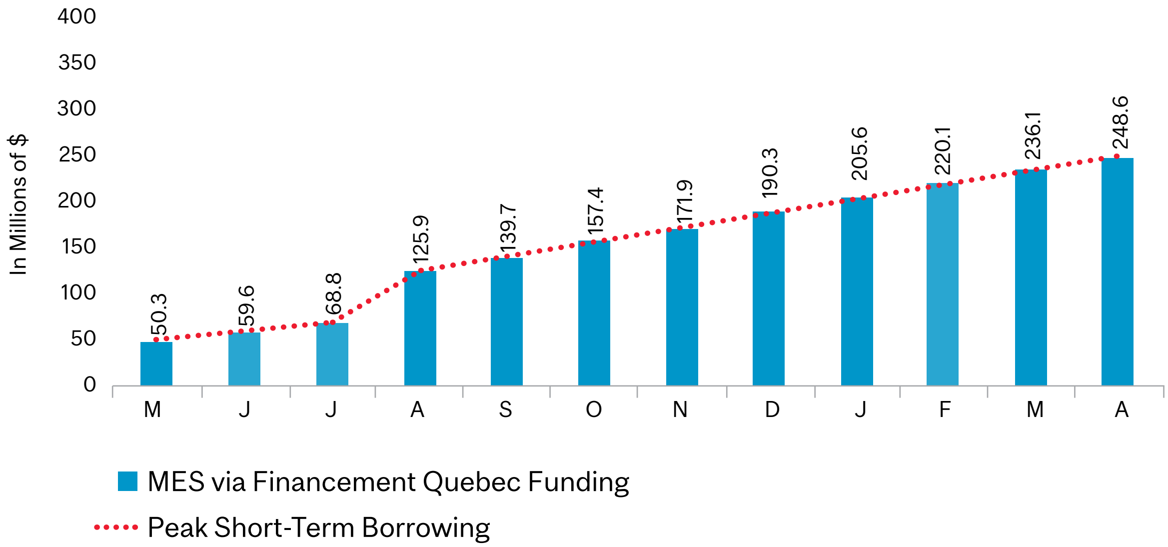
(Financial Statement note 7)

The cash position as at April 30, 2023, excluding short-term investments of $308.4 million (2022: $140.9 million), was $45.9 million (2022: $134.4 million). The decrease is mainly due to the transfer of cash to short-term investments and marketable securities.

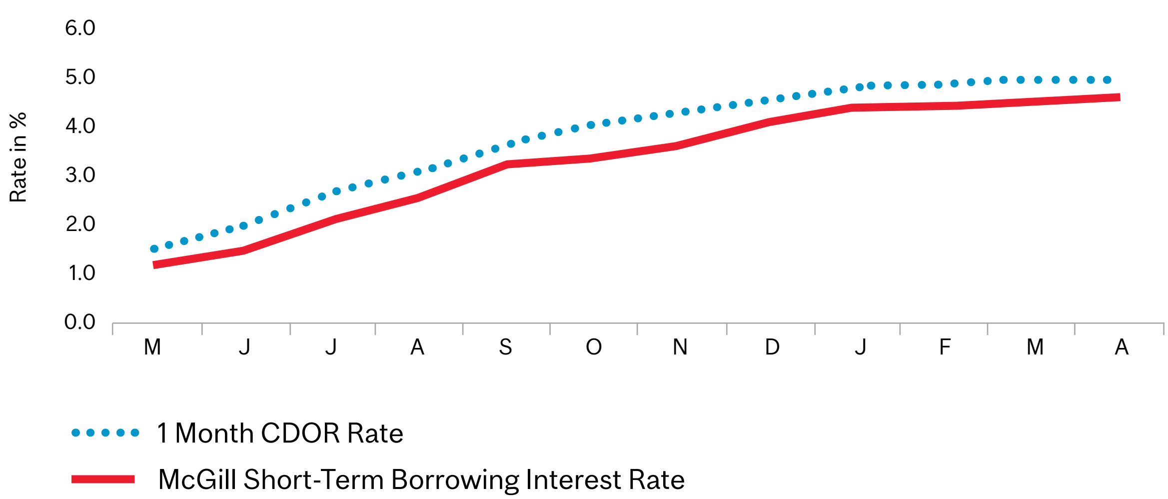
The Board of Governors has authorized a maximum of $400 million in bank borrowings from available credit facilities totaling $545 million, of which none had been used as at April 30, 2023 (none as at April 30, 2022).

There are $248.6 million in short-term borrowings from Financement-Quebéc related to capital projects included in bank indebtedness at an average rate of 3.63%, as compared to $36.2 million one year earlier at an average rate of 0.81%.

Monthly Peak Short-Term Borrowing



McGill Short-Term Borrowing Interest Rate
VS
1-Month CDOR Rate



SOURCE: MCGILL OFFICE OF INVESTMENTS

Marketable securities at market value

(Financial Statements, Note 17)

Total marketable securities amount to $2,013.6 million (2022: $1,966.1 million) and include $1,846.8 million (2022: $1,815.3 million) relating to endowment investments.

Of this total, $166.6 million (2022: $150.6 million) consists of $70.5 million relating to an investment purchased from proceeds of the 2002 McGill Bond issue of $150 million and $96.1 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 $1,902.4 million (2022: $1,819.2 million), including the $1,846.8 million in marketable securities mentioned above (see Section Endowment Gifts, page 59). The following chart outlines the significant assets included in the $1,902.4 million.

Market Value of Endowment Assets as April 30

($ millions)

	2023	2022
Total	$1,902.4	$1,819.2
MARKETABLE SECURITIES	$1,734.2	$1,817.7
CASH & SHORT-TERM INVESTMENTS	$68.9	$12.5
UNREALIZED APPRECIATION / UNREALIZED LOSS	$99.3	($11.0)

SOURCE: MCGILL FINANCIAL SERVICES

Capital assets

(Financial Statements, Note 6)

Total net capital assets amount to $2.039 billion (2022: $1.913 billion) and include various asset categories.

Additions during the year amounted to $307.3 million (2022: $301.5 million) as undernoted:

	2023	2022
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	**85.3**	127.3
Equipment and intangibles, including scientific, computing, furniture and office, audiovisual, specialized, mechanical equipment, as well as network communications	**191.5**	145.4
Library books	**25.3**	22.7
Land and Leasehold improvements	**4.7**	5.6
Other Assets (vehicles)	**0.5**	0.5
TOTAL	**307.3**	301.5

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 $19.0 million (2022: $19.1 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, 2023, a total of $103.9 million (2022: $106.5 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.

Sources of funding for Capital Assets spending
($ millions)

	2023	2022
Total	$676.3	$468.3
MES	$355.9	$178.5
REVENUE GENERATING UNITS	$103.9	$106.5
FUTURE GIFTS	$19.0	$19.1
FUTURE GRANTS	$194.5	$164.2

SOURCE: MCGILL FINANCIAL SERVICES

Current liabilities

(Millions of dollars)

	2023	2022
Accounts Payable and accruals including amounts due to supplies, payroll accruals and deductions at source remittances.	**278.7**	282.2
Unearned revenues for tuition and fees for the summer session, deposits for student housing and deferred grants.	**58.8**	44.9
Current portion of long-term debt expected to be partially financed by MES in Fiscal 2022.	**74.9**	78.1
TOTAL	**$412.4**	$405.2

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 was scheduled on August 2, 2022 but it was postponed. The Tribunal is waiting for documents from MUNACA to clarify their position before proceeding with the hearing. Therefore, the hearing dates are still to be determined.

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.

Due to the pending TAT hearing and the 2015 CNESST investigation, McGill has requested to postpone the 2020 pay equity audit until the TAT renders its decision for 2010 and the 2015 CNESST investigation is completed. The results of the hearing and investigation are crucial to McGill's pay equity plan and must be evaluated prior to the next pay equity audit.

