Rating Report
McMaster University

DBRS Morningstar
February 1, 2022

Contents

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Ratings

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

Rating Update

On January 14, 2022, DBRS Limited (DBRS Morningstar) 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, robust enrolment growth, track record of strong financial management, and considerable financial flexibility. Collectively, this has allowed the University to navigate through the Coronavirus Disease (COVID-19) pandemic with limited effect on its credit profile, despite taking on additional debt for capital renewal and expansion. However, the operating environment is likely to remain challenging, given a constrained funding and tuition environment, the emergence of new coronavirus variants, and reintroduction of public health measures.

McMaster reported a consolidated surplus of $232.0 million, or 17.8% of revenues. This was a notable increase from $92.1 million the previous year and brings the five-year average surplus to 11.8% of total revenues. The improvement was largely driven by strong investment returns, while strong enrolment growth also provided support.

Despite the ongoing pandemic, DBRS Morningstar expects McMaster's operating performance to remain sound. The consolidated budget projects a surplus of $78.8 million in 2021–22, followed by surpluses of $100.7 million and $99.8 million in the subsequent two years. DBRS Morningstar notes that McMaster has a practice of using conservative budget assumptions and has taken a similarly conservative approach regarding its assumptions around campus reopening and related financial impacts. While the emergence of the omicron variant raises some concerns, DBRS Morningstar believes McMaster has the flexibility to withstand modest deterioration in operating performance.

Following the issuance of two new debentures in June 2021 for $150 million, and incorporating strong enrolment growth and amortization of existing debt, debt per full-time equivalent (FTE) is expected to be approximately $11,900 at April 30, 2022. By 2023–24, debt per FTE is expected to gradually decline toward $11,400 assuming average annual FTE growth of 2.0% over the next three years with no further debt issuance anticipated.

A material increase in the debt-per-FTE ratio to over $12,000 on a sustained basis would result in downward pressure on the rating. 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 and an improvement in the government funding and tuition frameworks.

Financial Information

	For the year ended April 30				
	2021	**2020**	**2019**	**2018**	**2017**
Consolidated operating result (adjusted; CAD millions)	232.0	92.1	157.0	105.7	112.1
Surplus-to-revenue (five-year rolling average; %)	11.8	8.8	8.8	8.0	7.4
Debt per FTE (CAD)	7,810	8,502	8,869	9,285	9,536
Interest coverage ratio (times)	21.7	9.5	14.1	9.7	11.2
Expendable resources to debt (%)	266	219	221	202	190

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 located in Hamilton, Ontario, and offers a broad range of undergraduate, graduate, and continuing education programs to more than 32,000 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 Stable trend by DBRS Morningstar). As such, universities in Ontario and across Canada benefit from stable and consistent revenue sources. Government grants and tuition fees accounted for about 70% of revenue for McMaster—demonstrating a somewhat lower reliance on government grants and tuition than other DBRS Morningstar-rated universities.

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. This has been evident throughout the current pandemic as McMaster has taken steps to mitigate the deterioration in University finances.

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. DBRS Morningstar estimates that McMaster's expendable resources were $723.8 million at April 30, 2021, which equates to 266% of debt—one of the highest levels among DBRS Morningstar-rated universities. After incorporating the June 2021 debt issuance, expendable resources are expected to remain strong at approximately 170% of debt.

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 at $726.9 million in 2020–21, up from $713.9 million in 2019–20, although recent changes in measurement methodologies makes comparisons with prior years imperfect. The facilities condition index (FCI) now stands at 28.1%, up from 27.1% in 2019–20. The University continues to focus on critical priorities and expects to maintain annual maintenance spending of approximately $14.0 million from various sources, including the University's own reserves, provincial funding, and ancillaries, where possible.

Operating Performance

2021–22 Budget

The University prepares a consolidated budget that includes the operating fund (approximately 60% 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. There were no significant changes to budgetary practices over the last year.

Despite the ongoing pandemic, DBRS Morningstar expects McMaster's operating performance to remain sound. The consolidated budget projects a surplus of $78.8 million in 2021–22, followed by surpluses of $100.7 million and $99.8 million in the subsequent two years. DBRS Morningstar notes that McMaster has a practice of using conservative budget assumptions and has taken a similarly conservative approach regarding its assumptions around campus reopening and related financial impacts.

