Rating Report
McMaster University

Morningstar DBRS
January 19, 2024

Contents

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Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	AA	Confirmed	Stable
Senior Unsecured Debt	AA	Confirmed	Stable

Rating Update

DBRS Limited (Morningstar DBRS) confirmed McMaster University’s (McMaster or the University) Issuer Rating and Senior Unsecured Debt rating at AA. All trends remain Stable. The ratings are supported by McMaster’s strong academic profile, track record of strong financial management, and considerable financial flexibility as evidenced by a large pool of expendable resources. However, a constrained funding and tuition environment, combined with expectations for modestly lower enrolment and prior increases in debt leave limited capacity within the current ratings to withstand unforeseen shocks.

McMaster reported a consolidated surplus of $149.6 million, or 10.6% of revenues in 2022–23 driven by strong investment returns of 7.1%. The consolidated budget projects a surplus of $74.2 million in 2023–24, followed by surpluses of $66.0 million in each of the following two years. Morningstar DBRS notes McMaster has a practice of using conservative budget assumptions and seeks to meet or exceed targets. McMaster has conservatively planned for a reduction in full-time equivalent (FTE) enrolment, averaging 1.6% annually from 2023–24 through 2025–26. This reflects the University's objective to reduce domestic undergraduate enrolment to be in line with its funded corridor as well as a modest forecast for international enrolments.

With no new debt anticipated in the near term, McMaster's debt is expected to decline gradually as a small piece of bank debt continues to amortize. For 2023–24, total debt is expected to be $417.3 million. However, when combined with lower enrolment, debt per FTE is forecast to rise to $12,051 per FTE in 2023–24, and approaching $12,300 per FTE by 2025–26. Morningstar DBRS anticipates McMaster will outperform its enrolment targets, leading to more favourable debt-per-FTE metrics.

Should debt-per-FTE continue rising on a sustained basis, this could result in downward pressure on the ratings. A negative rating action could also arise from a sustained deterioration in operating performance. A positive rating action, though unlikely, could result from an upgrade of the provincial funder rating, an improvement in the government funding and tuition frameworks, and/or material reduction in debt.

Financial Information

	For the year ended April 30				
	2023	**2022**	**2021**	**2020**	**2019**
Consolidated operating result (adjusted; CAD millions)	149.6	52.9	232.0	92.1	157.0
Surplus-to-revenue (five-year rolling average; %)	10.8	10.6	11.8	8.8	8.8
Debt per FTE (CAD)	11,819	11,948	7,810	8,502	8,869
Interest coverage ratio (times)	12.3	6.3	21.7	9.5	14.1
Expendable resources to debt (%)	212	205	266	219	221

Issuer Description

McMaster was founded in 1887 through the merger of the Toronto Baptist College and Woodstock College. The University is a comprehensive, research-intensive institution in Hamilton, and offers a broad range of undergraduate, graduate, and continuing education programs to more than 35,000 FTE students.

Rating Considerations

Strengths

1. Academic profile

The University benefits from a strong academic profile; it frequently places high in international rankings and often appears among the top 100 universities globally. McMaster offers a diverse range of programs in all high-demand academic areas (except law) and is one of the most research-intensive universities in the country.

2. Provincial support

Universities are a critical component of the public sector. Access to high-quality post-secondary education remains a priority for the Province of Ontario (the Province or Ontario; rated AA (low) with a Positive trend by Morningstar DBRS). As such, universities in Ontario and across Canada benefit from stable and consistent revenue sources. Government grants and tuition fees accounted for about 67% of revenue for McMaster.

3. Disciplined financial management

McMaster has an established history of proactive and effective financial management. It has been responsive to operating challenges that have emerged and has implemented systems and processes to improve resource allocation and cost control.

4. Considerable financial resources and flexibility

The University has a strong balance sheet, which is the result of prudent management practices, a series of strong operating results, and success in fundraising. Morningstar DBRS estimates McMaster’s expendable resources were $885.6 million at April 30, 2023, which equates to 211.8% of debt—one of the highest levels among Morningstar DBRS-rated universities.

Challenges

1. Limited control of revenue

Canadian universities have limited control over their main revenue sources — tuition fees and government grants. In recent years, the Province implemented changes to the tuition-fee framework for domestic students in regulated programs, limiting domestic tuition growth and freezing operating grants.

