

FOREIGN SCHOOLS TEAM CONCALL

June 26, 2002

DECISIONS

CASES FROM HEADQUARTERS

1. McMaster University, CANADA, {Public, OPE ID# 006853} **MEDICAL SCHOOL - RECERTIFICATION** – Recommend full recertification to March 31, 2006 - Valerie Hough

- Application received December 19, 2001
- Medical Accreditation and licensing documentation received
- They offer Bachelors, Masters and First Professional degree programs
- Also offers graduate certificate and diploma programs, however does not want them included for eligibility
- Legal Authorization received from the Ontario Ministry of Education and an Act of Legislature.
- Financials approved by Tom.
- Funding: 67,000 for 98/99, \$121,000 for 99/00 and \$160,000 for 00/01
- 20% default rate for each year, 97-99

TEAM DECISION: Full Approval to March 31, 2006 with special language in PPA and approval letter stating that the graduate nondegree programs are not eligible and the mature student provision.



UNITED STATES DEPARTMENT OF EDUCATION
 FEDERAL STUDENT AID
 CASE MANAGEMENT & OVERSIGHT
 FOREIGN SCHOOLS CASE MANAGEMENT TEAM

JUL 18 2002

OPE ID 00685300

Dr. Peter George
 President
 McMaster University
 1280 Main Street West
 Hamilton L8S 4L8
 Canada

Dear Dr. George:

The Case Management & Oversight (CMO), Student Financial Assistance has completed a review of the application of McMaster University (Institution).

Our analysis of the materials submitted by McMaster University indicates that the institution meets the minimum requirements of institutional eligibility, administrative capability, and financial responsibility as set forth in 34 CFR Parts 600 and 668.

Two final steps are necessary to complete the certification process:

First, we request McMaster University to review and sign both copies of the enclosed Program Participation Agreement (PPA) and return both signed copies of the PPA to the following address:

<i>if by mail:</i>	<i>if by overnight mail/courier delivery:</i>
United States Department of Education Federal Student Aid, Schools Channel Attention: Foreign Schools Case Team 830 First Street, NE Union Center Plaza, 73C3 Washington, DC 20202-5340	United States Department of Education Federal Student Aid, Schools Channel Attention: Foreign Schools Case Team 830 First Street, NE Union Center Plaza, 73C3 Washington, DC 20202

Second, after we receive the signed copies of the PPA, we will generate an Eligibility and Certification Approval Report (ECAR). The ECAR contains the most critical of the data elements that form the basis of McMaster University's approval, and also a list of the highest level of offering, any nondegree or short term training programs, and any additional locations that have been approved for the Title IV, HEA programs.

Upon execution of the PPA by the Secretary of Education and the generation of the ECAR, McMaster University shall be certified for participation in Title IV of the Higher Education Act of 1965, as amended (Title IV, HEA programs) until March 31, 2006. The Foreign Schools Team will then notify the respective program areas of McMaster University's eligibility to continue to receive Title IV funds.

McMaster University has forty-five days from the date of this letter to sign and return both copies of the enclosed PPA. Any failure on the part of the Institution to respond within the allotted time frame shall constitute a withdrawal of McMaster University's application from consideration.

The Foreign Schools Team can be reached by telephone, (202) 377-3168, by fax, (202) 275-3486, or by email, osfa.foreign.schools.team@ed.gov.

Sincerely,



M. Geneva Coombs
Director

Enclosures



UNITED STATES DEPARTMENT OF EDUCATION
FEDERAL STUDENT AID
CASE MANAGEMENT & OVERSIGHT
FOREIGN SCHOOLS CASE MANAGEMENT TEAM

AUG 16 2002

OPE ID 00685300

Dr. Peter George
President
McMaster University
1280 Main Street West
Hamilton L8S 4L8
Canada

Dear Dr. George:

The Foreign Schools Case Management Team is pleased to inform you that, based upon the information included in your Application for Approval to Participate in Federal Student Financial Aid Programs (ED Form E40-34P), the Secretary of Education (Secretary) has determined that McMaster University (Institution) satisfies the definition of an eligible institution under the Higher Education Act of 1965, as amended (HEA). McMaster University will be listed in the next edition of the Directory of Postsecondary Institutions published by the U.S. Department of Education (Department).

OPE ID NUMBER

The OPE ID Number **00685300** is a unique identifier for McMaster University. The OPE ID Number will also be McMaster University's identification number for the Title IV, HEA programs. Please use the OPE ID Number in all communications with the Department.

ENCLOSURES

Enclosed, please find a copy of the **Eligibility and Certification Approval Report (ECAR)** and the **Program Participation Agreement (PPA)** that has been signed on behalf of the Secretary. Together, the PPA and the ECAR constitute Foreign Schools Case Management Team's determination that McMaster University has qualified to participate in programs under the Higher Education Act of 1965, as amended (HEA) and the Federal student financial assistance programs (Title IV, HEA programs).

The Institution must retain the ECAR and the PPA together.

ELIGIBILITY AND CERTIFICATION APPROVAL REPORT

The ECAR contains the most critical of the data elements that form the basis of the Institution's approval, and also a list of the highest level of offering, any nondegree or short term training programs, and any additional locations that provide 50 percent or more of an educational program that have been approved for the Title IV, HEA programs. McMaster University may not award, distribute or disburse any Title IV, HEA program funds for any educational or training program that is beyond the scope of the approval contained in the ECAR, nor for any additional location providing 50 percent or more of an educational program that has not been approved and is not listed on the ECAR.

- The listing of Vocational Programs in the ECAR contains those nondegree programs that the Foreign Schools Team has determined are eligible programs for participation in the Title IV, HEA programs.
- Vocational and nondegree programs that do not meet the requirements of 34 CFR Parts 600 and 668 have not been approved and are marked in the ECAR as not approved.
- In order to comply with the requirements of 34 CFR 668(1), some vocational or nondegree programs may have been approved for fewer credit hours than requested in McMaster University's application.

PROGRAM PARTICIPATION AGREEMENT

The PPA contains the agreement between McMaster University and the Secretary concerning the Institution's participation in the Federal student financial assistance programs (Title IV, HEA programs).

CERTIFICATION FOR TITLE IV, HEA PROGRAMS

As explained in the PPA, Title IV, HEA programs administered by participating educational institutions are subject to applicable laws, regulations, and guidelines. Listed below is the appropriate telephone number for further information on the HEA program for which McMaster University is approved:

- Federal Family Education Loan Program (202) 377-4008

Participating educational institutions will be reviewed at least once every six years to determine whether the institutions remain administratively capable and financially responsible to administer Title IV programs and funds.

REPORTING AND REAPPLICATION REQUIREMENTS

The institution must report promptly to the Department certain changes and actions that affect the institution's participation approval, as specified in 34 CFR 600 and 668, including, but not limited to:

- Change of name and/or address;
- New contract or significant modification of existing contract with a third party servicer; or
- Change in exercise of a person's substantial control over the institution, e.g., a change in the chief executive officer or members of the board of trustees or board of directors.

If the institution fails to report any such changes within ten days after the change occurs, the ability of the institution to administer the Title IV student financial assistance programs properly will be called into question. As a consequence, we will consider whether it is necessary to monitor the institution's receipt of Federal funds more closely. Failure to report changes within the time frame required may also result in an adverse action being taken against the institution in accordance with 34 CFR 668, Subpart G.

Automatic Termination of Approval

This Approval for Institutional Participation automatically terminates on the happening of any of the following events:

- March 31, 2006;
- The date the institution loses the legal authority to offer programs of postsecondary education in the Country in which it is located;
- The date the institution ceases to offer all approved postsecondary instruction;
- The date the institution merges with another institution;
- The date the institution undergoes a change in ownership resulting in a change of control;
- The date the institution files for bankruptcy; or
- The date the institution otherwise ceases to meet the definition of an eligible institution of higher education.

Please send all information or documentation required by this letter to:

<i>if by mail:</i>	<i>if by overnight mail/courier delivery:</i>
United States Department of Education Federal Student Aid, Schools Channel Foreign Schools Case Management Team 830 First Street, NE Union Center Plaza, 73C3 Washington, DC 20202-5340	United States Department of Education Federal Student Aid, Schools Channel Foreign Schools Case Management Team 830 First Street, NE Union Center Plaza, 73C3 Washington, DC 20002

It is important to note that McMaster University's (Institution) Program Participation Agreement (PPA) does not extend approval to the Institution's nondegree programs. Since the Institution did not include these programs in its current application, the nondegree programs are not eligible, and the Institution does not have the authority to obligate funds under the Federal Family Education Loan (FFEL) Program for current or new U.S. students enrolled in these programs.

It is also important to note that the Institution's PPA does not extend to U.S. students who are enrolled at the Institution under the mature student provision. In order for U.S. students to be eligible to receive federal financial assistance, they must possess a secondary school completion credential or its equivalent. (See 34 CFR 600.54) Students enrolled under the mature provision do not satisfy this requirement. Therefore, McMaster University does not have the authority to obligate funds under the Federal Family Education Loan (FFEL) Program for current or new U.S. students enrolled under the mature student provision.

The Foreign Schools Team can be reached by telephone, (202) 377-3168, by fax, (202) 275-3486, or by email, osfa.foreign.schools.team@ed.gov.

Sincerely,



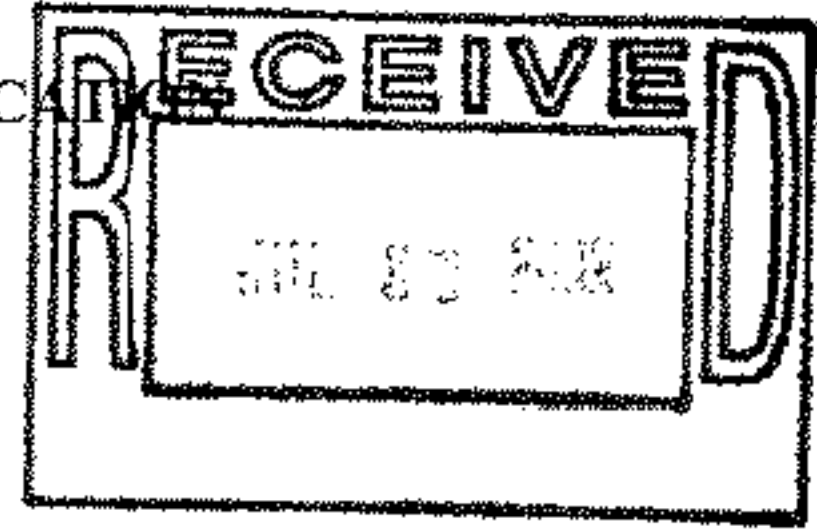
M. Geneva Coombs
Director

Enclosures

Program Participation Agreement
Eligibility and Certification Approval Report



UNITED STATES DEPARTMENT OF EDUCATION
FEDERAL STUDENT AID
CASE MANAGEMENT & OVERSIGHT



**FOREIGN SCHOOL
PROGRAM PARTICIPATION AGREEMENT**

Effective Date of Approval: The date on which this Agreement is signed on behalf of the Secretary of Education
Approval Expiration Date: **March 31, 2006**
Reapplication Date: **December 31, 2005**

Name of Institution: **McMaster University**
Address of Institution: **1280 Main Street West
Hamilton L8S 4L8
Canada**

OPE ID Number: **00685300**
DUNS Number: **207510108**

The execution of this Agreement by the Institution and the Secretary is a prerequisite to the Institution's initial or continued participation in any Title IV, HEA Program.

The postsecondary educational institution listed above, referred to hereafter as the "Institution," and the United States Secretary of Education, referred to hereafter as the "Secretary," agree that the Institution may participate in those student financial assistance programs authorized by Title IV of the Higher Education Act of 1965, as amended (Title IV, HEA Programs) indicated under this Agreement and further agrees that such participation is subject to the terms and conditions set forth in this Agreement. As used in this Agreement, the term "Department" refers to the U.S. Department of Education.

SCOPE OF COVERAGE

This Agreement applies to all locations of the Institution as stated on the most current ELIGIBILITY AND CERTIFICATION APPROVAL REPORT issued by the Department. This Agreement covers the Institution's eligibility to participate in the following listed Title IV, HEA program, and incorporates by reference the regulations cited.

FEDERAL FAMILY EDUCATION LOAN PROGRAM, 20 U.S.C. 1071 et seq; 34 CFR Part 682.

Additional Considerations

It is important to note that McMaster University's (Institution) Program Participation Agreement (PPA) does not extend approval to the Institution's nondegree programs. Since the Institution did not include these programs in its current application, the nondegree programs are not eligible, and the Institution does not have the authority to obligate funds under the Federal Family Education Loan (FFEL) Program for current or new U.S. students enrolled in these programs.

It is also important to note that the Institution's PPA does not extend to U.S. students who are enrolled at the Institution under the mature student provision. In order for U.S. students to be eligible to receive federal financial assistance, they must possess a secondary school completion credential or its equivalent. (See 34 CFR 600.54) Students enrolled under the mature provision do not satisfy this requirement. Therefore, McMaster University does not have the authority to obligate funds under the Federal Family Education Loan (FFEL) Program for current or new U.S. students enrolled under the mature student provision.

