



McGill

McGill University Budget Book FY2013



Prepared by the Office of the Provost
April 2012

Letter from McGill Principal and Vice-Chancellor, Prof. Heather Munroe-Blum

Dear Members of the McGill Community,

Fiscal Year 2013 marks the beginning of a new five-year budget planning cycle that, as in the past, will align available resources to McGill's strategic academic priorities. Our annual budget exercise serves two distinct purposes. First, it is the policy tool that we use for ensuring our accountability in upholding and strengthening McGill's mission "... *to advance learning through teaching, scholarship, and service to society...* ." The budget book expresses our commitment to maintaining the highest standards of excellence and accountability through measurement of our performance on key indicators within the context of our goals, the performance of peer institutions in Canada and internationally, and our resources. Second, it is the mechanism we use to allocate funds to the various units within and across the University that are responsible for ensuring that smooth and efficient operations are maintained.

This budget places a special emphasis on support of people, research and scholarship, teaching and space, within the scope of our resources. We aim to act in alignment with our institutional aspirations and values to achieve high quality service, consistent with our academic mission; and to provide levels of support that will preserve and enhance the quality of our academic and research programs.

It is widely recognized that notwithstanding McGill's reputation and performance, it is and has been under-funded in comparison with research-intensive peer universities in Canada, North America and elsewhere in the world. This budget reflects our best efforts to support our students and employees to the utmost of our ability despite these funding gaps. Although McGill continues to face significant financial shortfalls, the FY2013 budget has been designed to reflect the convergence of three new trends that will begin to address and improve our financial circumstances: (1) a marked transition to the next iteration of McGill's strategic academic and research plans; (2) increases in revenues from the first year of a multi-year increase in Quebec tuition, and, (3) reductions in expenditures due to cost savings achieved and revenues generated by means of McGill's "Strategic Reframing Initiative" (SRI), a series of administrative enhancement projects with a distinctive methodology aimed at streamlining administrative processes and operations, identifying new sources of income, and innovating and updating our academic and administrative programs. The budget book provides details on these efforts so I will take this opportunity here simply to highlight for you these three interconnected factors.

1. McGill's Strategic Academic and Research Plans

McGill's strategic academic plan, *ASAP 2012: Achieving Strategic Academic Priorities*, will be presented formally to the community this coming fall. While acknowledging and building upon the accomplishments of *Strengths and Aspirations: A White Paper Call to Action* (2006), the

Budget Book for FY2013 is already drawing on the themes that have been presented to the community thus far, including objectives from the 2006 effort that have not yet been fully attained but which serve as functional starting points going forward. The FY2013 budget is therefore the starting point for our second five-year planning cycle that has as its drivers the identified strategic academic and research priorities. Indeed, McGill's multi-year and sustainable budget and financial goals flow from the goals, objectives, and targets we set in ASAP 2012, and in the next iteration of our Strategic Research Plan (SRP). For both ASAP 2012 and the SRP, University-wide consultations and workgroups continue. In presentations to Senate and to Faculty Councils, the Provost and the Vice-Principal (Research and International) have emphasized important themes that are addressed in the Budget Book for FY2013, namely: academic staff retention and renewal, transformative research initiatives, new approaches to undergraduate and graduate student life and learning, redesign of curricula, and innovating the pedagogical delivery of courses and programs. Other key themes featured include career development and best practices for administrative and support staff, enhancement of services to our constituent communities, revitalization of education in professional Faculties, increased support for diversity, consideration for universal design principles, and enhanced commitment to sustainability.

2. Government of Quebec Tuition Increases

The FY2013 budget continues to express our commitment to ensure accessibility by adding funds to student financial aid and emergency assistance. The Quebec government has indicated that beginning in academic year 2012-13 and continuing until 2016-17, annual tuition for full-time studies will increase by \$325 per year for Quebec students and selected international students. Of that amount, 35% will be kept by the government to fund its program of student aid. At McGill, we will continue to put 30% of (additional) net new tuition dollars into the University, towards our own student aid programs. No qualified individual should be denied access to a McGill education due to financial exigencies, and our set aside moves us ever-closer to realizing this objective as tuition fees increase. We require additional revenue streams from a variety of sources to close the funding gap between Quebec universities and Canadian university counterparts and to provide a universally high quality of programs and services.

3. Strategic Reframing Initiative (SRI) Projects

The third trend converging in the FY2013 budget derives from potential cost savings generated through the Strategic Reframing Initiative (SRI). Last year in my budget letter to the McGill community, I noted that we would "dramatically change the way we do business in order to remain academically competitive within a sustainable budget framework." I also noted that if we did not change course, we would fall behind our peers. The SRI, our response to this challenge and a call to action, aims to generate over the next few years additional revenues and cost savings through enrolment mix and program delivery modifications, greater cost efficiencies, and additional research and philanthropic dollars." SRI projects aiming at increased

efficiencies, and additional research and philanthropic dollars are beginning to bear fruit, with a corresponding impact on the FY 2013 budget.

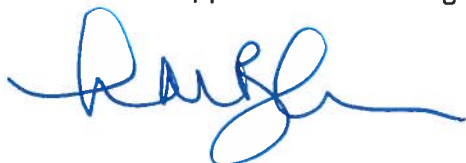
Each of these major initiatives will allow McGill to invest in key strategic priorities and to chart a course for repaying our significant accumulated operating deficit.

Since its founding 190 years ago, McGill has prospered during even the most difficult economic and political times. The current period of on-going economic uncertainty which began with the 2008 economic downturn, continues. While McGill has weathered the economic crisis of the past few years, we nonetheless feel the impact of these events in combination with sustained under-funding for the activities at the heart of our mission. Despite these circumstances, McGill continues to adapt and grow through considerable effort from all members of our community, and our people continue to perform and contribute at a level that garners worldwide recognition.

My appreciation goes to the Provost and his colleagues in the Budget Working Group for their outstanding work on the Budget Book for FY2013. Last year's Budget Book won the distinguished budget presentation award from the Government Finance Officers Association. This year's effort builds on that format and on suggestions received from our community to make it ever more clear and transparent as a planning document and an accountability tool.

My thanks to all members of our community for McGill's collective success and well-being. Great people and an outstanding dedication to excellence characterise McGill and ensure that we will continue to be well-positioned to face the challenges and embrace the opportunities ahead.

With warm appreciation and all good wishes,

A handwritten signature in blue ink, appearing to read 'H. Blum', with a stylized, flowing script.

Professor Heather Munroe-Blum
April, 2012

1. Executive Summary—Prof. Anthony C. Masi, Provost	6
1.1 Current financial snapshot	7
1.2 Recent developments affecting our budget for FY2013 and beyond	9
2. The McGill budget and process—new incentives for growth	11
2.1 New incentives for growth: enrolment and research	13
2.2 The process	14
3. Update on Strategies of the University	15
3.1 ASAP 2012: Achieving Strategic Academic Priorities—Guiding Principles	15
3.2 The Strategic Research Plan	17
3.3 Strategic Reframing Initiative	18
3.3.1 What is the Strategic Reframing Initiative (SRI)?	18
3.3.2 Specific SRI Projects and their benefit to the University	18
3.4 KPI's and the MELS-University Partnership Agreements	18
3.4.1 MELS Entente de partenariat	19
3.5 Enterprise Risk Management (ERM)	20
3.5.1 Figure 1: McGill University's Top Risk Categories	20
4. Goals and Objectives of Units	21
4.1 University	21
4.2 Faculties	21
4.2.1 Figure 2: Faculties' Share of Operating Expenses, Budget FY2013	23
4.3 Administrative Units	24
4.4 Partners	25
4.4.1 McGill University Affiliated Hospitals	25
5. Economic and Political Environment	25
5.1 Current Economic Realities	26
6. Design of the FY2013 budget	27
6.1 Overview of targets and performance	27
6.1.1 Table 1: McGill's Accumulated Deficit (\$thousands)	27
6.1.2 Table 2: Comparison of McGill's Accumulated Deficit (\$thousands)	28
7. Overall Budget	29
7.1 Components of McGill's budget	29
7.2 Operating Revenues	30
7.2.1 Figure 3: Operating Revenue from FY2007 to FY2013 Budget (\$M)	31
7.2.2 Figure 4: Pre-GAAP Budget Operating Revenue - FY2013 (thousands) \$714,868	32
7.3 Assumptions	32
7.3.1 Student enrolments and the MELS operating grant	32
7.3.2 Table 3: Changes in total funded enrolment (%)	33

7.4	MELS operating grant assumptions	33
7.4.1	MELS FTEs	34
7.4.2	Table 4: FY2012 forecast of MELS FTEs and Weighted FTEs	34
7.4.3	Tuition and other student charges	34
7.4.4	Table 5: MELS forfaitaires	35
7.5	Research revenues	35
7.5.1	Federal indirect costs of research (ICR) grant assumptions	35
7.5.2	Table 6: Average Revenue from CIHR, SSHRC, and NSERC grants	36
7.5.3	Figure 5: 3 Year Average Federal Research Grants vs. Federal Indirect Costs Received and Share	36
7.5.4	Federal Granting Agencies	37
7.5.5	Figure 6—Tri-Council Research Grants (CIHR) Awarded	38
7.5.6	Figure 7—Tri-Council Research Grants (NSERC) Awarded	39
7.5.7	Figure 8—Tri-Council Research Grants (SSHRC) Awarded	39
7.5.8	Provincial Granting Agencies	40
7.5.9	Figure 9—Provincial Research Grants (FRSQ) Awarded	40
7.5.10	Figure 10—Provincial Research Grants (FQRNT) Awarded	41
7.5.11	Figure 11—Provincial Research Grants (FQRSC) Awarded	41
7.6	Development and Alumni Relations	42
7.7	Endowment assumptions	42
7.8	Self-funded units assumptions	43
7.9	Operating Expenditures: Assumptions	43
7.10	SRI projects to be implemented in FY2013	44
7.10.1	Workforce Planning Initiative	44
7.10.2	Significant one-time and ongoing expenses	44
7.11	Alignment of resources to University priorities	45
7.11.1	Total Expenditures	45
7.11.2	Figure 12: Pre-GAAP Budget Operating Expenses (by unit) - FY2013 (thousands) \$721,802	46
8.	Resources aligned to University priorities	46
8.1	Student Assistance	47
8.1.1	Figure 13: Student Assistance from Operating Fund	47
8.2	Graduate student enhancement funds	48
8.2.1	Principles behind graduate student enhancement funds	48
8.2.2	Figure 14: Average Doctoral Funding Comparison (2009-10)	48
8.2.3	Figure 15: Average Masters Funding Comparison (2009-10)	49
8.2.4	Figure 16: Graduate Student Enrolment based on Fall Enrolment	50
8.3	Enhance learning	50
8.3.1	Library funding assumption	50
8.4	Retain high-caliber academic staff	51
8.4.1	Pre-determined Faculty Compact agreement assumptions	51
8.4.2	Salary and benefits increase assumptions	51
8.4.3	Academic renewal assumptions	52
8.4.4	Figure 17: Tenure-Track Staff (FY2001 - FY2017)	53
8.4.5	Table 7: Tenure-track complement	53
8.4.6	Table 8: Incremental Cost of Academic Renewal (in millions)	54
8.5	Ensuring efficient administrative support	54
8.5.1	Administrative Priorities assumptions	54
8.5.2	Figure 18: Administrative and Support Staff – Full time only as of May 31, 2011	55

8.6	Administrative and Support Staff Breakdown within Faculties and Major Units	55
9.	Overall Borrowing and Debt Position	56
9.1	Interest Expense assumptions	56
10.	Capital (Plant) Fund	57
10.1	Teaching Space Renovations	60
10.1.1	Table 9: Teaching Space Renovations	60
11.	Restricted Fund	60
12.	Endowment Fund	61
12.1.1	Endowment Fund Growth	61
12.1.2	Table 10: Change in McGill Endowment Fund market value for the year ended April 30, 2011	62
13.	Conclusion	62
13.1.1	Figure 19: GAAP Total Budget Revenue - FY2013 (thousands) \$1,163,748	63
13.1.2	Figure 20: GAAP Total Budget Expenses - FY2013 (thousands) \$1,134,704	64
14.	Appendix 1: Organizational Chart for McGill University	65
15.	Appendix 2: Distribution of Operating Budget Allocation in FY2012	66
16.	Appendix 3: Incremental Operating Budget Allocations for Faculties FY2012	67
17.	Appendix 4: Incremental Operating Budget Allocations for Admin Units FY2012	68
18.	Appendix 5: Unit Level Unrestricted Financials FY2009 – Faculties and Libraries	69
19.	Appendix 6: Unit Level Restricted Financials FY2009 – Faculties and Libraries	70
20.	Appendix 7: Unit Level Unrestricted Financials FY2009 – Administrative Units	71
21.	Appendix 8: Unit Level Restricted Financials FY2009 – Admin Units	72
22.	Appendix 9: Unit Level Unrestricted Financials FY2010 – Faculties and Libraries	73
23.	Appendix 10: Unit Level Restricted Financials FY2010 – Faculties and Libraries	74
24.	Appendix 11: Unit Level Unrestricted Financials FY2010 – Administrative Units	75
25.	Appendix 12: Unit Level Restricted Financials FY2010 – Administrative Units	76
26.	Appendix 13: Unit Level Unrestricted Financials FY2011 – Faculties and Libraries	77
27.	Appendix 14: Unit Level Restricted Financials FY2011 – Faculties and Libraries	78
28.	Appendix 15: Unit Level Unrestricted Financials FY2011 – Administrative Units	79
29.	Appendix 16: Unit Level Restricted Financials FY2011 – Administrative Units	80
30.	Appendix 17: Administrative and Support Staff Counts within the Faculties and Libraries	81
31.	Appendix 18: Administrative and Support Staff Counts within Major Units	82
32.	Appendix 19: Full-Time Tenure-Track Faculty Staff Counts	83
33.	Appendix 20: Planned Tenure Track Hires FY2013 and FY2014	84
34.	Appendix 21: Full-Time Tenure and Non-Tenure Track Libraries Staff	85