2. Cost pressures

Underlying cost pressures are somewhat detached from the University's revenue drivers. Canadian universities' expense bases are largely fixed and growing in the form of tenured faculty, unionized support staff, externally mandated student aid requirements, and large infrastructure footprints. In recent years, inherent cost pressures such as negotiated wage settlements, competitive salaries for top researchers, and increasing benefits costs have outpaced provincially controlled revenue growth. The fixed nature of the expenses tends to slow the pace at which universities can respond to a significant exogenous shock to revenue.

3. Significant deferred maintenance

The University has considerable deferred maintenance needs, currently estimated to be $674.7 million in 2022–23, down from $768.2 million in 2021–22. The Facilities Condition Index now stands at 23.7%, down from 26.9% in the prior year. The University continues to focus on critical priorities and expects to maintain annual maintenance spending of approximately $16.8 million from various sources, including the University's own reserves, provincial funding, and ancillaries, where possible.

Operating Performance

2023–24 Budget

The University prepares a consolidated budget that includes the operating fund (approximately 70% of consolidated budget), capital fund, research fund, trusts and endowment fund, and the specifically funded activities. Its board of directors requires the University to present a balanced budget annually. Like most universities in Ontario, McMaster uses an activity-based budget model.

McMaster's budgetary performance is expected to remain strong. The consolidated budget projects a. surplus of $74.2 million in 2023–24, followed by surpluses of $66.0 million in each of the following two years. Morningstar DBRS notes McMaster has a practice of using conservative budget assumptions and seeks to meet or exceed targets.

Consolidated revenues are budgeted to decline by 2.7% year over year (YOY) in 2023–24 largely driven by the anticipated decline in enrolments partly offset by higher tuition fees for out-of-province and international students and improvement in ancillary revenues. Domestic tuition fees have been assumed to remain frozen in line with the current Provincial guidelines. McMaster has budgeted for a decline in enrolment of 2.1% driven by a targeted reduction in domestic undergraduate enrolment closer to the funded corridor as well as lower international enrolments due to a large graduating cohort in 2023–24. International enrolments also continue to be somewhat affected by the lingering impacts of visa processing delays that affected international students through the previous year (see Morningstar DBRS ' "International Student Recruitment Rebound Hindered by Canada's Visa Processing Backlog," published November 1, 2022). Investment income is budgeted to normalize, though still subject to market uncertainty.

Operating grants are expected to remain largely stable through the medium term in line with the Province's funding formula under the Strategic Mandate Agreement (SMA). The current Strategic Mandate Agreement (SMA3) covers the 2020–21 to 2024–25 fiscal years and includes a set of 10 performance metrics with funding consequences for not meeting the negotiated performance targets. The ministry announced the activation of these performance metrics at a systemwide proportion of 10% beginning in 2023–24.

Consolidated spending is forecast to rise by 2.9% in 2023–24. This reflects increased costs for salaries and benefits (4.0%) as a result of negotiated pay increases and higher employee benefit costs in addition to modest increases across other categories of expenses. Interest charges are projected to remain stable.

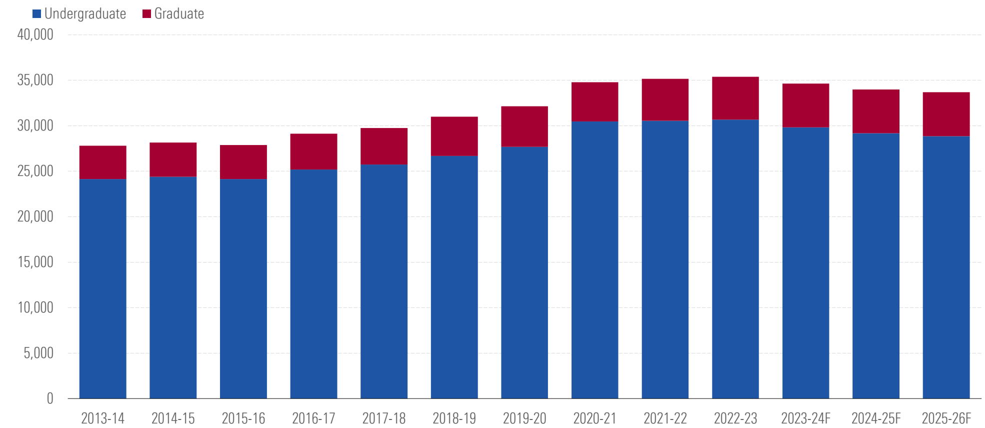
On a narrower operating-fund basis, the University budgeted for a deficit position in the operating fund of $29.8 million in 2023–24, followed by deficits of $29.5 million and $24.5 million in 2024–25 and 2025–26, respectively, largely on account of planned spending related to the University's strategic priorities.