GENERAL TERMS AND CONDITIONS

1. The Institution understands and agrees that it is subject to and will comply with the program statutes and implementing regulations for institutional eligibility as set forth in 34 CFR Part 600 and for each Title IV, HEA program in which it participates, as well as the general provisions set forth in Part F and Part G of Title IV of the HEA, and the Student Assistance General Provisions regulations set forth in 34 CFR Part 668.
The recitation of any portion of the statute or regulations in this Agreement does not limit McMaster University's obligation to comply with other applicable statutes and regulations.
2. McMaster University acknowledges and agrees that 34 CFR Part 602 requires legal authorization and approval of McMaster University by the country's authorized agency, commission, or statutory body and those agencies and Secretary may share or report information to one another about McMaster University without limitation.
3. McMaster University certifies that it and its principals are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by its country's government or by any approving agency as defined at 34 CFR Part 85, §§85.105 and 85.110.

SELECTED PROVISIONS FROM GENERAL PROVISIONS REGULATIONS, 34 CFR PART 668

By entering into this Program Participation Agreement, the Institution agrees that:

(1) It will comply with all statutory provisions of or applicable to Title IV of the HEA, all applicable regulatory provisions prescribed under that statutory authority, and all applicable special arrangements, agreements, and limitations entered into under the authority of statutes applicable to Title IV of the HEA, including the requirement that the institution will use funds it receives under any Title IV, HEA program and any interest or other earnings thereon, solely for the purposes specified in and in accordance with that program;

(2) It will not request from or charge any student a fee for processing or handling any application, form, or data required to determine a student's eligibility for, and amount of, Title IV, HEA program assistance;

(3) It will establish and maintain such administrative and fiscal procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Secretary or from students under the Title IV, HEA programs, together with assurances that the institution will provide, upon request and in a timely manner, information relating to the administrative capability and financial responsibility of the institution to--

(i) The Secretary;

(ii) The Country's regulatory bodies or any other agency for the country or countries in which the institution

or any of the institution's branch campuses or other locations are located; and

(iii) A guaranty agency, as defined in 34 CFR part 682, that guarantees loans made under the Federal Stafford Loan, and Federal PLUS programs for attendance at the institution or any of the institution's campuses or other locations;

(4) It will comply with the provisions of §668.15 relating to factors of financial responsibility;

(5) It will comply with the provisions of §668.16 relating to standards of administrative capability;

(6) It will submit reports to the Secretary and, in the case of an institution participating in the Federal Family Education Loan (Federal Stafford Loan and Federal PLUS) Programs to the holders of loans made to the students with U.S. citizenship or eligible noncitizen status studying in that institution under this program at such times and containing such information as the Secretary may reasonably require to carry out the purpose of the Title IV, HEA programs.

(7) It will not provide any statement to any student or certification to any lender under the Federal Stafford Loan or Federal PLUS Program that qualifies the student for a loan or loans in excess of the amount that the student is eligible to borrow in accordance with sections §§425(a), 428(a)(2), 428(b)(1)(A) and (B), and 428H of the HEA;

(8) It will comply with the requirements of Subpart D of 34 CFR part §§668.43 and 44 concerning institutional and financial assistance information for students and prospective students;

(9) In the case of an institution that advertises job placement rates as a means of attracting students to enroll in the institution, it will make available to prospective students, at or before the time that those students apply for enrollment, the most recent available data concerning employment statistics, graduation statistics, and any other information necessary to substantiate the truthfulness of the advertisements;

(10) In the case of an institution seeking to participate for the first time in the Federal Stafford Loan, and Federal PLUS Program, the institution has included a default management plan as part of its application under §668.12 for participation in those programs and will use the plan for at least two years from the date of that application;

(11) In the case of an institution that changes ownership that results in a change of control, or that changes its status as a main campus, or an additional location, the institution will, to participate in the Federal Stafford Loan and Federal PLUS Programs, develop a default management plan for approval by the Secretary and implement the plan for at least two years after the change in control or status.

(12) The Secretary, guaranty agencies, and lenders as defined in 34 CFR Part 682, country's authorized government agencies that legally authorize institutions and branch campuses or other locations to provide the postsecondary education, have the authority to share with each other any information pertaining to the institution's eligibility for or participation in the Title IV, HEA programs or any information on fraud and abuse;

(13) It will not impose any penalty, including, but not limited to, the assessment of late fees, the denial of access to classes, libraries, or other institutional facilities, or the requirement that the student borrow additional funds for which interest or other charges are assessed, on any student because of the student's inability to meet his or her financial obligations to the institution as a result of the delayed disbursement of the proceeds of a Title IV, HEA program loan due to compliance with statutory and regulatory requirements of or applicable to the Title IV, HEA programs, or delays attributable to the institution;

(14) It will not provide, nor contract with any entity that provides, any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any persons or entities engaged in any student recruiting or admission activities or in making decisions regarding the awarding of student financial assistance, except that this requirement shall not apply to the recruitment of foreign students residing in foreign countries who are not eligible to receive Federal Student Assistance. This provision does not apply to the giving of token gifts to students or alumni for referring students for admission to the institution as long as: the gift is not in the form of money, check, or money order, nor more than one such gift is given to any student or alumnus, and the gift has a value of not more than \$25;

(15) It will meet the requirements established pursuant to Part H of Title IV of the HEA by the Secretary, country's legally recognized authorized agencies;

(16) It will comply with the refund policy established in 34 CFR Part 668.22;

(17) It is liable for all improperly administered funds received or refunded under the Title IV, HEA programs,

including any funds administered by a third-party servicer;

(18) The Institution is required to compile and make available information about security policies and crime statistics in accordance with 34 CFR §668.47 and §485(f) of the HEA;

(19) (i) This Agreement becomes effective on the date that the Secretary signs the Agreement;

(ii) This Agreement supersedes any prior Agreement between the Secretary and the Institution;

(20) a. With respect to an institution that has been certified *other than under a provisional certification--*

(1) Except as provided in paragraphs (ii) and (iii) of this section, the Secretary terminates this Agreement through the proceedings in Subpart G of 34 CFR §668.

(2) An Institution may terminate this Agreement

(3) If the Secretary or the Institution terminates this Agreement under paragraph (i) of this section, the Secretary establishes the termination date.

b. With Respect to an Institution that has been *provisionally certified*, the Secretary revokes a provisional

(iii) An Institution's program participation agreement automatically expires on the date that--

(1) The Institution changes ownership that results in a change in control as determined by the Secretary under 34 CFR Part 600, or

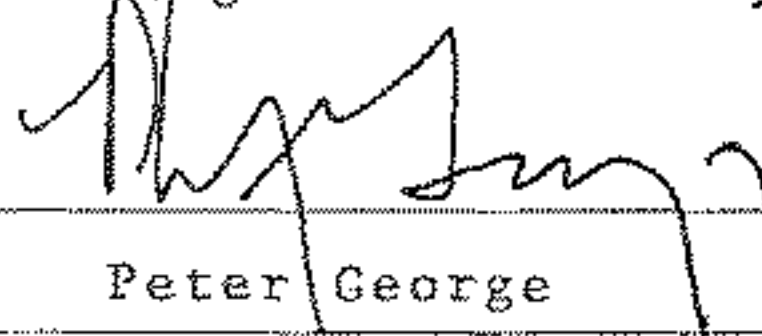
(2) The Institution's participation ends under the provisions of 34 CFR §668.26(a)(1), and (2).

(a) An Institution's program participation Agreement no longer applies to or covers a location of the Institution as of the date on which that location ceases to be a part of the participating Institution.

IN WITNESS WHEREOF

the parties hereto have caused this Agreement to be executed by their duly authorized representatives.

Signature of Institution's
Chief Executive Officer:



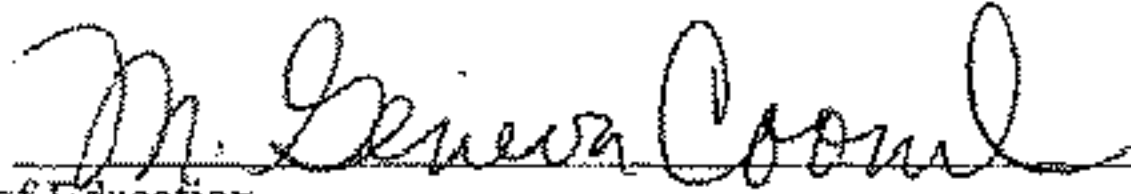
Date: July 24, 2002

Print Name and Title:

Peter George

President & Vice-Chancellor

For the Secretary:
U.S. Department of Education



Date: August 14, 2002



CASE MANAGEMENT & OVERSIGHT

ELIGIBILITY AND CERTIFICATION APPROVAL REPORT

DATE PRINTED: 08/14/2002

PAGE A - 2

INSTITUTION NAME : McMaster University
OPE ID : 006853 00

ELIGIBLE : Y
INITIAL APPROVAL DATE : 08/11/1984
CERTIFIED : Certified
LOAN DEFERMENT : Y

ACADEMIC CALENDAR : Semester Hours
HIGHEST EDUCATIONAL PROGRAM OFFERED : Master's Degree or Doctor's Degree
PROGRAM PARTICIPATION AGREEMENT
EFFECTIVE DATE : 08/14/2002
EXPIRATION DATE : 03/31/2006

WAIVER(S):
**** End Of Waivers ****

THE INSTITUTION IS ELIGIBLE TO APPLY FOR PARTICIPATION IN THE FOLLOWING PROGRAMS AUTHORIZED UNDER THE HIGHER EDUCATION ACT OF 1965, AS AMENDED:

TITLE I : N TITLE IV : Y TITLE VII : N TITLE X : N TITLE XIII : N
TITLE II : N TITLE V : N TITLE VIII : N TITLE XI : N TITLE XIV : N
TITLE III : N TITLE VI : N TITLE IX : N TITLE XII : N TITLE XV : N

TITLE IV STUDENT FINANCIAL ASSISTANCE PROGRAMS

PROGRAM	CERTIFIED	APPROVAL DATE	PROGRAM	CERTIFIED	APPROVAL DATE
FWS Com Serv	N		FWS Priv Sec Empl	N	
FWS Job Loc Dev	N		FFEL Staff	Y	08/11/1984
FFEL Staff Unsub	Y	08/11/1984	FFEL PLUS	Y	08/11/1984
FPerkins	N		FSEOG	N	
FPell	N		FDSLIP Staff	N	
FDSLIP Staff Unsub	N		FDSLIP PLUS	N	



CASE MANAGEMENT & OVERSIGHT

ELIGIBILITY AND CERTIFICATION APPROVAL REPORT

DATE PRINTED : 08/14/2002

ACCREDITATION SECTION

PAGE B - 1

INSTITUTION NAME : McMaster University
OPE ID : 006853 00
INSTITUTION TYPE : Foreign Public

ACCREDITATION

<u>ACCREDITING AGENCY</u>	<u>DESIGNATION</u>	<u>SCOPE</u>	<u>EFFECTIVE YEAR</u>	<u>NUMBER OF YEARS</u>
Canada: Committee on Accreditation of Canadian Medical Schools(LCME)		Programmatic	2000	7

**** End Of Accreditation Section ****



CASE MANAGEMENT & OVERSIGHT

ELIGIBILITY AND CERTIFICATION APPROVAL REPORT

DATE PRINTED: 08/14/2002

STATE AUTHORIZATION SECTION

PAGE C - 1

INSTITUTION NAME : McMaster University

OPER ID : 006853 00

INSTITUTION TYPE : Foreign Public

STATE AUTHORIZATION

STATE AGENCY

**** End Of State Authorization Section ****



CASE MANAGEMENT & OVERSIGHT

ELIGIBILITY AND CERTIFICATION APPROVAL REPORT

DATE PRINTED: 08/14/2002

OFFICIALS SECTION

PAGE D - 1

INSTITUTION NAME : McMaster University
OPE ID : 006853 00
INSTITUTION TYPE : Foreign Public

OFFICIALS

NAME AND ADDRESS	TITLE	PHONE	FAX	INTERNET
George, Peter 1280 Main Street West Gilmour Hall 238 Hamilton Ontario Canada L8S4L8	President	905-525-9140	905-522-3391	presdnt@mcmaster.ca
Long, Tracie 1280 Main Street West Gilmour Hall 120 Hamilton Ontario Canada L8S4L8	Manager, Student Financial Aid	905-525-9140	905-521-9565	tracie1@mcmaster.ca



CASE MANAGEMENT & OVERSIGHT

ELIGIBILITY AND CERTIFICATION APPROVAL REPORT

DATE PRINTED: 08/14/2002

OFFICIALS SECTION

PAGE D - 2

INSTITUTION NAME : McMaster University
OPE ID : 006853 00
INSTITUTION TYPE : Foreign Public

OFFICIALS

NAME AND ADDRESS	TITLE	PHONE	FAX	INTERNET
Scime, Lillian 1280 Main Street West T-27 Hamilton Ontario Canada L8S4L8	Assistant Vice-President Administration	905-525-9140	905-528-6132	scimel@mcmaster.ca
Frank, Bruce 1280 Main Street West University Hall 115 Hamilton Ontario Canada L8S4K1	Secretary of the Board of Governors	905-525-9140	905-526-9884	frankwb@mcmaster.ca

*** End Of Officials Section ***



CASE MANAGEMENT & OVERSIGHT
ELIGIBILITY AND CERTIFICATION APPROVAL REPORT

DATE PRINTED: 08/14/2002

ADDITIONAL LOCATIONS SECTION

PAGE E . 1

INSTITUTION NAME : McMaster University
OPE ID : 006853 00
INSTITUTION TYPE : Foreign Public