Consolidated revenues are budgeted to decrease by 1.9% in 2021–22, mainly as a result of an expectation that investment returns will moderate. DBRS Morningstar expects this to be partly mitigated by ongoing growth in tuition revenues with FTE enrolment anticipated to rise by 1.7%, mainly reflecting the impact of the strong intake in the previous year. Operating grants are expected to be stable, consistent with past years.

Consolidated spending is forecast to rise by 12.1% in 2021–22. This reflects increased costs for salaries and benefits (6.6%) as a result of hiring to address rising student-faculty ratios, negotiated pay increases, and higher employee benefit costs. Additionally, supplies and services costs are projected to rise by 29.0%, while interest charges are projected to increase by 16.3% as a result of debt financing completed in June 2021.

On a narrower operating fund basis, the University budgeted for a deficit position in the operating fund of $4.8 million in 2021–22, improving to a deficit of $0.6 million in 2022–23, and returning to a surplus of $8.8 million in 2023–24.

Operating Outlook

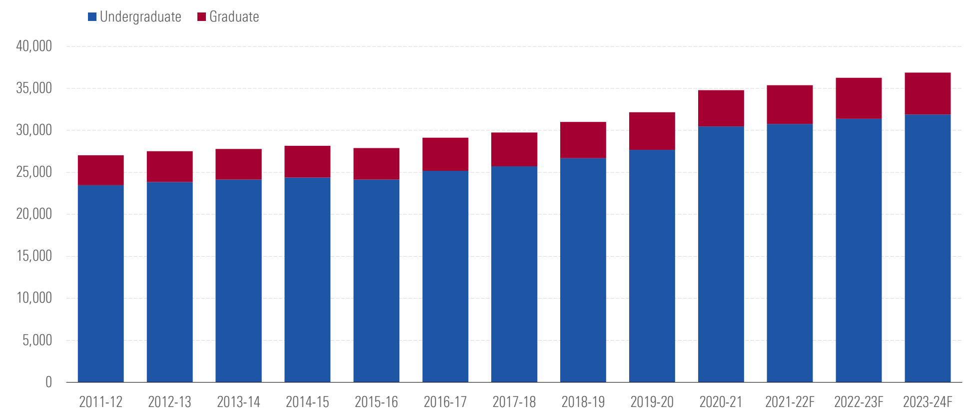
McMaster has yet to release an interim financial update for 2021–22, but DBRS Morningstar expects that the University will meet or exceed budget targets based on a history of outperformance and indications that enrolment is tracking ahead of plan.

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. However, the Province previously announced that performance-based funding has been delayed by two years until 2022–23.

Tuition policy presents an element of uncertainty. Following the 10% tuition reduction for domestic regulated programs announced for 2019–20, tuition fees have remained frozen. The Province has yet to provide any tuition guidance for 2022–23, but with the ongoing pandemic and upcoming provincial election, DBRS Morningstar anticipates that the tuition freeze will be extended. In the absence of new guidance, McMaster has assumed an ongoing tuition freeze in its multiyear projections.

The University continues to plan for modest enrolment growth through the medium term, although the pace is expected to moderate, averaging 2.0% annually from 2021–22 through 2022–23. As travel restrictions are gradually relaxed, international enrolment is expected to be a key contributor to growth, with McMaster aiming to further diversify its international enrolment base to reduce geopolitical risks.

Exhibit 1 Total Enrolment (FTEs)



Source: McMaster and DBRS Morningstar.

2020–21 Results

McMaster reported a consolidated surplus of $232.0 million, or 17.8% of revenues. This was a notable increase from $92.1 million the previous year and brings the five-year average surplus to 11.8% of total revenues. The improvement was largely driven by strong investment returns.

