McMaster University

Management’s Discussion and Analysis of Financial Condition

Measuring our Performance – 2002/03

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Measuring our Performance – 2002/2003

Executive Summary

Year after year, McMaster University is acknowledged as one of the most innovative universities in Canada. At McMaster, we have a proven ability to link scholarship and teaching and continuously strive for excellence as a student centered, research-intensive university.

In 2002/03, the quality of McMaster’s academic and research programmes was evidenced by significant growth in both strategic directions. The University has achieved its growth targets and has experienced increases in full time equivalent student enrolment of over 10% and growth in research grants and contracts of over 9%.

The long term capital financing plan was implemented in fiscal 2003 with the successful placement of $120 million in senior unsecured 50-year debentures on October 7, 2002. A favourable interest rate of 6.15% reflects McMaster’s strong financial position as evidenced by the “AA” rating for the issue. Proceeds from the debentures will be used to invest in academic and research facilities on campus. A sinking fund has been set up for repayment of the principal when the debenture matures.

McMaster continued to produce strong financial results in 2002/03. Increases in operating grants and tuition fees of 6.8% and 14.1% respectively were partially offset by a reduction in research overhead grants. In 2002/03, no research overhead grant income was received from the Federal Indirect Cost of Research Fund as 2002/03 was treated as a “slip” year by the government. McMaster received $7.2 million in 2001/02 and expects to receive at least that amount in 2003/04.

The decrease in unrestricted net assets of $1.1 million for the year was incurred to expense the total debenture issue costs in 2002/03. Total unrestricted net assets for 2002/03 remain healthy at $3.3 million.

In the past fiscal period, total assets of the University increased by 8.3%. Current assets increased approximately 89% as a result of the growth in cash and cash equivalents generated by the University’s share of the excess pension surplus distribution and as yet unspent debenture proceeds. The University’s 50% share of the approximately $150 million excess pension surplus withdrawn from the salaried pension plan has been added to internally restricted endowments resulting in an increase of 21.9% in the market value of total endowments.

The increase in capital assets reflects McMaster University’s strategic expansion of its physical plant as approved in the University’s 30-year campus plan. A new residence and dining facility was substantially completed during the year, as were a variety of capital expansion and renovation projects. Significant progress was made in the construction of the $71 million Centre for Learning and Discovery. Available to students from all disciplines, and funded with the assistance of SuperBuild 2002 provincial funding, the Centre for Learning and Discovery is a multipurpose, high efficiency building combining teaching, learning and research in a dynamic state of the art environment.

This commentary and the attached audited financial statements, prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), show the year over year progress McMaster has made in achieving its goal of creativity, innovation and excellence in teaching and scholarship.
Mission, Vision, Goals and Targets

Mission
At McMaster our purpose is the discovery, communication and preservation of knowledge. In our teaching, research and scholarship, we are committed to creativity, innovation and excellence. We value integrity, quality, inclusiveness and teamwork in everything we do. We inspire critical thinking, personal growth, and a passion for lifelong learning. We serve the social, cultural and economic needs of our community and our society.

Vision
To achieve international distinction for creativity, innovation and excellence.

Strategic Goals approved by the Board of Governors in June 2003

• To provide an innovative and stimulating learning environment where students can prepare themselves to excel in life.
  Target: to be consistently among the top three Ontario Universities in terms of the quality of students we attract and graduate from our programs

• To achieve the next level in research results and reputation by building on existing and emerging areas of excellence.
  Target: to be consistently among the top three Canadian universities as measured by appropriate indicators of research excellence.
  Target: to increase the importance of graduate education so that McMaster’s graduate population reaches 20% of total full-time enrolment and is highly ranked in indicators of graduate educational excellence.

• To build an inclusive community with a shared purpose
  Target: to ensure that all members of the McMaster community feel recognized and valued for their contributions to this shared purpose.

Financial Performance Goals

• To achieve strong demand for McMaster programs and consistently achieve student enrolment targets
• To grow and diversify the revenue base
• To strategically deploy resources into priority areas
• To strengthen the financial position of the University and manage business risks
Strategic Planning and Management – *Refining Directions*

In 1995/96, the University undertook a comprehensive strategic planning process designed to establish the “direction” for the future success and prosperity of the University. The resultant document, published in December 1995 and entitled *Directions* outlines a clear mission and vision for McMaster and defines the basic goals and guiding planning principles that continue to shape the future of the University.