ADDITIONAL LOCATIONS

OPE ID	NAME AND ADDRESS	APPROVED FOR CERTIFICATION	INITIAL APPROVAL DATE
00685301	McMaster University Faculty of Health Sciences Hamilton, Ontario Canada L8S 4K1	Y	08/31/1998

**** End Of Section ****



CASE MANAGEMENT & OVERSIGHT
ELIGIBILITY AND CERTIFICATION APPROVAL REPORT

DATE PRINTED: 08/14/2002

VOCATIONAL PROGRAMS SECTION

PAGE F - 1

INSTITUTION NAME : McMaster University
OPE ID : 006853 00
INSTITUTION TYPE : Foreign Public

VOCATIONAL PROGRAMS

<u>CIP</u>	<u>INSTITUTION'S PROGRAM NAME</u>	<u>FIRST</u>	<u>CREDIT</u>	<u>TYPE</u>	<u>CLOCK</u>	<u>DURATION</u>
		<u>APPROVED</u>	<u>OFFERED</u>		<u>HOURS</u>	<u>IN WEEKS</u>

**** End Of Section ****



CASE MANAGEMENT & OVERSIGHT
ELIGIBILITY AND CERTIFICATION APPROVAL REPORT

DATE PRINTED : 08/14/2002

FOREIGN GRADUATE MEDICAL SCHOOL

PAGE 1 - 1

INSTITUTION NAME : McMaster University

OPER ID : 006853 00

INSTITUTION TYPE : Foreign Public

NON U.S. MEDICAL EVALUATION AGENCY

EVALUATION AGENCY NAME

CONTACT NAME

Canada: Committee on Accreditation of Canadian Medical Schools
(LCME)
774 Echo Drive
Ottawa
Canada K1S 5P2

Dr. David Hawkins, VP DIV of MED Schools Sids &
Assessmt

**** End Of Section ****



CASE MANAGEMENT & OVERSIGHT
ELIGIBILITY AND CERTIFICATION APPROVAL REPORT

DATE PRINTED : 08/14/2002

FOREIGN SCHOOL

PAGE K - 1

INSTITUTION NAME : McMaster University
OPE ID : 006853 00
INSTITUTION TYPE : Foreign Public

COUNTRY AUTHORIZATION

OVERSIGHT AGENCY

Ministry of Training, Colleges & Universities
9th Floor, Mowat Block
900 Bay Street
Toronto Ontario, CANADA M7A 1L2

**** End Of Section ****

McMaster University
OPE ID: 00685300

Financial Statements of

McMASTER UNIVERSITY

Year ended April 30, 2001

McMASTER UNIVERSITY

FINANCIAL STATEMENTS

APRIL 30, 2001

Table of Contents

1. Statement of Management Responsibility
2. 2000/01 Measuring our Performance
3. Auditors' Report
4. Financial Statements
 - Statement of Financial Position
 - Statement of Operations and Changes in Unrestricted Net Assets
 - Statement of Cash Flows
5. Notes to Financial Statements

STATEMENT OF MANAGEMENT RESPONSIBILITY

The University is responsible for the preparation of the financial statements and has prepared them in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The financial statements present fairly the financial position of the University as at April 30, 2001 and the results of its operations and its cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Governors carries out its responsibility for review of the financial statements principally through its Audit Committee. Members of the Audit Committee are not officers or employees of the University. The Audit Committee meets with management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit Committee, with and without the presence of management.

The financial statements for the year ended April 30, 2001 have been reported on by KPMG LLP, the auditors appointed under the University Act. The Auditors' Report outlines the scope of their examination and provides their opinion on the fairness of presentation of the information in the financial statements.

Dr. P. George
President and Vice-Chancellor

Ms K. Belaire
Vice-President, Administration

AUDITORS' REPORT

The Board of Governors
McMaster University

We have audited the statement of financial position of McMaster University as at April 30, 2001 and the statements of operations and changes in unrestricted net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Hamilton, Canada

July 12, 2001

McMASTER UNIVERSITY

STATEMENT OF FINANCIAL POSITION

APRIL 30, 2001, WITH COMPARATIVE FIGURES FOR 2000
(in thousands of dollars)

	2001	2000
Assets		
Current Assets:		
Cash and cash equivalents	\$ 83,893	\$ 80,905
Research grants receivable	44,401	39,322
Accounts receivable	16,985	15,511
Inventories	5,516	4,735
Prepaid expenses	1,689	1,821
	<u>152,484</u>	<u>142,294</u>
Long-Term Assets:		
Investments (note 4)	314,694	275,721
Deferred pension asset (note 10)	281,364	38,521
	<u>596,058</u>	<u>314,242</u>
Capital Assets, net (note 5)	267,368	222,161
Total Assets	\$ 1,015,910	\$ 678,697
Liabilities, Deferred Contributions and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 43,030	\$ 29,557
Unearned fees and other deferred revenue	13,593	13,202
Current portion of long-term debt	165	381
	<u>56,788</u>	<u>43,140</u>
Deferred Contributions (note 6):		
Deferred contributions for future expenses	208,568	187,385
Deferred contributions for capital assets	194,738	158,024
	<u>403,306</u>	<u>345,409</u>
Accrued Employee Future Benefits (note 10)	57,908	6,291
Long-term Debt (note 7)	17,731	17,897
Net Assets (note 8):		
Unrestricted	3,475	337
Reserves	241,396	48,675
Invested in capital assets	57,890	48,471
Internally restricted endowments	86,084	86,249
Externally restricted endowments	91,332	82,228
	<u>480,177</u>	<u>265,960</u>
Total Liabilities, Deferred Contributions and Net Assets	\$ 1,015,910	\$ 678,697

See accompanying notes to financial statements

McMASTER UNIVERSITY

STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS

FOR THE YEAR ENDED APRIL 30, 2001, WITH COMPARATIVE FIGURES FOR 2000
(in thousands of dollars)

	2001	2000
Revenues:		
Operating grants	\$ 110,210	\$ 103,301
Research grants and contracts	98,327	80,992
Tuition fees	71,829	65,232
Sales by ancillary operations	48,663	45,700
Donations and other grants	22,675	26,570
Investment income	19,609	17,801
Other revenue	39,392	30,145
Earned capital contributions	16,173	12,905
	<u>426,878</u>	<u>382,646</u>
Expenses:		
Salaries and wages	213,669	202,452
Employee benefits:		
Current	24,620	22,385
Future (notes 3 and 10)	(3,528)	(12,392)
Supplies and services	138,781	112,190
Amortization of capital assets	27,968	23,972
Interest on long-term debt	1,584	1,621
	<u>403,094</u>	<u>350,228</u>
<i>Excess of revenues over expenses</i>	<i>23,784</i>	<i>32,418</i>
Uses of excess of revenues over expenses:		
Increase in net assets invested in capital assets	(9,419)	(14,109)
(Increase) decrease in internally restricted endowments	165	(4,280)
Increase in reserves	(11,392)	(14,013)
	<u>(20,646)</u>	<u>(32,402)</u>
Increase in unrestricted net assets	3,138	16
Unrestricted net assets, beginning of year	337	321
Unrestricted net assets, end of year	<u>\$ 3,475</u>	<u>\$ 337</u>

See accompanying notes to financial statements.

McMASTER UNIVERSITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED APRIL 30, 2001, WITH COMPARATIVE FIGURES FOR 2000
(in thousands of dollars)

	2001	2000
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 23,784	\$ 32,418
Increase in deferred pension asset	(13,595)	(18,096)
Increase in accrued employee future benefit	3,698	-
Amortization of capital assets	27,968	23,972
Earned capital contributions	(16,173)	(12,905)
Net increase in deferred contributions restricted for future expenses	21,183	65,022
Net change in non-cash working capital (note 9)	6,662	(2,483)
Cash provided by operating activities	53,527	87,928
FINANCING AND INVESTING ACTIVITIES:		
Increase in deferred contributions restricted for capital assets	52,887	25,643
Contributions to externally restricted endowments	9,104	20,005
Repayment of long-term debt	(382)	(413)
Acquisition of capital assets	(73,175)	(49,899)
Acquisition of long-term investments	(38,973)	(72,655)
Cash used in financing and investing activities	(50,539)	(77,319)
Increase in cash position	2,988	10,609
Cash and cash equivalents, beginning of year	80,905	70,296
Cash and cash equivalents, end of year	\$ 83,893	\$ 80,905
Supplementary information:		
Interest paid during year	\$ 1,584	\$ 1,621

See accompanying notes to financial statements.

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

1.

FOR THE YEAR ENDED APRIL 30, 2001

1. AUTHORITY AND PURPOSE:

McMaster University operates by authority of The McMaster University Act, 1976. It is governed by a Board of Governors and Senate, the powers and responsibility of which are set out in the Act. It is a comprehensive research university offering a broad range of undergraduate, graduate and continuing education programs and degrees. The University is a not-for-profit organization and is therefore exempt from income tax under Section 149 of the Income Tax Act.

These financial statements include the assets, liabilities, deferred contributions, net assets, revenues, expenses, and other transactions of the operations for which the University has jurisdiction. They do not include the assets, liabilities and operations of McMaster Divinity College, McMaster Students Union Inc., and McMaster Children's Centre, Inc. which are independently governed and managed. Information on related organizations is disclosed in Note 15 (Related Party Transactions).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Canadian Institute of Chartered Accountants for not-for-profit organizations.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of revenues and expenses. Actual results could differ from those estimates.

(a) Accrual Accounting:

The University follows the accrual basis of accounting by recording income when earned and expenses when materials or services are received. Commitments for goods and services not yet received are not included in expenses.

Pledges from fund raising and other donations, because of the uncertainty of receipt, are not recorded until the year of receipt of cash or other assets.

(b) Revenue Recognition:

Operating grants are recognized as revenue in the period received or receivable. Operating grants relating to a future period are recorded as deferred contributions and recognized as income in the periods to which they relate.

Tuition fees which relate to academic terms or parts thereof occurring after April 30 are recorded as deferred revenue.

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

2.

FOR THE YEAR ENDED APRIL 30, 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

(b) Revenue Recognition (continued):

Grants for sponsored research are recorded as deferred contributions. When research expenditures funded by such grants are incurred during the year, the equivalent amounts are brought into revenue.

Grants and donations received for the acquisition of capital assets are recorded as deferred contributions until such time as they are invested in capital assets. When invested in capital assets, the amounts are transferred to deferred contributions for capital assets and recognized as earned capital contributions revenue in the periods in which the amortization of the related capital assets is recorded.

Endowment donations are recognized as a direct increase in net assets held as endowments. Income earned from the investment of endowments principal, to the extent it is restricted, is recorded as deferred contributions and recorded as revenue in the periods in which the related expenses are incurred.

Other externally-restricted contributions are recorded as deferred contributions and recognized as revenue in the periods in which the related expenses are incurred.

Gifts-in-kind are recorded at their fair market value on the date of receipt or at nominal value when fair market value cannot be reasonably determined.

(c) Investments:

Investments are stated at cost or, when donated, at fair market value at date of receipt, plus accrued income. Gains on sales of investments are recorded in the year of disposal and are included in income from investments. Losses are recognized in the year of disposal or when there is a significant and permanent impairment in value and are netted with income from investments.

Funds are generally pooled and either managed by external fund managers or maintained as working capital and invested in fixed income investments.

(d) Inventories:

Inventories are stated at the lower of cost and net realizable value.

(e) Prepaid Expenses:

Expenditures incurred for materials and services to be consumed in future periods are recorded as prepaid expenses and recorded as expenses in the year consumed.

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

3.

FOR THE YEAR ENDED APRIL 30, 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

(f) Capital Assets:

Capital assets are recorded at cost or, if donated, at the fair value on the date of receipt. Amortization is recorded on a straight-line basis at the following annual rates:

Asset	Rate
Land	-
Buildings	2.5%
Site improvements	5%
Library materials	10%
Equipment, furnishings and vehicles	20%
Computing equipment	33.3%
Leasehold interests	Rate applicable to leased assets

(g) Works of Art:

Works of art are expensed in the year of acquisition. During the year, \$141,000 (2000 - \$396,000) of works were purchased or donated.

(h) Contributed Services:

The University acknowledges the receipt of donated services. Because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

(i) Ancillary Enterprises:

Charges are made to ancillary enterprises for all costs associated with these operations including replacements and renovations of equipment and facilities. The enterprises are self-sustaining and are intended to operate on a breakeven basis.

Any profits/losses from ancillary operations are added to/deducted from reserves.

(j) Employee Future Benefits:

The University maintains defined-benefit plans providing pension, other retirement, and post-employment benefits for substantially all full-time employees.

Pension plan assets are valued at fair value for purposes of calculating expected return on plan assets. The costs of pension and other post-employment benefits (primarily medical benefits and dental care) related to the employees' current service is charged to income annually. The cost is computed on an actuarial basis using the projected benefit method of estimating the usage frequency and cost of services covered and management's best estimates of investment yields, salary escalation and other factors. A valuation allowance is recorded against an accrued benefit asset if the asset, less unamortized past service costs and unamortized actuarial losses, exceeds the present value of future service costs of the current active employees. See note 3 – Change in Accounting Policy.