Total revenues increased by 12.0% year over year (YOY) in 2020–21 driven by strong investment returns and increased tuition fee revenues that more than offset reduced ancillary revenue resulting from the pandemic. Investment returns of 26.1% boosted investment income by $172.7 million, reflecting optimism surrounding the unfolding global economic recovery. Strong enrolment growth (+8.2% to 34,791 FTEs) along with fee increases for unregulated programs drove an increase in tuition fee revenues by 15.5%. Government operating grants were largely stable (+0.9%) and in line with the provincial corridor funding model. Significantly reduced on-campus activity resulted in a more than 75.0% decline in ancillary revenues. Additionally, lower research grants and contracts (-4.3%), donations and other grants (-26.2%), and other revenue (-7.2%) partly dampened revenue growth.

Total expenses were unchanged YOY in 2020–21. Salaries and benefits remain the primary cost driver, rising by 2.6%, which reflects an increased staff complement, negotiated wage increases, and higher pension costs. Amortization expense increased by 5.5% YOY. This was offset by lower costs for other supplies and expenses (-7.3%) and slightly lower interest costs (-0.3%).

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 2020–21, McMaster invested $109.3 million, down from the five-year average of roughly $130.0 million, as construction was slowed by the pandemic and related supply-chain disruptions. Key projects during the year included the Student Activity and Fitness Expansion, the Peak Shaver project to reduce carbon emissions, and the McLean Centre for Collaborative Discovery, among other initiatives.

Key projects under way in 2021–22 include the following:

- Global Nexus for Pandemics and Biological Threats ($377 million): 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 committed $90 million, with additional funding sources still to be identified.
- DeGroote School of Business Expansion ($98 million): This will provide additional academic/administrative space and add a new nine-storey facility. 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): The expansion includes fitness studios, study space, and other recreation facilities funded through the student union with some contribution from the University ($10.0 million).
- Research Capital Commercialization Project (at McMaster Innovation Park; $70 million): McMaster is investing in the renovation of an existing warehouse that will be sublet to research-intensive companies to support the commercialization of research.

DBRS Morningstar notes that, given rising inflationary pressures and potential scope changes, some project costs noted above are likely to be revised upward.

In addition, work continues to further expand McMaster's residence offerings because it is one of only two Ontario universities that cannot guarantee a residence space to all first-year students as a result of lack of space. These projects include the following:

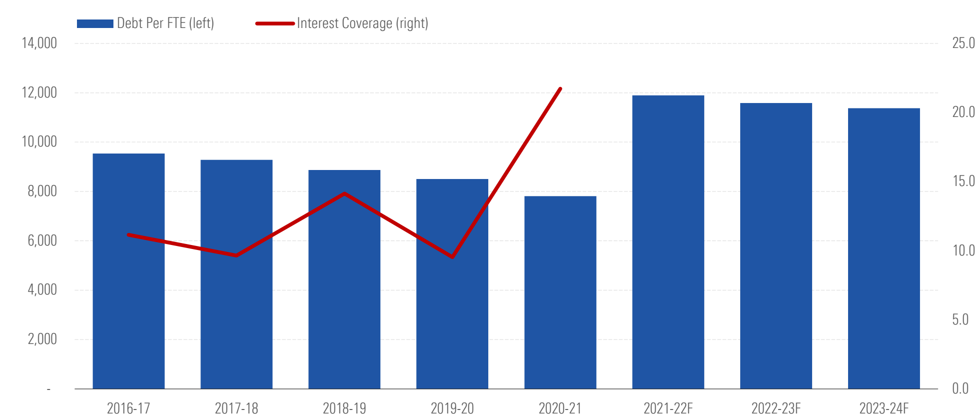
- Graduate residence and parking garage (downtown Hamilton): The University is developing the project in collaboration with a third-party partner for the design, build, finance, and management of an off-campus graduate residence (630 beds) and 265 parking spaces expected to be completed by fall 2023. The graduate residence will be structured as a limited partnership on land that McMaster has leased for 99 years (effective October 1, 2019).
- 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, with completion now expected in the summer of 2024 instead of 2023.

The University has a number of other projects under consideration for the medium and longer term. These include the Bates Residence retrofit ($44 million) and the John Hodgins Engineering Building – The PIVOT ($89 million)—both of which are partially funded—along with renovations to the Life Sciences Building ($60 million). 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 $726.9 million in 2020–21, up from $713.9 million in 2019–20, although recent changes in measurement methodologies makes comparisons with prior years imperfect. The FCI now stands at 28.1%, up from 27.1% in 2019–20. The University continues to focus on critical priorities and expects to maintain annual maintenance spending of approximately $14.0 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: DBRS Morningstar.