35.	Appendix 22: Operating Fund comparison to prior year's outlook (in millions)	86
36.	Appendix 23: Unrestricted Fund FY2010 and FY2011 (11 month) Actuals, FY2012 Forecast and FY2013 Budget (GAAP)	88
37.	Appendix 24: Pro-forma GAAP FY2013 Budget (1 column)	89
38.	Appendix 25: Pro-forma GAAP Financials FY2013 Budget vs FY2012 Forecast – 4 Funds	90
39.	Appendix 26: Statement of change in net assets – 4 year	91
40.	Appendix 27: MELS Operating Grant	92
41.	Appendix 28: Schedule of McGill's Total Debt and Bank Borrowings	93
42.	Appendix 29: Capital Projects	94
43.	Appendix 30: Endowed Chairs by Faculty	95
44.	Appendix 31: Endowed Income Contribution to Restricted Fund (by major unit) – FY2011 vs. FY2010 and FY2009	96
45.	Appendix 32: McGill University – Quick Facts	97
46.	Appendix 33: University Financial Policies and GAAP Principles	99
46.1.1	Financial/accounting policies	99
46.1.2	Revenue Recognition	99
46.1.3	Balanced Budget	99
46.1.4	Contingency fund	100
46.1.5	Capital assets	100
46.1.6	Grants receivable	100
46.1.7	Pledges	100
46.1.8	Long-term debt	100
46.1.9	Short-term debt	100
46.1.10	Employee Future Benefits	101
46.1.11	Investment Income	101
46.2	Implementation of Generally Accepted Accounting Principles (GAAP)	101
46.2.1	Pledges	102
46.2.2	Discounting of Long-Term Grants Receivable	102
46.2.3	Deferral of Research and Capital Grants	102
46.2.4	Capital Assets	102
46.2.5	Employee Future Benefits, Vacation Accrual and Other Pension Costs	102
46.2.6	Other Presentation Changes	103
46.3	Future Oriented information	103
47.	Appendix 34: Glossary of Terms	104

1. Executive Summary—Prof. Anthony C. Masi, Provost

As the Principal notes in her letter, this year's budget book coincides with the launch of *ASAP 2012* ([Section 3.1](#)) and the Strategic Research Plan 2012 ([Section 3.2](#)), a statement of McGill's strategic academic and research priorities, goals, and objectives that, together with a series of other core documents and procedures, will drive the planning and resource allocations processes of the University for the next five years. McGill's Capital Spending Priorities ([Section 10](#)) constitute a related aspect of our budget planning and allocation measures. These efforts are supported by our strategic reframing initiative (SRI) methodology as well as by a set of institution-wide key performance indicators (KPIs) ([Section 3.4](#)).

Coming into FY2013, we must recognize that the previous year has been particularly challenging for the University. Nonetheless, we remain committed to protecting McGill's quality and performance. Indeed, the budget for FY2013 places emphasis on the following:

People

- Recruiting and supporting the success of **outstanding students**
- Recruiting and retaining **academic talent**
- Training and career development
- Implementation of the **Strategic Enrolment Management** (SEM) plan

Research

- Identifying and supporting **innovative research**
- Sustaining and enhancing research quality and productivity

Teaching

- Innovative delivery and content of new and existing **educational programs**

Space

- Accelerated investment in **deferred maintenance** to counter decay in physical infrastructure.
- Proactively seeking solutions to the increasing **space demands** on the downtown campus

1.1 *Current financial snapshot*

In FY2012 there were a number of unusual one-time items that had a significant impact on our bottom line.

Positive impact

- Expenses were lower than forecast for FY2012 as a result of a slow-down in spending due to the labour disruption in the fall term. This reduction is net of the “offset” that MELS is expected to impose on our operating fund grant revenue to parallel unrealized salary expenditures for striking MUNACA colleagues during the labour disruption. The combined effect is projected to be approximately \$5.0M.
- Further, MELS has elected to transfer payment to McGill in “rattrappage” to reconcile actual “full-time-equivalent” numbers with forecasts for two prior years (2010 and 2011), along with some incremental indirect cost recoveries and other grants from MELS, resulting in an additional one-time-only \$13.2M in grant revenues for FY2012.
- The same accounting will be applied to our FTE head counts for the teaching grant for 2012, and we have calculated the additional government revenues to be \$4.5M for FY2013.

Negative impact

- In line with a conciliated agreement in principle, McGill has decided to make a one-time pay equity contribution in the amount of \$4.9M to reconcile retroactive amounts for the 2002 to 2008 period.
- With respect to pay equity beyond 2008, the University reserved other funds in order to anticipate the realization of an agreement in principle for that time period.
- A capital projects contribution of \$3.0M for urgent capital needs was also set aside.
- A \$6.6M charge to fund McGill’s pension liability was accrued in order to account for increase in pension deficit

With these items now incorporated into our FY2012 budget, we are forecasting a breakeven position for the close of FY2012, compared to the (\$6M) deficit anticipated in our budget presentation for FY2012 in March of last year. However, in trying to protect our mission and achieve our strategic goals in a context of chronic underfunding, the accumulated deficit in McGill’s operating funds now stands at \$100M and our liabilities as defined by GAAP accounting is now over \$275M. This is obviously not sustainable in the long-term. Indeed, we must be prepared to face concomitant difficulties even in the mid-term, especially if interest rates rise.

Fiscal Year 2013

The forecast for FY2013 is a deficit of (\$7.0M). We expect a (\$3.9M) operating deficit in FY2014, but we are projecting potential surpluses for FY2015, FY2016, and FY2017, if both annual revenue and expense assumptions hold true to FY2017, that will allow us to begin to redress the very serious problem of the above-noted accumulated deficit.

The FY2013 budget includes

- Anticipated cost savings of \$4.1M resulting from the implementation of SRI projects against costs of \$2.7M for implementation.
- Based on enrolment estimates, we expect a \$6.0M increase in net tuition revenues as a result of the Quebec government's mandated tuition increase.
- A pension liability charge of \$7.3M, which will recur annually for the years from FY2013 to FY2017. The next triennial valuation is scheduled for December 2012 at which time the annual contribution amounts will be recalibrated. Given current performance, we foresee that this will result in an increase to the pension liability charge.
- In addition to the one-time-only costs for pay equity noted above, we have calculated a permanent budget expense of \$3.5M for related salary increases going forward.

5 Year Outlook - as of March 2012							
In millions	11 Month				Outlook		
	<u>FY11a</u>	<u>FY12f</u>	<u>FY13b</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
Revenue	630.5	682.2	710.5	732.7	754.2	778.9	802.3
Extraordinary 1-time items*		13.2					
Total Revenue	630.5	695.4	710.5	732.7	754.2	778.9	802.3
Expenses & Adjustments	625.8	657.3	710.1	729.3	743.8	767.4	791.7
Extraordinary items**		24.5	7.3	7.3	7.3	7.3	7.3
Total Expenses & Adjustments	625.8	681.8	717.4	736.6	751.1	774.7	799.0
Annual Surplus/(Deficit)	4.7	0.4	(7.0)	(3.9)	3.0	4.2	3.2
GAAP Accumulated Surplus/(De	(275.3)	(274.9)	(281.9)	(285.8)	(282.7)	(278.6)	(275.3)

a = actual; f = forecast; b = budget; all other years are plan

* MELS rattrapage - funding FTEs and indirect costs of research from FY10 and FY11

** One time expenses in FY2012 include:

Pay Equity for 2002 - 2008 = \$4.9M and Pay Equity for 2008+ = \$10M

Capital project contribution = \$3M

Pension Liability = \$6.6M

** FY2013 - FY2017 one time items include Pension Liability of \$7.3M each year

1.2 Recent developments affecting our budget for FY2013 and beyond

The following sections briefly describe some important changes to note as they affect the FY2013 McGill University Budget.

New incentives for growth via targeted allocations for enrolment and research, described in [Section 2](#), both the enrolment incentive program and the indirect costs of research incentive program have been enhanced for FY2013 to channel further resources directly to Faculties.

GAAP reporting

We have now moved toward full GAAP accounting (as per instructions from MELS as described in [Section 46.2](#)), with the requirement to report in detail on not only our operating fund, but also our capital and restricted funds. This year's and future budget books will include an elaboration on McGill's capital priorities, and a more general discussion on space considerations.

Indirect costs of research

Indirect costs of research represent substantial real expenditures that include meeting costly and ever-growing regulatory and reporting requirements to support our research enterprise. In general, indirect costs cannot be attributed directly (or at least not easily) to a specific research project. In recent years, the Tri-Council rate paid to McGill for indirect research costs has declined from 22.6% to 18.3%, just as the total value of research sponsored by Ottawa has increased. This decline is the result of an increasing level of research grants without a parallel increase in the total pool set aside for indirect costs and it has a material impact on funding the real costs of supporting research at McGill. As an example of the magnitude of this effect, if indirect costs of research were calculated at a rate of 40% (instead of 18.3%) on our average tri-council grants totalling approximately \$135.5M, the University would receive an additional \$29.4M each year.

Indebtedness

As funding requirements continue to outstrip revenues from the MELS and other government agencies, philanthropy, research grants, and other sources, McGill must and will continue to call on debt financing in order to bridge this gap. In particular, deferred maintenance needs that far outweigh the \$25M per year envelope from MELS will require additional financing over the next 3-5 years. As our global indebtedness rises, the University is increasingly exposed to interest rate risk as the cost of borrowing continues to move upward. This is a drain on our operating funds and a problem that our multi-year budget must seek to mitigate. These issues are elaborated on in [Section 9](#).

MELS "Entente de Partenariat"

In its 2011 budget, the Quebec Government announced plans to oversee an investment of \$850M from all sources of funding from FY2012 until FY2017. In the 2012 budget, there was an announcement of an additional \$117 million in new resources for universities, raising the total to \$967 million in 2016-2017 (from all sources), as compared to the \$850 million in the University Funding Plan presented in last year's budget. This increase is due to the growth of the student population ([MELS website](#)). With this commitment to inject new funds into the Quebec university system, the government has underlined two principal goals. First, the funds are aimed at maintaining accessibility to higher education in Quebec through support to the Quebec Loans and Bursaries program. Second, the MELS is seeking to support the on-going enhancement of educational program offerings and services to students, stipulating that these new funds must be allocated as follows:

- a. 50-60% to improve quality of education and services to students
- b. 15-25% to improve quality of research
- c. 10-20% to improve national and international visibility, stature and reputation
- d. 5-15% to improve administration and reduce debt

Under the framework of a partnership agreement (the "*Entente de partenariat*"), indicators are being developed between Quebec universities and the MELS to ensure that these objectives are being met. This framework aligns with McGill's focus on performance measurement and benchmarking, and has been incorporated into our plan for implementing institution-wide Key Performance Indicators, discussed in [Section 3.4](#).

Bill 100

Announced in March 2010, Bill 100 contains a directive to all public institutions, including universities, in the province of Quebec to reduce the numbers of managerial and administrative personnel in order to reduce operating expenses. Bill 100 has significant implications for McGill's budget. This Bill calls for across-the-board reductions in administrative spending, and imposes a requirement that for every two voluntary departures of administrative and support staff, only one replacement may be hired. We plan to meet these conditions with a "Workforce Planning Program" (discussed in [Section 3.3.2](#)), incorporating the above requirement as well as a University-wide strategic exercise to support units in identifying, planning and developing their future organizational and workforce needs.

Bill 95

Bill 95 requires Quebec universities to provide annual reports related to development plans for an array of key areas, including space, research, student life, local and global community engagement, facilities and space, and an accompanying financial framework. These reports provide the basis for periodic presentations to a parliamentary committee.

Frais institutionnels obligatoires (FIOs)

Limits to increases in "*frais institutionnels obligatoires*" (FIOs), or student ancillary fees, have been regulated by the MELS over the past three years. It was recently announced that these limits would

remain in place indefinitely. For McGill, this restricts student ancillary fee increases to \$15 per year (i.e. less than 2% of total fees) unless specific agreements are signed with McGill's student associations, directly restricting our ability to provide specific services, some of which are routinely available at peer institutions in Canada. Two examples of services available at other universities that McGill does not provide:

- 1) Web-based queuing so students could sign up for an appointment at our Service Point and remotely track their place in queue; and
- 2) Degree audit software that would allow students to see what courses they have left to complete their programs.

2. The McGill budget and process—new incentives for growth

Summer Undergraduate Research in Engineering (SURE)

The Faculty of Engineering launched the *Summer Undergraduate Research in Engineering* (SURE) program in 2008-09 to significantly expand research opportunities available to all undergraduate students in the Faculty. SURE provides summer research assistantships (awards) valued at \$5,625 for students to work closely with a professor on one of their research projects. Professors pay half the value of the award from their research grants.

The SURE program aims to:

- allow undergraduate student participation in professors' research projects
- encourage students to consider graduate studies, especially at McGill
- allow students to develop skills for inquiry-based learning.

The Provost's Office, via a priority pool allocation, provided an allocation of \$280,000 over 2 years in 2009-2010 in priority funding to support the SURE program.