Deferred contributions

(Financial Statements, Notes 9 and 10)

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, 2023 amounted to $917.6 million (2022: $899.4 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, 2023 total was $1,283.5 million (2022: $1,177.7 million) and reflects increased spending on 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 decreased by a net $51.7million (2022: net increase of $73.3 million) as a result of new Financement Québec Promissory Notes issued by MES totaling $26.5 million (2022: $150.0 million). This was used to partially repay matured bonds and repayment of previously issued notes totaling $78.2 million (2022: $76.7 million).

Long-term liabilities – Employee future benefits

(Financial Statements, Note 12)

These include pension obligations that have been confirmed by independent external actuaries of $65.7 million (2022: $43.0 million), and post-employment benefits of $ 90.7 million (2022: $84.7 million).

The increase in the pension obligation is largely related to the downturn in the markets on April 30, 2023.

The most recent actuarial valuation of the pension plans for funding purposes was at December 31, 2022 and the next required valuation must be no later than December 31, 2025.

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)	2023	2022
Invested in Capital Assets	279.2	294.7
Externally Restricted	1,822.3	1,739.5
Internally Restricted	136.9	121.8
Unrestricted deficit	(385.7)	(344.5)
TOTAL	$1,852.7	$1,811.5

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

	2023	2022
Unrestricted deficit	(385.7)	(344.5)
Internally Restricted Net Assets	75.3	62.4
Unrestricted Net Assets	(310.4)	(282.1)

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

	2023	2022
Vacation Accrual	39.2	36.6
Pension Obligation	65.6	43.0
Post-employment benefits	90.8	84.7
TOTAL	$195.5	$164.3

Once the GAAP liabilities are removed the "financed" accumulated deficit is $114.9M (2022: $117.8M).

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

2023: $1.66 billion (2022: $1.58 billion)

	2023	2022
Government of Quebec to fulfill teaching mission	**431.8**	420.7
Tuition and fees, including domestic, Canadian, international students and self funded programs	**389.1**	389.1
Government of Canada research and infrastructure grants, including Tri-Agency and CFI	**281.4**	259.2
Research and infrastructure grants and contracts, recognized to the extent expenses are incurred, including MES, US government grants and other sources	**235.3**	233.7
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	**144.4**	126.7
Investment and interest income from endowment income distribution and contributions to operations as well as unrealized gains and losses on investments.	**103.3**	83.0
Gifts and bequests	**75.7**	66.8
TOTAL	**1,661.0**	1,579.2

Total Combined Sources of Expenses

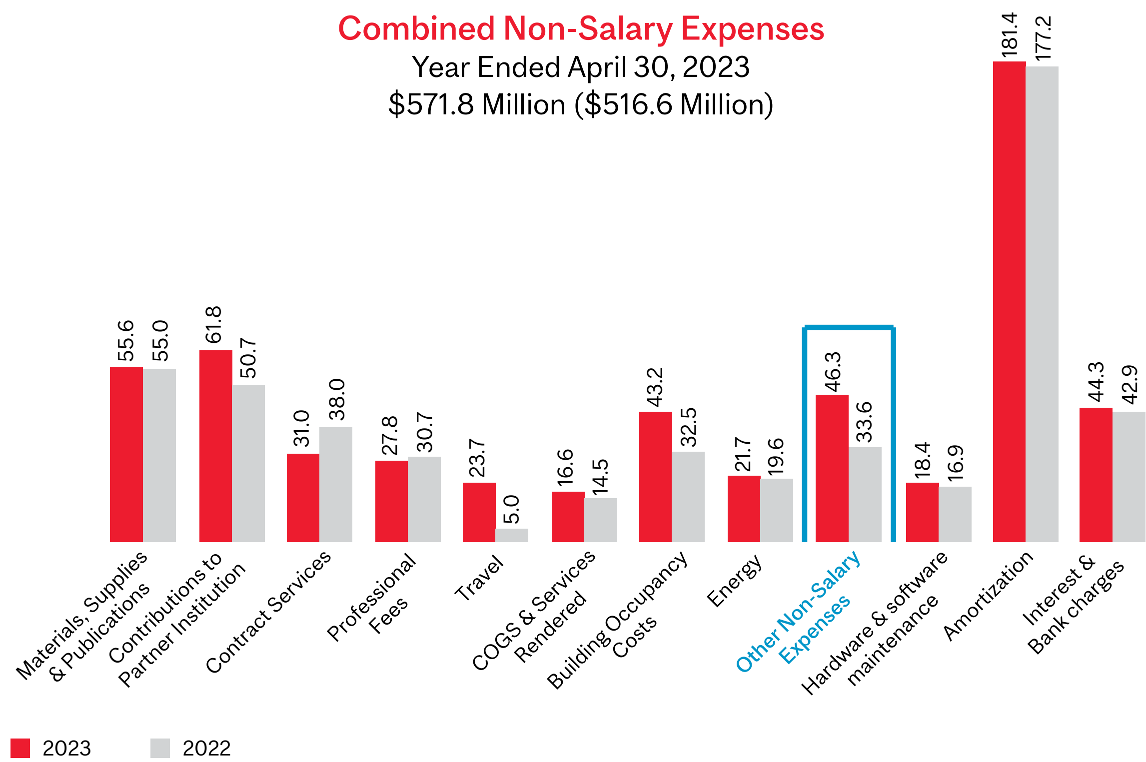
2023: $1.68 billion (2022: $1.56 billion)

	2023	2022
Academic salaries, teaching and research	**408.0**	394.0
Admin & support salaries, teaching and research	**336.4**	312.4
Student salaries and aid	**216.6**	202.8
Benefits	**143.0**	129.7
Non-salary expenses, including amortization, materials & supplies, interest, building occupancy, travel and others	**571.8**	516.6
TOTAL	**1,675.8**	1,555.5
(Deficiency) Excess of revenues over expenses before interfund transfers	(14.8)	23.7

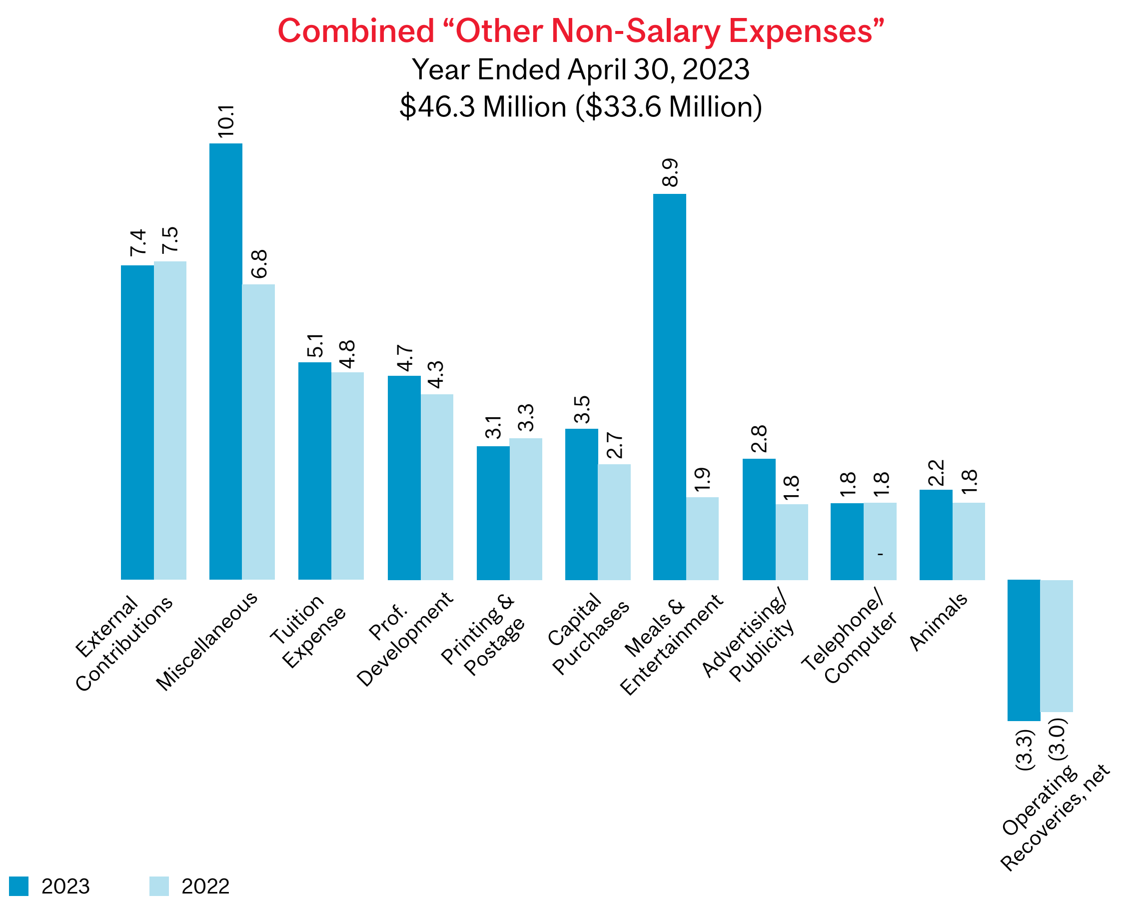
Total Compensation and student support amounted to $ 1,104.1 million (2022: $1,038.9 million). This represents 65.9% (2022: 66.8%) of total expenditures, excluding inter-fund transfers.