Subsequent to fiscal year-end, McMaster issued two additional long-term bonds: (1) Series B Senior Unsecured Debentures due in 2071 ($125 million), and (2) Series C Senior Unsecured Debentures due in 2051 ($25 million) (see "DBRS Morningstar Assigns Ratings of AA, Stable, to McMaster University's Series B and Series C Senior Unsecured Debentures," June 17, 2021).

As at April 30, 2021, McMaster's long-term debt totalled $271.7 million, down 0.6% from the previous year. Following the new issuance in June 2021, total debt is expected to reach $421.0 million at April 30, 2022, and equates to debt per FTE of approximately $11,900, up from $7,810 in 2020–21. The University's debt is composed of four long-dated debentures due between 2051 and 2071 and a small amount of amortizing bank debt ($13.3 million). DBRS Morningstar 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 was exceptionally strong at 21.7 times.

The University has established voluntary sinking funds for the debentures. At April 30, 2021, the sinking funds totalled $42.9 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, 2021, $18.4 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 $15.1 million at April 30, 2021, related to the eventual retirement of its nuclear reactor. The University has established a trust fund valued at $15.0 million, as well as other internal reserves, to cover future decommissioning costs. DBRS Morningstar does not include this amount in its calculation of total debt.

Expendable Resources

DBRS Morningstar 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, 2021, DBRS Morningstar estimated that McMaster's expendable resources totalled $723.8 million, or 285.7% of total debt. This places McMaster among the strongest of DBRS Morningstar-rated universities and reflects its considerable balance sheet flexibility.

Strong investment returns buoyed McMaster's internal and external endowment funds in 2020–21. Total endowments increased by 22.5% YOY, or $138.9 million. On a per-FTE basis, this equates to $21,378, which is the third-highest among DBRS Morningstar-rated institutions.

Employee Future Benefits

McMaster has significant employee future benefit liabilities associated with its three defined benefit pension plans and nonpension post-retirement 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 University last filed a valuation for the salaried plans on July 1, 2018, which transitioned McMaster to new provincial pension funding requirements. Under the new regulation, one of the University's salaried plans was initially categorized as a closed plan, which requires higher contributions than open plans to fund the provision for adverse deviation. As a result, the overall going-concern deficit for the salaried plans as at the valuation date of July 1, 2018, stood at $143.4 million. The solvency deficit was reported at $197.2 million as at July 1, 2018. After further consultations, the Province and the University have concluded that it is more appropriate to treat McMaster's plan as an open plan. As a result, a substantial portion of the negative remeasurement adjustment in the University's financial statements will be reversed after the next valuation (July 1, 2021). Furthermore, based on strong investment returns, DBRS Morningstar anticipates a material improvement in the funded status of the plan when the 2021 valuation is filed in the coming months.

The Province’s new pension funding regime also eliminates solvency funding requirements for those plans that have a funded ratio of at least 85%. A solvency ratio of 91% for McMaster’s salaried pension plans allows the University to avoid making special payments until the next valuation date (July 1, 2021).

For the hourly plans, the University filed a valuation as of July 1, 2019, revealing a solvency ratio below the 85% minimum threshold. McMaster made a one-time contribution of $4.7 million to bring the plan to 85% funded and filed a subsequent valuation as of January 1, 2020. The 2020 valuation reported a going-concern surplus of $2.7 million and a solvency deficit of $8.1 million.

Nonpension postemployment benefit liabilities totalled $287.3 million at April 30, 2021, up 3.6% 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 $193.5 million as at April 30, 2021. Under a board-approved policy, McMaster plans to fully fund nonpension postemployment obligations by 2035.