The FY2013 McGill budget has been designed to align funds with strategic priorities in order to achieve the following:

- a) enhance quality and level of services and support to students, faculty, and staff in pursuit of McGill's academic mission
- b) streamline processes and reduce "red tape" via continual incremental improvements, while building a platform from which to launch large-scale transformations in the way in which we go about our work in progress
- c) augment recognition programs and incentives for outstanding research and scholarship
- d) expand acknowledgment for teaching excellence and community service across our campuses
- e) recruit, develop, and retain the best academic talent in identified priority areas by means of new approaches to hiring, retention and leadership development
- f) continue to attract the most talented students, undergraduate and graduate, from Quebec, Canada, and around the world
- g) remain among "Canada's Top 100 Employers" for all categories of employees
- h) develop in the McGill community a sense of shared responsibility for achieving priorities and significant cost savings.

Over the last five years, we have developed and operated McGill University's budgeting and **resource allocation**¹ process within the framework of an integrated multi-year cycle; that cycle is designed to attain strategic academic goals and plans that have been formalised and presented to Senate and the Board in four documents: (1) a white paper call to action entitled *Strengths and Aspirations* (currently referred to as the Strategic Academic Plan), (2) the final report of the *Principal's Task Force on Student Life and Learning* (together with the administrative response), (3) the *Master Plan* establishing principles for the development of our campuses, and (4) the general principles governing Campaign McGill, our ambitious, comprehensive fund-raising effort. During the academic years 2010-2011 and 2011-2012, the Provost has been developing the next version of the 2006 white paper, *ASAP 2012: Achieving Strategic Academic Priorities* for discussion and consultation by the McGill community. In addition, the Provost will provide an administrative response to the *Principal's Task Force on Diversity, Excellence, and Community Engagement* by the end of April 2012. Finally, as noted above, the senior administration has embarked on a "Strategic Reframing Initiative" (SRI), a process for shaping how we go about achieving our strategic goals and objectives – a change in the "how" not the "what".

For the first time in a number of years, for planning the allocations for FY2013, there was an "executive budget committee" to which each Vice Principal and Dean was asked to present budget requests and to discuss financial goals and challenges for the upcoming year. This executive budget committee was made up of the Provost, Vice-Principal Administration and Finance, the Associate Provost, Academic Affairs and Resource Allocation, and the Budget Director. These budget meetings were held in December and allowed each academic and administrative unit head to make the case for additional resources. Additionally, there were committees that reviewed each Priority Pool funding request (for Faculties and Administrative units) and made decisions or recommendations based on alignment with University priorities and budget availability. Each unit that will receive priority pool funding must provide a write-up of how they used the incremental funds the following year before they are allowed to submit a request for funds for the next budget year. This ensures accountability for delivering results on the agreed upon goals and objectives.

¹ Note: items in bold are defined in the Glossary of Terms in Appendix 34.

Better Teachers for Active Learners

The *Better Teachers for Active Learners* (BTAL) project is a three-year partnership between the Faculty of Law and Teaching and Learning Services (TLS), begun in 2009-2010. The project aims to generate a shared commitment to excellent, innovative and engaging teaching and learning practices in the Faculty of Law. Key outcomes include:

- The development of Faculty Learning Communities as environments in which dialogues about teaching and learning can occur among colleagues at all career stages, where innovative educational practices could be developed, and where questions and answers about legal education are exchanged, critiqued, and built upon.
- A teaching portfolio workshop customized for instructors in the Faculty of Law, facilitated by the Director and the Associate Director of TLS in December, 2010.
- Law Teaching Network website as a portal for sharing resources and facilitating the exchange of ideas about teaching in Law.

The Provost's Office provided an allocation of \$312,000 over 3 years in 2009-2010 in priority funding to support this initiative.

A committee of the Principal, Provost, and Vice-Principal (Administration and Finance) conducted a cross-check review of the portfolios of each senior executive of the University to confirm or adjust the allocation recommendations of the larger priority pool committee.

For the first time this year, we are publishing in the Budget Book the allocations each unit received during FY2012. They can be found in [Appendix 3](#) and [Appendix 4](#). These data provide additional transparency for the allocation mechanisms and their execution. The allocations are grouped by strategic objectives using the categories announced by MELS in the Partnership Agreement description.

- teaching quality and student services
- quality (and quantity) of research
- support the competitive positioning of universities in Canada and abroad
- improve administration and management by enabling all universities to balance their budgets and eliminate their accumulated deficits

Our budget is also developed and described to illustrate the ways in which McGill will ensure that resources continue to be aligned with priorities, to simplify and clarify our budget categories, and to measure success in achieving academic goals, all while remaining fiscally responsible and moving to a balanced budget over the next several years.

2.1 New incentives for growth: enrolment and research

In order to cover marginal costs and provide additional incentives for growth in Faculties, there were three incentive programs that were either introduced or enhanced in FY2012: an enrolment incentive program, an endowed chair incentive program, and an indirect cost of research incentive program.

Under the enrolment incentive program, Faculties received a 20% share of the incremental MELS grant and tuition revenue associated with an increase in student enrolment. This program allocated an incremental \$2.4M to Faculties in FY2012 to spend on their top academic priorities. This share is expected to grow to 25% in FY2013, and is budgeted to generate approximately \$4.5M in incremental funding for Faculties.

The endowed chair incentive program provided 50% of the value of contributions made by endowment fund income to the salary component of a tenure-track chair holders' salary for chairs newly created since June 1, 2010 (and 25% for the chairs created between June 1, 2006 and May 31, 2010) to a dean's priority fund. The incentive program generated an allocation of \$116,000 to four Faculties in FY2012. This allocation will increase as additional new chairs are created. A list of all endowed chairs by Faculty can be found in [Appendix 30](#).

The indirect cost of research (ICR) incentive program was also established in FY2012 and provides Faculties with 50% of both the incremental Federal ICR and incremental Provincial ICR above a baseline (comprised of a 3 year average of FY2007-FY2009 data). This program is in addition to the existing 25% share of Federal ICR that Faculties already receive to support costs associated with

conducting research. In FY2012, the total incremental pay-out to Faculties was approximately \$200K, on top of the \$4.17M they received as their 25% Federal ICR allocation. The budget for the ICR incentive program in FY2013 will double to approximately \$400K. Of course, as noted above, as the actual rate at which Ottawa reimburses ICRs decreases, just to have the same amount of funds will require increases in the dollar amounts of research grants. This makes the design of incentive programs very uncertain.

2.2 The process

Consistent with past years, four main principles have guided budget preparations for fiscal year (FY) 2013:

- 1) focus on new ways to increase resources (SRI, enrolment, endowment, and research incentive programs) and devote those resources to areas with the greatest positive impact on University objectives;
- 2) achieve a balance between investing in priorities of the University and the fiscal responsibility to live within our means;
- 3) allocate in such a manner as to provide a clear and accountable picture of how goals will be realised;
- 4) monitor performance with appropriate metrics (KPIs) and make adjustments as necessary given changing circumstances.

We are continually studying ways of modifying and improving our current budget model and system. At the present time, the budget process at McGill currently is one in which a unit's historical budget forms the basis for future budgets. Allocations of incremental budget are provided to units to support the following activities:

- (a) academic renewal in strategic areas;
- (b) graduate student funding, especially at the doctoral level;
- (c) student life and learning, emphasising advising and the research experience;
- (d) the Master Plan, particularly in the service of top academic priorities;
- (e) Campaign McGill;
- (f) sustainability and environmental responsibility;
- (g) staff professional development;
- (h) effective organisational practices.

Budgeting for FY2013 began in October 2011 by estimating total revenues and projecting confirmed expenses. The largest component of revenue, grants from the province, are estimated based on projected student enrolment by degree and by Faculty, converted to **MELS full-time equivalent (FTE)**

students. These FTEs are weighted by funding sector based on the course taken (for undergraduate and non-thesis masters level courses) or by discipline (for thesis masters and PhD students). By far the largest component of expenditures is compensation, and the single largest portion of compensation is related to our academic staff.

The budget calendar for Faculties and Administrative Units, which lists due dates for budget requests and other key budget dates, can be found on the website of the [Office of the Budget](#).

As part of the Strategic Reframing Initiative, which is described in more detail below, the University is currently analysing how best to implement an **Activity Based Budget** (ABB) model and system. Under an ABB- type of model, revenue would follow the activity that generated it (teaching grants and tuition revenue, for instance, would flow to the Faculties that teach and/or enrol students). Central expenses would then be charged to each revenue-producing unit based on a cost driver (such as headcount or square feet of space). There is currently a technical working group and a steering committee that is reviewing the type of ABB models implemented at other universities and developing a model that will be introduced at McGill.

3. Update on Strategies of the University

3.1 ASAP 2012: Achieving Strategic Academic Priorities–Guiding Principles

Guiding Principles for the next iteration of McGill’s strategic plan, [ASAP 2012](#), emphasized broad consultation and feedback that results in a clearly communicated and shared vision; alignment of strategic priorities within a multi-year and sustainable financial plan and budget process; and unbiased analysis and measurement using analytics that will reinforce resolution of contradictions and trade-offs.

Strategic Priorities: In the coming years, our high-level strategic priorities include:

1. **Enhancing the McGill student experience.** McGill is research-intensive, yet student-centred, university. Recent advances to improve student life and learning include streamlined student services, increased financial aid, and enhancements to the library system and increased financial aid. Going forward, an emphasis on innovative program delivery will invigorate students’ educational experiences.
2. **Attracting, retaining and better supporting top graduate students.** McGill will continue to enhance funding initiatives, improve supervision, and reduce time to completion that will increase attention to graduate capacity.
3. **Renewing and supporting our professoriate.** Since 2000, McGill has welcomed 1,071 new tenure-track academic staff, recruiting faculty from both within and outside Canada. Of these 895 have been retained and now constitute 55% of McGill’s 1,627 tenure track academic staff (31 December 2011). Although the University will continue to attract top academic talent,

emphasis is on retention and leadership development for those faculty members already at McGill.

4. **Improving our research focus, performance, and knowledge transfer to the larger community.** With an emphasis on diversifying the University's research funding base, McGill is exploring the potential inherent in interdisciplinary collaborations, reviewing structures and reward systems, and improving support services for research activities.
5. **Developing a culture of best practices in support of our academic mission.** Recognizing the role of administrative practices as integral to furthering McGill's academic mission, the University seeks to improve administrative practices and technological services and their delivery to the University community.
6. Enhancing **career development opportunities** for administrative and support staff.
7. Implementing a process of **performance management indicators** that include KPIs and academic analytics.
8. **Affirming a commitment to McGill's continued positive engagement with local, national and global communities.** McGill will build on the University's history of service to society to expand and reinvigorate opportunities for disseminating research, scholarship, and learning to improve service to and collaboration with our surrounding communities.
9. Improving quality, diversity and community engagement: The Principal's Task Force on Diversity, Excellence and Community Engagement focused campus attention on the inclusion of **diversity of origins and ideas** to deepen our understanding of the world around us.
10. Attaining pre-eminence in education for the professions.
11. Becoming an **ever more sustainable and environmentally conscious** university: McGill leads in advancing principles of sustainability and environmental responsibility, through investment in energy efficiency and sustainability in the physical development of our campuses.

All of these activities are informed by an emphasis on renewing our facilities and infrastructure to support 21-century teaching and research, while stewarding our historic buildings and natural heritage.

Illustrative examples of priority spending on top academic and administrative priorities planned for FY2013

- **Achieving new directions in faculty hiring, retention and leadership development**
 - New permanent salaries: \$7M
 - Operating start-up and recruitment costs: \$1.1M
 - Capital start-up costs: \$1M
 - Anomaly retention envelope: \$0.7M
- **Enhancing the undergraduate and graduate experience**
 - Funding increases for Grad fellowships: \$1.8M
 - Bursaries: \$1.4M for bursaries (primarily undergraduate)
 - Priority pool items include \$80k for Graduate Education Initiatives, \$30k for graduate enrolment activities, \$300k for new undergraduate Medicine curriculum, and \$100k for Science undergraduate research experiences
- **Developing and implementing transformative interdisciplinary initiatives**
 - Interdisciplinary research and teaching: \$800k envelope
 - Priority pool projects funded: \$100k for the Institute for the Public Life of Arts and Ideas (IPLAI) and \$50k for Faculty of Management to build and manage collaborations.
- **Enhancing career development for administrative and support staff**
 - Training and development initiatives for managers: \$250k
 - Workforce Planning and Talent Management: \$180k
- **Providing further service to Quebec, Canada and the global community**
 - Quartier de l'innovation: Approximately \$600K for development phase and \$500k for on-going support

3.2 The Strategic Research Plan

Significant progress has been made in the past year by the Office of the Vice-Principal (Research and International Relations) to refresh McGill's Strategic Research Plan. Public consultations began in September 2011 and are being coordinated with academic planning efforts for ASAP 2012. Through an extensive series of open forums, Q&A sessions at Faculty Council meetings, and discussions with leading and emerging scholars, a rich dialogue has been and is being generated on the strategic direction of McGill's research in the coming years, as well as on how we can best support the world-class work of our faculty, students and staff.

A draft title of the plan, "Understanding and Improving the Human Condition in a Globalized World," is the result of this dialogue, and it provides an inspiring and meaningful description of the social and cultural impact of McGill's research enterprise. A draft of the full document will be available online in early summer for further consideration from the McGill community, and the final document is scheduled to be submitted to Senate and the Board of Governors in the fall.