The *Directions* strategic plan, complemented by the Academic plan, the strategic priorities exercise and more recently the Graduate Education Plan and the Campus Plan have guided the University through challenging financial periods and allowed McMaster to move quickly to take advantage of new research and educational opportunities.

The *Refining Directions*, strategic planning exercise, was launched in the fall of 2002 with the dual objectives to evaluate the University’s success in meeting the goals established in *Directions* and to construct a strategic framework that would guide the University’s course for the next five to ten years.

Through the extensive *Refining Directions* consultation process there was widespread satisfaction with the mission and vision and in June 2003, the Board of Governors reaffirmed the mission and vision as set out in *Directions* and confirmed the University’s strategic position as a student-centered, research intensive university. To achieve the mission, the Board of Governors has approved the *Refining Directions* framework that identifies three strategic goals with broad institutional targets:

- To provide an innovative and stimulating learning environment where students can prepare themselves to excel in life.
- To achieve the next level in research results and reputation by building on existing and emerging areas of excellence
- To build an inclusive community with shared purpose

Implementation of *Refining Directions* has begun with the first task to determine the long-run enrolment target that is most consistent with achieving the strategic goals. Detailed implementation work plans that include specific strategies, targets, performance indicators, timelines and evaluation criteria will be developed over the next year.

At the institution level, the University has implemented a planning, budgeting and control system governed by the joint Board-Senate University Planning Committee (“UPC”). The goals of this system are to integrate academic, strategic and financial planning institution-wide and to ensure fiscal accountability at all levels of the organization through aligning resources and management responsibilities. UPC has overall responsibility for implementing *Refining Directions*. At McMaster, operational responsibility is vested with the budget envelope managers and detailed implementation strategies thus will be developed and executed at the Faculty and Business Unit level.
Achieve Strong Demand for Programs
- 20% annual increase in Level 1 applications for the 2002/03 academic year over the 2001/02 year.
- 19.7% increase in the number of applications naming McMaster as first choice for 2002/03.
- The percentage of students who accepted offers made by McMaster increased from 23.4% in 2001/02 to 24.5% for 2002/03.

Achieve Targeted Enrolment Levels
- 10.4% annual increase in total 02/03 full time equivalent (FTE) enrolment to 17,590 FTE’s. Enrolment is slightly ahead of target by 1.6%.
- 11% growth in undergraduate enrolment and 7% growth in graduate enrolment provide access to a McMaster education to a growing number of quality students.

Attract High Quality Students
- In 2002/03 McMaster has succeeded in increasing student quality while growing enrolment.
- The percentage of Level 1 students with an entering average greater than 80% has increased from 62.9% in 2001/02 to 65.1%. The percentage of students with an entering grade greater than 90% has increased to 13.2%.

Grow the Revenue Base
- $62 million or 13.7% annual growth in 2002/03 total revenue reflects increased student enrolment and strong growth in revenue generating activities.
- Total revenue has grown steadily over the past 5 years and is up by 47% over 1998/99 levels.
- Revenue per FTE at $29,300 is up 3% from last year.

Diversify the Revenue Base
- A well diversified revenue base provides reduced dependency on any one revenue source and is an important source of future financial stability.
- The University’s reliance on MTCU operating grant has been further reduced to 24% of total revenue in 2002/03 from 26% in 2001/02.
Strategic Deployment of Resources

- Total expenses, before the Pension surplus withdrawal, are up by $48 million or 10.4%.
- Long-term debt interest increased from 0.3% to 1.1% of expenses as new long term borrowing of $134 million was incurred to finance capital investments.
- Compensation costs are up by 9.6% as 475 (9.3%) more full and part time faculty and staff joined the University.

Strategic Deployment of Resources

- 71% of operating expense are invested into instruction and academic services in 2002/03. This % allocation is unchanged from the proportion spent in 2001/02.
- Investment in 85 new faculty and 222 other full and part time academic positions in 2002/03 has been identified as pivotal to maintaining the quality of education during this period of growth.