Fund by Fund Sources of Revenues and Expenses and Interfund Transfers

	Unrestricted (Operating) Fund	Restricted Fund	Plant Fund	Endowment Fund	Total
Total Revenues	1,025.9	501.9	133.2	-	1,661.0
Total Expenses	(966.1)	(484.1)	(225.6)	-	1,675.8
Excess (deficiency) of revenues over expenses before the undernoted	59.8	17.8	(92.4)	-	(14.8)
Interfund Transfers (out) in	(88.2)	(17.8)	76.8	85.2	56.0
Increase (Decrease) in Net Assets	(28.4)	0.0	(15.6)	85.2	41.2



SOURCE: FINANCIAL SERVICES



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 $924 million in 2023 (2022: $887 million), which represents 56% (2022: 56%) 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.

2023

Purpose	Quebec	Canada	US	Other Sources	Total
Operating	431	-	-	-	431
Capital	85	30	-	-	115
Indirect Costs (Operating)	-	33	-	-	33
Research (Restricted) Grants	45	198	13	42	298
Other Restricted Grants	24	21	-	2	47
Total:	**585**	**282**	**13**	**44**	**924**

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**

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 2023 total $39.4 million (2022: $36.4 million) and $26.0 million (2022: $23.8 million) for Canadian and International students, respectively.

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" $12.2 million (2022: $11.4 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 2023 McGill University was granted $104.9 million from capital and deferred maintenance grants, a decrease of $26.4 million over fiscal 2022, 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.

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 2022-23 budget of $368.7 million, including incremental project grants of $58.8 million and research security notional grants of $24.7 million, and supports 142 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).

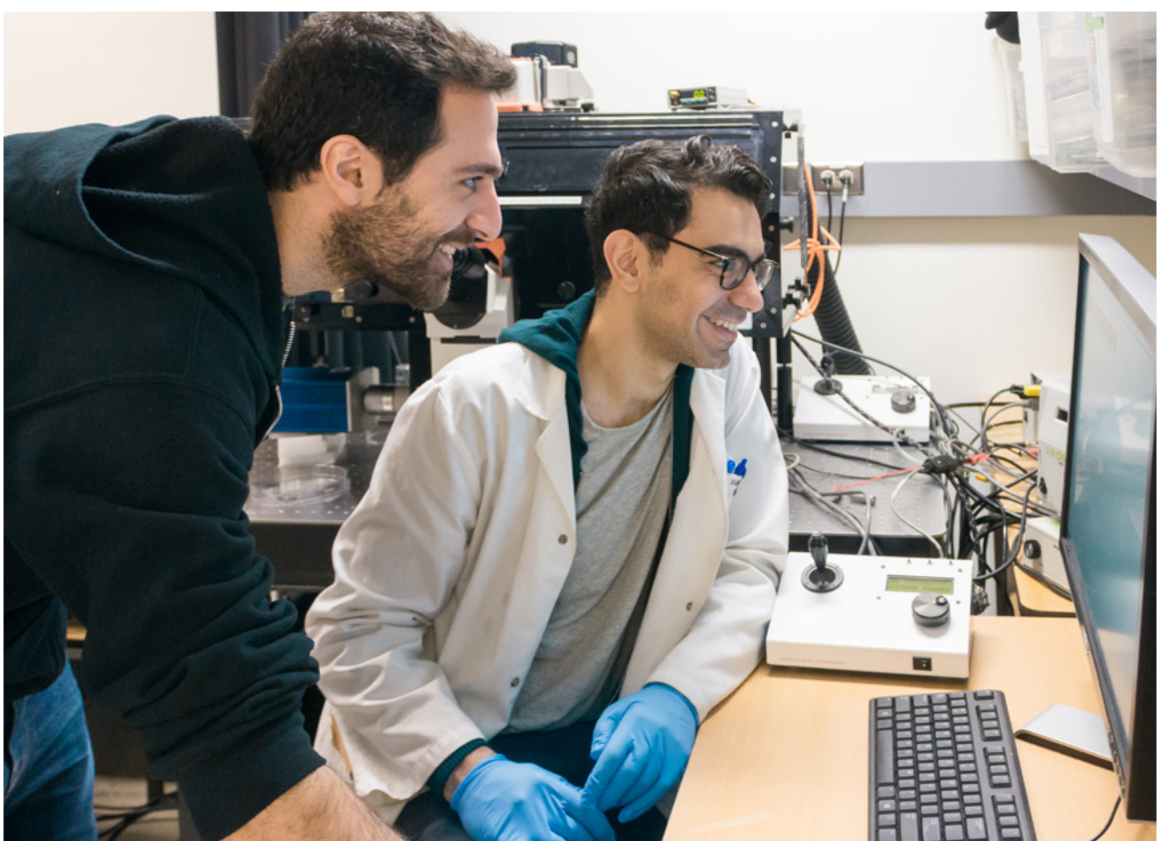
Over the past several years, McGill's share has remained stable between 7-8% and is expected to remain at this level over the next three years. In fiscal 2023, McGill's RSF grant was $32.9 million less the amount distributed to affiliated hospitals of $9.8 million. This amount represents 21.1% of the 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

	2023	2022
Federal Grant	32,901	32,019
Amount Remitted to Hospitals	(9,773)	(9,366)
Total:	**23,128**	**22,653**

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 \$19.5 million (2022: \$18.7 million) while the provincial government awarded \$2.0 million (2022: \$3.1 million) for similar purposes. In addition, the provincial government funded other activities and programs, including \$6.2 million (2022: \$5.9 million) for teaching costs in the affiliated hospitals, and \$11.4 million (2022: \$17.6 million) for strategic mandates, bursaries for abroad, and other restricted activities.