3.3 Strategic Reframing Initiative

3.3.1 What is the Strategic Reframing Initiative (SRI)?

The SRI was designed and is being implemented to transform the way we work at McGill, in order to create more resources for the University and to make more efficient use of those resources that we already have. The end goal is to raise our performance as one of the world's best universities, so that we can carry out our mission of teaching, research and community service to the best of our potential. The [SRI website](#) explains the SRI themes, lays out the organization, and provides a timeline for implementation of the various projects.

The initiative was launched in the fall of 2010. Five working groups began looking for ways to help McGill ensure that its activities and processes are aligned with its goals. They reported their findings and recommendations in the winter of 2011/12, and the McGill senior executive team has incorporated their work into a list of projects for implementation in FY2013.

3.3.2 Specific SRI Projects and their benefit to the University

SRI projects are expected to save the University's Operating budget approximately \$4.1M in FY2013. The primary driver of savings in FY2013 will be the Workforce Planning Initiative, which is estimated to save \$2.2M the first year and \$4.0M per year incrementally thereafter, and will help McGill to bring its practices into line with guidelines for the implementation of Bill 100. Other projects that will deliver savings to the Operating budget are related to Procurement initiatives (\$0.6M), reduced Pension contributions for employees aged 65-69 (\$0.95M), and standardizing the start and end dates for professors (\$0.3M). The savings to the Operating budget are expected to grow in future years as more initiatives are undertaken. These savings will be used to both work down the accumulated operating deficit and invest in top priorities of the University.

Additionally incremental revenues of approximately \$35M are expected to accrue to various units (primarily Faculties) through increased philanthropic initiatives (\$32.5M) and the creation of the McGill University Business Engagement Centre (\$2.5M). Faculties will be able to use this revenue to further their top academic priorities. We will be attentive, of course, to the ways in which these increments can help with the bottom line annual, accumulated, and GAAP deficits.

Total implementation costs of these SRI initiatives in FY2013 will be approximately \$2.7M (of which \$1.54M will be permanent costs).

3.4 KPI's and the MELS-University Partnership Agreements

The recently proposed MELS-University partnership agreement is based on the following principles:

- the student is at the heart of the university's mission;
- the additional revenue that will benefit universities should lead to an increased number of graduates and improving the quality of teaching and research;

- development of Quebec universities depends on their competitive position in Canadian and international scenes;
- good management is characterized by transparency, efficiency and effectiveness.

3.4.1 MELS Entente de partenariat

In its 2012 budget, the Quebec Government announced that it would add \$117 million in new resources for universities, raising the total to \$967 million in 2016-2017 (from all sources), as compared to the \$850 million in the University Funding Plan presented in last year's budget. This increase is due to the growth of the student population ([MELS website](#)).

A portion of these new resources would stem from increases in tuition fees (\$325 per FTE per year for each year from FY2013 to FY2017). In providing this injection of new funds to universities, the Government stated it wanted to ensure two things:

1. accessibility to higher education would be maintained and thus 35% of the new tuition increases would be redirected to the Quebec Loans and Bursaries program;
2. universities would use the additional funds mainly to improve teaching program offerings and services offered to students:
 - a. Parameters were defined as to how the additional funds are to be used:
 - i. 50-60% to improve quality of education and services to students
 - ii. 15-25% to improve quality of research
 - iii. 10-20% to improve national and international visibility, stature and reputation
 - iv. 5-15% to improve administration and reduce debt
 - b. Indicators, under the framework of a partnership agreement (i.e. the "Entente de partenariat"), would be developed between the universities and the MELS to ensure that these objectives were being met.

[Appendix 3](#) and [Appendix 4](#) show the FY2012 incremental Operating budget allocations to each unit (as of March 27, 2012), along with the parameter under which each allocation falls. As seen in [Appendix 2](#), McGill's incremental operating budget allocations already approximate the parameters set forth by MELS.

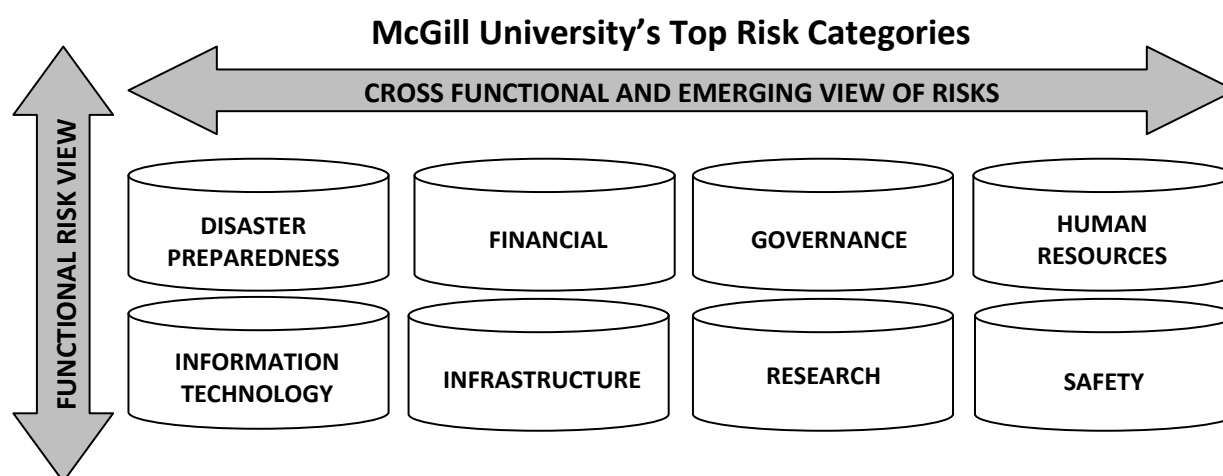
There are expected to be 22 Key Performance Indicators, 17 of which are required by MELS, and 5 of which have been developed internally as supplemental indicators to report to the McGill University Board of Governors and to the community of McGill stakeholders. The details of these KPIs are still being worked out and will be shared publicly when finalized. The KPIs map to, and support the achievement of McGill's major strategic academic priorities as expressed in *ASAP 2012*, discussed in section [3.1](#) above.

3.5 Enterprise Risk Management (ERM)

Mandated by the Audit Committee of the Board of Governors in late 2009, the ERM initiative has provided a means to identify, and report on McGill University's key risks and their impact on the strategic direction of the University. The ERM initiative has also provided a methodology to report and track mitigation plans in order to reduce the potential adverse effects of identifiable risks.

General "risk themes" and "top risks" were developed for the initial ERM report, and their existing mitigation plans were recognized. In this past year, some of the top risks have had additional mitigation actions implemented. These plans will continue to evolve to more fully address the risks. An additional category, "inherent (managed) risks", was created to identify on-going risks that can be managed separately from top risks.

3.5.1 Figure 1: McGill University's Top Risk Categories



Source: thanks to McGill's Risk Management and Insurance group for this information

Units have been addressing their risk registers internally, including the financial resources required to support them, by aligning unit objectives to their risk registers with the goal to improve outcomes. Examples include Information Technology, Human Resources and University Services. Requests for additional funding can be expected in order further mitigate the University's Top Risks (shown in Figure 1 above).

There are a number of external factors that have an impact on an organization's ability to manage risk and meet its strategic goals and objectives. These uncontrollable elements such as changes in interest rates, market fluctuations and other broad external factors are variables that may have an impact on the University's objectives and will be part of the evaluations and assessment process. Additionally, emerging risks were identified and developed with areas already visited, and others were developed with newly targeted units. An ERM update was presented to the Audit Committee in the spring of 2012.

The University's ERM initiative is progressing effectively, and is well positioned in The Conference Board of Canada's benchmark comparison. In particular, their ERM Maturity Model provides a checklist to identify the current stage of an ERM initiative, and McGill's ERM is currently in the "Middle Stage, Years 2 -4"². As we continue to investigate ways to address and mitigate our Top Risks, risk assessments remain on-going for new and expanding risks. Next steps include further analysis of the Top Risks that will help us focus on potential weak links, and where mitigation efforts should be further applied.

With the foundation and groundwork in place at McGill, the implementation and development of ERM will continue to evolve and mature. This will be reinforced as we continue to embed risk management in the University's operational and strategic decision-making process.

4. Goals and Objectives of Units

4.1 University

Each of McGill's academic and administrative units has a responsibility for implementing the strategic objectives outlined above. The Organization Chart shown in [Appendix 1](#) illustrates how the University's leadership is structured and thus which units are best positioned to help meet these objectives by taking the leading role. Each unit is allocated a budget from the Operating Fund, but it may also derive funds from other, usually restricted, sources, such as research grants, donations, or endowed gifts. Three years of historical unrestricted and restricted resources available to each major unit represented on the organization chart can be found in Appendices [6](#) through [16](#). These resources were primarily directed to funding salaries. A historical breakdown of headcount by unit can be found in Appendices [17](#), [18](#), [19](#) and [20](#). Various reports, some based specifically on the KPIs, provide a context for assessing the extent to which objectives are, indeed, being met.

As noted above, the mission of McGill is the advancement of learning through teaching, scholarship and service to society. The University strives to accomplish this mission by offering to outstanding undergraduate and graduate students the best education available, by carrying out scholarly activities judged to be excellent when measured against the highest international standards, and by providing service to society in those ways for which we are well suited by virtue of our academic strengths.

4.2 Faculties

The following are Faculties of the University (for additional information on these units, including goals and objectives, please refer to their corresponding websites).

- [Agricultural and Environmental Sciences](#)
- [Arts](#)

²Managing Human Capital Risk: A Call for Partnership between Enterprise Risk Management and Human Resources. Research Report. Pg 41. <http://www.conferenceboard.org>

- [Dentistry](#)
- [Education](#)
- [Engineering](#)
- [Law](#)
- [Desautels Faculty of Management](#)
- [Medicine](#)
- [Schulich School of Music](#)
- [Religious Studies](#)
- [Science](#)

Each Faculty is led by a Dean, appointed for a five-year term, who has the mandate of ensuring that the Faculty carries out teaching, research and other scholarly work that is deemed excellent according to the highest international standards. The variety of disciplines is such that excellence takes on individual expression within each Faculty. Regular meetings between the Provost and the Deans align these expressions with the overall University strategic priorities and objectives.

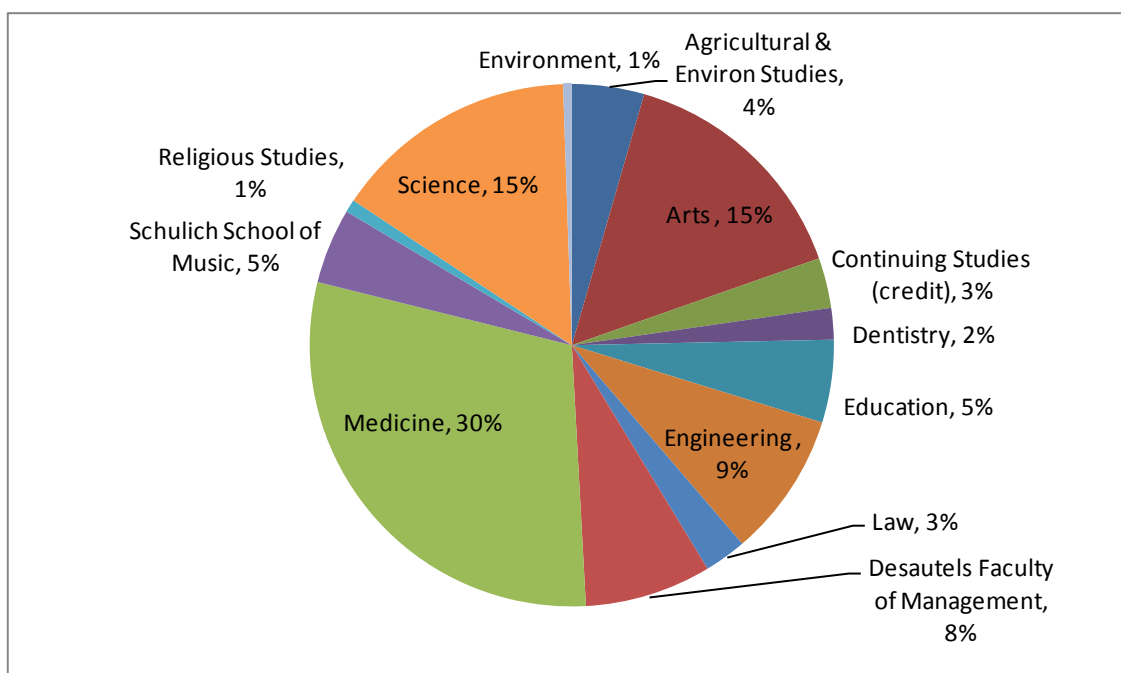
The Dean of each Faculty, under the direction of the Provost as the Principal's delegate, administers the affairs of the Faculty, academic and executive, including the preparation of the budget of the Faculty. In Faculties with departments, the Deans consult with chairs of departments while preparing the budget. *Figure 2* below shows each Faculty's share of the total Faculties' operating budget for FY2013.

[School of Continuing Studies \(SCS, formerly Centre for Continuing Education\)](#)

In addition to the regular Faculties, we also have a School of Continuing Studies. The mandate of SCS is to provide high quality education to meet the needs of students interested in life-long learning, personal growth or meeting the challenges of today's dynamic work environment. Regular meetings between the Provost and the Dean align the mandate with the overall University strategic planning and objectives.

The Dean of SCS, like every dean, reports to the Provost, administers the academic and administrative affairs of the School and is responsible for the preparation of its budget submission.