Strengthen Financial Position – prudent approach to financial management

- Conservative budgeting, planning and financial risk management has resulted in a net surplus position of $3.3 million as at April 30, 2003.
- The in-year decrease of $1.1 million in unrestricted net assets was incurred to expense the total debenture issue costs.

Strengthen Financial Position - significant growth in endowment funds

- At April 31, 2003, the market value of endowment funds was $273 million, up 21.9% from last year.
- Internally restricted endowments increased by 68% to $127.5 million.
- 2002/03 endowment per FTE student of $15,600 is up by 11% compared to last year in spite of increased enrolment.

Manage Business Risks – Growth in long term debt

- Total long term debt of $157.1 million is up substantially from previous years due to the use of debt to finance capital expansion.
- A sinking fund of $9.7 million mitigates debt financing risk. $6.1 million of this sinking fund will repay the $120 million debenture principal in 2052.
Achieve Strong Demand for McMaster’s Programs and Consistently Achieve Student Enrolment Targets

Over the past two years, McMaster has experienced an increase in demand for its programmes in excess of the Ontario average. Applications to McMaster, received in 2001/02 for the 2002/03 year were up by 20% compared to the Ontario aggregate increase of 16%.

McMaster’s culture of innovation in linking teaching and scholarship and its reputation for problem based learning and inquiry-based programmes continues to be a strong attraction for high quality students and in 2002/03, the percentage of Level 1 students with an entering grade of greater than 80% increased to 65.1% of the entering class.

Full time equivalent (FTE) enrolment in 2002/03 increased by 10% over the previous year and over 21% compared to the enrolment level in 1998/99 reflecting the alignment of Provincial government initiatives with McMaster’s commitment to provide access to post secondary education to a growing number of qualified students.

Student enrolment in 2002/03 was well distributed through the University’s six Faculties. The chart below illustrates this breakdown and includes the very popular Arts and Science programme and students enrolled at the McMaster University Divinity College.
Growth and Diversification of the Revenue Base

In 2002/03, the University continued to diversify and grow its revenue base to $517.1 million, a growth of 13.7% over 2001/02. McMaster continues to reduce its reliance on the Provincial government and in 2002/03, 24% of its revenue came from provincial operating grants, down from 28% in 1998/99. Total revenue over that time period has increased by over 47%. Diversification of the funding base has been achieved through continued increases in research funding, tuition income and other sources of income generated by faculties, non-academic areas, fund-raising and ancillary operations. Total revenue per FTE enrolment of $29,397 per FTE student is a 3% increase over 2001/02 and compares favorably to other universities.

Operating Grants Income

Provincial government operating grants of $120.3 million have increased by 6.8% over last year. Increases in provincial operating grants relate solely to funding of enrolment growth, particularly Accessibility funding for overall enrolment growth related to the Double-Cohort and in specific programmes such as the Access to Opportunities Programme (ATOP) and expansion of the Medical Doctor programme.

Research Grants and Contracts

Increases in research revenue recognized over the past several years have been dramatic and illustrate McMaster’s success in creating internationally recognized centers of research excellence, building the infrastructure to support strategic research areas and integrating scholarship with teaching. In 2002/03, revenue for sponsored research increased 9% compared to 2001/02 and almost 56% since 1997. This revenue has been an important driver in the University’s total revenue growth and diversification. In terms of research intensity, defined as the total amount of research funding per full time faculty member, McMaster was ranked third highest in Canada for 2002/03.

Research Revenue Recognized

$ 000’s

In accordance with GAAP, research revenue is recognized on the Statement of Operations in the year in which the expenditure occurs. Research revenue received, and not spent is deferred for future use and is recorded as Deferred Contributions on the Statement of Financial Position. Research funding of $159.2 million was received in 2002/03 and $38.4 million of that amount has been deferred for future use. A significant portion of McMaster’s research is supported by federal and provincial grants and a growing proportion is funded by other sources including non-government grants and contracts from corporations,
foundations, associations and societies.