Research and Restricted Funding

Direct funded research totaled $321.0 million (2022: $299.6 million), including $53.4 million (2022: $46.0 million) in infrastructure grants, $41.7 million (2022: $45.6 million) from other grant sponsors and $23.5 million (2022: $25.3 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 $287.7 million (2022: $268.0 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:

Summary of Restricted Grants & Contracts

(including research and other)

($ millions)

	2023	2022
Total	$369.2	$356.0
CANADA	$218.9	$203.7
QUEBEC	$68.8	$64.3
UNITED STATES	$12.8	$10.9
OTHER SPONSORS	$43.9	$50.4
CONTRACTS	$24.8	$26.6

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)	2023	2022
Federal Government:		
Tri-Agency	**107.1**	115.2
CFI	**41.5**	56.1
Canada Research Chairs	**29.0**	29.4
CFREF	**10.5**	16.9
New Frontiers in Research Fund	**3.7**	2.7
Innovation, Science and Economic Development	-	3.4
Other	**15.9**	14.1
Public Health Agency	**11.5**	(2.6)
CRCEF	-	(1.5)
	219.0	233.7
Quebec Government:		
CFI	17.2	41.4
FRSQ/FRQNT/FQRSC	**32.9**	24.4
Other	**12.8**	19.5
	62.9	85.4
Canadian Foundations & Associations	**28.2**	25.0
Contracts	**22.7**	28.3
Other	**28.4**	28.0
	79.3	81.3
Total:	**361.2**	400.4

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 \$66.2 million (2022: \$68.5 million), restricted gift of \$60.0 million (2022: \$51.5 million), and other sources totaling \$6.6 million (2022: \$6.1 million). Total sources of revenues available for restricted and research purposes amounted to \$502.0 million (2022: \$482.1 million).

On a GAAP basis, overall restricted expenses amount to \$484.1 million versus \$466.1 million in the prior year, prior to inter-fund transfers relating to capital assets of \$23.3 million (2022: \$21.1 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 (2022: $389.1 million), which accounts for 23.4% (2022: 24.6%) 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.

Tuitions and Fees

($ millions)

	2023	2022
Total	$389.1	$389.1
QUEBEC	$50.3	$48.2
CANADIAN	$69.8	$68.2
INTERNATIONAL (i)	$182.5	$188.1
SELF-FUNDED PROGRAMS	$16.6	$17.5
NON-CREDIT COURSES	$4.9	$4.1
ADMINISTRATIVE FEES	$43.4	$41.8
STUDENT SERVICES & ATHLETICS	$21.6	$21.2

(i) Including $160.7 million (2022: $165.8 million) of deregulated fees charged to undergraduate students.

Fundraising Activities

During the fiscal year a total of $112.3 million (2022: $164.1 million) was received, including gifts in kind.

The following chart illustrates all gifts and bequests revenue including endowment gifts of $36.2 million (2022: $35.9 million) over the last two years:

Gifts & Bequests
($ millions)

2023	2022
$112.3 Fundraising Activities	**$164.1** Fundraising Activities
$36.2 ENDOWED GIFTS	$35.9 ENDOWED GIFTS
$60.0 RESTRICTED DONATIONS	$51.5 RESTRICTED DONATIONS
$9.6 UNRESTRICTED DONATIONS	$8.8 unRESTRICTED DONATIONS
$6.5 DONATIONS FOR CAPITAL GIFTS	$67.9 DONATIONS FOR CAPITAL GIFTS

Fundraising activities including philanthropic research amount to $159.4 million (2022: $206.6 million).

SOURCE: MCGILL FINANCIAL SERVICES

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 2023, $72.4 million (2022: $69.2 million at 4%) was distributed, based on an MIP unit rate of $16.58 (2022: $16.25).

Overall, the total change in the Endowment (net of Distributions and fees) resulted in a 4.7% increase (2022: 3.9% decrease) in the fund. Of the total, 2.0% (2022: 1.9%) was generated from new endowment gifts received in the year.

Also, as at April 30, 2023, the accumulated unspent investment income, held as part of Endowment Assets amounted to $424.9 million (2022: $503.0 million) and represents 5.9 times (2022: 7.3 times) the current annual distributions.

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

($ millions)	2023		2022	
Opening Book Value	1,807.7		1,648.6	
Unrealized Gain in Market Value	(11.0)		221.4	
Opening Market Value	**1,796.7**		**1,870.0**	
New Gifts Received	36.2	2.0%	35.9	1.9%
Net Income Realized	2.8	0.2%	179.2	9.6%
Net Income Distributed (Net of capitalizations)	(58.6)	(3.3%)	(54.7)	(2.9%)
Transfer to Other Funds, excluding Trusts	(5.5)	(0.3%)	(1.3)	(0.1%)
Realized (Decrease) Increase in Assets	**(25.1)**	**(1.4%)**	**159.1**	**8.5%**
Unrealized Gain (Loss) in Market Value	**110.4**	**6.1%**	**(232.4)**	**(12.4%)**
Total Increase (Decrease) in Fund Value	85.3	**4.7%**	(73.3)	**(3.9%)**
Closing Book Value	1,782.6	99.2%	1,807.7	100.6%
Unrealized Gain (Loss) in Market Value	99.4	5.5%	(11.0)	(0.6%)
Closing Market Value	**1,882.0**		**1,796.7**	

SOURCE: MCGILL FINANCIAL SERVICES

Deferred Maintenance – Campus Renewal

The current estimate of McGill's total deferred maintenance (DM) inventory is $1.38 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 2024 will be the fifth 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 2022, $197 million of deficiencies were addressed through capital projects (316 projects for a total investment of $610 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 $63 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 FY23, close to 200 projects were in progress, in addition to 125 that were being assessed or were on hold.

Funding

Applicable in Fiscal 2022-2023, 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 $102.8 million, down from $131.4 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 27.3%, down from 29.6% a year ago. The FCI for McGill's civil infrastructure stands at 79.5%, compared to 26.4% for buildings. As of May 2023, the total theoretical replacement value of McGill's physical infrastructure was $3.2 billion (including civil infrastructure and construction costs adjusted to reflect current market costs[3]).

As mentioned previously, a more important contributor to the FCI increase is the fact that unaddressed deficiencies get worse and therefore costlier to correct, especially as the costs of materials and labour have soared in recent years. Though McGill has increased its project management resources, the highly-competitive labour market continues to have an impact on the availability of contractors and consultants (engineers, architects), their levels of participation in the University's calls for tenders and in the value of the bids they submit (often 15 to 20 per cent higher than the University's estimate[3]).

[1] This figure is obtained by adding a 40 per cent correction factor to the current deficiency cost of $875 million ($830 million for buildings plus $45 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 $1.38 billion.

[2] The Facilities Condition Index (FCI) is the ratio of the value of deferred maintenance to building replacement value. An FCI over 15 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 by 23.7% between the first quarter of 2020 and the first quarter of 2023.

Master Plan Implementation Updates

Spring 2023

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 allows space use to be aligned with strategic goals and best practices while also supporting reporting and compliance requirements. The experience and lessons learned from the New Models of Work Pilot Project are being integrated into selected post-pandemic space optimization projects.

Revision of McGill's by-law 95-039: *A planification concertée* process, launched fall 2021 with the City of Montreal to update the urban planning framework for the University is in progress. Working with a diverse team of professionals, this revision of the existing regulatory context will enable McGill to more effectively pursue the objectives and transformative initiatives identified in the Master Plan. Completion of this initiative, including the required public consultation exercise, is expected in early 2025.

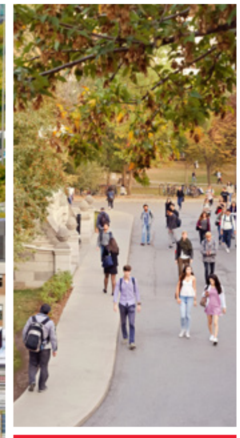
Indigenous Representation on Campus: In support of the calls to action identified in the Provost's Task Force on Indigenous Studies and Indigenous Education, Indigenous physical representation is being pursued through ongoing collaboration with the Office of Indigenous Initiatives and the broader Indigenous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

Monitoring and Governance: The Architecture and Planning Advisory Panel and Facilities' internal Design Review Committee continues to meet to review selected projects to ensure their integration into McGill's heritage and architectural landscape. The 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 gross square meters of assets by 2033. Financial models to monetize the downtown residence portfolio are being explored and the development of strategies to monetize staff housing at the Macdonald Campus including the Maple Street properties is to be launched.