4.2.1 Figure 2: Faculties' Share of Operating Expenses, Budget FY2013



Source: Office of the Budget, FY2013 Budget Model

Libraries

The mandate of the Libraries, through the range and quality of its collections and services, is to deliver innovative information products of the highest quality that are focused on client needs and support the University's strategic mission and directions.

The Libraries are led by a Dean or a Director, who is appointed for a five-year term renewable once, who reports to the Provost.

Graduate and Postdoctoral Studies

The mission of Graduate and Postdoctoral Studies is to provide university-wide leadership and promotion of excellence for graduate and postdoctoral education at McGill, in collaboration and consultation with Faculties, Recruiting Units, Graduate Programs, and other administrative and academic units. Regular meetings between the Provost and the Dean align the mandate with the overall University strategic planning and objectives.

The Dean of Graduate and Postdoctoral Studies, appointed for a five-year term renewable once, under the direction of the Principal, administers academic and administrative affairs of this function. The Dean of Graduate and Postdoctoral Studies is responsible for the preparation of a budget submission.

4.3 Administrative Units

This section contains descriptions of each major Administrative Unit at the University. For additional information on these units, including responsibilities and direct reports, click on the title of the Senior Administrator to link to the unit's website.

The chief executive officer of McGill, the [Principal and Vice-Chancellor](#), works with the University community to achieve excellence in teaching, research and service, and represents McGill to external bodies at home and around the world.

As McGill's chief academic officer after the Principal, the [Provost](#) has responsibility for the development, implementation and assessment of academic strategies, policies, and programs, budget planning and resource allocation for the entire University.

The [Deputy Provost \(Student Life and Learning\)](#) is the senior administrator responsible for the implementation of policies, actions, and decisions aimed at enhancing student life and learning at McGill.

The [Vice-Principal \(Administration and Finance\)](#), the chief financial and administrative officer of McGill, oversees financial services, university services and human resources.

The [Vice-Principal \(Development and Alumni Relations\)](#) promotes the University to its community and its many publics, builds on McGill's record of fundraising success and enhances relations with alumni, volunteers and friends of McGill.

The [Vice-Principal \(Health Affairs\)](#), who is also the Dean of the Faculty of Medicine, is responsible for advancing the impact and success of the McGill academic health network, including McGill's affiliated teaching hospitals.

The [Vice-Principal \(External Relations\)](#) oversees and enhances McGill's relations with the media, government and the diplomatic corps, and serves as chief liaison with other organizations and public institutions.

The [Vice-Principal \(Research and International Relations\)](#) oversees research services and policies, works to optimize the research successes of the University and its affiliated hospitals and serves as the main representative on research and related matters.

McGill's [General Counsel and Director of Legal Services](#) is responsible for providing legal advice to the senior administration of the University.

The [Secretary General](#) oversees McGill's governance office responsible for the Board of Governors, the Senate and their committees.

There are two other units that report into the University's executive team.

The [Executive Director, Planning and Institutional Analysis \(PIA\)](#), oversees the office responsible for gathering, maintaining, analysing and communicating institutional and other relevant data. PIA also plays an important role in shaping the external policy framework that supports the advocacy work of the Principal, the Provost and McGill's senior executive team.

The [Internal Audit Department](#) was established by Management and the Board of Governors to provide independent appraisals of academic and administrative units to the Audit Committee, a standing committee of the Board of Governors with oversight responsibilities for financial and audit matters of the University.

4.4 Partners

4.4.1 McGill University Affiliated Hospitals

The teaching hospital network of McGill University is an integral part of the research, teaching, and clinical activities of the Faculty of Medicine. By agreement and tradition, the administration, medical staff, and scientific personnel of these institutions are closely integrated with McGill University and form the basis of the clinical departments of the Faculty of Medicine. These hospitals include:

- The Douglas Mental Health University Institute
- The McGill University Health Centre (MUHC)
 - Montreal Chest Institute
 - Montreal Children's Hospital
 - Montreal General Hospital
 - Montreal Neurological Hospital
 - Royal Victoria Hospital
 - Lachine Hospital and Camille-Lefebvre Pavilion
- Sir Mortimer B. Davis - Jewish General Hospital
- St. Mary's Hospital Centre

5. Economic and Political Environment

The Quebec government recently announced its budget plan for 2012-13, which did not include many changes from the previous year's budget with regards to financial impact on universities. The previously announced hike in tuition fees to be charged for attending university in Quebec will increase in autumn 2012 by \$325/year/FTE (usually 30 credit-hours) for the next 5 years, of which 35% will be held back from the operating grant for a student aid program that will be administered by the Province. By FY2017, when tuition will reach \$3,793 a year, the amount paid by Quebec residents will still be 30% below the Canadian average tuition that is paid today.

On the basis of a new forecasting model and estimates of past enrolments released in June 2011, the Government did revise its forecast for the next five years. Consequently, the government announced an increase in its contributions to universities, which will add \$117 million in new resources, raising the total to \$967 million in 2016-2017 (from all sources), as compared to the \$850 million in the University Funding Plan presented in last year's budget. This increase is due to the growth of the student population.

Last year the Government of Quebec announced in its budget plan that "partnership agreements" between the government and universities would be put in place to ensure that the additional revenues translate into improved performance. This year, Quebec provided additional details regarding what will be expected of universities in term of these partnership agreements. Further details on strategies of the University are outlined above in [Section 3](#).

The Quebec budget also will provide \$35.0 million for the renovation of Wilson Hall at McGill University. These funds will allow the University to address urgent deferred maintenance issues at Wilson Hall. We are very pleased with this generous offer, especially insofar as it was the only university-related infrastructure project announced publicly in the budget.

5.1 Current Economic Realities

The economic and political environment in which McGill University must operate has contributed to a projected shortfall of \$7.0M for FY2013 due to the following factors:

1. salary adjustments will be higher than expected indexation from MELS on operating grants (see section on [Expense Assumptions](#));
2. additional contributions required for the pension fund (see section on [Expense Assumptions](#));
3. reduced pay out from endowment funds (see section on [Endowment](#));
4. financial demands of accumulated deferred maintenance (see section on [Capital Fund](#));
5. support for applications to major research competitions (see section on [Expense Assumptions](#));
6. special circumstances for Quebec universities, including:
 - a. indirect costs of research increasingly assumed by university operating budgets
 - b. average tuition significantly below the Canadian average (outlined in section above)
 - c. Quebec Bill 100 requiring public organizations to reduce spending.

6. Design of the FY2013budget

6.1 Overview of targets and performance

The largest single component of McGill's budget is academic salaries. In order to stay competitive in academic performance, not only with other Canadian research institutions but also with the top universities in the world, both starting salaries and annual salary increases for McGill professors need themselves to be competitive. Insofar as indexation on the largest component of the University's operating revenues, the MELS teaching grant, has come in at approximately 1% and 0.3% over the last two years, McGill has had to cut expenses in other areas and run an operating deficit (which of course contributes to the accumulated deficit). This underfunding for Quebec universities is evidenced by the fact that most universities in the province have accumulated deficits and continue to add to them annually.

As shown in *Table 1* below, McGill's **accumulated operating deficit** of \$96M at April 2011 represented an amount equal to 15.2% of total operating revenue. To put this in perspective, the highest level in the past 20 years of accumulated deficits as a percentage of operating revenue was 28.4% in FY1991, but the lowest was approximately 3% in FY2002.

6.1.1 Table 1: McGill's Accumulated Deficit (\$thousands)

As of April 30, 2011	
	<u>2011</u>
Beginning Balance	(103,550)
pre-GAAP surplus *	7,513
FY11 Accumulated Deficit	<u>(96,037)</u>
Operating Revenue (11 months)	630,400
Deficit Share of Operating Revenue	15.2%
Historical Accumulated Deficits:	High: (\$79,500) in FY1991; 28.4% of Operating Revenue Low: (\$12,400) in FY2002; 3.2% of Operating Revenue

* Note: GAAP surplus was \$4,748 for FY2011 (difference is partially due to interest on loans)

Source: McGill Budget Office

Table 2 below shows McGill's accumulated deficit on a GAAP basis compared to University of Montreal and Laval, along with the rest of the Quebec universities. As can be seen, McGill's accumulated deficit as a share of total operating revenue (43.7%) in FY2011 was not as high as the

other large universities in Quebec that have medical schools (Laval – 66.5% and University of Montreal – 59.1%).

6.1.2 Table 2: Comparison of McGill's Accumulated Deficit (\$thousands)

Comparison of QC Universities Accumulated Deficits (GAAP)

FY2011 (11 months)

In \$000	<u>McGill</u>	<u>Laval</u>	<u>U Montreal</u>	<u>All Other QC Universities</u>
Total Operating Revenue	630,456	507,100	622,446	1,933,504
Annual Surplus/ (Deficit)	4,745	(30,267)	(32,724)	(12,442)
Annual Deficit % of Revenue	surplus	6.0%	5.3%	0.6%
Accumulated Deficit (GAAP)	(275,291)	(337,039)	(367,602)	(1,162,029)
Accum Deficit % of Revenue	43.7%	66.5%	59.1%	60.1%

Source: Financial statements from each university provided by CREPUQ

McGill will have to use new revenues generated from the increase in tuition rates to work towards a balanced budget. Rather, we will need to generate surpluses. Eventually, once we have addressed quality and accessibility matters, and addressed top academic priorities, increased revenues must contribute to paying down the accumulated deficit that is expected to continue growing until FY2015. Our overarching goal is to invest responsibly in priorities that will keep McGill as one of the top publicly funded Universities in the world. It is therefore in that context that the budget for FY2013 is proposed with an operating deficit of approximately (\$7M).

The University must be committed to investing in priorities. In order to do this we recognize the need to develop, and put in place, strategies to generate additional revenues and to limit the increase of the accumulated deficit. These strategies include:

- enhancing recruitment of undergraduate students in targeted programs that have the capacity to receive them and in the deregulated international programs;
- providing competitive funding for the recruitment of graduate students, to increase the proportion of students in research programs at McGill;
- working to achieve further increases to tuition and **re-regulation** of fees for international undergraduate students across all programs of study, consistent with our commitment to growing student aid equivalent to 30% of all new net revenues from tuition;

- targeting expense reductions across a broad range of activities within both the Faculties and the administrative and support units through the SRI;
- re-allocating significant expenditure budgets to advance initiatives consistent with and informed by the Strategic Academic Plan.

For the 11 months of FY2011, McGill achieved an operating surplus of \$7.5M (pre-GAAP cash basis) or \$4.7M (on a GAAP basis). Although the final numbers will not be ready until the summer, our current forecast for the year ending 30 April 2012 is that McGill will again show a light surplus of approximately \$0.4M on a pre-GAAP basis. There were a number of factors that combined to improve the forecast versus the originally budgeted deficit of (\$6M). Many of these factors are one-time-only events that will not, by their very nature, be recurring. That is why next year's budget is expected to generate a return to a deficit (\$7M). [Appendix 22](#) provides a comparison of last year's 5-year outlook in contrast to the current 5-year outlook, together with the reasons why the current forecast differs from the previous year's budget.

Under the assumptions for revenues and expenditures presented in the FY2013 budget, McGill's overall accumulated (cash) operating deficit is forecast to be approximately (\$103.0M) by 30 April 2013 on a pre-GAAP basis, and over \$280.0M considering all of the GAAP liabilities.

The following sections present the key principles and significant assumptions underlying operating revenues and expenditures in FY2013. The multi-year financial outlook can be found in [Appendix 23](#), comparing two years of actual (FY2010 and FY2011) with the FY2012 forecast and FY2013 Budget.