RESEARCH FUNDING RECEIVED

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Ended April 30, 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ millions)</td>
</tr>
<tr>
<td>Federal Government</td>
<td>$ 68.5</td>
</tr>
<tr>
<td>Province of Ontario</td>
<td>22.1</td>
</tr>
<tr>
<td>Other Sources</td>
<td>68.6</td>
</tr>
<tr>
<td>Total Research Funds Received</td>
<td>$ 159.2</td>
</tr>
<tr>
<td>Less amount deferred to future</td>
<td>(38.4)</td>
</tr>
<tr>
<td>periods</td>
<td></td>
</tr>
<tr>
<td>Total Research Revenue Recognized</td>
<td>$ 120.8</td>
</tr>
</tbody>
</table>

Research Overhead Grants
Research overhead grants cover the indirect costs of research. In 2002/03, $5.7 million was received compared to $12.3 million in 2001/02. The reduction is due to the fact that 2002/03 was a “slip-year” for funding from the federal government’s indirect cost of research fund. $7.2 million was received in 2001/02 from this fund. Although there was no funding from this source in 2002/03, the University expects to receive at least that much in federal indirect cost of research funding in 2003/04 and to receive an ongoing annual allocation in future years. The Province funds a portion of overhead costs associated with the federal research granting councils through the Research Overhead Infrastructure Envelope.

Tuition Fees
Revenue from the tuition fees paid by students has increased dramatically since 1992/93. With the concomitant reduction in grant revenue, the result is a significant change in the grant: tuition ratio from a ratio of over 4 to 1 in 1993 to less than 1.35 to 1 in 2002/03.

In 2002/03, tuition income of $92.6 million was 14% higher than the previous fiscal year as a result of increases in tuition fees of approximately 3% and enrolment growth of just over 10%.
Ancillary Operations
The University’s ancillary operations provide excellent service to the University community. They have a mandate to operate at break-even and must cover all operating and capital costs by revenue earned. Sales by ancillary operations grew by 8.75% in 2002/03.

Ancillary Sales Growth
$000's

With our planned enrolment growth and expansion of these services, including the new 280 bed student residence, continued growth in sales revenue is anticipated. A detailed breakdown of Ancillary revenues and year over year growth rates follows:

<table>
<thead>
<tr>
<th></th>
<th>2002/03</th>
<th>2001/02</th>
<th>Incr/(Decr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bookstore</td>
<td>18,647</td>
<td>18,242</td>
<td>2.22%</td>
</tr>
<tr>
<td>Hospitality Services</td>
<td>13,686</td>
<td>11,131</td>
<td>22.95%</td>
</tr>
<tr>
<td>Housing and Conference Services</td>
<td>11,927</td>
<td>10,575</td>
<td>12.78%</td>
</tr>
<tr>
<td>Printing</td>
<td>4,985</td>
<td>5,115</td>
<td>-2.54%</td>
</tr>
<tr>
<td>Parking</td>
<td>2,859</td>
<td>2,419</td>
<td>18.19%</td>
</tr>
<tr>
<td>Continuing Education</td>
<td>1,984</td>
<td>1,758</td>
<td>12.86%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>1,101</td>
<td>1,415</td>
<td>-22.19%</td>
</tr>
<tr>
<td>Student Health Services</td>
<td>1,438</td>
<td>1,360</td>
<td>5.74%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>24</td>
<td>79</td>
<td>-69.62%</td>
</tr>
<tr>
<td>Total</td>
<td>56,651</td>
<td>52,094</td>
<td>8.75%</td>
</tr>
</tbody>
</table>

Telecommunications had an exceptionally strong year in 2001/02 and the 2002/03 revenue, although lower than last year, continues to significantly exceed historical levels. The decline in Miscellaneous revenue relates to the planned divestment of income properties as the opportunity arises.


Investment Income
Investment income, recorded on the Statement of Operations for the year was a negative $6.7 million. This negative return was caused by unrealized investment loss on long term investments that exceeded investment income earned on working capital. As identified in Note 3 of the Audited Financial Statements, the University has changed its method of accounting for the valuation of long-term investments from cost based to fair value in 2002/03.

Investment returns generated from endowments are used in accordance with the designated purposes set out by either the donors or the Board of Governors. The University has set the amount of annual income budgeted for designated uses in 2002/03 to a maximum of 5% of the 3-year average market value of endowment capital. For the Fiscal Year 2002/03, approximately 3.3% (4.0% in 2001/02) of the University’s expenses were funded through endowment income, the majority of which was directed towards student scholarships and bursaries and support of direct faculty expenses.