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

4.

FOR THE YEAR ENDED APRIL 30, 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

(k) Reserves:

The Board of Governors has approved a policy of permitting departments to carry forward unexpended budgets into the subsequent fiscal year for expenditure in that year. In addition, the University reserves other portions of fund balances for specific purposes approved by the Board of Governors.

3. CHANGE IN ACCOUNTING POLICY:

Effective May 1, 2000, the University adopted the new accounting standard of the Canadian Institute of Chartered Accountants (CICA) concerning employee future benefits, which includes pension, other retirement, and post-employment benefits other than pensions. See note 2(j) Significant Accounting Policies – Employee Future Benefits. The new standard moves the accounting for non-pension post-employment benefits to an accrual basis from the cash accounting basis previously used, and, with respect to pensions, requires the use of a prescribed market rate to measure the accrued pension benefit obligation.

The University has adopted the new accounting standard for employee future benefits retroactively without restating the financial statements of any prior periods. As a result, the University has recorded an increase in net assets of \$181,329,000 and added this amount to reserves, an increase to employee future benefit liabilities of \$47,919,000 and an increase to deferred pension asset of \$229,248,000 as at May 1, 2000. The expense for accrued employee future benefits liability for the year ended April 30, 2001, is \$18,703,000 higher than it would have been under the previous accounting standard.

4. INVESTMENTS:

(in thousands of dollars)	2001	2000
Equities:		
Canadian	\$ 50,465	\$ 38,907
United States	57,706	51,276
Non-North American	54,038	45,771
	162,209	135,954
Fixed income	145,249	132,969
Other	7,236	6,798
Total, at cost	\$ 314,694	\$ 275,721
Total, at market value	\$ 304,586	\$ 289,306

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

5.

FOR THE YEAR ENDED APRIL 30, 2001

5. CAPITAL ASSETS:

Capital assets consist of the following:

(in thousands of dollars)	2001		2000	
	Cost	Accumulated amortization	Net	Net
Land	\$ 2,707	\$ —	\$ 2,707	\$ 2,707
Buildings	270,543	136,562	133,981	135,890
Site improvements	5,675	4,415	1,260	1,399
Library materials	75,300	47,410	27,890	26,578
Equipment, furnishings and vehicles	109,651	74,592	35,059	24,778
Computing equipment	52,135	39,866	12,269	8,950
Leasehold interests	8,712	4,636	4,076	4,284
Construction in progress	50,126	—	50,126	17,575
	\$ 574,849	\$ 307,481	\$ 267,368	\$ 222,161

6. DEFERRED CONTRIBUTIONS AND DEFERRED CAPITAL CONTRIBUTIONS:

Deferred contributions represent unexpended amounts which are subject to externally imposed restrictions. Deferred capital contributions represent the unamortized amounts of grants and donations used for the purchase of capital assets. Changes during the year are as follows:

(in thousands of dollars)	Deferred Contributions	Deferred Capital Contributions
Balance, beginning of year	\$ 187,385	\$ 158,024
Contributions received and receivable:		
Restricted operating grants	240	—
Research grants and contracts	141,799	—
Donations and other grants	43,397	—
Investment income	8,717	—
Transferred to revenue:		
Operating grants	(218)	—
Research grants and contracts	(98,327)	—
Donations and other grants	(16,631)	—
Investment income	(4,907)	—
Amortization of capital assets acquired with capital grants and donations	—	(16,173)
Transferred to acquire capital assets	(52,887)	52,887
Balance, end of year	\$ 208,568	\$ 194,738

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

6.

FOR THE YEAR ENDED APRIL 30, 2001

6. DEFERRED CONTRIBUTIONS AND DEFERRED CAPITAL CONTRIBUTIONS (Continued):

Deferred contributions consist of the following:

(in thousands of dollars)	2001	2000
Research grants and contracts	\$ 116,865	\$ 94,831
Donations, other grants and investment income	52,455	51,397
Capital grants and donations	38,792	41,139
Other restricted funds	456	218
	<u>\$ 208,568</u>	<u>\$ 187,385</u>

7. LONG-TERM DEBT:

Long-term debt consists of the following:

(in thousands of dollars)	Maturity Year	Interest Rate	2001 Principal Outstanding	2000 Principal Outstanding
Student residence mortgage	2011	9.81%	\$ 11,544	\$ 11,544
Leasehold liability for student residences	2020-2023	6.88% - 8%	4,796	4,889
Mortgage	2016	5.38%	1,556	1,619
Obligation under capital lease	2001	10.05%	-	226
			<u>17,896</u>	<u>18,278</u>
Due within one year			(165)	(381)
			<u>\$ 17,731</u>	<u>\$ 17,897</u>

Due in 2003: \$176,000, 2004: \$188,000, 2005: \$200,000, 2006: \$213,000.

A sinking fund has been established to provide funds to repay a portion of the principal of the student residence mortgage upon maturity in 2011. The sinking fund investment is financed by an annual charge to the residence ancillary operation. The value of the sinking fund as at April 30, 2001 is \$3,086,000 (2000 - \$2,542,000).

Certain University student residences were constructed by the Ontario Student Housing Corporation on land leased from the University for a term of 50 years. The cost was financed partially through the Ontario Universities Capital Aid Corporation debentures, partially by the University's own funds, and the remainder through the Ontario Student Housing Corporation by mortgage loans provided by Federal and Ontario government agencies. These mortgage loans carry interest rates ranging from 6.88% to 8% and require annual payments of \$447,000 to the year 2020 and \$220,000 thereafter to 2023. The leasehold liability reflects the agreement to reimburse the Ontario Student Housing Corporation for the payment of these mortgage loans.

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

7.

FOR THE YEAR ENDED APRIL 30, 2001

8. NET ASSETS:

Net assets are classified as follows:

- (a) Unrestricted Net Assets: General funds available for future operations or, if negative, cumulative operating deficit.
- (b) Reserves: Funds allocated for specific purposes and unexpended budgets carried forward for future expenditures within budget units.
- (c) Invested in Capital Assets: Internally generated funds invested in capital assets, exclusive of capital assets financed through long-term debt or capital contributions.
- (d) Internally Restricted Endowments: Unrestricted donations and bequests which have been endowed by action of the Board of Governors, including unspent investment income.
- (e) Externally Restricted Endowments: Non-expendable donations and bequests. Unspent investment income is shown as deferred contributions for future expenses.

Changes in net assets for the year are:

(in thousands of dollars)	2001					2000	
	Unrestricted	Reserves	Invested in Capital Assets	Internally Restricted Endowments	Externally Restricted Endowments	Total	Total
Balance, beginning of year as previously stated	\$ 337	\$48,675	\$48,471	\$86,249	\$82,228	\$265,960	\$213,537
Change in accounting policy (note 3)	-	181,329	-	-	-	181,329	-
As restated	337	230,004	48,471	86,249	82,228	447,289	213,537
Excess of revenues over expenses	14,365	-	9,419	-	-	23,784	32,418
Internal restrictions	(11,227)	11,392	-	(165)	-	-	-
Externally restricted donations	-	-	-	-	9,104	9,104	20,005
Balance, end of year	\$3,475	\$241,396	\$57,890	\$86,084	\$91,332	\$480,177	\$265,960

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

8.

FOR THE YEAR ENDED APRIL 30, 2001

8. NET ASSETS (continued):

Reserves consist of the following:

(in thousands of dollars)	2001	2000
Employee benefits:		
Pensions	\$ 261,802	\$ 23,300
Other Post-Employment and Post-Retirement Benefits	(51,233)	—
	210,569	23,300
Unexpended departmental budgets	27,312	18,923
Other specific purposes	3,515	6,452
	\$ 241,396	\$ 48,675

9. NET CHANGE IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital consists of the following:

(in thousands of dollars)	2001	2000
Research grants receivable	\$ (5,079)	\$ (12,846)
Accounts receivable	(1,225)	(2,866)
Government grants receivable	(249)	2,765
Inventories	(781)	(407)
Prepaid expenses	132	(391)
Accounts payable and accrued liabilities	13,473	9,112
Unearned fees and other deferred revenue	391	2,150
	\$ 6,662	\$ (2,483)

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

9.

FOR THE YEAR ENDED APRIL 30, 2001

10. EMPLOYEE FUTURE BENEFITS:

The University maintains defined-benefit plans providing pension, other retirement and post-employment benefits to substantially all full-time employees.

The fair values of plan assets and accrued benefit obligations were determined by independent actuaries as at January 31, 2001.

In 2001, the expense/(income) for the University's benefit plans is as follows:

(in thousands of dollars)	Pension Benefit Plans	Other Benefit Plans
Defined benefit plans (income) expense	\$ (8,860)	\$ 5,332

Information about the University's defined benefit plans as at January 31, 2001, in aggregate, is as follows:

(in thousands of dollars)	Pension Benefit Plans	Other Benefit Plans
Accrued benefit obligation	\$ 740,096	\$ 63,164
Fair value of plan assets	1,011,728	-
Funded status - plan surplus (deficit)	\$ 271,632	\$ (63,164)
Accrued benefit asset (liability) at April 30, 2001	\$ 281,364	\$ (57,908)

Included in the above accrued benefit obligation and fair value of plan assets at year-end are the following amounts in respect of plans that are not fully funded:

(in thousands of dollars)	Pension Benefit Plans	Other Benefit Plans
Accrued benefit obligation	\$ 62,589	\$ 63,164
Fair value of plan assets	-	-
Funded status - plan deficit	\$ 62,589	\$ 63,164

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

10.

FOR THE YEAR ENDED APRIL 30, 2001

10. EMPLOYEE FUTURE BENEFITS (continued):

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation are as follows:

	Pension Benefit Plans	Other Benefit Plans
Discount rate	7.0%	7.0%
Expected long-term rate of return on plan assets	8.0%	8.0%
Rate of compensation increase	5.0%	5.0%

The rates used for purposes of adopting the new accounting standard at May 1, 2000, were identical to those listed above except that the discount rate used was 7.5%. For measurement purposes, a 10% annual rate of increase in the per capita cost of medical benefits was assumed for 2002. The rate was assumed to decrease to 5% by 2007, and remain at that level thereafter. A 5% annual rate of increase is assumed for dental benefits.

(in thousands of dollars)	Pension Benefit Plans	Other Benefit Plans
Employer contribution	\$ 4,738	\$ 2,018
Employee contribution	3,207	-
Benefits paid	27,718	2,018

11. SALARIED PENSION PLAN SURPLUS SHARING PROPOSAL:

During 2001, the University and individuals representing the salaried pension plan member groups entered into an agreement to withdraw \$150,000,000 excess plan surplus to be divided equally between the University and plan members. The agreement requires various legal and regulatory approvals. It is expected that the surplus and related expenses will be withdrawn in 2002.

12. PLEDGES RECEIVABLE:

Outstanding pledges, not included in revenue and accounts receivable, are \$22,977,000 (2000 - \$30,784,000).

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

11.

FOR THE YEAR ENDED APRIL 30, 2001

13. ONTARIO STUDENT OPPORTUNITY TRUST FUND:

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund matching program to award student aid as a result of raising an equal amount of endowed donations.

(in thousands of dollars)	2001	2000
Endowment balance, beginning of year	\$ 30,901	\$ 24,340
Donations	132	2,212
Matching funds from the Government of Ontario	89	2,255
	31,122	28,807
Investment income allocated to preservation of capital	102	2,094
Balance, end of year	31,224	30,901
Funds available for awards, beginning of year	279	248
Investment income	1,536	828
Bursaries awarded	(1,431)	(797)
Funds available for awards, end of year	384	279
Total funds	\$ 31,608	\$ 31,180

14. COMMITMENTS AND CONTINGENT LIABILITIES:

(a) Canadian Universities Reciprocal Insurance Exchange:

The University is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE), a self-insurance co-operative comprised of over forty Canadian universities and colleges. CURIE insures property damage, general liability and errors and omissions risks. If premiums collected are insufficient to cover expenses and claims, the University may be requested to pay additional amounts.

(b) Outstanding Legal Issues:

The University is involved from time to time in litigation which arises in the normal course of operations. With respect to claims outstanding at April 30, 2001, the University believes it has valid defenses and appropriate insurance coverage in place. In the event that any claims are successful, the settlements of such claims are not expected to have a material effect on the financial position of the University, except as follows:

During the year, a legal claim was served on the University alleging that the University breached various duties in failing to remunerate a former employee with respect to patents that have been filed. The claim alleges damages of a percentage of revenues arising from the patents, or, in the alternative, a lump sum of \$75,000,000. The University is actively

defending this action and has filed a defense which denies all of the allegations. The probable outcome of this litigation cannot be determined at this time.

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

12.

FOR THE YEAR ENDED APRIL 30, 2001

14. COMMITMENTS AND CONTINGENT LIABILITIES (continued):

(c) McMaster Nuclear Reactor:

It is expected that at some undeterminable future date the McMaster Nuclear Reactor will be decommissioned. A 1996 study estimated the cost of decommissioning at between \$4,000,000 and \$4,500,000. An amount is being charged to Reactor operations annually to provide for this cost. At April 30, 2001 the accumulated accrual, included in accounts payable and accrued liabilities, is \$2,129,000 (2000 - \$1,634,000).

(d) Capital Commitments:

The estimated cost to complete major approved capital projects is \$30,224,000 at April 30, 2001.