Specific Development Projects: In keeping with the Master Plan and approved recommendations of the UCPWG, 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
- Centre of Excellence for Neurological Disorders
- Sports Science Institute (SSI)
- Centre of Excellence in Agriculture at Macdonald Campus

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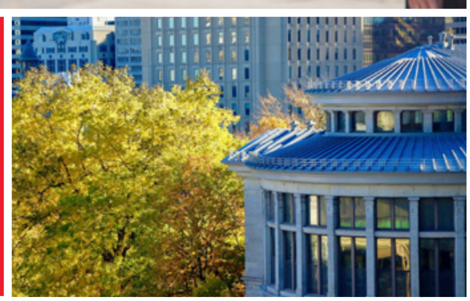

Update on the New Vic Project

June 2022 – June 2023

All New Vic Project approvals obtained and zoning finalized

After the Quebec government approved the New Vic *Dossier d'affaires* (business plan) and confirmed its financial contribution of $620M, McGill's Board of Governors authorized the New Vic Project to proceed to the Construction Phase on October 6, 2022.

Following the *Office de consultation publique de Montréal* Commission's recommendations on the Royal Victoria Hospital (RVH) adaptive reuse project, Montreal City Council approved two municipal bylaw amendments to enable the requalification of the former RVH site. These bylaw amendments came into force on January 6, 2023, allowing the transformation of heritage buildings and new construction on the New Vic Project site to proceed as planned.

Tripartite Agreement reached between McGill, the SQI and the City

In Fall 2022, the *Société québécoise des infrastructures* (SQI), McGill and the City of Montreal reached a Tripartite Agreement that establishes the roles and responsibilities of each partner for redeveloping the former RVH site, including the New Vic portion. The Agreement covers topics such as land transfers, rights of way, the development and maintenance of public spaces, and other short and long-term commitments in relation to the vocation, accessibility, mobility and management of the site. Notably, the Tripartite Agreement also provides for the SQI and McGill to transfer land to the City for a roundabout that will allow a new public bus route to run along University Street.

Construction Update

Progress continues on decontamination and interior demolition work begun in January 2022.

In July 2022, Pomerleau was awarded a preliminary mandate to establish the New Vic Project costs, schedule and breakdown of work packages and subsequently was awarded the Construction manager mandate, which officially began on April 3, 2023.

A mandate was awarded for the demolition of certain pavillions to make room for the new construction. In accordance with McGill's commitment to reuse or recycle non-contaminated demolition materials, some limestone cladding will be reintroduced into the new construction, and the rest will be ground up and reused as fill.

An Archeological Plan was developed for the former RVH site and, as part of that plan, a Panel of expert archeologists is recommending archeological techniques to implement on different areas of the site before any excavation work is undertaken.

Final review before New Vic Project design completed to 100%

On June 9, 2023, the New Vic Project Team began its final review of the Project's design documents in preparation for Diamond Schmitt/Lemay-Michaud Architects to submit New Vic Project plans and specifications at 100% design completion. The design includes a subset of New Vic Project classrooms fit out with Indigenous-themed designs, informed by ongoing engagement with internal and external Indigenous community representatives. The New Vic design will be complemented by commissioned public works of art, with a portion of the budget reserved for Indigenous-themed public artwork.

Update on the Fiat Lux Project

Design Advancement

Following the 30% level of design advancement in summer of 2022, the project design was further reviewed and coordinated with internal and external stakeholders. In collaboration with the new Trenholm Dean of Libraries, targeted program and design adjustments were incorporated in the fall of 2022. The 60% level of design advancement was achieved in early 2023. Following completion of the 60% design stage, a substantive value engineering and review process was undertaken from March to June 2023. This process led to total project cost reductions in the order of 10% based primarily on construction cost and project schedule optimizations.

External Approvals Process

As part of an ongoing review and approvals process with the *Ville de Montréal* (VdM) and with the *Ministère de la culture et communications* (MCC), a carefully structured process of design review and commentary was undertaken with the MCC, leading to refinements and overall alignment on project design. The project is now continuing the next steps of the city review process to determine if VdM requirements will necessitate modifications to the project design.

McGill Governance Approval and Related Projects

In December 2022, the Board of Governors approved to extend the design phase of the Fiat Lux Library Project from 60% to 100% of the design and plans and the completion of the *Dossier d'affaires*. The project anticipates completion of the design and plans and the *Dossier d'affaires* in early 2024. Subject to McGill governance approval, the submission of the *Dossier d'affaires* to government and pre-construction department relocations will not start until all sources of funding are confirmed. In addition, the McGill University Collections Centre project in Valleyfield is an integral element to the Fiat Lux Project vision. As a key component it has advanced with the automated storage and retrieval equipment having been installed.

Next steps

Next steps will focus on completion of the *Dossier d'affaires* and completion of the 100% design documents.

Moody's Aa2
S&P Global AA-
(Stable)

McGill Bond Rating

Moody's Investor Services reaffirmed an Aa2, Stable rating in March 2023. 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 the pandemic. 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 2023 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 healthy student demand and stable operating grants will help the university sustain its financial metrics.

Outlook

As McGill enters its third century, it continues to fulfill its mission and embrace the principles and values of academic freedom, integrity, responsibility, equity, and inclusiveness. There are many partners that guide and help us achieve our mission: our Board of Governors and its subcommittees, federal and provincial governments, financial institutions, and our expert advisors.

With the COVID-19 crisis behind us, McGill has safely resumed on-campus activities since fall 2022. The financial impact of the pandemic has not been as severe as anticipated and as we recover to pre-pandemic levels of activity managing our expenditures strategically is paramount.

The funding received from the Federal and Provincial governments is critical, however given the increased interest rates and inflation, achieving a balanced budget as required by MES will be challenging. Compensation costs, our most significant expense category, will increase and include our commitment to student aid.

We remain dedicated to our highest priorities, driven by academic and research priorities, notwithstanding financial challenges. A roadmap outlines achieving the highest standards of sustainability, with three established milestones of attaining Platinum sustainability by 2030; zero-waste by 2035; and carbon neutrality by 2040.

The Equity, Diversity and Inclusion (EDI) strategic plan anchors on five major themes: Student experience, research and knowledge, outreach, workforce and physical space. The plan concretely advances EDI initiatives already underway while seizing new opportunities.

Many initiatives are accomplished through digital solutions, driving operational efficiencies while ensuring a cybersecure environment and contributing to sustainability. The IT Strategic Plan fosters guiding principles to achieve customer satisfaction, cost optimization, revenue generation, risk mitigation and regulatory compliance.

The McGill community remains committed to supporting our faculty and staff, whether 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.

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.

Financial statements of

The Royal Institution for the Advancement of Learning / McGill University

April 30, 2023

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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, 2023, 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, 2023, 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.