Other Sources of Revenue
Other revenues include donations of $44.5 million recognized in the year, revenue earned through various non-degree educational activities and revenue of $25.4 million relating to amortization of deferred capital contributions for capital assets.

Strategic Deployment of Resources
Expenses for 2002/03 prior to payment of the pension surplus were $503.9 million, representing an increase of 10.6% over last year.

Spending by category of expense has been relatively stable, year over year with the majority of expenditures related to compensation. On a functional basis, over 70% of total expenditures are invested into instruction and academic services.
Compensation
Total compensation expense of $283 million represents 56.2% of total expenditures. The increase of 9.6% over 2001/02 is the result of planned increases in the number of faculty and staff to support growth in enrolment and salary adjustments. A total of 5,536 staff members were employed by McMaster University as at October 2002 (5,063 at October 2001) with 65% of these employees involved in direct academic and research activities and 35% providing administrative support.

McMaster Faculty and Staff
5,536 Full & Part time Staff
as at October 2002

Compensation costs are expected to grow as a result of increased recruitment to meet growing enrolments and research demands, planned salary increases and responses to competitive salary pressures, particularly in faculty positions. Competition is expected to drive faculty recruitment costs even higher as more faculty approach retirement age and demand continues to grow nationally and internationally. McMaster is actively planning over the long term to ensure that increased future compensation costs are adequately identified in strategic and operational financial plans.

Student Financial Aid
Student aid (scholarships and bursaries) of $25.6 million (included in Supplies and Services) has increased by 18.5% over the previous year and has more than doubled since 1998/99. This growth reflects McMaster’s commitment to assisting students in addressing the financial obligations associated with university study. To provide support for funding this growing expenditure, McMaster has increased its endowments held for scholarships and bursaries from $19 million in 1995 to $72 million in 2002/03 (book value). In accordance with provincial mandate, McMaster sets aside 30% of all tuition rate increases in regulated programs to fund additional financial aid.

Funds Held for Scholarships and Bursaries
1994/95 to 2002/03 ($ millions)
Investment in Capital Assets

In 2002/03, McMaster invested over $109 million in capital assets. Expenditures for completed building projects and construction in progress again accounted for over half this total. Another $40.6 million was spent on computers, furnishings, vehicles and other equipment and $6.8 million was spent on library acquisitions.

Capital Planning and Management

A recent enhancement of McMaster’s Strategic Plan, the Campus Plan, approved by the Board of Governors in March 2002 provides a comprehensive framework to guide capital development on campus. The plan will ensure the University’s physical infrastructure is an appropriate reflection of McMaster’s academic excellence as new building and renovation occurs. Under the plan, the University has embarked on extensive capital improvements work designed to provide the state of the art academic and research facilities necessary to support a leading-edge University. A significant number of the major buildings on campus have been renovated or expanded by projects which have being funded through a variety of government programs, such as SuperBuild, the Canada Foundation for Innovation, the Access to Opportunities Program, private donors and the proceeds of the $120 million, unsecured debenture issue due October 2052. Over $18.4 million of internally generated funds have been invested in capital assets during 2002/03.

<table>
<thead>
<tr>
<th>CAPITAL ASSETS FUNDING SOURCES</th>
<th>2003</th>
<th>2002</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Assets, Net</td>
<td>$ 402,968</td>
<td>$ 332,886</td>
<td>$ 70,082</td>
</tr>
<tr>
<td>Externally Funded - Deferred Contributions for</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Assets</td>
<td>$ 261,057</td>
<td>$ 244,758</td>
<td>$ 16,299</td>
</tr>
<tr>
<td>Externally Financed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt, net of sinking fund and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>excess Hedden Hall mortgage (excluding debenture</td>
<td>34,162</td>
<td>20,460</td>
<td>13,702</td>
</tr>
<tr>
<td>proceeds)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debenture proceeds expended to date</td>
<td>47,061</td>
<td>25,428</td>
<td>21,633</td>
</tr>
<tr>
<td>Internally Funded - Invested in Capital Assets</td>
<td>60,688</td>
<td>42,240</td>
<td>18,448</td>
</tr>
<tr>
<td></td>
<td>$ 402,968</td>
<td>$ 332,886</td>
<td>$ 70,082</td>
</tr>
</tbody>
</table>