15. RELATED PARTY TRANSACTIONS:

Certain fundraising activities are carried out by the following related organizations: The McMaster Medical Fund, The McMaster University Trust, the McMaster University Foundation, Friends of McMaster Incorporated. The assets and liabilities and operations of these organizations have not been consolidated with and are not material to these financial statements. Funds donated by these organizations to McMaster University during the year were \$2,000,000 (2000 - \$215,000).

16. COMPARATIVE FIGURES

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



Student Financial Aid
& Scholarships

1280 Main Street West
Hamilton Hall, Room 404
Hamilton, Ontario, Canada L8S 4K1

Phone 905.525.9140 Ext. 24319
Fax 905.521.9565
awards@mcmaster.ca
osap@mcmaster.ca
http://access.mcmaster.ca/financial_aid/

May 11, 2001

U.S. Department of Education
Office of Student Financial Assistance Programs,
Schools Channel
Case Management and Oversight
Data Management Analysis Division
Document Receipt and Control Center
P.O. Box 44805
L'Enfant Plaza Station
Washington, DC
20026-4805
USA

OPEID: 00685300

Attn: Geneva Coombs

Dear Ms. Coombs,

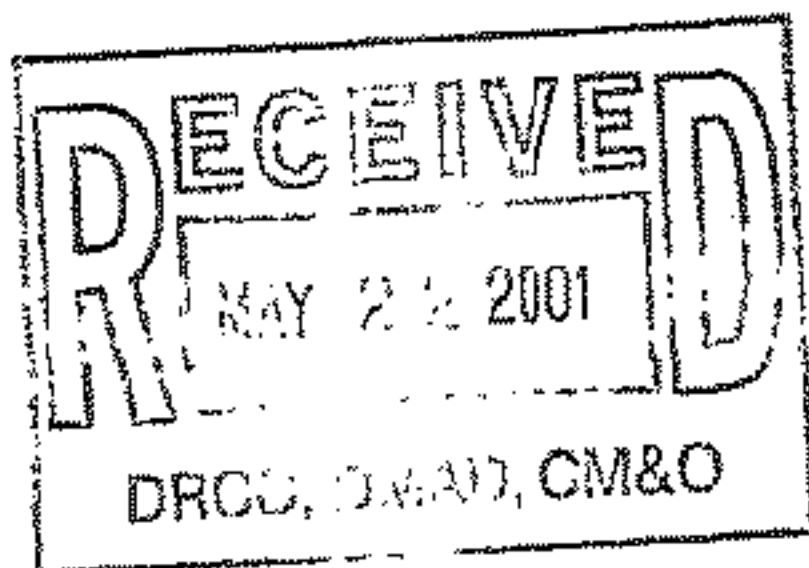
Please find enclosed a copy of McMaster University's audited financial statements for the year ended April 30, 2000.

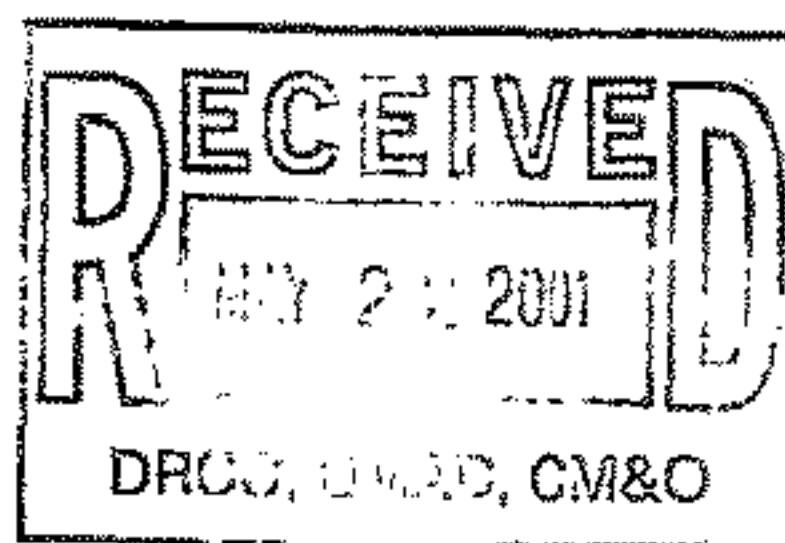
I trust this meets your requirements.

Regards,

A handwritten signature in cursive script that reads "Tracie Long".

Tracie Long
Manager, Student Financial Aid





**FINANCIAL STATEMENTS
AND MANAGEMENT COMMENTARY**

YEAR ENDED APRIL 30, 2000



Financial Statements of

McMASTER UNIVERSITY

Year ended April 30, 2000

McMASTER UNIVERSITY

FINANCIAL STATEMENTS

APRIL 30, 2000

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MANAGEMENT DISCUSSION AND ANALYSIS

1. PREAMBLE

The new millenium marks an era of institutional renewal at McMaster University. This sense of renewal is not only observable through the high calibre of students, the growth in faculty and staff, and the construction activities on campus but also reflected in the financial statements that follow this *Management Discussion and Analysis*.

These financial statements present the consolidated financial position, operating results and cash flows of the University in accordance with CICA standards of financial reporting. The section *University Overview* below presents management discussion and analysis of these financial statements.

The University also maintains a fund accounting system to reflect the different objectives, restrictions and policies based on the source and use of funds. To maintain transparency and accountability, the pertinent financial results of these funds, namely the Operating, Endowment, Ancillary, Capital and Research Funds are also presented following the *University Overview*.

2. UNIVERSITY OVERVIEW

With the operating deficit eliminated at the beginning of this fiscal year, McMaster University was in a position to channel all its financial resources to the present and future needs of its students. For the fiscal year ending April 30, 2000 the University's unrestricted net assets increased by \$16,000 to \$337,000.

Overall, total revenues increased by 8.9% to \$383 million. This growth rate was driven by the success of the *Changing Tomorrow Today* fund-raising campaign which was publicly launched in September 1999 and has resulted in a 31.8% increase in donation revenues. The largest single source of revenue continues to be government operating grants amounting to \$103 million, up from \$100 million due to the Access to Opportunities Program. However on a relative basis operating grants have declined from 30% of total revenues four years ago to 27% and the University relied increasingly on tuition fees and other revenues.

Total expenses increased by 6.1% to \$350 million which reflects the increase investment in programs and services. The difference between the growth in revenues and expenses was due to the following reasons:

a) Capitalization of fixed assets:

Expenditures on computers, office furniture, laboratory equipment and library acquisitions were capitalized and amortized over their economic lives. On a net basis \$14 million were added to capital assets thereby reducing operating expenses by the same amount.

b) Internally restricted endowment:

All unrestricted donations and related investment income were recorded as revenue and accounted for as internally restricted endowment funds. Expenditures from these funds were approved according to the policy set by the Board of Governors. The excess of revenues over expenses amounting to \$4 million was appropriated to the respective endowment funds.

c) Reserves:

The total appropriation of \$14 million to reserves results from the negative pension expense in the salaried pension fund.

The balance sheet clearly indicates that the University is growing and also has a strong financial foundation to support this growth. Total assets increased 26.2% to \$679 million primarily due to the growth of endowment funds, capital assets and pension assets. No debt was added during the year and the higher cash position on the balance sheet arose from funds received to finance future capital projects.

Cash provided by operating activities more than doubled over the previous year, totalling \$88 million primarily due to higher deferred contributions restricted to specific purposes. Concurrently cash used in financing and investing activities also doubled due to investment in endowment funds and higher capital expenditures.

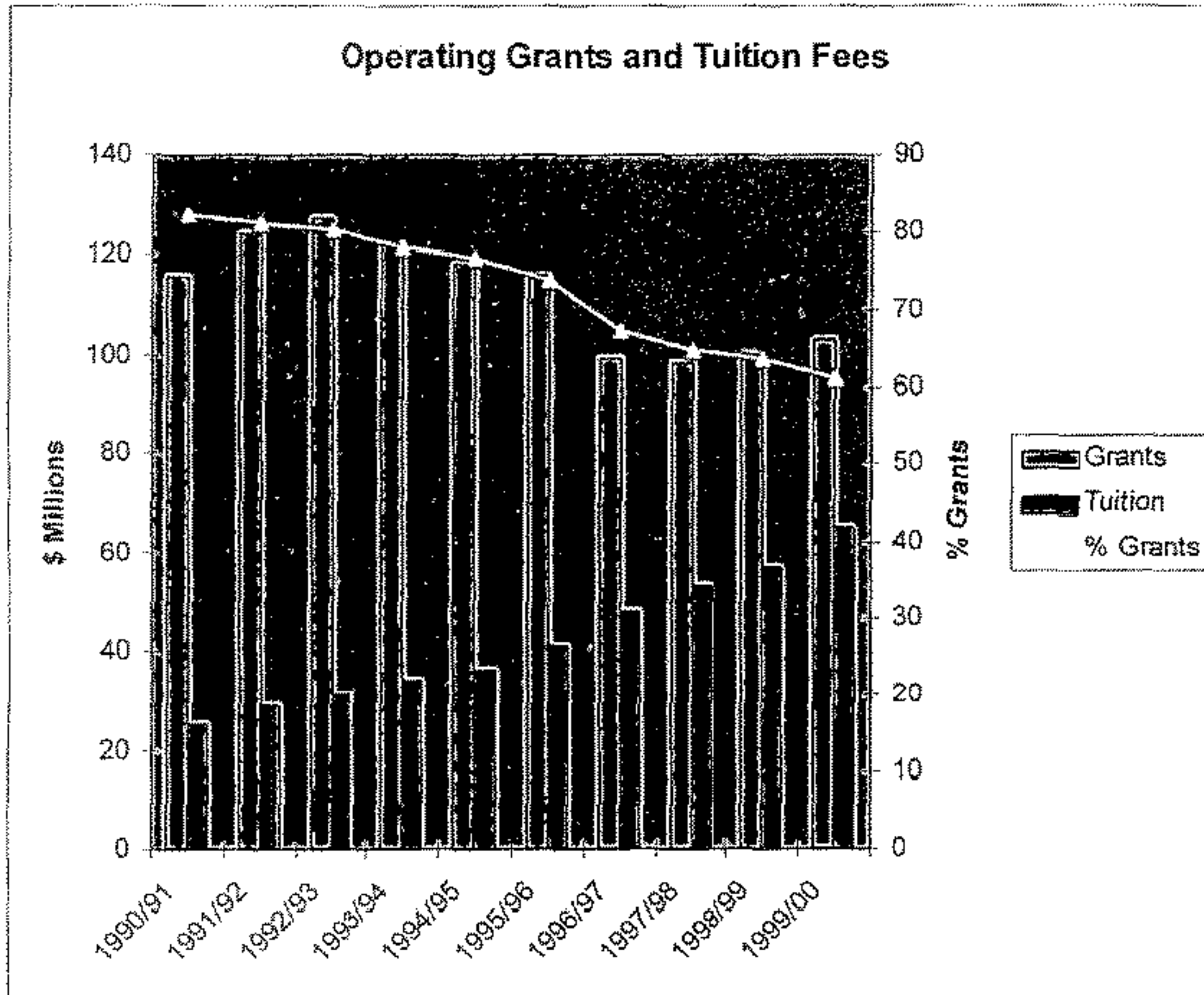
The following sections will discuss the institutional renewal in five major endeavors and their corresponding financial situations:

- ◆ Renewal in education
- ◆ Renewal in research
- ◆ Renewal in infrastructure
- ◆ Renewal in student services
- ◆ Renewal in endowment management

3. RENEWAL IN EDUCATION - OPERATING FUNDS

The educational activities of the University are financed by the operating funds. The major sources of operating funds are government grants and tuition fees paid by students. Public funding has steadily declined over the past decade, as shown in the graph below. Ten years ago the government contributed 82% of the cost or \$4.65 for each tuition dollar; in 1999-2000 it contributed only 61% or \$1.58 for each tuition dollar.

Figure 1



As tuition rates have increased, the Government has shifted an increasing responsibility for providing financial support of students to universities. McMaster has enhanced accessibility for learners by increasing scholarships and bursaries by 40% over the previous year to \$15 million.

The commitment to high quality education is reflected in part by the University resources, represented by the total of grants and tuition fees, per full-time-equivalent student. The amount of university resource per student has now returned to the level experienced five years ago, as shown in Table 1, which will benefit students in the new decade.

Table 1
UNIVERSITY RESOURCES FOR STUDENTS
(Grant and Tuition per Student)

Year	In Current Dollars	In Constant 2000 Dollars
1995/96	10,283	10,842
1996/97	9,670	10,033
1997/98	9,988	10,223
1998/99	10,373	10,490
1999/00	11,045	11,045

The Operating Fund is essentially in a balanced position and the University's fiscal policy is to maintain a balanced budget in the future.

4. RENEWAL IN RESEARCH - RESEARCH FUNDS

McMaster receives financial support for its research activities from federal funding agencies such as the Natural Sciences and Engineering Research Council (NSERC), the Medical Research Council (MRC), the Social Sciences and Humanities Research Council (SSHRC) and the Canada Foundation for Innovation (CFI), and the Ontario Research and Development Challenge Fund (ORDCF).