7. Overall Budget

7.1 *Components of McGill's budget*

The overall University **Budget** is comprised of four funds: **operating (unrestricted)**, **restricted**, **capital (plant)**, and **endowment**. The first two funds deal with all of those activities normally associated with the University's core teaching and research activities. The primary difference between them is that monies received with specific restrictions on their use (e.g., research **grants**) must be recorded in the restricted fund. Of course, the associated **expenditures** must also be recorded separately to facilitate tracking and reporting. The capital or plant fund records all **revenues** from sources other than operating or restricted funds that are specifically earmarked for the acquisition, construction or renovation of capital **assets**. The endowment fund assets consists of all **gifts**, donations, and **bequests**, including those for named chairs, financial aid, and other specific purposes for which the capital has been endowed. The presentation of items within these funds has changed due to a conversion to a GAAP presentation that occurred last year. The major changes from this conversion include:

- "cash" operating deficits are affected by non-cash accruals including:

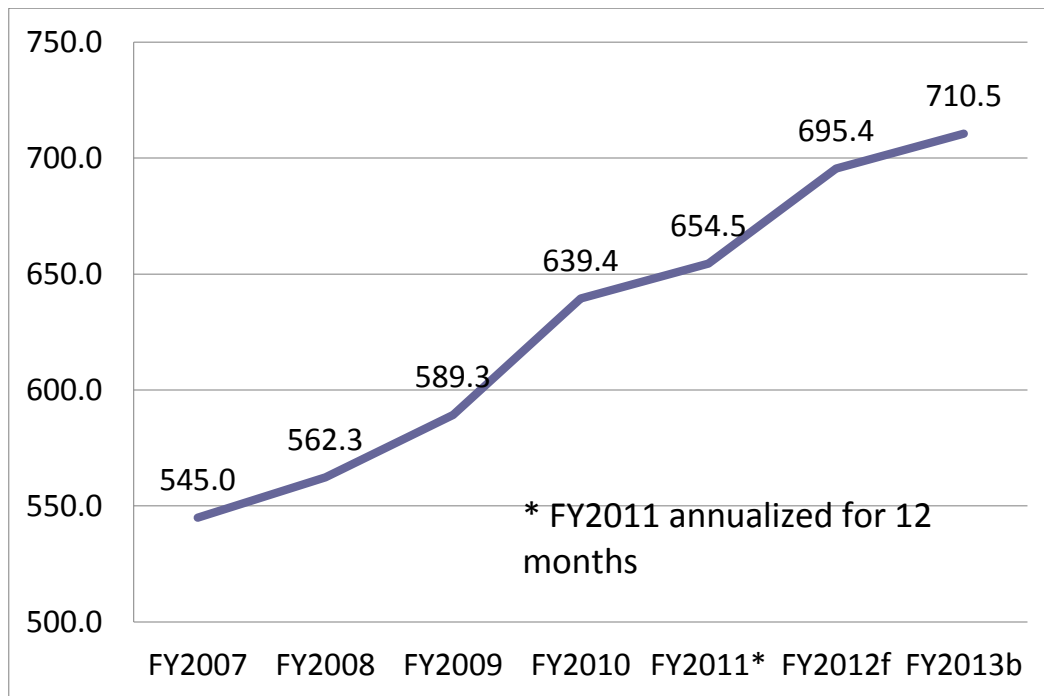
- vacation accrual and post-retirement obligations (primarily dental and medical coverage)
- pension deficits
- other GAAP adjustments (as described in the University's Financial Statements)
- the accumulated operating deficit increased significantly due to recording of the above liabilities which were excluded under previous MELS reporting guidelines
- GAAP no longer includes purchases of capital assets as “expenses” in either the operating or restricted funds (positive effect on accumulated deficit), but rather shows this as a transfer of fund from either fund to the capital fund. The same applies to repayments of internal loans, which are presented as transfers from the operating to the capital fund
- restricted revenues and expenses are matched in year expense occurs; excess revenues are deferred on the Balance Sheet and recorded as income in year spent; donation pledges are no longer recorded; donations are recorded on a cash basis (with note disclosure) to be consistent with GAAP standards
- other presentation changes to Plant fund assets; amortization calculations and disclosures also changed.

[Appendix 24](#) illustrates the overall combination of the four funds into one column, for three years: the FY2011 actual (11 month), the FY2012 forecast and the FY2013 budget. While the new GAAP format combines all four funds into one column, the fund that the University uses to focus on its operations is still the Operating fund. Changes to the University's net asset positions are shown in [Appendix 26](#).

7.2 Operating Revenues

Revenues to the University have increased steadily over the past 6 years, as shown in [Figure 3](#) below. Note that for purposes of presentation, we have annualized the MELS operating grant portion of our revenues in FY2011 (which was an 11-month year due to a change in the fiscal year imposed by the Quebec government). Additionally, revenues in FY2010 and FY2011 have been adjusted from GAAP to reflect the former presentation (pre-GAAP), including the endowment contribution.

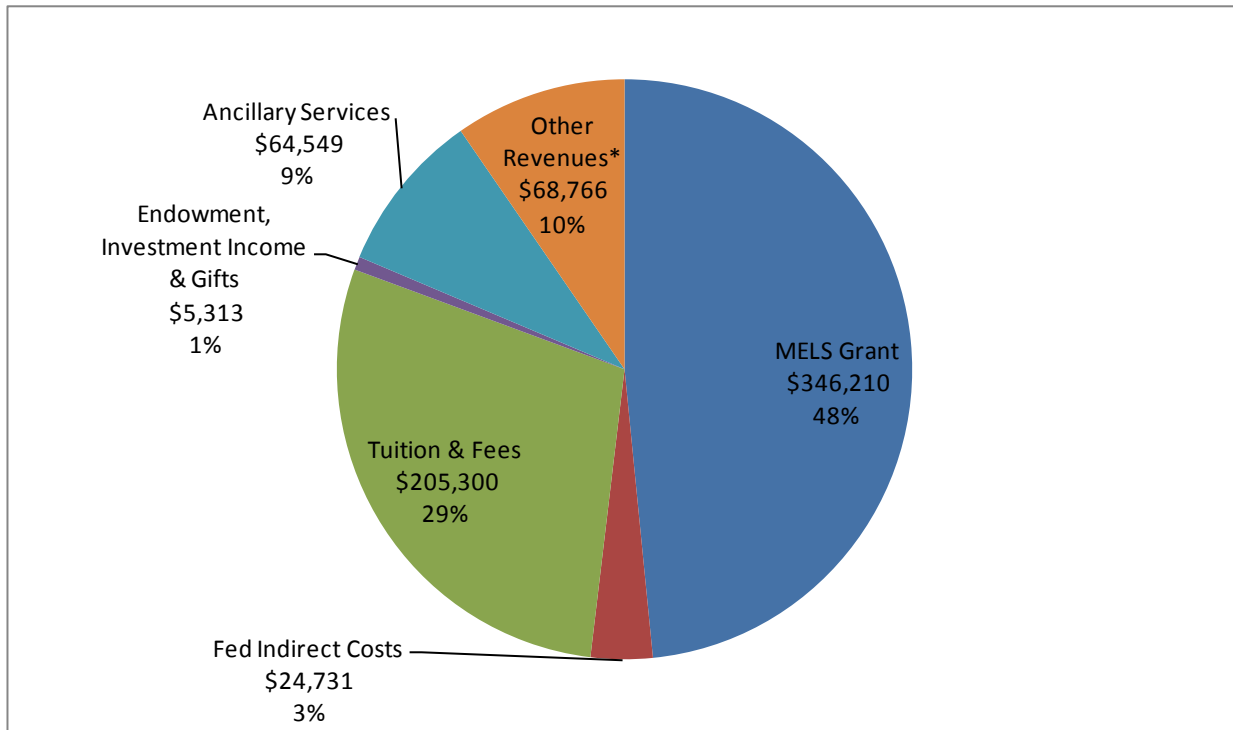
7.2.1 Figure 3: Operating Revenue from FY2007 to FY2013 Budget (\$M)



The sources of revenue for McGill's operating budget for FY2013 are: (1) MELS grant (48%), (2) tuition and fees (29%), (3) **ancillary** revenues (9%), (4) the federal grant covering the **indirect costs of research** (3%), (5) investment and endowment income and gifts (1%), and (6) "other" (10%), which includes revenues from self-funded activities, services to the community, some student services, and management fees. For FY2013 total revenues from these sources are projected to be \$715M as shown in *Figure 4* (including endowment management fee revenue of approximately \$5M which under GAAP is not recorded as a revenue item).

Total revenues under GAAP presentation exclude the endowment management fee and amount to \$710 million. The difference between pre-GAAP is captured as an inter-fund transfer into the operating fund, keeping the economic picture unchanged.

7.2.2 Figure 4: Pre-GAAP Budget Operating Revenue - FY2013 (thousands) \$714,868



* Other Revenue includes: Sales of goods and services, self-funded activities, services to the community, student services and an inter-fund transfer from the endowment fund (representing endowment management fees)

7.3 Assumptions

7.3.1 Student enrolments and the MELS operating grant

- While always focused on protecting, and enhancing, quality, with the implementation of the enrolment incentive program in FY2012, Faculties will share in 25% of the incremental revenue derived from enrolling new students to McGill. As most of the revenue reflects MELS FTE weights, Faculties have an incentive to grow the number of students in graduate programs, especially those of a research nature, which have a higher funding weight.
- The Strategic Enrolment Management Advisory or SEMA provides enrolment projections in post-graduate research master's and doctoral programs to increase over the next five years in response to enhanced funding initiatives, improvements in the time to completion, and increased attention to graduate student capacity indicators by program as per the assessment by Graduate and Postdoctoral Studies (GPDS) and Planning and Institutional Analysis (PIA).

- Similarly, undergraduate enrolment is expected to increase only in specific areas that have a capacity to grow without jeopardising our high quality standards for admission and program delivery. This may mean that admissions (new students) may decrease in a given year, but overall enrolment will continue to grow slightly as retention is improved.
- *Table 3* below shows the growth assumptions for funded enrolment that have been modelled in the planning period. Enrolment is tracked and measured by PIA.

7.3.2 Table 3: Changes in total funded enrolment (%)

		Fall full time Headcount	Projected Growth Rates in Enrolment				
		FY12	FY13	FY14	FY15	FY16	FY17
Undergraduate		22,156	0.6	0.5	0.5	0.5	0.5
Grad	Masters	3,845	2.0	2.0	1.5	1.5	1.5
	PhD	3,275	3.0	3.0	2.5	2.5	2.0

7.4 MELS operating grant assumptions

- As of 30 March 2012, MELS had not yet announced the rate of indexation increase over the value in FY2012 for the FTE-based components of the grant. We conservatively modelled a 1.0% annual indexation increase in the budget for FY2013, growing to 2.0% by FY2016.
- We expect an incremental \$1.6M of annual funding due to changes in the “**Clarder codes**” assigned to our courses that will increase their weighting vs. the currently published weights.
- McGill will benefit in FY2015 from the trade-off between the loss of revenues from the “teaching services” grant associated with the disciplines for which international tuition (at McGill these are Science, Engineering, Management, and Law) rates are charged by being able to retain the higher tuition over the same period. This will amount to an approximate \$8.0M upside for McGill in FY2015.
- While tuition will rise due to the \$325/year announced increase beginning in FY2013, the 35% holdback for provincially funded aid will reduce the net benefit in operating grant.

The combination of the MELS operating grant and tuition and fees together will account for more than 75% of McGill’s total operating revenues. As noted above, for the purposes of the FY2013 budget exercise, we assume the MELS “grille de pondération” (the cost-factor weighted grid, based on student enrolments in programs) will reflect changes resulting in an increase of \$1.6M in the teaching grant provided to McGill.

7.4.1 MELS FTEs

Table 4 (below) also shows our estimate of MELS forecast for McGill FTEs for FY2012.

7.4.2 Table 4: FY2012 forecast of MELS FTEs and Weighted FTEs

	Cycle 1	Cycle 2	Cycle 3	Med Residents	Total
FTEs	23,100	3,498	2,091.5	1,857	30,546.5
Weighted FTEs	41,826	16,633	18,643	6,240	83,342

Multiplying the forecasted weighted full-time equivalents or FTEs (83,342) by the MELS teaching grant rate of \$3,524.45 gives a forecasted Teaching Grant of \$294M in FY2012. Multiplying the forecasted FTEs (30,546.5) by the MELS administrative grant rate of \$1,666.16 gives a forecasted “**administrative grant**” of \$51.0M in FY2012.

See [Appendix 27](#) for details of the MELS Operating Grant from FY2010 actual through FY2013 Budget.

7.4.3 Tuition and other student charges

As discussed previously, the Quebec government announced it would allow an increase in university tuition fees as of fall 2012 by \$325/year for the next 5 years.

- Beginning in FY2013, the net revenues from basic tuition fees will increase by \$211.25 (gross increase = \$325/yr./FTE), net of 35% claw-back by Quebec for student aid – approximately \$6.0M incremental net tuition annually (approximately \$9.2M gross).
- For the international undergraduate deregulated disciplines (Engineering, Business, Law and Science) 7.0% increase in FY2013 for in course students; and once finalised by the fee advisory committee and governance procedures, new students will most likely be presented with a 4 year “guaranteed” tuition, but at a higher rate than current
- Increases to “frais institutionnels obligatoires” (FIO), or student ancillary fees, have been regulated by the MELS over the past three years and will continue to be indefinitely. For McGill, this limits student ancillary fee increases to \$15 per year (or approximately \$450K in total) unless specific agreements are signed with the student associations. In the budget planning period, we will assume a maximum of \$15/year increase.
- Based on preliminary indications, “forfaitaires” are not expected to increase in FY2013. Additionally as a place holder, the assumption is there will be no increases in FY2014 or FY2015 as shown in *Table 5* (not yet confirmed by MELS):

7.4.4 Table 5: MELS forfaitaires

	FY 2013	FY 2014	FY 2015
Out-of province supplement	0%	0%	0%
International supplement	0%	0%	0%

In order to secure medium to long-term financial positions, McGill and the entire Quebec university network must be allowed to re-regulate tuition fees for all international undergraduate students and reverse the trend of declining accessibility and quality in the province's post-secondary education system. Along these lines, McGill has been and remains committed to re-investing 30% of the resulting new net revenues in needs-based student aid, such as the **entrance bursary program** and graduate student aid programs.