Investment in the physical infrastructure of the campus is a high priority at McMaster and it continues to be an ongoing challenge for the University to identify scarce capital resources to invest into deferred maintenance projects. During 2002/03, McMaster made significant progress in reducing this risk with the approval of $28.5 million energy reduction program. This project, which has a 20-year payback, will address the need for energy reduction across campus and will invest the energy cost savings into $24 million of high priority deferred maintenance needs.
McMaster’s total assets for 2002/03 were $1.17 billion at year-end as compared to $1.08 billion the previous year, a growth of 8.3%. Liabilities of $725.8 million are up by $143.7 million over 2001/02 due primarily to the issue of $134.1 million in long term debt to finance capital expansion. The proceeds of additional long term bank financing of $14.1 million are being used to finance the 280 bed student residence that opened in September 2003. The $120 million of unsecured debentures, which bear interest at 6.15% payable semi-annually with the principal payable in 2052, are being used to finance a variety of capital renewal and expansion projects, including the Centre for Learning and Discovery. A sinking fund of $6.1 million has been established to fund the future repayment of the debenture principal. At the completion of the financing for the residence, long term debt per student will increase to $9,274 per FTE and interest costs will be approximately 1.1% of total expenditures.

Net assets as of April 30, 2003 of $440.2 million are decreased by $54.3 million from 2001/02 due to the withdrawal of $149.8 million of excess pension plan surplus plus interest of $0.6 million from the salaried pension plan. One half of the surplus withdrawn plus applicable interest was paid to plan members and represents a reduction of net assets. The remaining half has been paid to the University and remains in net assets as internally restricted endowments.

Endowments

The market value of the University’s endowment of $272.8 million as at April 30, 2003, has grown by 21.9% over 2001/02 due mainly to the investment of the University’s share of the pension surplus funds into the endowment. The market value of the endowment has grown significantly since the early 90’s and has grown at a compounded annual growth rate of over 10% over the last 10 years. The investments are diversified among fixed income (40%) and equity securities (60%). McMaster’s endowment fund generated an annual rate of return, measured at March 31, 2003, of (9.8%), which is 1.9% better than the policy benchmark for that period.

Endowments are comprised of restricted donations received by the University and unrestricted donations that have been internally designated by the Board of Governors. The internally restricted component of McMaster’s endowment had a market value of $127.5 million and the externally restricted component had a market value of $145.3 million on April 30, 2003.

Investment returns on endowed funds support strategically important areas of expense, either by donor designation, or by internal Board of Governors designation. Funds held to support student scholarship and bursaries represent 26% of total internally and externally restricted endowments and funds held to support faculty salaries through the endowed chairs program represent 16% of the total endowment.

Endowment Funds at April 30, 2003

By Purpose
Enterprise Wide Risk Management

In November 2002, the University, under the leadership of the Audit Committee of the Board of Governors, initiated an enterprise-wide risk Management process. This process identifies and analyses risk from an integrated university-wide perspective to ensure the alignment of strategic planning and risk management.

**PHASE 1**

Assess Risks

**PHASE 2**

Establish Risk Management Processes

**PHASE 3**

Design and Implement "Desired State"

**PHASE 4**

Evaluation and Improvement

Phase 1 of the project was completed in the Spring of 2003. The University now has:

- a comprehensive understanding of the risks facing the University
- a common risk language of risk terms and definitions
- an understanding of the gross risk assessment of each identified strategic risk
- an understanding of the relative prioritization of the identified risk
- an assessment of the current risk management effectiveness of each risk

**Enterprise-Wide Risk Model**

<table>
<thead>
<tr>
<th>Environment Risk</th>
<th>Competitor</th>
<th>Government</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Process Risk</strong></td>
<td>Student Satisfaction</td>
<td>Change Readiness</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Human Capital</td>
<td>Financial</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Labour Relations</td>
<td>Technology</td>
<td></td>
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<tr>
<td></td>
<td>Physical Infrastructure</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Partnering</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Leadership</td>
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</table>

Over the coming year, the University will develop enterprise wide risk management strategies for the three environmental risks and nine process risks it has identified as high priority in the risk model. The management of these risks will be integrated with academic, strategic and financial management to complete the alignment of risk management and strategy execution.

*The attached statements present the financial position, operating results and cash flows of the University in accordance with CICA standards of financial reporting.*