Debt Outlook

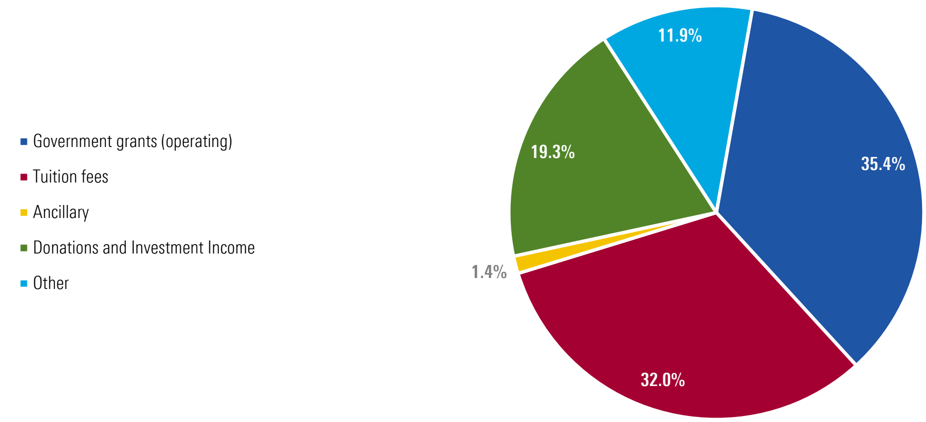
Following the issuance of two new debentures in June 2021 for $150 million, no further debt issuance is anticipated in the near term. After incorporating strong enrolment growth and amortization of existing debt, debt per FTE is expected to be approximately $11,900 at April 30, 2022. By 2023–24, debt per FTE is expected to gradually decline toward $11,400 assuming average annual FTE growth of 2.0% over the next three years. Although not anticipated, a material increase in debt per FTE beyond $12,000 on a sustained basis would result in downward pressure on the rating.

University Funding in Ontario

Canadian universities in the Province 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 approximately 87% of total revenue in 2020–21.

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. Over time, this has led to a gradual shift in the relative shares of revenue provided by operating grants, which have declined, and tuition fees, which have increased.

Exhibit 3 Revenue Breakdown (2020–21)



Sources: McMaster and DBRS Morningstar.

Government Funding (Provincial and Federal; 35%)

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 new SMAs that establish performance-based funding targets for the 2020–21 to 2024–25 fiscal years. This is a change from the previous enrolment-oriented funding model. SMA3 will include a set of 10 performance metrics, with funding consequences if the University does not meet the negotiated performance targets. However, the Province has decoupled funding from performance targets (i.e., stable funding) for two years until 2022–23.

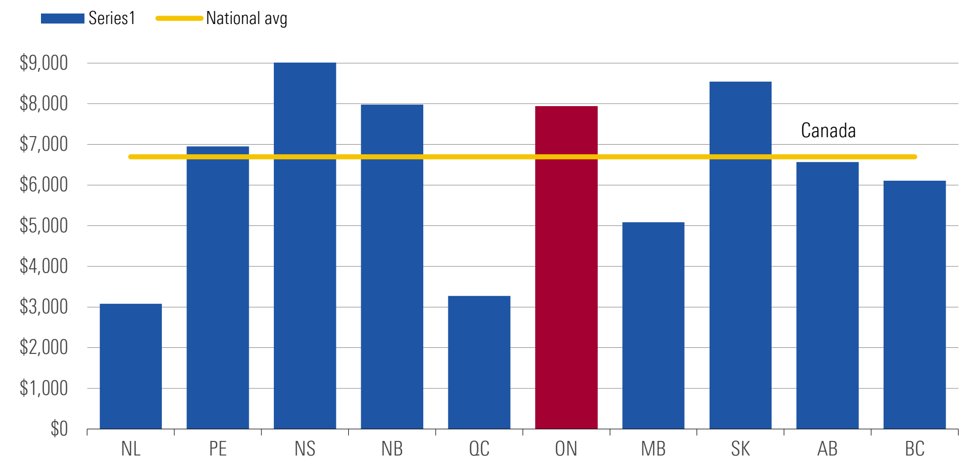
Research and capital grants are another important source of funding. The federal government typically provides 65% to 75% of all public research funding, whereas the Province provides the bulk of capital funding. Since the announcement of the global coronavirus pandemic in March 2020, the federal and provincial governments have provided additional funding for financial assistance to students and universities to offset some pandemic-related costs.