After a period of decline in government funding for research, there has been evidence of renewed support to enhance research activities in Canadian universities. As a result, research grants and contracts awarded to McMaster increased from \$87 million to \$120 million due to CFI and ORDCF major initiatives. The greater funding enabled increased research expenditures from \$76 million to \$81 million. During the year a number of new research institutes were established such as the Manufacturing Research Institute, the Steel Research Centre, the Institute for Applied Radiation Sciences, the Centre for Gene Therapy and the expansion of the Brockhouse Institute for Material Sciences.

Research grants and contracts are restricted to specific purposes and any amounts awarded but not yet spent are included in deferred contributions. At year-end the deferred contributions attributable to research totalled \$95 million which is 32% higher than the previous year. This increase in research capacity will enhance McMaster's pre-eminent role in research and education and help maintain McMaster's reputation as one of Canada's most innovative universities.

5. RENEWAL IN INFRASTRUCTURE - CAPITAL FUNDS

The most visible sign of the University's growth and renewal can be reflected in its construction activities. Capital expenditures doubled over the previous year to \$50 million. A large part of these capital expenditures was attributable to the Institute for Applied Health

Sciences which will provide facilities for a number of health sciences educational programs offered by McMaster University and Mohawk College. The Institute is jointly owned by the two institutions and financed 100% by government grants.

As the Institute approached completion, the ground breaking for the new University Centre was celebrated. Renovations to existing buildings to accommodate new programs such as computer and software engineering were also underway and their costs were included in capital expenditures.

Capital expenditures are financed either by the Capital Fund through restricted contributions from government and donations, or from the Operating Fund. In accordance with CICA accounting standards capital assets are capitalized and amortized over their estimated useful lives. Concurrently the unamortized amounts of contributions restricted for capital purposes are shown on the balance sheet as Deferred Contributions for Capital Assets.

Unspent capital grants and donations amounted to \$41 million at year-end compared to \$11 million in 1999. The significant increase reflected the government contributions as part of the SuperBuild Program.

6. RENEWAL IN STUDENT SERVICES - ANCILLARY OPERATIONS

The Ancillary operations include services such as the Bookstore, Parking, Housing and Hospitality Services. The financial objective of these operations is to generate sufficient income to cover all their operating costs, to provide for operating contingencies and capital renovations and acquisitions. Operating costs include administrative and other overhead charges allocated to these ancillary operations to reflect the full cost of operations. In 1999-2000 these operations experienced an operating surplus of \$2 million on sales of \$46 million resulting in a reserve of \$4 million at year-end.

Substantial improvements were made to the residences to provide state-of-the-art Internet connections to students in residence. Furthermore the Board of Governors recently approved a plan to build a new residence and dining facility to accommodate the increasing demand anticipated in the next few years.

7. RENEWAL IN ENDOWMENT MANAGEMENT - ENDOWMENT FUNDS

In September 1999 McMaster publicly launched its most ambitious fund-raising campaign with many student-centered initiatives for the twenty-first century. To the end of this fiscal year, the campaign raised more than \$84 million including pledges and was well on its way to achieving the \$100 million target.

Contributions from donors are invested in Endowment Funds and classified as restricted or unrestricted depending on the use stipulated by the donors. Externally Restricted Endowment Funds, also called Trust Funds, include donations the use of which has been specified by donors.

Internally restricted endowments are donations which use has not been restricted by donors but is controlled by the Board of Governors.

In accordance with the CICA recommendations, under the deferred method of accounting expendable restricted donations are recorded as deferred contributions and brought into income in the same amounts and at the same time as expenditures are incurred. Non-expendable donations are recorded as externally restricted endowments and represent additions to net assets.

As shown in Table 2 restricted contributions to the University totalled \$44 million in 2000. The continued success of fund-raising activities and the high level of investment income enabled the Restricted Endowment Funds to continue to grow by over 32% to \$134 million in 2000.

Table 2
EXTERNALLY RESTRICTED ENDOWMENT FUNDS
(Commonly called Trust Funds)
(\$000)

	2000			1999
	Recorded in Deferred Contributions	Recorded in Net Assets	Total	Total
Balance, beginning of year	\$ 38,686	\$62,223	\$100,909	\$ 75,278
Contributions				
Expendable	23,724	-	23,724	23,132
Non-expendable	<u>-</u>	<u>20,005</u>	<u>20,005</u>	<u>15,830</u>
	23,724	20,005	43,729	38,962
Investment Income	13,535	-	13,535	7,791
Expenditures	<u>(24,548)</u>	<u>-</u>	<u>(24,548)</u>	<u>(21,122)</u>
Balance, end of year	\$ 51,397	\$82,228	\$133,625	\$100,909
Market Value			\$140,907	\$104,235

The Internally Restricted Endowment Funds increased from \$82 million to \$86 million as shown in Table 3 mainly due to higher investment income.

Table 3
 INTERNALLY RESTRICTED ENDOWMENT FUNDS
 (Commonly called Endowment Funds)
 (\$000)

Total Funds (Recorded in Net Assets)	2000	1999
Balance, beginning of year	\$81,969	\$80,602
Investment income	9,332	6,792
Expenditures	<u>(5,053)</u>	<u>(5,425)</u>
Balance, end of year	\$86,249	\$81,969
Market Value	\$90,983	\$84,734

All endowment funds are invested in McMaster University's Investment Pool managed by external managers. During the year changes to the asset mix strategy and consequently the investment managers were made to take advantage of the long-term opportunities available to this growing pool of assets. At year-end the Investment Pool stood at approximately a quarter billion dollars. Its continuing growth will provide a solid financial foundation to sustain the University's excellence in education and research for many years to come.

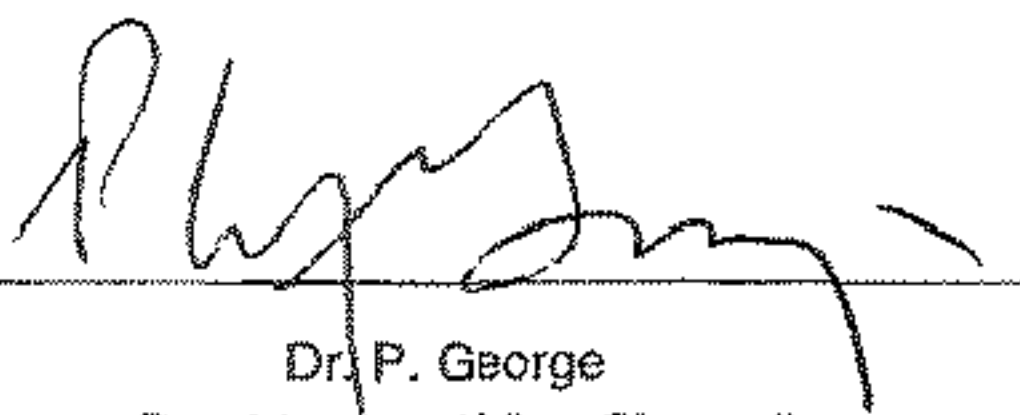
STATEMENT OF MANAGEMENT RESPONSIBILITY

The University is responsible for the preparation of the financial statements and has prepared them in accordance with generally accepted accounting principles for not-for-profit organizations. The financial statements present fairly the financial position of the University as at April 30, 2000 and the results of its operations for the year then ended.


In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Governors carries out its responsibility for review of the financial statements principally through its Audit Committee. Members of the Audit Committee are not officers or employees of the University. The Audit Committee meets with management and the external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit Committee, with and without the presence of management.

The financial statements for the year ended April 30, 2000 have been reported on by KPMG LLP, the auditors appointed under the University Act. The Auditors' Report outlines the scope of their examination and provides their opinion on the fairness of presentation of the information in the financial statements.



Dr. P. George
President and Vice-Chancellor



Ms K. Belaire
Vice-President, Administration



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AUDITORS' REPORT

The Board of Governors
McMaster University

We have audited the statement of financial position of McMaster University as at April 30, 2000 and the statements of operations and changes in unrestricted net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Hamilton, Canada

July 14, 2000



McMASTER UNIVERSITY

STATEMENT OF FINANCIAL POSITION

APRIL 30, 2000, WITH COMPARATIVE FIGURES FOR 1999
(all figures in \$000)

	2000	1999
Assets		
Current Assets:		
Cash and cash equivalents (market value 2000 - \$81,017; 1999 - \$70,357)	\$ 80,905	\$ 70,296
Research grants receivable	39,322	26,476
Accounts receivable	15,511	12,645
Government grants receivable	-	2,765
Inventories	4,735	4,328
Prepaid expenses	1,821	1,430
	<u>142,294</u>	<u>117,940</u>
Long-Term Assets:		
Investments (note 3)	275,721	203,066
Deferred pension asset	38,521	20,425
	<u>314,242</u>	<u>223,491</u>
Capital Assets, net (note 4)	222,161	196,234
Total Assets	\$ 678,697	\$ 537,665
Liabilities, Deferred Contributions and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 35,848	\$ 26,736
Unearned fees and other deferred revenue	13,202	11,052
Current portion of long-term debt	381	413
	<u>49,431</u>	<u>38,201</u>
Deferred Contributions (note 5):		
Deferred contributions for future expenses	187,385	122,363
Deferred contributions for capital assets	158,024	145,286
	<u>345,409</u>	<u>267,649</u>
Long-term Debt (note 6)	17,897	18,278
Net Assets (note 7):		
Unrestricted net assets	337	321
Reserves	48,675	34,662
Invested in capital assets	48,471	34,362
Internally restricted endowments	86,249	81,969
Externally restricted endowments	82,228	62,223
	<u>265,960</u>	<u>213,537</u>
Total Liabilities, Deferred Contributions and Net Assets	\$ 678,697	\$ 537,665

See accompanying notes to financial statements

McMASTER UNIVERSITY

STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS

FOR THE YEAR ENDED APRIL 30, 2000, WITH COMPARATIVE FIGURES FOR 1999
(all figures in \$000)

	2000	1999
Revenues:		
Operating grants	\$ 103,301	\$ 100,003
Research grants and contracts	80,992	75,503
Tuition fees	65,232	57,204
Sales by ancillary operations	45,700	44,034
Donations and other grants	26,570	20,154
Investment income	17,801	16,244
Other revenue	30,145	27,231
Earned capital contributions	12,905	11,155
	<u>382,646</u>	<u>351,528</u>
Expenses:		
Salaries and wages	195,032	189,596
Employee benefits (note 9)	9,555	13,392
Supplies and services	120,048	104,070
Amortization of capital assets	23,972	21,234
Interest on long-term debt	1,621	1,683
	<u>350,228</u>	<u>329,975</u>
Excess of revenues over expenses	32,418	21,553
Uses of excess of revenues over expenses:		
Increase in net assets invested in capital assets	(14,109)	(2,777)
Increase in internally restricted endowments	(4,280)	(1,367)
Increase in reserves	(14,013)	(13,413)
	<u>(32,402)</u>	<u>(17,557)</u>
Increase in unrestricted net assets	16	3,996
Unrestricted net assets (deficiency), beginning of year	321	(3,675)
Unrestricted net assets, end of year	<u>\$ 337</u>	<u>\$ 321</u>

See accompanying notes to financial statements.

McMASTER UNIVERSITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED APRIL 30, 2000, WITH COMPARATIVE FIGURES FOR 1999
(all figures in \$000)

	2000	1999
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 32,418	\$ 21,553
Increase in deferred pension asset	(18,096)	(12,434)
Amortization of capital assets	23,972	21,234
Earned capital contributions	(12,905)	(11,155)
Loss on disposal of capital assets	-	140
Net increase in deferred contributions restricted for future expenses	65,022	18,533
Net change in non-cash working capital (note 8)	(2,483)	3,732
Cash provided by operating activities	87,928	41,603
FINANCING AND INVESTING ACTIVITIES:		
Increase in deferred contributions restricted for capital assets	25,643	12,096
Contributions to externally restricted endowments	20,005	15,830
Repayment of long-term debt	(413)	(1,394)
Acquisition of capital assets	(49,899)	(24,761)
Acquisition of long-term investments	(72,655)	(38,622)
Proceeds on disposal of capital assets	-	621
Cash used in financing and investing activities	(77,319)	(36,230)
Increase in cash position	10,609	5,373
Cash and cash equivalents, beginning of year	70,296	64,923
Cash and cash equivalents, end of year	\$ 80,905	\$ 70,296
Supplementary information:		
Interest paid during year	\$ 1,621	\$ 1,683

See accompanying notes to financial statements.

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

1.

FOR THE YEAR ENDED APRIL 30, 2000

(all figures in \$000)

1. AUTHORITY AND PURPOSE:

McMaster University operates by authority of The McMaster University Act, 1976. It is governed by a Board of Governors and Senate, the powers and responsibility of which are set out in the Act. It is a comprehensive research university offering a broad range of undergraduate, graduate and continuing education programs and degrees. The University is a not-for-profit organization and is therefore exempt from income tax under Section 149 of the Income Tax Act.

These financial statements include the assets, liabilities, deferred contributions, net assets, revenues, expenses, and other transactions of the operations for which the University has jurisdiction. They do not include the assets, liabilities and operations of McMaster Divinity College, McMaster Students' Union Inc., and McMaster Children's Centre, Inc. which are independently governed and managed. Information on related organizations is disclosed in Note 12 (Related Party Transactions).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Canadian Institute of Chartered Accountants for not-for-profit organizations.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of revenues and expenses. Actual results could differ from those estimates.