Deloitte LLP[1]

October 6, 2023

[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, 2023

(In thousands of dollars)

	Notes	2023	2022
		$	$
Revenue			
Grants			
Federal		**281,413**	259,148
Provincial		**585,668**	566,492
United States		**12,757**	10,943
Other sources		**43,927**	50,403
Contracts		**24,826**	26,627
Tuition and fees		**389,060**	389,118
Sales of goods and services		**144,427**	126,700
Gifts and bequests		**75,665**	66,816
Foreign exchange gain		**2,657**	2,317
Investment and interest income	15	**100,628**	80,615
		1,661,028	1,579,179
Expenses			
Salaries and student support			
Academic		**408,038**	394,004
Administrative and support		**336,433**	312,408
Benefits		**143,001**	129,658
Student aid		**171,202**	158,733
Students		**45,390**	44,070
		1,104,064	1,038,873
Non-salary			
Material, supplies and publications		**55,566**	55,038
Contributions to partner institutions		**61,810**	50,690
Contract services		**30,982**	37,998
Professional fees		**27,798**	30,724
Travel		**23,691**	4,968
Cost of goods sold		**16,570**	14,431
Building occupancy costs		**43,197**	32,533
Energy		**21,735**	19,637
Hardware and software maintenance		**18,406**	16,911
Amortization of capital assets		**181,361**	177,223
Interest		**42,733**	41,640
Bank charges		**1,607**	1,279
Other non-salary expenses		**46,342**	33,545
		571,798	516,617
		1,675,862	1,555,490
(Deficiency) excess of revenue over expenses		**(14,834)**	23,689

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, 2023
(In thousands of dollars)

	Notes	Unrestricted	Internally restricted	Externally restricted	Invested in capital assets	Endowments	Total
		$	$	$	$	$	$
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**
Adoption of the amendments to Section 3462	2	**(8,406)**	—	—	—	—	**(8,406)**
Net assets (deficiency), April 30, 2022, adjusted		**(352,897)**	**121,833**	**—**	**294,706**	**1,739,471**	**1,803,113**
(Deficiency) excess of revenue over expenses		**52,915**	**4,671**	**17,863**	**(90,283)**	**—**	**(14,834)**
Pension liability remeasurement*		**(23,327)**	**—**	**—**	**—**	**—**	**(23,327)**
Post-employment benefit remeasurement*	12	**3,387**	**—**	**—**	**—**	**—**	**3,387**
Endowment contributions and gifts in kind		**—**	**—**	**—**	**414**	**36,223**	**36,637**
Investment income (loss) items reported as direct increase (decrease) in net assets		**—**	**—**	**—**	**(1,022)**	**48,780**	**47,758**
Net change in internally restricted net assets		**(30,776)**	**35,159**		**(2,024)**	**(2,359)**	**—**
Investment in capital assets		**(50,606)**	**—**	**(23,806)**	**74,412**	**—**	**—**
Other transfers		**15,578**	**(24,778)**	**5,943**	**2,996**	**261**	**—**
Net assets (deficiency), April 30, 2023		**(385,726)**	**136,885**	**—**	**279,199**	**1,822,376**	**1,852,734**

* As at April 30, 2023, the accumulated post-employment benefit remeasurement is $55,094 ($50,075 as at April 30, 2022) and the accumulated pension liability remeasurement is $153,824 ($130,497 as at April 30, 2022).

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, 2023

(In thousands of dollars)

	Notes	2023	2022
		$	$
Assets			
Current assets			
Cash and cash equivalents		**45,944**	134,406
Short-term investments	17	**308,368**	140,906
Receivables	3 and 4	**453,557**	442,988
Prepaid expenses		**14,359**	8,597
Inventory		**1,431**	1,749
		823,659	728,646
Marketable securities	17	**2,013,609**	1,966,091
Grants and contracts related to research receivable		**80,817**	104,388
Capital grants receivable	4	**1,104,770**	984,080
Loan receivable	5	**1,928**	2,225
Capital assets	6	**2,039,259**	1,913,233
		6,064,042	5,698,663
Liabilities			
Current liabilities			
Bank indebtedness	7	**248,646**	36,210
Accounts payable and accrued liabilities	8	**278,632**	282,201
Unearned revenue		**58,821**	44,916
Current portion of long-term debt	11	**74,934**	78,188
		661,033	441,515
Deferred contributions	9	**917,642**	899,424
Deferred capital contributions	10	**1,283,552**	1,177,714
Long-term debt	11	**1,192,657**	1,240,851
Accrued pension liability	12	**65,654**	42,985
Post-employment benefit obligation	12	**90,770**	84,655
		4,211,308	3,887,144
Commitments, contingent liabilities	19 and 20		
Net assets			
Invested in capital assets		**279,199**	294,706
Externally restricted for endowment purposes	13	**1,822,376**	1,739,471
Internally restricted	14	**136,885**	121,833
Unrestricted		**(385,726)**	(344,491)
		1,852,734	1,811,519
		6,064,042	5,698,663

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

Approved by the Board of Governors

Maryse Bertrand
_______________________________________, Governor

E. Kosowska
_______________________________________, Secretary-General

The Royal Institution for the Advancement of Learning / McGill University
Statement of cash flows
Year ended April 30, 2023
(In thousands of dollars)

	Notes	2023	2022
		$	$
Operating activities			
(Deficiency) excess of revenue over expenses		**(14,834)**	23,689
Adjustments for:			
Amortization of capital assets		**181,361**	177,223
Amortization of bond discount		**206**	210
Amortization of deferred contributions	9	**(506,362)**	(487,316)
Amortization of deferred capital contributions	10	**(95,267)**	(79,962)
Change in fair value of investments	15	**(7,571)**	842
Change in fair value of derivative financial instruments	15	**13,973**	4,900
Change in pension liability		**(658)**	(6,413)
Change in post-retirement benefit obligation		**1,096**	725
Gain on sale of land		**(600)**	—
		(428,656)	(366,102)
Net change in non-cash working capital items	16	**1,818**	4,580
Increase in government grant receivable		**(131,157)**	(58,546)
Decrease (increase) in grants and contracts related to research receivable		**22,237**	(42,416)
Increase in deferred contributions		**524,580**	562,694
		(11,178)	100,210
Investing activities			
Increase in short-term investments		**(167,462)**	(25,799)
Proceeds from sale of marketable securities		**1,163,326**	1,295,140
Purchase of marketable securities		**(1,217,246)**	(1,217,061)
Decrease in loan receivable		**297**	1,350
Proceeds from sale of land		**600**	—
Acquisition of capital assets		**(303,081)**	(301,649)
		(523,566)	(248,019)
Financing activities			
Change in bank indebtedness		**212,436**	30,690
Issuance of long-term debt		**26,533**	149,970
Repayment of long-term debt		**(78,187)**	(76,668)
Deferred capital contributions	10	**201,105**	152,251
Investment income (loss) reported as direct increase (decrease) in net assets		**47,758**	(107,395)
Endowment contributions and gifts in kind		**36,637**	97,359
		446,282	246,207
Net (decrease) increase in cash and cash equivalents		**(88,462)**	98,398
Cash and cash equivalents, beginning of year		**134,406**	36,008
Cash and cash equivalents, end of year		**45,944**	134,406

Non-cash transactions

Capital assets additions amounting to $47,224 ($42,918 in 2022), 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 3400, Revenue

Effective May 1, 2022, McGill has adopted the amendments to Handbook Section 3400, Revenue ("Section 3400"), which provides additional guidance relating to the accounting for multiple elements of a contract, percentage of completion, determination of principal or agent, and bill and hold transactions.

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

Adoption of the amendments to Section 3462, Employee future benefits

In the current year, the University has applied the amendments to Handbook Section 3462, Employee future benefits, which resulted in a change in the measurement of the University's defined benefit obligation in connection with the post-employment benefit plan sponsored by the University. For defined benefit plans with no legislative, regulatory or contractual requirement to prepare a funding valuation, the amendments remove the accommodation to allow for the use of a funding valuation. The defined benefit obligation was previously measured using a funding valuation. As a result of the amendments and due to the absence of legislative, regulatory or contractual requirements for such plan, the University is required to measure the post-employment benefit obligation using an accounting valuation.

The cumulative effects of applying the amendments of $8,406 are recorded in opening net assets as at May 1, 2022.

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.

2. Accounting policies (continued)

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.

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 2023 is $0.4 million ($61.4 million in 2022). 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.

2. Accounting policies (continued)

Financial instruments (continued)

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.

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.