Operating Outlook

McMaster has conservatively planned for a reduction in FTE enrolment, averaging 1.6% annually from 2023–24 through 2025–26. This reflects the University's objective to reduce domestic undergraduate enrolment to be in-line with its funded corridor. The University will continue to focus on increasing its international enrolments by intensifying recruitment efforts and diversifying its international enrolment base to reduce geopolitical risks. Morningstar DBRS believes that despite the operating headwinds, the University will meet or exceed budget targets based on a history of outperformance. Additionally, following the recommendations of the Blue Ribbon Panel and given the persistent inflationary pressures, the Province may be compelled over the medium term to provide some more flexibility for domestic tuition fees, or targeted increases in grant funding, to support the sector's overall financial health.

Labour relations are generally positive at the University. Negotiations with some of the employee groups are due to expire in 2024. The University expects to conclude these agreements without any disruptions.

Exhibit 1 Total Enrolment (FTEs)



Sources: McMaster and Morningstar DBRS.

2022–23 Results

McMaster reported a consolidated surplus of $149.6 million, or 10.6% of revenues in 2022–23 compared with $52.9 million in the prior year. The improvement was a result of strong investment returns of 7.1% following a year of negative investment earnings.

Total revenues were up by 17.4% YOY in 2022–23 driven by growth in investment along with higher tuition fees and a recovery in ancillary revenues. Enrolments increased modestly by 0.7% to 35,379 FTEs and combined with fee increases for unregulated programs, resulted in a 1.9% increase in tuition-fee revenues. Government operating grants were stable, while research grants grew by 12.3%. Ancillary revenues continued to recover (+33.0%) because of increased on-campus activity. Additionally, increased amortization of deferred capital contributions (+4.4%,) and other revenues (+10.2%) offset decline in donations and other grants (-5.7%), supporting overall revenue growth. Spending growth of 9.7% was driven by increases across most categories including salaries (+8.0%), supplies and other operating expenses (+16.1%), amortization (+2.4%) and interest costs (+4.6%).

Capital

McMaster prepares a rolling comprehensive Five-Year Capital Plan that guides capital development based on the University's strategic priorities. The master plan includes a Facilities Capital Plan, an Energy Management Plan, and an Asset Management Plan, all of which are updated annually.

In 2022–23, capital spending amounted to $180.5 million, slightly higher than the five-year historical average. Key projects during the year included the Student Activity and Fitness Expansion, the McLean Centre for Collaborative Discovery, the Peak Shaver and Electric Boiler project to reduce carbon emissions, public-private developments on a downtown graduate residence, and an expansion of undergraduate residences. The University completed partial occupancy of the graduate residence (644 beds) and parking garage (265 parking spaces) in September 2023 with substantial completion expected in 2024.

Key projects under way in 2023–24 include the following:

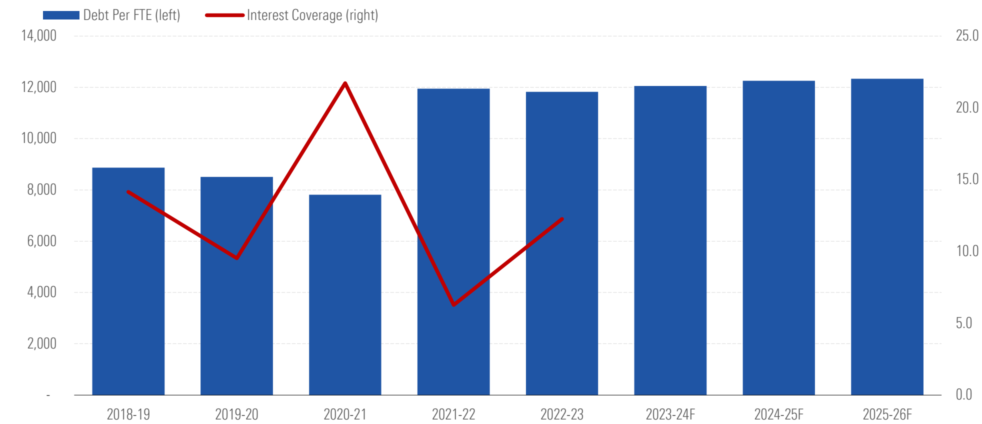
- DeGroote School of Business Expansion ($128 million): This will provide additional academic/administrative space and add a new nine-storey facility expected to be completed in 2024. Included in this expansion is the McLean Centre for Collaborative Discovery: the renovation project is to be funded primarily by the McLean family, combined with donations and the University's own reserves.
- David Braley Athletic Centre Expansion (Student Activity and Fitness Expansion) and Pulse Fitness Centre ($64 million): The expansion includes fitness studios, study space, and other recreation facilities funded through the student union with some contribution from the University.
- Main Street West residence: Functioning as an extension to the main campus, this project will add 1,366 beds. Though financed through a limited partnership with a private developer, the residence will be managed, operated, and used by the University in accordance with its priorities. The project timeline has been affected by the pandemic and inflationary pressures, with completion now expected in the fall of 2026.
- Global Nexus for Pandemics and Biological Threats: McMaster envisions the Global Nexus project being an innovation hub focused on ensuring the world is better prepared for future pandemics and biological threats.

The University has a number of other projects under consideration for the medium and longer term. These include the Bates Residence retrofit and the John Hodgins Engineering Building –The PIVOT— along with renovations to the Life Sciences Building. Although they are yet to be approved, these projects are expected to be funded through a combination of internal financing and fundraising.

Deferred maintenance at McMaster is estimated to be $674.7 million in 2022–23, down from $768.2 million in 2021–22. The FCI now stands at 23.7%, down from 26.9% in the prior year. The University continues to focus on critical priorities and expects to maintain annual maintenance spending of approximately $16.8 million from various sources, including the University's own reserves, provincial funding, and ancillaries, where possible.

Debt and Liquidity

Exhibit 2 Debt and Interest Coverage



Source: Morningstar DBRS.

McMaster's long-term debt trended slightly lower at $418.2 million at April 30, 2023, compared with $420.0 million in the previous year. This equates to debt-per-FTE of $11,846, down from $11,948 in 2021–22, consistent with Morningstar DBRS' previous expectations.

The University’s debt is composed of four long-dated debentures due between 2051 and 2071 and a small amount of amortizing bank debt ($11.8 million). Morningstar DBRS also includes guaranteed obligations related to the McMaster Innovation Park (see Other Long-Term Obligations below) in its measure of total university debt. Interest coverage improved to 12.3x on account of improved operating results.

The University has established voluntary sinking funds for the debentures. At April 30, 2023, the sinking funds totalled $58.7 million. With ongoing contributions and investment returns, the funds are expected to be sufficient to retire the debentures.

Other Long-Term Obligations

The University has provided a guarantee of up to $23.0 million to the First Longwood Innovation Trust on a senior unsecured basis related to activities at the McMaster Innovation Park. At April 30, 2023, $16.4 million was outstanding related to this guarantee, which adds approximately $500 to debt-per-FTE. The underlying obligation is scheduled to fully amortize by 2035.

In addition to long-term debt, McMaster reported a decommissioning obligation of $19.5 million at April 30, 2023, related to the eventual retirement of its nuclear reactor. The University has established a trust fund valued at $15.9 million, as well as other internal reserves, to cover future decommissioning costs. Morningstar DBRS does not include this amount in its calculation of total debt.

Expendable Resources

Morningstar DBRS estimates universities' expendable resources as a subset of net assets, which includes unrestricted net assets, internally restricted endowments, and some of the internally restricted net assets. As at April 30, 2023, Morningstar DBRS estimated McMaster's expendable resources totalled $885.6 million, or 211.8% of total debt. This places McMaster among the strongest of Morningstar DBRS-rated universities and reflects its considerable balance sheet flexibility.