(a) Accrual Accounting:

The University follows the accrual basis of accounting by recording income when earned and expenses when materials or services are received. Commitments for goods and services not yet received are not included in expenses.

Pledges from fund raising and other donations, because of the uncertainty of receipt, are not recorded until the year of receipt of cash or other assets.

(b) Revenue Recognition:

Operating grants are recognized as revenue in the period received or receivable. Operating grants relating to a future period are recorded as deferred contributions and recognized as income in the periods to which they relate.

Tuition fees which relate to academic terms or parts thereof occurring after April 30 are recorded as deferred revenue.

FOR THE YEAR ENDED APRIL 30, 2000(all figures in \$000)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

(b) Revenue Recognition (continued):

Grants for sponsored research are recorded as deferred contributions. When research expenditures funded by such grants are incurred during the year, the equivalent amounts are brought into revenue.

Grants and donations received for the acquisition of capital assets are recorded as deferred contributions until such time as they are invested in capital assets. When invested in capital assets, the amounts are transferred to deferred contributions for capital assets and recognized as earned capital contributions revenue in the periods in which the amortization of the related capital assets is recorded.

Endowment donations are recognized as a direct increase in net assets held as endowments. Income earned from the investment of endowments principal, to the extent it is restricted, is recorded as deferred contributions and recorded as revenue in the periods in which the related expenses are incurred.

Other externally-restricted contributions are recorded as deferred contributions and recognized as revenue in the periods in which the related expenses are incurred.

Gifts-in-kind are recorded at their fair market value on the date of receipt or at nominal value when fair market value cannot be reasonably determined.

(c) Investments:

Investments are stated at cost or, when donated, at fair market value at date of receipt, plus accrued income. Gains on sales of investments are recorded in the year of disposal and are included in income from investments. Losses are recognized in the year of disposal or when there is a significant and permanent impairment in value and are netted with income from investments.

Funds are generally pooled and either managed by external fund managers or maintained as working capital and invested in fixed income investments.

(d) Inventories:

Inventories are stated at the lower of cost and net realizable value.

(e) Prepaid Expenses:

Expenditures incurred for materials and services to be consumed in future periods are recorded as prepaid expenses and recorded as expenses in the year consumed.

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

3.

FOR THE YEAR ENDED APRIL 30, 2000

(all figures in \$000)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

(f) Capital Assets:

Capital assets are recorded at cost or, if donated, at the fair value on the date of receipt. Amortization is recorded on a straight-line basis at the following annual rates:

Asset	Rate
Land	-
Buildings	2.5%
Site improvements	5%
Library materials	10%
Equipment, furnishings and vehicles	20%
Computing equipment	33.3%
Leasehold interest	Rate applicable to leased assets

(g) Works of Art:

Works of art are expensed in the year of acquisition. During the year, \$396 (1999 - \$83) of works were purchased or donated.

(h) Contributed Services:

The University acknowledges the receipt of donated services. Because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

(i) Ancillary Enterprises:

Charges are made to ancillary enterprises for all costs associated with these operations including replacements and renovations of equipment and facilities. The enterprises are self-sustaining and are intended to operate on a breakeven basis.

Any profits/losses from ancillary operations are added to/deducted from reserves.

(j) Retirement Program:

The University has two defined-benefit pension plans covering substantially all full-time salaried and hourly paid employees.

The pension expense for the year is determined based on the best estimate of the costs of benefits earned, of the interest costs of projected benefits and of return on plan assets and includes amortization of experience gains or losses and plan surplus or deficit over the expected average remaining service life of the employee group. Annual expense as well as required funding contributions are determined by independent actuarial consultants.

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

4.

FOR THE YEAR ENDED APRIL 30, 2000
(all figures in \$000)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

(k) Benefit Program:

Under agreements with various employee groups the University is committed to provide certain benefits to both active and retired employees. These benefits include life insurance, long-term disability and major medical and dental coverage. It is the University's policy to record the premiums paid to fund these plans as an expense in the year incurred.

(l) Reserves:

The Board of Governors has approved a policy of permitting departments to carry forward unexpended budgets into the subsequent fiscal year for expenditure in that year. In addition, the University reserves other portions of fund balances for specific purposes approved by the Board of Governors.

3. INVESTMENTS:

	2000	1999
Equities:		
Canadian	\$ 38,907	\$ 56,725
United States	51,276	12,285
Non-North American	45,771	38,376
	135,954	107,386
Fixed income	132,969	92,216
Other	6,798	3,464
Total, at cost	\$ 275,721	\$ 203,066
Total, at market value	\$ 289,306	\$ 211,340

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

5.

FOR THE YEAR ENDED APRIL 30, 2000

(all figures in \$000)

4. CAPITAL ASSETS:

Capital assets consist of the following:

	2000		1999	
	Cost	Accumulated amortization	Net	Net
Land	\$ 2,707	\$ —	\$ 2,707	\$ 2,707
Buildings	265,688	129,798	135,890	135,218
Site improvements	5,676	4,277	1,399	1,539
Library materials	68,745	42,167	26,578	25,944
Equipment, furnishings and vehicles	90,311	65,533	24,778	14,337
Computing equipment	42,261	33,311	8,950	7,651
Leasehold interests	8,712	4,428	4,284	2,097
Construction in progress	17,575	—	17,575	6,741
	\$ 501,675	\$ 279,514	\$ 222,161	\$ 196,234

5. DEFERRED CONTRIBUTIONS AND DEFERRED CAPITAL CONTRIBUTIONS:

Deferred contributions represent unexpended amounts which are subject to externally imposed restrictions. Deferred capital contributions represent the unamortized amounts of grants and donations used for the purchase of capital assets. Changes during the year are as follows:

	Deferred Contributions	Deferred Capital Contributions
Balance, beginning of year	\$ 122,363	\$ 145,286
Contributions received and receivable:		
Restricted operating grants	218	—
Research grants and contracts	119,738	—
Donations and other grants	63,188	—
Investment income	13,607	—
Transferred to revenue:		
Operating grants	(531)	—
Research grants and contracts	(80,992)	—
Donations and other grants	(19,162)	—
Investment income	(5,401)	—
Amortization of capital assets acquired with capital grants and donations	—	(12,905)
Transferred to acquire capital assets	(25,643)	25,643
Balance, end of year	\$ 187,385	\$ 158,024

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

6.

FOR THE YEAR ENDED APRIL 30, 2000

(all figures in \$000)

5. DEFERRED CONTRIBUTIONS AND DEFERRED CAPITAL CONTRIBUTIONS (Continued):

Deferred contributions consist of the following:

	2000	1999
Research grants and contracts	\$ 94,631	\$ 71,728
Donations, other grants and investment income	51,397	38,686
Capital grants and donations	41,139	11,418
Other restricted funds	218	531
	<u>\$ 187,385</u>	<u>\$ 122,363</u>

6. LONG-TERM DEBT:

Long-term debt consists of the following:

	Maturity Year	Interest Rate	2000 Principal Outstanding	1999 Principal Outstanding
Student residence mortgage	2011	9.81%	\$ 11,544	\$ 11,544
Leasehold liability for student residences	2020-2024	6.88% - 8%	4,889	4,975
Mortgage	2016	5.38%	1,619	1,679
Obligation under capital lease	2001	10.05%	226	493
			<u>18,278</u>	<u>18,691</u>
Due within one year			(381)	(413)
			<u>\$ 17,897</u>	<u>\$ 18,278</u>

Due in 2002: \$165, 2003: \$176, 2004: \$188, 2005: \$200

A sinking fund has been established to provide funds to repay a portion of the principal of the student residence mortgage upon maturity in 2011. The sinking fund investment is financed by an annual charge to the residence ancillary operation. The value of the sinking fund as at April 30, 2000 is \$2,542 (1999 - \$2,034).

Certain University student residences were constructed by the Ontario Student Housing Corporation on land leased from the University for a term of 50 years. The cost was financed partially through the Ontario Universities Capital Aid Corporation debentures, partially by the University's own funds, and the remainder through the Ontario Student Housing Corporation by mortgage loans provided by Federal and Ontario government agencies. These mortgage loans carry interest rates ranging from 6.88% to 8% and require annual payments of \$447 to the year 2020 and \$224 thereafter to 2024. The leasehold liability reflects the agreement to reimburse the Ontario Student Housing Corporation for the payment of these mortgage loans.

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

7.

FOR THE YEAR ENDED APRIL 30, 2000

(all figures in \$000)

7. NET ASSETS:

Net assets are classified as follows:

- (a) Unrestricted Net Assets: General funds available for future operations or, if negative, cumulative operating deficit.
- (b) Reserves: Funds allocated for specific purposes and unexpended budgets carried forward for future expenditures within budget units.
- (c) Invested in Capital Assets: Internally generated funds invested in capital assets, exclusive of capital assets financed through long-term debt or capital contributions.
- (d) Internally Restricted Endowments: Unrestricted donations and bequests which have been endowed by action of the Board of Governors, including unspent investment income.
- (e) Externally Restricted Endowments: Non-expendable donations and bequests. Unspent investment income is shown as deferred contributions for future expenses.

Changes in net assets for the year are:

	2000						1999
	Unrestricted	Reserves	Invested in Capital Assets	Internally Restricted Endowments	Externally Restricted Endowments	Total	Total
Balance, beginning of year	\$321	\$34,662	\$34,362	\$81,969	\$62,223	\$213,537	\$176,154
Excess of revenues over expenses	18,309	—	14,109	—	—	32,418	21,553
Internal restrictions	(18,293)	14,013	—	4,280	—	—	—
Externally restricted donations	—	—	—	—	20,005	20,005	15,830
Balance, end of year	\$337	\$48,675	\$48,471	\$86,249	\$82,228	\$265,960	\$213,537

Reserves consist of the following:

	2000	1999
Pension reserve	\$ 23,300	\$ 8,700
Unexpended departmental budgets	18,923	16,989
Other specific purposes	6,452	8,973
	\$ 48,675	\$ 34,662

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

8.

FOR THE YEAR ENDED APRIL 30, 2000
(all figures in \$000)

8. NET CHANGE IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital consists of the following:

	2000	1999
Research grants receivable	\$ (12,846)	\$ (948)
Accounts receivable	(2,866)	(2,383)
Government grants receivable	2,765	(2,022)
Inventories	(407)	(470)
Prepaid expenses	(391)	(744)
Accounts payable and accrued liabilities	9,112	9,007
Unearned fees and other deferred revenue	2,150	1,292
	<u>\$ (2,483)</u>	<u>\$ 3,732</u>

9. EMPLOYEE BENEFITS:

Employee benefits include statutory payroll taxes (CPP, EI, EHT), fringe benefits (as explained in Note 2 (k)), and pension expenses (as explained in Note 2 (j)). Payroll taxes and fringe benefit expenses are determined based on amounts paid or payable. Pension expenses are determined based on actuarial estimates:

	2000	1999
Payroll taxes and fringe benefits	\$ 23,744	\$ 21,601
Pension expense for hourly-rated employees	411	491
Pension credit for salaried employees	(14,600)	(8,700)
	<u>\$ 9,555</u>	<u>\$ 13,392</u>

The pension credit of \$14,600 resulted from the significant surplus in the Pension Plan for Salaried Employees. This amount has been appropriated as a reserve (see note 7).

The status of the University's defined benefit pension plans at April 30, is approximately as follows:

	2000	1999
Market value of pension assets	\$ 976,960	\$ 934,865
Present value of accrued pension benefits	\$ 619,093	\$ 579,413

Additional pension program liabilities to be funded outside the plans are estimated at \$70,700 (1999 - \$68,300).

McMASTER UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

9.

FOR THE YEAR ENDED APRIL 30, 2000

(all figures in \$000)

10. PLEDGES RECEIVABLE:

Outstanding pledges, not included in revenue and accounts receivable, are: \$30,784 (1999 - \$18,683).

11. COMMITMENTS AND CONTINGENT LIABILITIES:

(a) Canadian Universities Reciprocal Insurance Exchange:

The University is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE), a self-insurance co-operative comprised of over forty Canadian universities and colleges. CURIE insures property damage, general liability and errors and omissions risks. If premiums collected are insufficient to cover expenses and claims, the University may be requested to pay additional amounts.

(b) McMaster Nuclear Reactor:

It is expected that at some undeterminable future date the McMaster Nuclear Reactor will be decommissioned. A 1996 study estimated the cost of decommissioning at between \$4,000 and \$4,500. An amount is being charged to Reactor operations annually to provide for this cost. At April 30, 2000 the accumulated accrual, included in accounts payable and accrued liabilities, is \$1,634 (1999 - \$1,135).

(c) University Centre:

McMaster University, McMaster Students Union Inc. and McMaster Association of Part-Time Students have entered into an agreement to build and operate a University Centre. The McMaster University Centre will be incorporated as a separate corporation whose business will be overseen by a Board of Management composed of representatives from the above-mentioned parties.

The estimated cost to complete the University Centre is \$31,000.

12. RELATED PARTY TRANSACTIONS:

Certain fundraising activities are carried out by the following related organizations: The McMaster Medical Fund, The McMaster University Trust, the McMaster University Foundation, Friends of McMaster Incorporated. The assets and liabilities and operations of these organizations have not been consolidated with and are not material to these financial statements. Funds donated by these organizations to McMaster University during the year were \$215 (1999 - \$1,212).