Tuition (32%)

On January 17, 2019, the Province announced a revised tuition fee framework for regulated domestic programs at Ontario universities and colleges. The framework required Ontario universities to reduce tuition fees for domestic funding (eligible programs by 10% in 2019–20). Tuition fees for eligible programs will be maintained at that level for the 2020–21 and 2021–22 academic years.

International student fees are not regulated by the Province and are generally set to recover the full costs of international student enrolment.

Exhibit 4 Average Canadian Undergraduate Tuition Fees



Source: Statistics Canada.

Donations and Investment Income (19%)

Unrestricted donations and investment income, recognized on the statement of operations, typically represent about 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 $97.7 million in calendar year 2020 **[confirm]**. 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.

Statement of Operations (Adjusted)

(CAD thousands)

	2021	2020	2019	2018	2017
Total revenue	1,300,661	1,160,970	1,193,010	1,102,178	1,075,998
Total expense	1,068,652	1,068,900	1,036,018	996,491	963,916
Consolidated operating result	**232,009**	**92,070**	**156,992**	**105,687**	**112,082**

Revenue					
Tuition fees	416,510	360,665	341,629	305,171	274,788
Government operating grants	278,446	275,906	273,587	273,493	270,333
Research grants and contracts	181,146	189,283	193,412	183,768	181,730
Ancillary operations	17,767	75,959	78,202	77,112	74,273
Investment income	199,111	26,392	70,820	52,275	98,432
Donations and other grants	51,543	69,809	67,906	47,714	29,819
Amortization of deferred capital contributions	42,761	40,773	38,835	40,112	40,553
Other revenue	113,377	122,183	128,619	122,533	106,070
Total Revenue	**1,300,661**	**1,160,970**	**1,193,010**	**1,102,178**	**1,075,998**

Expense					
Salaries and benefits	693,869	676,506	641,842	619,723	602,005
Other supplies and expenses	278,985	300,877	308,107	291,433	193,684
Amortization	82,587	78,260	72,769	71,995	70,262
Interest	13,211	13,257	13,300	13,340	13,377
Total Expense	**1,068,652**	**1,068,900**	**1,036,018**	**996,491**	**963,916**

Consolidated operating result	**232,009**	**92,070**	**156,992**	**105,687**	**112,082**

Gross Capital Expenditures	**109,316**	**127,922**	**148,010**	**145,591**	**113,487**

Calculation of Free Cash Flow (Adjusted)

(CAD thousands)	As at April 30				
	2021	**2020**	**2019**	**2018**	**2017**
Operating balance before fund contributions	232,009	92,070	156,992	105,687	112,082
Amortization	82,587	78,260	72,769	71,995	70,262
Other noncash adjustments	(40,826)	(57,234)	(55,027)	(62,234)	(46,509)
Cash flow from operations	273,770	113,096	174,734	115,448	135,835
Change in working capital	113,062	(14,133)	13,062	16,951	17,864
Operating cash flow after working capital	386,832	98,963	187,796	132,399	153,699
Net capital expenditures[1]	(73,773)	(101,078)	(114,886)	(85,005)	(42,472)
Free cash flow	313,059	(2,115)	72,910	47,394	111,227

1 Gross capital expenditures less contributions restricted for capital purposes.

Statement of Financial Position (Adjusted)