7.5 Research revenues

7.5.1 Federal indirect costs of research (ICR) grant assumptions

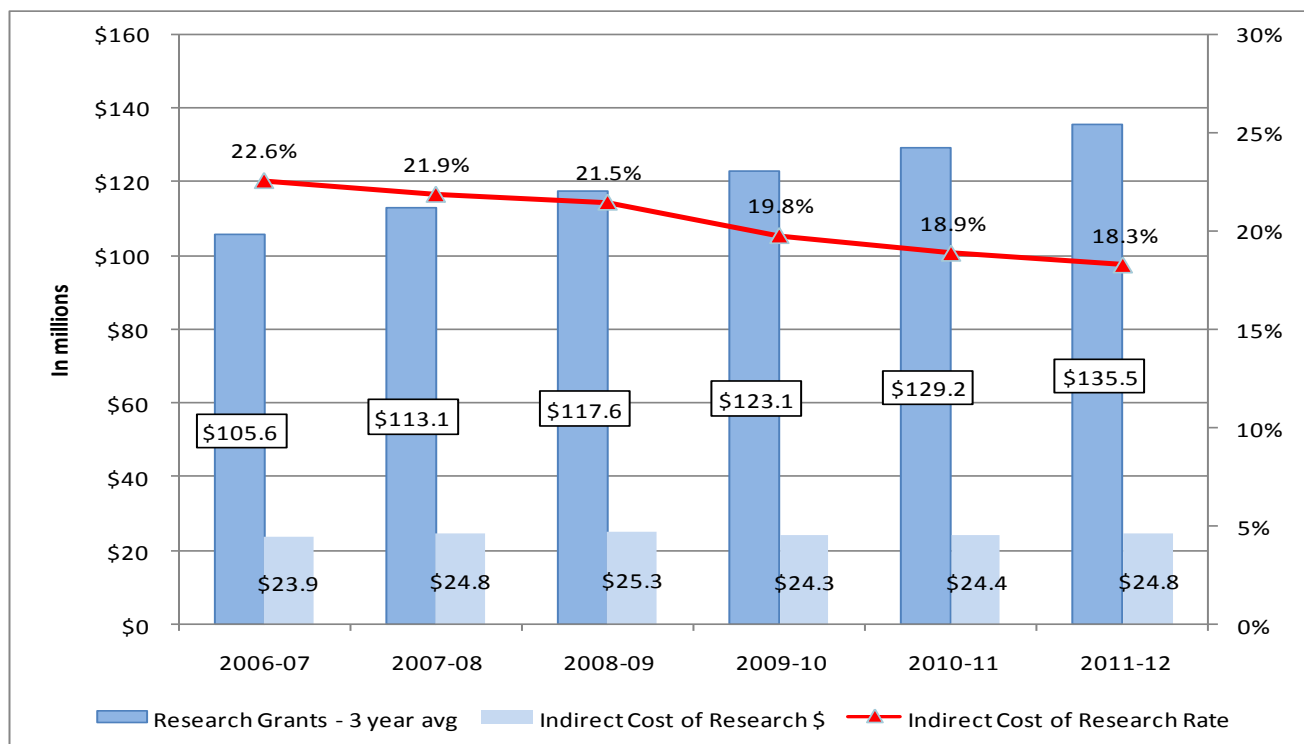
- An "Indirect Costs of Research" incentive plan was implemented in FY2012, which provides Faculties with 50% of all incremental ICR related to both Federal Tri-Council and Provincial indirect cost recoveries earned by the University above an agreed upon three-year rolling average baseline. This is in addition to the 25% of total federal indirect cost recoveries that are already shared with Faculties.
- The environment for federal grants will become increasingly competitive as the numbers of tenure track staff grow in all universities, as the grant budgets are not increased commensurately, and as more funds are being targeted towards centres and infrastructures; we are estimating McGill's share of the total federal envelope will remain at approximately 7.5% share over the planning period;
- Due to the way the Federal ICR calculations are made, McGill could see an increase in Federal research grants, but a decrease in the amount of ICR it receives. As detailed in [Table 6](#) below, based on the level of research grants awarded to each university up to \$6M, the published ICR funding rates are applied. Because the ICR envelop is fixed, Universities with awarded grants above \$6M are provided ICR at a rate that is backed into to ensure the ICR envelop is not exceeded:

7.5.2 Table 6: Average Revenue from CIHR, SSHRC, and NSERC grants

Average Revenue from CIHR, SSHRC, and NSERC Research Grants	Funding for ICR
First \$100,000	80%
Next \$900,000	50%
Next \$6 million	40%
Balance	Amount calculated annually based on total amount available

McGill has seen its ICR rate of total tri-council grants drop from 22.6% in FY2007 to 18.3% in FY2012 because of the above funding formula which gives a much higher rate to universities with a small amount of research grants, leaving less indirect cost recoveries available for truly research-intensive universities like McGill. [Figure 5](#) below details the increase in Federal Research Grants vs. the decreasing share of ICR received.

7.5.3 Figure 5: 3 Year Average Federal Research Grants vs. Federal Indirect Costs Received and Share



Source: data from CRC Indirect Cost website

Both the federal and provincial governments recognise the need to support the full administrative “institutional” or “indirect” costs of administering and managing top-notch research activities. Indirect cost of research are those activities that cannot be directly attributed to a specific research project, such as maintaining and heating buildings and providing a large array of services from the optical backbone network to Library subscriptions to research journals to hazardous waste removal and other such charges. Research contracts and grants are generally expected to provide some compensation to the University for the increased operating costs that it incurs in conjunction with such research.

The MELS compensates the University in the amount of 40-65%, depending on the type of research conducted, of total research revenues from grants paid by its accredited agencies: Fonds de recherche du Québec - Santé (FRSQ), Fonds de recherche du Québec – Nature et technologies(FQRNT) and Fonds de recherche du Québec - Société et culture (FQRSC).

Funding from the Quebec councils is included as a component in the **MELS grant** and therefore directly deposited in the operating budget of the University. The amount of indirects related to provincial grants was \$10.4M in FY2012. An additional \$7.0M was provided to McGill as a “transition” subvention, to account for the fact that the Federal government’s ICR rate was below 40% and insufficient to cover actual indirect costs of research incurred. While the total funding envelopes are relatively small, McGill will continue to work to increase its presence and success rates in competitions for provincial research dollars. As we move to implement the above-mentioned ABB model and system for budgeting, we anticipate separating the provincial indirect costs of research to allow for more appropriate accounting.

The federal government also provides support for the indirect costs of the research its agencies fund. The support we receive via this envelope is 18.3% of the eligible funds we receive in Tri-Council grants (the three granting agencies known as the Tri-Council are the Canadian Institutes of Health Research (CIHR), the Natural Sciences and Engineering Research Council (NSERC), and the Social Sciences and Humanities Research Council (SSHRC).

At the present time, McGill allocates 25% of this income with the Faculties that generate it, and the remainder is used to absorb institutional costs described above. Unfortunately, the current rate of approximately 18.3% does not cover the full costs incurred supporting research at our institution. We will continue to urge the federal government to provide full funding of the indirect costs of research. We have been moving aggressively to increase the share going directly to Faculties, but this will become an important element as well in the implementation of an ABB-model and system for future University budgets.

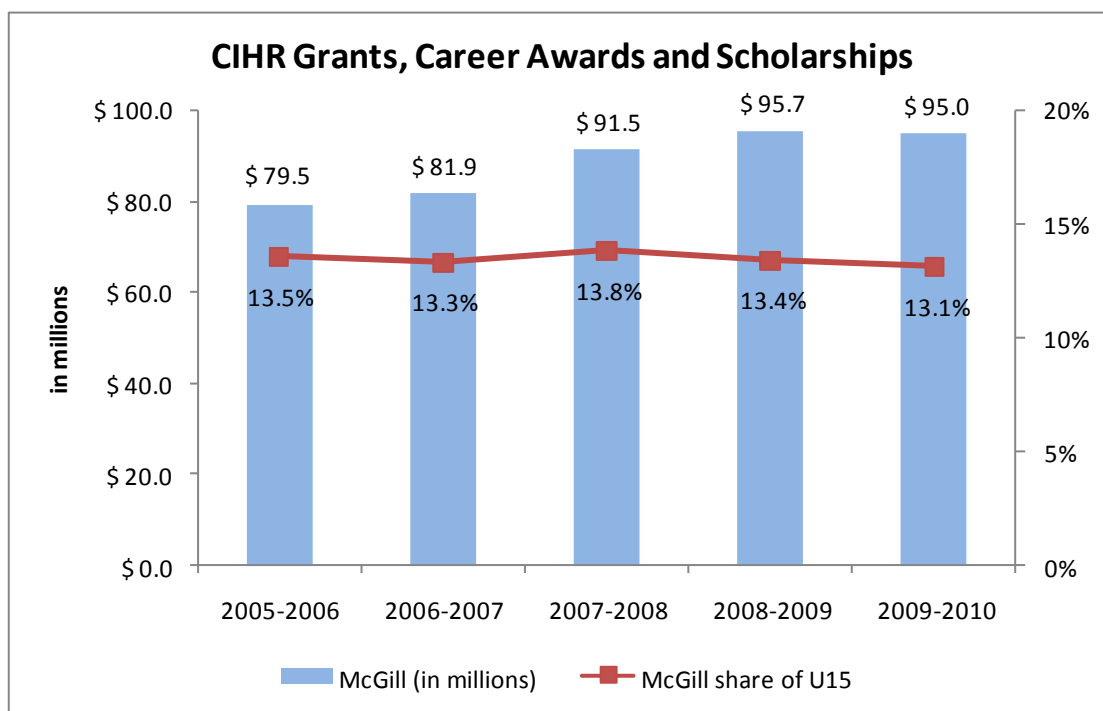
7.5.4 Federal Granting Agencies

The graphs below (*Figures 6, 7, 8*) show McGill’s federal research grants and share within the U15 from each of the Tri-councils (including scholarships which do not generate indirect grants). Data for 2010-11 was not available when this report was published. In the past few years, McGill’s share

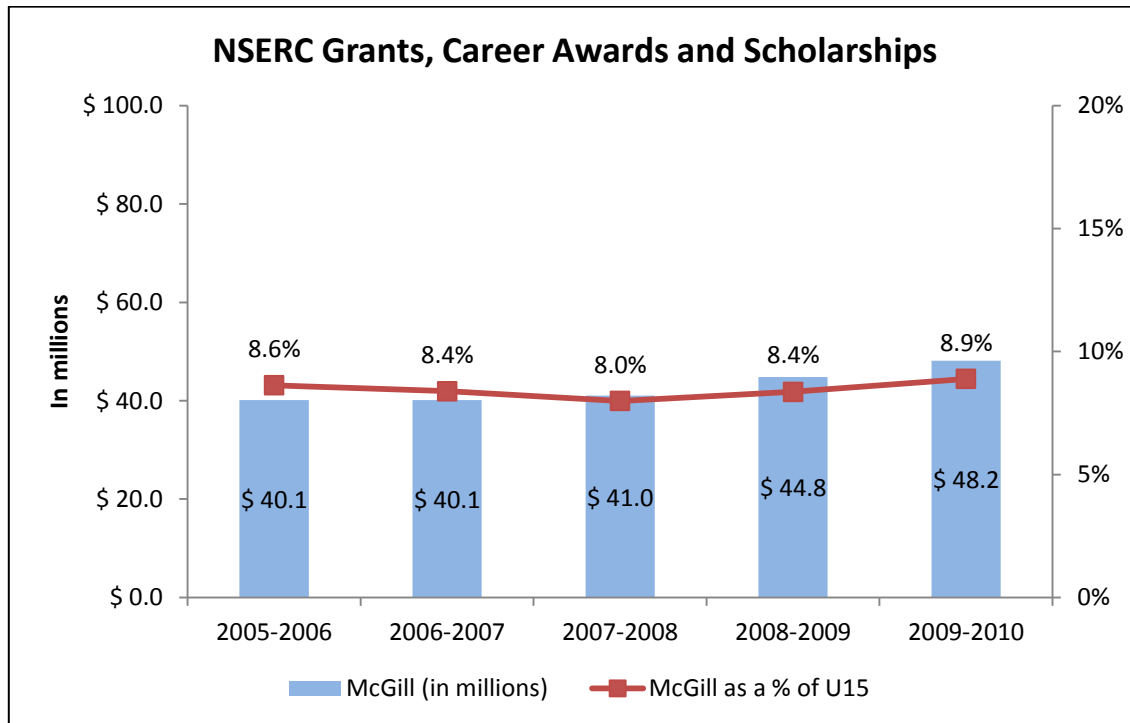
within the U15 has declined in both CIHR and SSHRC, indicating that other U15 universities' grants have grown at a faster rate. NSERC grants and share both continue to increase.

Note: Amounts represented \$ awarded by the agency in the agency's fiscal year (i.e. April 1 to March 31st).