Derivative financial instruments

The University uses interest rate swap contracts to manage its interest rate risk pertaining to long-term debt as well as foreign exchange forward contracts to manage foreign exchange risk arising from currency investments. The University has chosen not to prepare the documentation required to apply hedge accounting. Consequently, interest rate swap contracts and foreign exchange contracts are recognized at fair value in the balance sheet within marketable securities. Fair value is determined using stock market quotes and the prices obtained from financial institutions for identical or similar derivative financial instruments.

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 or less at the date of acquisition.

2. Accounting policies (continued)

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

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.

2. Accounting policies (continued)

Employee future benefits (continued)

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 for the defined pension benefits plan and the actuarial valuation for accounting purposes for the post-employment benefit plan. 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, 2022.

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;
- 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.

Asset retirement obligations

The University recognizes the liability for an asset retirement obligation arising from the acquisition, development, construction, or normal operation of a long-lived asset, in the year in which it is incurred and when a reasonable estimate of the amount of the obligation can be made. The liability is measured at the best estimate of the expenditure required to settle the present obligation. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows or the discount rate. The accretion of the liability as a result of the passage of time is charged to earnings while changes to the liability resulting from revisions to either the original estimate of the undiscounted cash flows or the discount rate are accounted for as an adjustment to the carrying amount of the related long-lived asset.

The University is aware that there are contaminants in some of its buildings. However, the University is unable to evaluate the costs associated with these contaminants and if or when these costs will be incurred. Therefore, no liability has been recorded.

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

	2023	2022
	$	$
Operating, net of provision for doubtful accounts of $985 ($1,026 as at April 30, 2022)	**42,146**	44,285
Student loans, net of provision for doubtful accounts of $374 ($461 as at April 30, 2022)	**1,788**	1,674
Investment income	**2,698**	1,905
Government operating grants	**85,458**	71,672
Grants and contracts related to research – short-term	**248,832**	247,498
Capital grants receivable – short-term	**72,635**	75,954
	453,557	442,988

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. Loan receivable

Loan receivable bears interest at a rate of 2.208% (two loans at 2.208% and 3.013% as at April 30, 2022), with a maturity of seven years.

6. Capital assets

			2023	2022
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Land	**29,023**	**–**	**29,023**	29,023
Land improvements	**64,170**	**32,255**	**31,915**	32,460
Buildings	**665,793**	**409,789**	**256,004**	264,615
Major renovations	**1,588,845**	**564,313**	**1,024,532**	1,003,260
Leasehold improvements	**37,432**	**12,612**	**24,820**	25,540
Equipment	**571,132**	**314,244**	**256,888**	252,164
Rolling stock	**2,546**	**1,679**	**867**	713
Library materials	**224,771**	**123,111**	**101,660**	97,523
Intangible assets	**63,013**	**57,589**	**5,424**	20,479
Non-depreciable assets	**36,462**	**–**	**36,462**	36,230
	3,283,187	**1,515,592**	**1,767,595**	1,762,007
Assets under development	**271,664**	**–**	**271,664**	151,226
	3,554,851	**1,515,592**		1,913,233

(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, 2022), under short-term credit facilities, of which none has been used as at April 30, 2023 (none as at April 30, 2022). There are $248.6 million in short-term borrowings from Financement-Québec related to capital projects included in bank indebtedness ($36.2 million in 2022) at an average rate of 3.63% (0.81% as at April 30, 2022). Unsecured and uncommitted operating lines of credit, totalling $545 million ($545 million as at April 30, 2022), 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 5.58% for the year (2.53% in 2022). Through the use of bankers' acceptances and cross currency swaps, the average cost of borrowing for the year was nil (0.25% as at April 30, 2022). The banker's acceptance rate in effect as at April 30, 2023, was 4.96% (1.33% as at April 30, 2022). There were no banker's acceptances outstanding at year-end (nil as at April 30, 2022).

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include $3.6 million ($13.0 million as at April 30, 2022) 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.

	2023	2022
	$	$
Balance, beginning of year	**899,424**	824,046
Restricted funds received during the year	**461,858**	489,126
Gifts and bequests	**62,722**	73,568
Amortization of deferred contributions	**(506,362)**	(487,316)
Balance, end of year	**917,642**	899,424

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

	2023	2022
	$	$
Federal grants	**467,180**	465,865
Provincial grants	**136,609**	142,159
United States grants	**13,609**	14,388
Other grant sponsors	**33,958**	30,868
Contracts	**37,338**	38,544
Gifts and bequests	**207,163**	188,511
Endowment income	**16,137**	13,581
Investment income	**5,648**	5,508
	917,642	899,424

(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:

	2023	2022
	$	$
Balance, beginning of year	**1,177,714**	1,105,425
Deferred capital contributions received	**201,105**	152,251
Amortization of deferred capital contributions	**(95,267)**	(79,962)
Balance, end of year	**1,283,552**	1,177,714
Composed of contributions from the following sources:		
MES	**853,947**	727,323
Other provincial	**139,722**	147,439
Federal	**183,139**	190,890
Gifts and donations	**94,777**	100,294
Specific grant agreements	**11,967**	11,768
Balance, end of year	**1,283,552**	1,177,714

(Tabular amounts in thousands of dollars)

11. Long-term debt

	2023	2022
	$	$
Government of Québec debt notes[i]		
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	**2,692**	4,487
2.054%, due November 1, 2024	**3,776**	5,664
2.949%, due March 1, 2025	**11,383**	16,523
0.760%, due November 1, 2025	**2,669**	3,559
2.408%, due September 1, 2026	**35,880**	38,640
2.149%, due September 1, 2026	**8,482**	10,109
1.499%, due October 1, 2026	**8,079**	10,099
2.126%, due March 1, 2027	**3,270**	4,088
2.280%, due September 1, 2027	**34,752**	36,489
2.787%, due September 1, 2027	**44,702**	48,779
3.691%, due October 1, 2027	**609**	—
3.691%, due October 1, 2027	**2,163**	—
3.021%, due December 1, 2028	**6,903**	8,013
3.082%, due December 1, 2029	**78,881**	89,692
2.208%, due December 12, 2029	**2,227**	2,517
2.379%, due November 1, 2032	**114,945**	126,506
4.991%, due June 1, 2034	**12,000**	13,000
3.680%, due June 1, 2034	**35,700**	37,800
3.161%, due June 1, 2034	**39,600**	41,800
2.451%, due November 1, 2034	**4,942**	5,353
2.549%, due November 1, 2039	**60,054**	63,586
1.954%, due November 1, 2040	**117,385**	123,906
2.592%, due October 1, 2041	**86,194**	90,731
2.592%, due October 1, 2041	**13,064**	13,752
4.231%, due October 1, 2042	**23,761**	—
2.933%, due December 1, 2042	**48,463**	50,887
3.218%, due December 1, 2043	**19,878**	20,824
Total	**822,454**	871,874
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]	**49,520**	51,754
Bond discounts and issuance costs	**(4,383)**	(4,589)
	45,137	47,165
Total long-term debt	**1,267,591**	1,319,039
Current portion	**74,934**	78,188
	1,192,657	1,240,851

(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	813
2.280%, due September 1, 2027	1,738	27,800
2.787%, due September 1, 2027	4,077	28,394
3.691%, due October 1, 2027	122	121
3.691%, due October 1, 2027	433	431
3.021%, due December 1, 2028	1,110	1,353
3.082%, due December 1, 2029	10,812	14,009
2.208%, due December 12, 2029*	297	339
2.379%, due November 1, 2032	11,562	10,887
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	410
2.549%, due November 1, 2039	3,533	3,526
1.954%, due November 1, 2040	6,521	6,528
2.592%, due October 1, 2041	4,537	4,537
2.592%, due October 1, 2041	688	688
4.231%, due October 1, 2042	1,188	1,189
2.933%, due December 1, 2042	2,423	2,426
3.218%, due December 1, 2043	947	938

* 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.