13. COMPARATIVE FIGURES

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

**McMaster University
1280 Main Street West
Financial Services
Hamilton, Ontario
L8S 4L8**

For additional information, please contact

**Mr. R.A. West
Director, Financial Services
Phone: (905)525-9140 Extension 24621
Fax: (905)572-1015
E'mail: westr@mcmaster.ca
Website: www.mcmaster.ca/bms/finance**

For additional copies, please contact

**Ms. Sharon Muir
Administrative Assistant
Phone: (905)525-9140 Extension 24621
Fax: (905)572-1015
E'mail: muirsh@mcmaster.ca
Website: www.mcmaster.ca/bms/finance**



Student Financial Aid
& Scholarships

1280 Main Street West
Hamilton Hall, Room 404
Hamilton, Ontario, Canada L8S 4K1

Phone 905.525.9140 Ext. 24319
Fax 905.521.9565
awards@mcmaster.ca
osap@mcmaster.ca
http://access.mcmaster.ca/financial_aid/

December 19, 2001

U.S. Department of Education
Case Management and Oversight
P.O. Box 44805
L'Enfant Plaza Station
Washington, DC 20026-4805

McMaster University
00685300

To Whom It May Concern:

Please find enclosed, the documentation requested to support McMaster University's application for recertification. The documentation includes:

- 1) University Undergraduate Calendar
- 2) Audited Financial Statements, year ending April 2001
- 3) Executive Summary
- 4) Letter from VP Administration Office with copy of the "McMaster University Act"
- 5) LCME Accreditation Letter for our School of Medicine
- 6) Section L - Signature page

Should you have any questions or concerns, please do not hesitate to contact me at the above address, at (905) 525-9140 x23230 or via email at traciel@mcmaster.ca.

Regards,

A handwritten signature in cursive script that reads "Tracie Long".

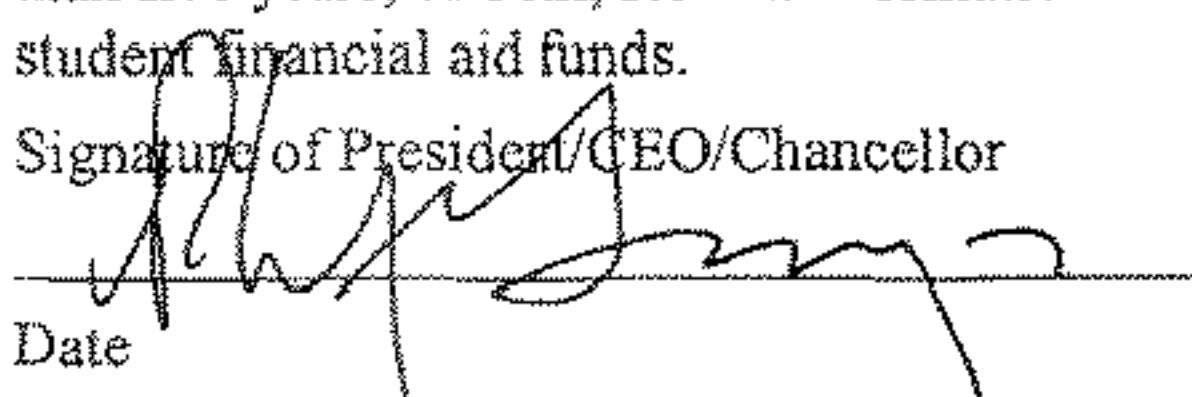
Tracie Long
Manager, Student Financial Aid

Section L (page 1 of 1) [Help](#) **OPE ID:** 00685300 **School Name:** McMaster University
 Your Reapproval (Recertification) application has NOT been submitted. 1280 Main Street West
 Hamilton, Canada

Section L. Please have the appropriate person in authority review, sign, and date this document.

I hereby certify that, to the best of my knowledge and belief, all information in this document is true and correct. I understand that if my institution provides false or misleading information, (a) the U.S. Department of Education may deny the institution's request for eligibility to participate in federal student financial aid programs and/or revoke eligibility once it has been granted and (b) the institution may be liable for all federal student financial aid funds it or its students received. I also understand that I may be subject to a fine of not more than \$25,000 or imprisonment of not more than five years, or both, for misinformation that is material to receipt and stewardship of federal student financial aid funds.

Signature of President/CEO/Chancellor



Date

(mm/dd/yyyy format)

Name of institution

McMaster University

Name of President/CEO/Chancellor

Check here if this is the same person as in Question 10 (Dr. Peter George). If not, complete the information below.

Prefix	First name	MI	Last name	Suffix
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Job title

Business street address

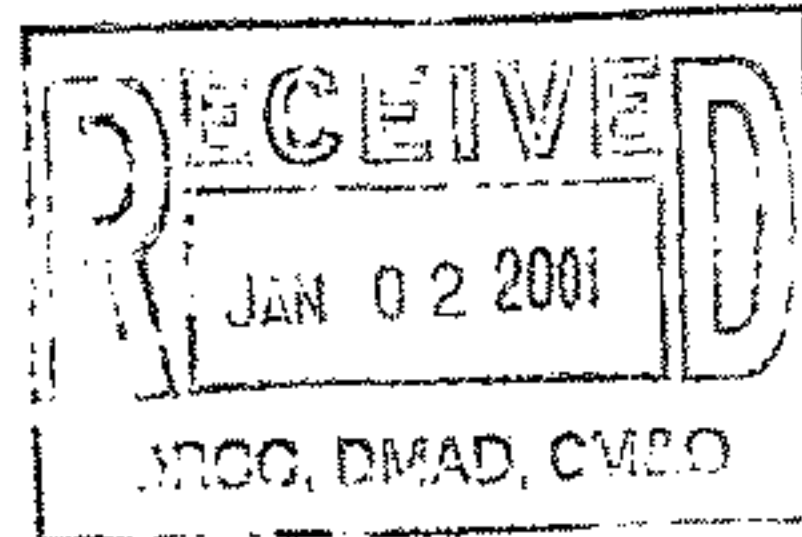
City

State

Zip

Zip+4

-



LIAISON COMMITTEE ON MEDICAL EDUCATION

ASSOCIATION OF AMERICAN MEDICAL COLLEGES
2450 N STREET, N.W.
Washington, D.C. 20037

David P. Stevens, M.D.
LCME Secretary, 2000-2001
Phone: 202-828-0596 Fax: 202-828-1125
E-Mail: dstevens@aamec.org

COUNCIL ON MEDICAL EDUCATION
AMERICAN MEDICAL ASSOCIATION
515 North State Street
Chicago, Illinois 60610

Frank A. Simon, M.D.
LCME Secretary, 2001-2002
Phone: 312-464-4933 Fax: 312-464-5830
E-Mail: frank_simon@ama-assn.org

November 14, 2000

Peter K. George, Ph.D.
President and Vice Chancellor
McMaster University
1280 Main Street West GH-238
Hamilton, Ontario
Canada L8S 4L8

Dear President George:

This letter is to advise you of the action of the Liaison Committee on Medical Education (LCME) at its meeting on October 4-5, 2000, and to transmit to you the report of the team of evaluators who visited the McMaster University Faculty of Health Sciences on June 25-29, 2000.

The LCME carefully reviewed the findings of the survey report and took the following actions:

1. Continued accreditation of the educational program leading to the M.D. degree for a seven-year term. The next full survey will take place during the 2006-07 academic year.
2. Requested that the dean of the Faculty of Health Sciences submit a report to both LCME Secretaries by September 1, 2002, addressing:
 - a. Steps taken to strengthen the financial base supporting the Faculty's current and planned activities. Specific items that warrant detailed attention in the report include:
 - Measures to diversify institutional funding and reduce the dependence on clinical practice income to offset reductions in governmental appropriations. Further developments in the proposal to establish an Alternative Funding Plan.
 - Identification of stable funding sources to assure adequate library and computer resources for the educational program, and to address existing and anticipated problems with overcrowding of library and computer facilities.
 - Plans for assuring adequate financial, faculty, educational, and clinical resources to accommodate the expected increased enrollment of international students.

(continued)

Peter K. George, Ph.D.
November 14, 2000
Page Two

- b. Clarification of the roles and responsibilities, especially the decision-making authority, of the various entities charged with oversight and management of the educational program.
- c. Efforts to develop more rigorous systems for the structured assessment of clinical skills.

Accreditation is awarded to the program of medical education on the basis of judgment that there is an appropriate balance between the student enrollment and the total resources of the institution, including the faculty, physical facilities, and operating budget. If a proposal is developed to significantly modify the education program, or if there is to be substantial change in the student enrollment or the resources of the institution so that the appropriate balance is distorted, the LCME expects to receive prior notice of the proposed change. If the proposed change and/or balance of resources is significant, the status of accreditation will be re-evaluated by the LCME.

A copy of this letter and the survey report are being sent to Russell T. Joffe, M.D., Dean of the Faculty of Health Sciences. This letter and the accompanying survey report are considered confidential by the LCME and its parent organizations. The medical school or the university may release them as institutional officials deem appropriate.

Sincerely,



David P. Stevens, M.D.
LCME Secretary, 2000-01

enclosure

cc (with enclosure): Russell T. Joffe, M.D., Dean, Faculty of Health Sciences
cc: David Hawkins, M.D., CACMS Secretary
Frank A. Simon, M.D., LCME Secretary, 2001-02

NOTE TO FILE

BY: Valerie Hough
DATE: June 26, 2002

SCHOOL NAME: McMaster University

OPE ID#: 006853

CALLER'S NAME: Claudine LeQuellic
CALLER'S #: 613-730-0687

RE: Recertification Application

Summary: I spoke with Claudine to clarify the Committee on Accreditation for Canadian Medical Schools' role as opposed to the Liason Committee on Medical Education's role. She explained that the LCME is a part of the CACMS, they jointly provide accreditation to Canadian Medical schools. She provided me with a contact person for each committee. Dr. David P. Stevens, LCME Secretary can be reached at 202-828-0596. Dr. David Hawkins, CACMS, Vice President, Division of Medical Schools Standards & Assessment can be reached at 613-730-0687. She further explained that the documentation received from LCME for the abovenamed institution is sufficient. It covers both entities' approval.

NOTE TO FILE

BY: Valerie Hough
DATE: June 26, 2002

SCHOOL NAME: McMaster University

OPE ID#: 006853

CALLER'S NAME: Tracie Long
CALLER'S #: 905-525-9140 x23230

RE: Recertification Application

Summary: I spoke with Tracie and asked her to provide me with the end date for Mr. Darling and the begin date for Karen Belaire as Vice-President, Administration. She said she would do that. I also asked her to revise Section I, with the proper contact person for the CACMS to Dr. David Hawkins. Per my conversation with Claudine at CACMS.

Hough, Valerie

From: Tracie Long [traciel@mcmail.cis.mcmaster.ca]
Sent: Wednesday, June 26, 2002 1:42 PM
To: Hough, Valerie
Subject: Re: FW: Recertification Application - McMaster University

Hi, Valerie.

I checked with Debbie Martin, Programme Administrator for Medicine at McMaster, and she stated that LCME is the accrediting body. She also stated that ACMC is not involved with our accreditation.

We are a PUBLIC institution. I'm not sure about your reference to the VP-Admin stating that we are private, non-profit?

I updated Section B #15 and Section E (first professional degrees box).

The end date for Alexander Darling was September 30, 1999. This date was confirmed by the VP-Administration's Office.

I have re-submitted our application. Please contact me if further clarification is needed.

Thanks!

Tracie

Tracie Long
Manager Student Financial Aid
Student Financial Aid & Scholarships
McMaster University
1280 Main Street West
Hamilton, Ontario, L8S 4L8

Gilmour Hall 120 (905) 525-9140 x23230 traciel@mcmaster.ca

On Wed, 26 Jun 2002, Hough, Valerie wrote:

> Tracie:
>
> I have granted you access to the application. In addition to my request
> below, please update Section I, #48 as well. You currently have the Canada:
> Committee on Accreditation of Canadian Medical Schools (LCME), however, it
> should be the Association of Canadian Medical Colleges (ACMC). Also, I need
> documentation from them stating that your institution is authorized. I have
> documentation from LCME, however, not from ACMC. I also need clarification
> on whether or not your institution is considered private, non-profit or
> public. You've indicated on the application, that you are a public
> institution, however, it seems as if your Vice-President (Administration) is
> stating that your institution is private, nonprofit. Please clarify.
>
> Also, in Section B, #15, please revise the data in the fields indicating the
> most recent decision of the LCME as of November 14, 2000, approving your
> institution's M.D. degree program for a seven-year term from that year.
>
> I believe that is all for now. Thank you.
>
> Valerie
>
> > -----Original Message-----
> > From: Hough, Valerie

> > Sent: Wednesday, June 26, 2002 11:00 AM
> > To: 'traciel@mcmail.cis.mcmaster.ca'
> > Subject: Recertification Application - McMaster University
> >
> > Good Morning tracie:
> >
> > I apologize for asking for your assistance again, however, in Section E of
> > the application, please check the box for First Professional degrees.
> > Your institution's medical school degree falls within this category. I am
> > prepared to present your school to the team today for my recommendation
> > and would like to have all issues resolved. Thanks.
> >
> > Sincerely,
> >
> > Valerie Hough
>