McMaster's total endowments increased by +6.5% YOY led by strong investment returns. On a per-FTE basis, this equates to $21,213, which is the third-highest among Morningstar DBRS-rated institutions.

Employee Future Benefits

McMaster has significant employee future benefit liabilities associated with its three defined benefit pension plans and nonpension postretirement benefits. Only one of the defined benefit pension plans remains open to new members. The University also has a group registered retirement savings plan for a growing number of employees.

The latest actuarial valuation for the University's salaried plans was filed on July 1, 2021, which revealed a going-concern surplus of $128.2 million, and solvency deficit of $147.6 million. Both balances represent an improvement relative to the prior valuation, helped by the reclassification of one of the plans to open, from closed, and strong investment returns. Furthermore, with a solvency ratio of 102%, McMaster is not required to make special payments. The next valuation is required by July 1, 2024.

For the Hourly Pension Plan, the University filed a valuation as of July 1, 2022, reporting a solvency ratio of 101%, thereby avoiding the requirement to make special payments. The 2022 valuation reported a going-concern surplus of $10.5 million and a solvency deficit of $2.3 million which was an improvement from the prior solvency deficit of $8.1 million.

Nonpension postemployment benefit liabilities totalled $277.6 million at April 30, 2023, up 3.3% from the previous year. These mainly comprise health, dental, and life insurance benefits to retirees. Although not mandated, the University continues to set aside funds in an internally restricted reserve, which totalled $212.7 million as at April 30, 2023. Under a board-approved policy, McMaster plans to fully fund nonpension postemployment obligations by 2029.

Debt Outlook

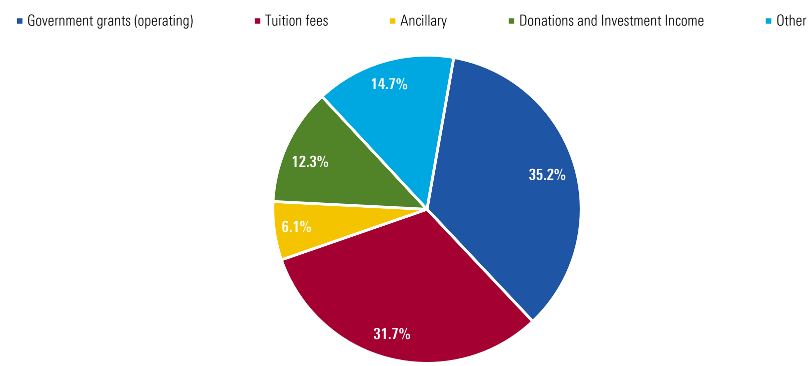
With no new debt anticipated in the near term, McMaster's debt is expected to decline gradually as a small piece of bank debt continues to amortize. For 2023–24, total debt is expected to be $417.3 million. McMaster has conservatively assumed declining enrolment as they intentionally target a reduction in domestic undergraduate enrolment, in addition to the uncertainty around international enrolments. As a result, debt-per-FTE is forecast to rise to $12,051 per FTE in 2023–24, and approach $12,300 per FTE by 2025–26. Morningstar DBRS anticipates McMaster will outperform its enrolment targets, leading to more favourable debt-per-FTE metrics; however, should debt per FTE continue rising on a sustained basis, this could result in downward pressure on the ratings.

University Funding in Ontario

Canadian universities in Ontario generally have three key sources of revenue for their core teaching and research activities: (1) government grants, (2) student fees, and (3) donations and investment income. For McMaster, these accounted for roughly 79.2% of total revenue in 2022–23, which is comparable with many Morningstar DBRS-rated universities.

Provincial government funding remains one of the primary sources of revenue for universities across the country, although its relative importance remains under pressure in most provinces because of strained finances and competing priorities.

Exhibit 3 Revenue Breakdown (2022–23)



Sources: McMaster and Morningstar DBRS.