(Tabular amounts in thousands of dollars)

11. Long-term debt (continued)

(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%.

(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:

	$
2024	74,934
2025	75,218
2026	66,265
2027	92,265
2028	122,225

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. Plan members eligible to the defined benefit component that provides a minimum level of pension benefits who terminate or retire on or after August 31, 2020, can receive their defined benefit minimum supplement as a monthly lifetime pension.

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, 2022, and the next required valuation will be no later than as at December 31, 2025. The contributions made by the University for the period are $10,086 ($12,562 as at April 30, 2022).

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, 2023, is estimated at $90.8 million ($84.7 million as at April 30, 2022).
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:

	2023	2022
	$	$
Cash payments recognized	**45,437**	46,419
Benefit costs	**30,018**	28,654
Defined benefit cost		
Current service cost	**7,866**	7,060
Interest cost (earned) on accrued benefit obligation	**1,561**	(911)
	9,427	6,149

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

	2023	2022
	$	$
Accrued benefit obligations	**176,032**	289,895
Fair value of plan assets	**110,378**	246,910
Plan deficit	**65,654**	42,985
Accrued pension liability	**65,654**	42,985

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

	2023	2022
	%	%
Buy-in group annuity contract	**94.88**	—
Cash equivalents	**4.85**	2.31
Alternative assets	**0.18**	2.42
Equity	**0.01**	54.05
Fixed income	**0.08**	41.22

McGill purchased an annuity buy-in contract for $137.2 million for all pensioners of the plan who retired up to March 31, 2023, with respect to monthly pensions payable from the plan starting August 1, 2023. The buy-in group annuity contract is valued using assumptions as published by the Canadian Institute of Actuaries for Hypothetical Wind-Up and Solvency Valuations.

(Tabular amounts in thousands of dollars)

12. Employee future benefits (continued)

The significant assumptions used are as follows:

	2023	2022
	%	%
Discount rate		
Active	**5.75**	5.75
Retirees	**4.50**	4.50
Salary inflation allowance	**3.00**	3.00

Post-employment benefit obligation – unfunded benefits

	2023	2022
	$	$
Balance, beginning of year	**84,655**	83,930
Adoption of the amendments to Section 3462	**8,406**	—
Balance, beginning of year, adjusted	**93,061**	83,930
Current service cost	**1,124**	715
Interest cost on accrued benefit obligation	**4,144**	4,018
Benefits paid	**(4,172)**	(4,008)
Actuarial gain	**(3,387)**	—
Balance, end of year	**90,770**	84,655

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

	2023	2022
	%	%
Post-employment benefit obligation as at year-end		
Discount rate – active	**5.75**	5.75
Discount rate – retirees	**4.75**	4.50
Rate of compensation increase – Academics	**4.50**	4.50
Rate of compensation increase – Non-academics	**3.25**	3.00
Health care cost trend rates		
Current trend rate	**4.63**	4.42
Ultimate trend rate	**4.00**	4.00
Year of ultimate trend rate	**2040**	2040

(Tabular amounts in thousands of dollars)

13. Externally restricted for endowment purposes

	2023	2022
	$	$
Faculty endowments	**624,136**	601,045
Student aid	**518,197**	490,449
Research endowments	**118,519**	116,887
Emerging priorities	**15,376**	15,808
Library endowments	**26,190**	25,949
Student services	**8,387**	8,348
Annuities	**3,941**	4,594
	1,314,746	1,263,080
Accumulated income	**434,352**	484,065
Unrealized gain (loss)	**73,278**	(7,674)
	1,822,376	1,739,471

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% (4.00% in 2022) 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 2022) 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.

(Tabular amounts in thousands of dollars)

14. Internally restricted net assets

	2023	2022
	$	$
Self-financing teaching and research	**52,376**	40,074
Professor start-up funds	**14,230**	15,080
Emerging priorities	**20,005**	20,005
Other	**50,274**	46,674
	136,885	121,833

15. Investment and interest income

	2023	2022
	$	$
Change in fair value of investments	**7,571**	(842)
Change in fair value of derivative financial instruments	**(13,973)**	(4,900)
Interest income	**33,582**	8,419
Investment income	**73,448**	77,938
	100,628	80,615

16. Net change in non-cash working capital items

	2023	2022
	$	$
Receivables (operating, student loans and investment income)	**1,232**	(17,598)
Prepaid expenses	**(5,762)**	1,377
Inventory	**318**	200
Accounts payable and accrued liabilities	**(7,875)**	24,312
Unearned revenue	**13,905**	(3,711)
	1,818	4,580

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, 2023, McGill's foreign-denominated marketable securities had a fair value of $1.354 billion ($1.225 billion as at April 30, 2022), the most significant of which was U.S. dollar-denominated marketable securities of $829 million ($753 million as at April 30, 2022).

17. Financial instruments (continued)

Financial risks (continued)

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, 2023, 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 of US$282.4 million with a forward rate of 1.3431 as at April 30, 2023, maturing through May 2023 (US$314.4 million with a forward rate of 1.2707 as at April 30, 2022, maturing through May 2022). In addition, McGill has forward contracts outstanding of €29.3 million with a forward rate of 1.4782 as at April 30, 2023, maturing through July 2023 (nil as at April 30, 2022). As at April 30, 2023, the fair value of these contracts was an unrealized loss of $4.2 million, which was recorded in marketable securities (an unrealized loss of $2.3 million as at April 30, 2022).

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 $70.5 million ($68.5 million as at April 30, 2022) 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, 2023, the fair value of the swap is $49.3 million ($47.3 million as at April 30, 2022).

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 $120.0 million of nominal value with a settlement date of May 12, 2023. As at April 30, 2023, the fair value of the rate locks is an unrealized loss of $2.9 million which has been included in marketable securities (an unrealized gain of $11.8 million as at April 30, 2022). 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.

(Tabular amounts in thousands of dollars)

17. Financial instruments (continued)

Derivatives (continued)

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, 2023, the fair value of the swap arrangement incurred an unrealized gain of $0.1 million ($1.5 million unrealized gain in 2022).

In April 2022, McGill entered into a Term Loan Facility with TD for $31.3 million to finance 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 Ministère des Finances. The all-in interest rate is 3.48% for the 5-year term. As of April 30, 2023, the fair value of the swap arrangement incurred an unrealized gain of $0.8 million ($0.8 million unrealized gain in 2022).

Marketable securities

The marketable securities portfolio comprises the following types of investments:

	2023	2022
	%	%
Canadian equity	**9.0**	10.5
U.S. equity	**26.9**	27.2
Non-North American equity	**22.6**	22.6
Canadian fixed income	**11.9**	14.0
U.S. fixed income	**0.3**	0.1
Hedge funds	**4.2**	4.0
Alternate strategies, including private equity and other	**25.1**	21.6
	100.0	100.0

Short-term investments consist of highly liquid fixed-income securities maturing within one year and bearing interest rates ranging from 3.49% to 5.60% (0.34% to 5.66% as at April 30, 2022).

18. Pledges

Outstanding donation pledges, net of provision for doubtful accounts of $1.4 million, as at April 30, 2023, amounted to $274.4 million ($241.0 million, net of provision of provision for doubtful accounts of $1.7 million, as at April 30, 2022). These have not been recognized in the financial statements.

(Tabular amounts in thousands of dollars)

19. Commitments

Operating leases

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

	$
2024	18,918
2025	16,671
2026	12,890
2027	11,521
2028	8,473
2029 and thereafter	45,286
	113,759

Construction in progress

McGill has undertaken the construction of several new buildings and, as a result, has commitments totalling $226.0 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 $347.1 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, 2023, 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.

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. Subsequent event

On August 28, 2023, McGill issued $60 million, in notional value, in additional aggregate Series A Senior unsecured debentures, bearing interest at 6.15%, with semi-annual interest payments, maturing on September 22, 2042.