(CAD thousands)	As at April 30				
Assets	**2021**	**2020**	**2019**	**2018**	**2017**
Cash and short-term investments	303,757	200,630	225,846	208,242	161,823
Receivables	149,605	151,656	138,942	136,383	135,588
Inventories and prepaid expenses	23,324	32,533	19,352	15,333	15,416
Long-term investments	1,614,783	1,313,986	1,329,541	1,256,897	1,240,598
Other investments and intangible assets	34,405	30,012	24,111	23,940	21,158
Capital assets	1,231,476	1,208,455	1,158,793	1,083,552	1,009,956
Total Assets	**3,357,350**	**2,937,272**	**2,896,585**	**2,724,347**	**2,584,539**
Liabilities and Net Assets					
Liabilities and Deferred Contributions					
Payables and other current liabilities	195,627	172,250	181,257	165,918	149,156
Employee future benefits	169,928	448,446	357,290	228,579	223,805
Deferred contributions—endowment	138,782	114,511	106,505	98,265	94,373
Other deferred contributions	299,208	256,589	256,663	260,926	263,662
Deferred capital contributions	480,736	491,662	505,591	511,302	490,828
Long-term debt	253,314	254,023	254,688	255,312	255,898
Decommissioning obligation	15,077	14,383	13,718	13,122	12,606
Total liabilities	**1,552,672**	**1,751,864**	**1,675,712**	**1,533,424**	**1,490,328**
Net Assets					
Unrestricted	-	-	10,755	9,781	7,846
Internally restricted	543,692	97,679	159,426	234,151	211,957
Equity in capital assets	504,770	470,378	399,463	317,879	264,108
Endowment—internally restricted	171,813	141,333	150,410	145,777	143,422
Endowment—externally restricted	584,403	476,018	500,819	483,335	466,878
Net Assets	**1,804,678**	**1,185,408**	**1,220,873**	**1,190,923**	**1,094,211**
Total Liabilities and Net Assets	**3,357,350**	**2,937,272**	**2,896,585**	**2,724,347**	**2,584,539**
Contingencies and Commitments					
Capital commitments	339,100	294,400	276,300	204,500	167,900
Debt service deficiency agreement	18,400	19,300	20,200	21,000	21,900
Total	**339,100**	**294,400**	**276,300**	**204,500**	**167,900**

Summary Statistics (Adjusted)

For the year ended April 30

	2021	2020	2019	2018	2017
Total Enrolment (FTE)[1]	34,791	32,148	30,995	29,758	29,130
Undergraduate (%)	88	86	86	86	86
Graduate (%)	12	14	14	14	14
Total annual change (%)	8.2	3.7	4.2	2.2	4.5
Enrolment (Headcount)	37,370	34,267	33,147	31,843	31,265
Domestic	31,503	29,001	28,747	28,125	28,223
International	5,867	5,266	4,400	3,718	3,042
International share (%)	15.7	15.4	13.3	11.7	9.7
Total Employees[2]	n/a	5,736	5,589	5,418	5,251
Full-time faculty	n/a	1,555	1,503	1,476	1,437
Operating Results					
Surplus (deficit) (CAD millions)	232.0	92.1	157.0	105.7	112.1
As a share of revenue (%)	17.8	7.9	13.2	9.6	10.4
Share of revenue (five-year moving average; %)	11.8	8.8	8.8	8.0	7.4
Revenue Mix					
Government funding (federal and provincial; %)	35	39	37	40	41
Tuition fees (%)	32	31	29	28	26
Ancillary (%)	1	7	7	7	7
Donations and investment income (%)	19	8	12	9	12
Other (%)	12	15	16	16	15
Debt and Liquidity[3]					
Total long-term debt (CAD millions)	271.7	273.7	274.9	276.3	277.8
Per FTE student (CAD)	7,810	8,502	8,869	9,285	9,536
Long-term debt, contingencies, and commitments (CAD millions)	780.7	1,016.2	908.5	709.4	669.5
Per FTE student (CAD)	22,441	31,609	29,310	23,839	22,983
Expendable Resources (CAD millions)	723.8	598.3	607.7	558.4	528.9
As a share of total debt (%)	266.4	218.9	221.1	202.1	190.4
Interest costs as share of total expenditures (%)	1.2	1.2	1.3	1.3	1.4
Interest coverage ratio (times)	21.7	9.5	14.1	9.7	11.2
Endowment Funds					
Total market value (CAD millions)	756.2	617.4	651.2	629.1	610.3
Per FTE student (CAD)	21,736	19,203	21,011	21,141	20,951
Payout ratio (% of five-year average market value)	4.0	4.0	4.0	4.0	4.0

n/a = not available.
1 FTE, excluding continuing education.
2 Headcount; excludes teaching assistants and sessional lecturers.
3 Includes guaranteed obligations related to the McMaster Innovation Park.

Rating History

Issuer	Debt	Current	2021	2020	2019	2018	2017
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 5, 2021.
- DBRS Morningstar Canadian University Peer Comparison Table, December 20, 2021.
- Corporate Risk Assessment Scorecard for Public Universities, December 20, 2021.

Previous Report

- McMaster University: Rating Report, January 25, 2021.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrsmorningstar.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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