Government Funding (Provincial and Federal; 35.2%)

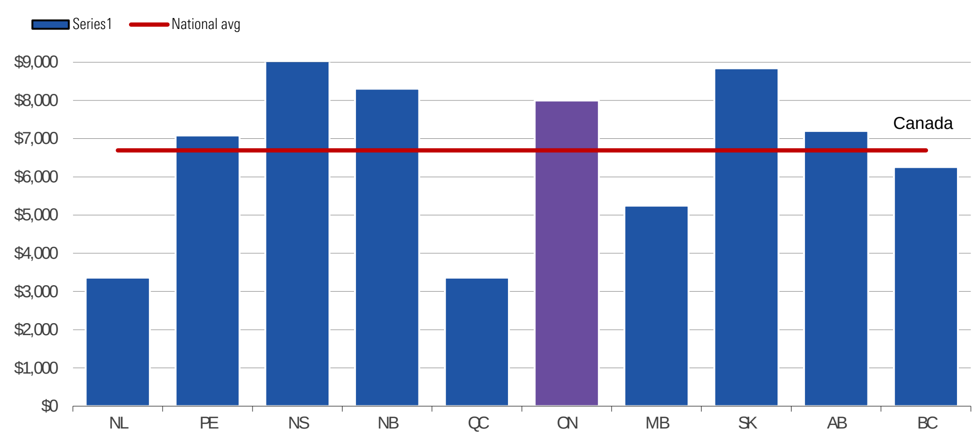
Government funding includes operating grants, research grants, and contracts as well as capital grants. Operating grants are the most important and stable revenue source.

The Province and universities have signed Strategic Mandate Agreements (SMA) that establish performance-based funding targets for the 2020–21 to 2024–25 fiscal years. This includes a set of 10 performance metrics, with funding consequences if the University does not meet the negotiated performance targets. In light of pandemic-led operating pressures and the need for funding stability, SMA3 funding was temporarily decoupled from performance targets. For 2023–24, the University estimates roughly 10% of the SMA3 funding will be subject to performance on these metrics. New SMAs will be negotiated in spring 2024.

Tuition (31.7%)

Following a 10% reduction in tuition fee for domestic students in eligible programs in 2019, these have remained frozen at 2019–20 levels. For 2022–23, universities were allowed to increase fees up to 5% for out-of-province students. International student fees are not regulated by the Province and are generally set in line with prevailing market rates.

Exhibit 4 Average Canadian Undergraduate Tuition Fees



Source: Statistics Canada.

Donations and Investment Income (12.3%)

Donations and investment income, recognized on the statement of operations, typically represent 10% of the University's revenue. Endowed contributions and investment income earned by the restricted endowments are recognized as changes in net assets and are not captured on the statement of operations until they are spent, at which point they are recorded as revenue.

With an extensive alumni, friends, and current donor base that includes many professionals, McMaster has seen consistent success in its fundraising efforts over the past several years. The University realized total fundraising of $117.4 million in calendar year 2021. Currently, McMaster is undertaking a multiyear research-oriented revenue-generating initiative, the Brighter World Research Initiative, that aims to build and capitalize on McMaster's position as Canada's most research-intensive university.

Environmental, Social, and Governance (ESG) Credit Risk Considerations

Environmental

There were no environmental factors that had a relevant or significant effect on the credit analysis. For more details about which environmental factors could have an effect on the credit analysis, please refer to the following checklist.

Social

There were no social factors that had a relevant or significant effect on the credit analysis. For more details about which social factors could have an effect on the credit analysis, please refer to the following checklist.

Governance

There were no governance factors that had a relevant or significant effect on the credit analysis. For more details about which governance factors could have an effect on the credit analysis, please refer to the following checklist.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* at https://dbrs.morningstar.com/research/357792.

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	N	N
	Emissions, Effluents, and Waste	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuerÆs financial, operational, and/or reputational standing?	N	N
	Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long-term credit profile?	N	N
	Resource and Energy Management	Does the scarcity of sourcing key resources hinder the production or operations of the issuer, resulting in lower productivity and therefore revenues?	N	N
	Land Impact and Biodiversity	Is there a financial risk to the issuer for failing to effectively manage land conversion, rehabilitation, land impact, or biodiversity activities?	N	N
	Climate and Weather Risks	In the near term, will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact? In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially under key IPCC climate scenarios up to a 2°C rise in temperature by 2050?	N	N
Social		**Overall:**	N	N
	Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N
	Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts, that could result in a material financial or operational impact?	N	N
		Do violations of rights create a potential liability that can negatively affect the issue's financial wellbeing or reputation?	N	N
		Human Capital and Human Rights	N	N
	Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N
	Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could it result, in financial penalties or client attrition to the issuer?	N	N
	Occupational Health and Safety	Would the failure to address workplace hazards have a negative financial impact on the issuer?	N	N
	Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
	Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
Governance		**Overall:**	N	N
	Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
		Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
		Bribery, Corruption, and Political Risks	N	N
	Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
	Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
		Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
		Corporate / Transaction Governance	N	N
		Consolidated ESG Criteria Output:	N	N

* A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

Statement of Operations (Adjusted)

(CAD thousands)

	2023	2022	2021	2020	2019
Total revenue	1,405,729	1,197,630	1,300,661	1,160,970	1,193,010
Total expense	1,256,100	1,144,702	1,068,652	1,068,900	1,036,018
Consolidated operating result	149,629	52,928	232,009	92,070	156,992
Revenue					
Tuition fees	445,751	437,397	416,510	360,665	341,629
Government operating grants	284,621	284,747	278,446	275,906	273,587
Research grants and contracts	224,554	199,882	181,146	189,283	193,412
Ancillary operations	86,101	64,718	17,767	75,959	78,202
Investment income	109,958	(32,252)	199,111	26,392	70,820
Donations and other grants	62,572	66,389	51,543	69,809	67,906
Amortization of deferred capital contributions	46,832	44,853	42,761	40,773	38,835
Other revenue	145,340	131,896	113,377	122,183	128,619
Total Revenue	**1,405,729**	**1,197,630**	**1,300,661**	**1,160,970**	**1,193,010**
Expense					
Salaries and benefits	783,594	725,792	693,869	676,506	641,842
Other supplies and expenses	364,908	314,178	278,985	300,877	308,107
Amortization	89,413	87,340	82,587	78,260	72,769
Interest	18,185	17,392	13,211	13,257	13,300
Total Expense	**1,256,100**	**1,144,702**	**1,068,652**	**1,068,900**	**1,036,018**
Consolidated operating result	149,629	52,928	232,009	92,070	156,992
Gross capital expenditures	180,530	132,984	109,316	127,922	148,010

Statement of Financial Position (Adjusted)

(CAD thousands)	As at April 30				
Assets	**2023**	**2022**	**2021**	**2020**	**2019**
Cash and short-term investments	439,172	365,996	303,757	200,630	225,846
Receivables	216,292	180,363	149,605	151,656	138,942
Inventories and prepaid expenses	24,341	27,427	23,324	32,533	19,352
Long-term investments	1,755,574	1,667,060	1,614,783	1,313,986	1,329,541
Other investments and intangible assets	44,661	42,546	34,405	30,012	24,111
Capital assets	1,366,222	1,276,062	1,231,476	1,208,455	1,158,793
Total Assets	**3,846,262**	**3,559,454**	**3,357,350**	**2,937,272**	**2,896,585**
Liabilities and Net Assets					
Liabilities and deferred contributions					
Payables and other current liabilities	239,592	211,814	195,627	172,250	181,257
Employee future benefits	263,756	275,714	169,928	448,446	357,290
Deferred contributions—endowment	158,207	151,655	138,782	114,511	106,505
Other deferred contributions	388,631	330,336	299,208	256,589	256,663
Deferred capital contributions	457,860	462,102	480,736	491,662	505,591
Long-term debt	401,751	402,558	253,314	254,023	254,688
Decommissioning obligation	19,482	18,637	15,077	14,383	13,718
Total Liabilities	**1,929,279**	**1,852,816**	**1,552,672**	**1,751,864**	**1,675,712**
Net Assets					
Unrestricted	-	-	-	-	10,755
Internally restricted	643,920	580,073	543,692	97,679	159,426
Equity in capital assets	522,555	421,571	504,770	470,378	399,463
Endowment—internally restricted	161,076	156,615	171,813	141,333	150,410
Endowment—externally restricted	589,432	548,379	584,403	476,018	500,819
Net Assets	**1,916,983**	**1,706,638**	**1,804,678**	**1,185,408**	**1,220,873**
Total Liabilities and Net Assets	**3,846,262**	**3,559,454**	**3,357,350**	**2,937,272**	**2,896,585**
Contingencies and Commitments					
Capital commitments	209,400	249,100	339,100	294,400	276,300
Debt service deficiency agreement	16,400	17,400	18,400	19,300	20,200
Total	**225,800**	**266,500**	**357,500**	**313,700**	**296,500**

Calculation of Free Cash Flow (Adjusted)

(CAD thousands)	As at April 30				
	2023	**2022**	**2021**	**2020**	**2019**
Operating balance before fund contributions	149,629	52,928	232,009	92,070	156,992
Amortization	89,413	87,340	82,587	78,260	72,769
Other noncash adjustments	(34,297)	(48,592)	(40,826)	(57,234)	(55,027)
Cash flow from operations	204,745	91,676	273,770	113,096	174,734
Change in working capital	75,818	28,231	113,062	(14,133)	13,062
Operating cash flow after working capital	280,563	119,907	386,832	98,963	187,796
Net capital expenditures[1]	(136,983)	(105,707)	(73,773)	(101,078)	(114,886)
Free cash flow	143,580	14,200	313,059	(2,115)	72,910

1 Gross capital expenditures less contributions restricted for capital purposes.

Summary Statistics (Adjusted)

For the year ended April 30	2023	2022	2021	2020	2019
Total Enrolment (FTE)[1]	35,380	35,150	34,791	32,148	30,995
Undergraduate (%)	87	87	88	86	86
Graduate (%)	13	13	12	14	14
Total annual change (%)	0.7	1.0	8.2	3.7	4.2
Enrolment (Headcount)	37,537	37,370	36,450	34,267	33,147
Domestic	30,968	30,944	30,710	29,001	28,747
International	6,569	6,426	5,739	5,266	4,400
International share (%)	17.5	17.2	15.7	15.4	13.3
Total employees[2]	6,833	6,494	6,157	5,736	5,589
Full-time faculty[3]	1,690	1,626	1,591	1,555	1,503
Operating Results					
Surplus (deficit) (CAD millions)	149.6	52.9	232.0	92.1	157.0
As a share of revenue (%)	10.6	4.4	17.8	7.9	13.2
Share of revenue (five-year moving average; %)	10.8	10.6	11.8	8.8	8.8
Revenue Mix					
Government funding (federal and provincial; %)	35	40	35	39	37
Tuition fees (%)	32	37	32	31	29
Ancillary (%)	6	5	1	7	7
Donations and investment income (%)	12	3	19	8	12
Other (%)	15	15	12	15	16
Debt and Liquidity					
Total long-term debt (CAD millions)[4]	418.2	420.0	271.7	273.7	274.9
Per FTE student (CAD)	11,819	11,948	7,810	8,502	8,869
Long-term debt, contingencies, and commitments (CAD millions)	891.3	944.8	780.7	1,016.2	908.5
Per FTE student (CAD)	25,192	26,878	22,441	31,609	29,310
Expendable resources (CAD millions)	885.6	859.1	723.8	598.3	607.7
As a share of total debt (%)	211.8	204.6	266.4	218.9	221.1
Interest costs as share of total expenditures (%)	1.4	1.5	1.2	1.2	1.3
Interest coverage ratio (times)	12.3	6.3	21.7	9.5	14.1
Endowment Funds					
Total market value (CAD millions)	750.5	705.0	756.2	617.4	651.2
Per FTE student (CAD)	21,213	20,057	21,736	19,203	21,011
Payout ratio (% of five-year average market value)	4.0	4.0	4.0	4.0	4.0

1 FTE, excluding continuing education.
2 Headcount; excludes teaching assistants, sessional lecturers and temporary staff.
3 Includes clinical educators.
4 Includes guaranteed obligations related to the McMaster Innovation Park.

Rating History

Issuer	Debt	Current	2023	2022	2021	2020	2019
McMaster University	Issuer Rating	AA	AA	AA	AA	AA	AA
McMaster University	Senior Unsecured Debt	AA	AA	AA	AA	AA	AA

Related Research

- *Rating Public Universities*, May 17, 2023.
- *Canadian Universities Grappling With Diverse Post-Pandemic Challenges*, November 13, 2023.
- *Are Political Tensions Between Canada and India a Cause for Concern for Canadian Public Universities?*, October 17, 2023.
- *Free Tuition for Ontario's Indigenous University Students: Balancing Cost Concerns and Reconciliation,* September 29, 2023

Previous Report

- McMaster University: Rating Report, January 19, 2023.

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