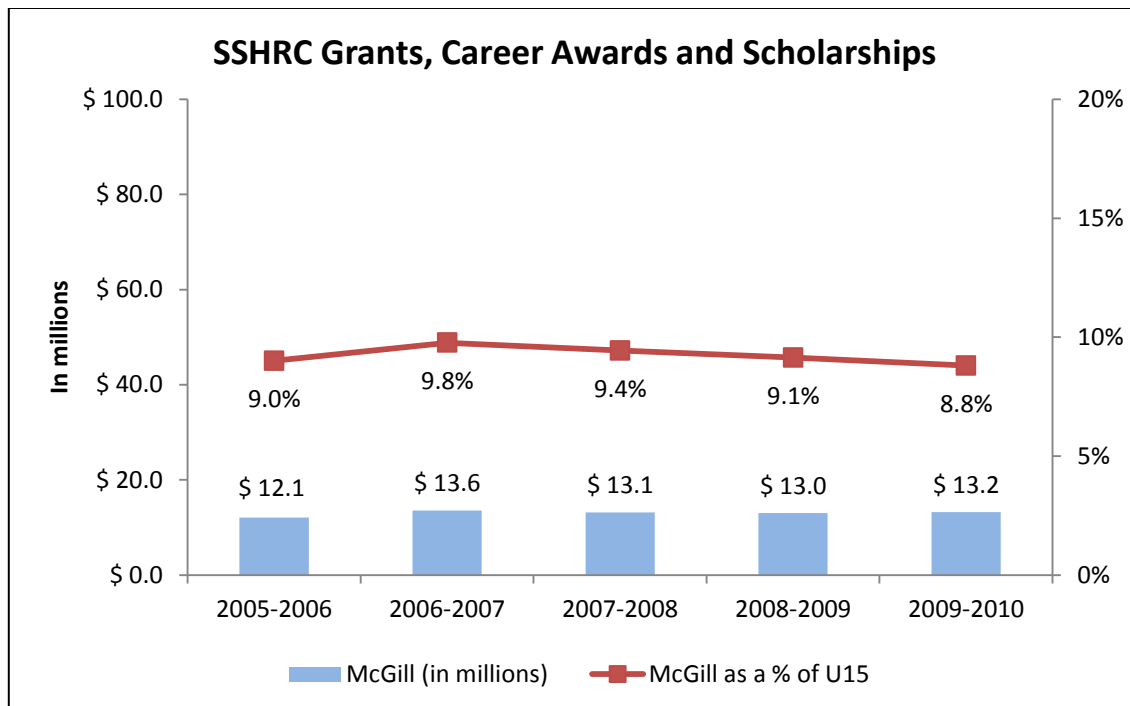
7.5.5 Figure 6—Tri-Council Research Grants (CIHR) Awarded



7.5.6 Figure 7—Tri-Council Research Grants (NSERC) Awarded



7.5.7 Figure 8—Tri-Council Research Grants (SSHRC) Awarded

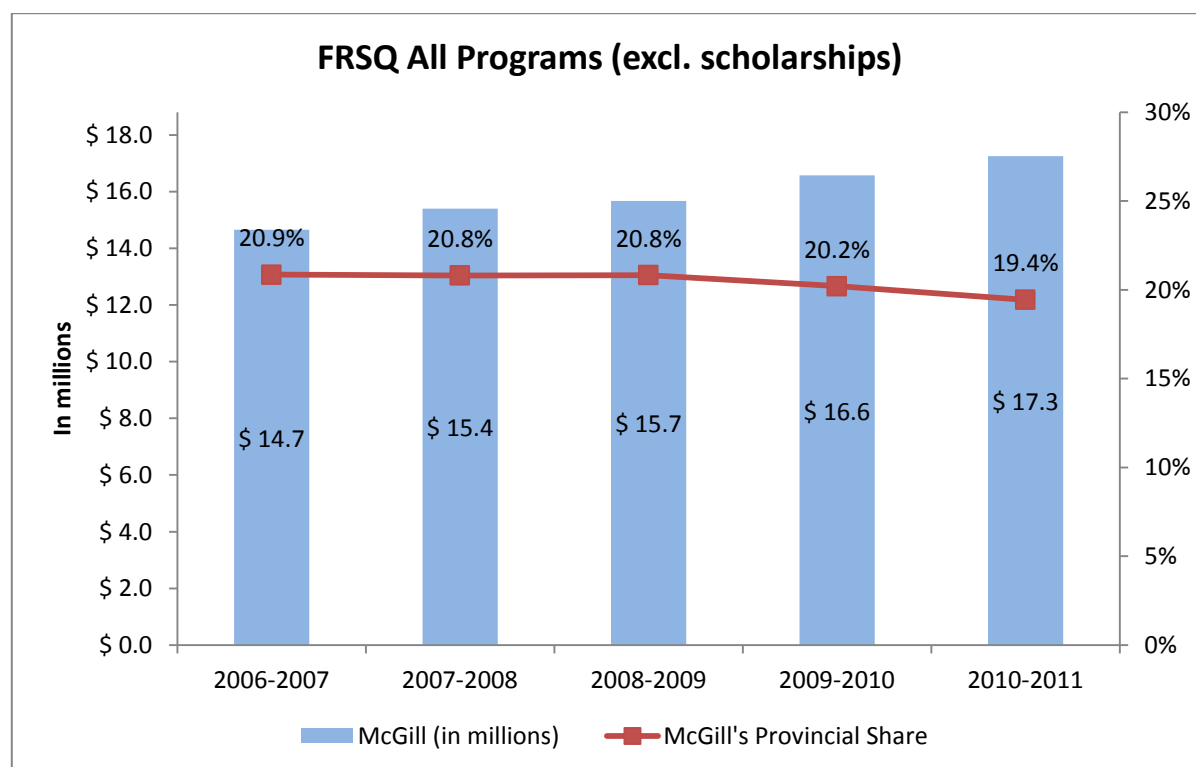


Source: U15 Data Exchange (OST data cube)

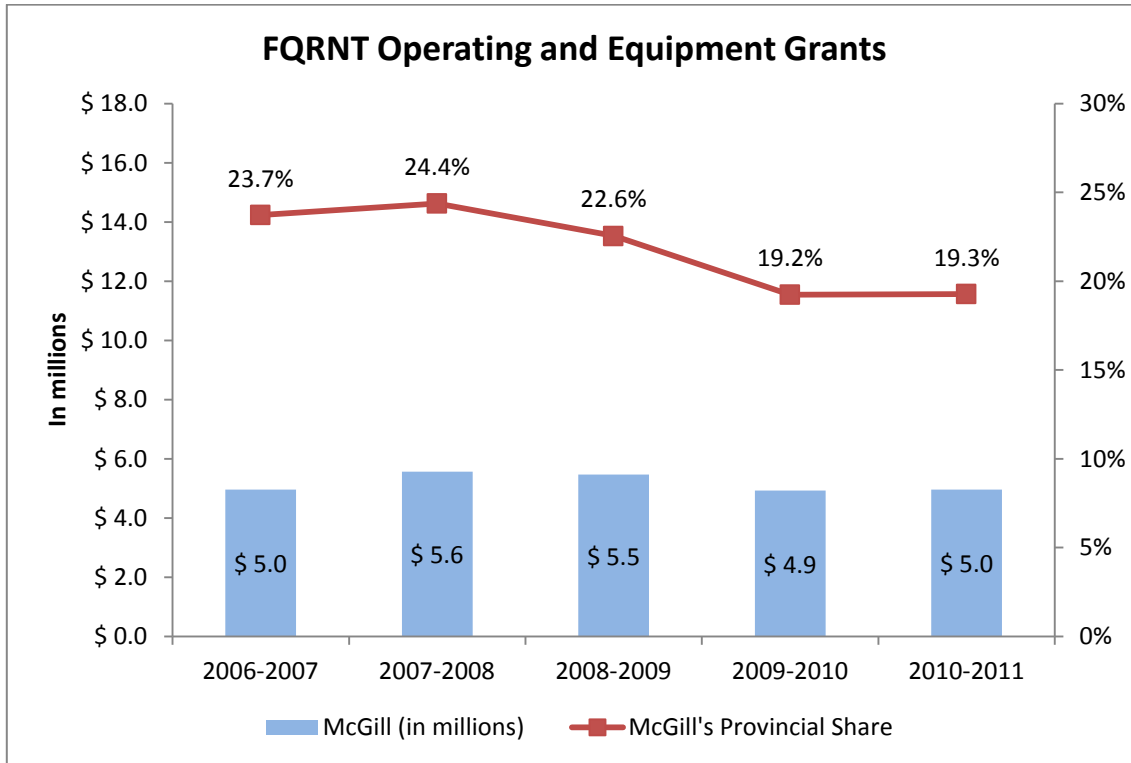
7.5.8 Provincial Granting Agencies

While provincial grants awarded to McGill from the FRSQ have increased over the past 5 years as shown in [Figure 9](#), McGill's share of FRSQ grants has gone down. It is always important to consider share as well as actual dollar amounts insofar as several programs depend more on the former than the latter. This indicates that other universities within the Province have seen their grants increase at a faster rate. The grants McGill has received from the FQRSC and FQRNT have remained relatively flat over the past five years, McGill share of FQRSC grants has gone up and its share of FQRNT grants has gone down, as shown in [Figures 10 and 11](#). For FQRSC and FQRNT the amount allocated for each year is the sum total of awards won during that competition year plus the committed amounts won in previous competition years.

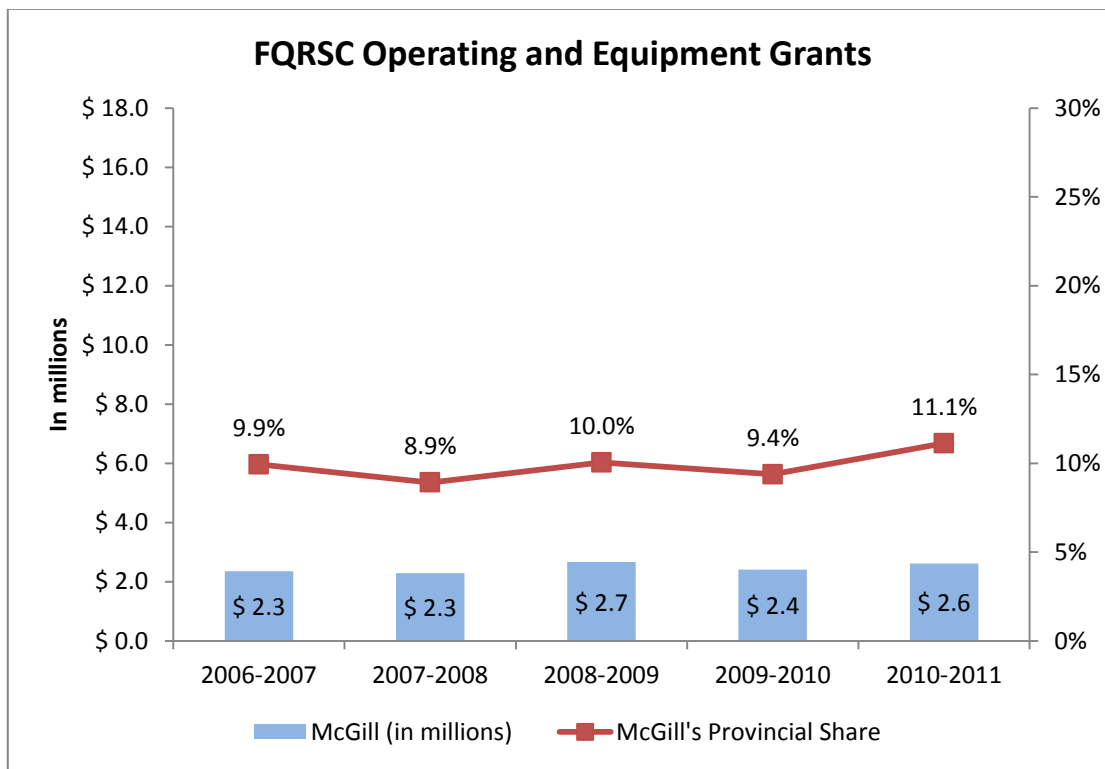
7.5.9 Figure 9—Provincial Research Grants (FRSQ) Awarded



7.5.10 Figure 10—Provincial Research Grants (FQRNT) Awarded



7.5.11 Figure 11—Provincial Research Grants (FQRSC) Awarded



Source: FRSQ and FQRNT/FQRSC extranet

7.6 Development and Alumni Relations

Campaign McGill, the comprehensive fundraising campaign launched in October 2007, is seeking to raise \$750M, with a sustainable goal of \$100M in annual support following the end of the Campaign on April, 30 2013. The Campaign's priorities were determined by McGill's academic leadership, following extensive consultation across the University. The Campaign is seeking endowed and direct-funded gifts for:

- graduate fellowships
- undergraduate aid and scholarships
- enhancement of student life and learning
- chairs and professorships
- academic and research infrastructure
- program support
- Montreal Neurological Institute
- emerging priorities

Notwithstanding the impact of the recent economic situation on philanthropic giving, we are confident that we will attain our \$750M objective within the Campaign's announced time frame. Total achievements (including commitments to date) represent 93% of the objective, compared to 87% of the time elapsed since Campaign's inception.

For the upcoming year, we will focus our energies on increasing our fundraising productivity by having more face to face visits, asks made and gifts closed. Great attention will be put on the development of additional engagement vehicles to broaden our outreach to our domestic and international alumni base. Finally, to further support our operations and permit continued growth in our fundraising, we will enhance our records and our data mining and analytical modelling resources.

Total cash in (gift plus pledge payments, excluding commitments) is forecasted to be \$75M in FY2012 and budgeted at \$80M for FY2013. These amounts include \$36M and \$38M in endowed gifts for FY2012 (forecast) and FY2013 (Budget), respectively. Most of these gifts will flow through the Restricted or Endowment Funds and will not be recorded in the Operating Fund.

7.7 Endowment assumptions

The University is a careful steward of the gifts and donations it receives. We are also very mindful of the obligations we undertake whenever we accept philanthropic support. As part of an on-going effort, we are re-examining some of the restrictions that have been applied to these funds to alleviate the bottleneck in allocating the proceeds so as to ensure that our stewardship aligns with our top academic priorities. This has already had a positive impact on reducing the amount of recapitalised endowment money from \$8.2M in FY2009 to \$4.4M in FY2011. The target is not to reduce these recapitalised funds to zero as there are legitimate reasons for some recapitalisation of endowed funds (e.g. some initiatives require more resources to implement than is generated from one year of

returns), but rather to achieve a more reasonable level (such as 10% of total pay-out). The initiative to utilise re-capitalised endowment income is expected to save the University approximately \$1M in operating funds for FY2013 and beyond.

[Appendix 30](#) in the back shows the 141 total endowed chairs across the University by Faculty (excluding hospital chairs), which are expected to generate in excess of \$7.5M in income in FY2013, approximately 75% of which will be used to cover the salaries of the chair holders.

[Appendix 31](#) in the back highlights the scholarships, bursaries, fellowships and endowed chairs that flowed from the endowment to the benefit of each Faculty and major unit, totalling almost \$36M in FY2011.

7.8 Self-funded units assumptions

- There will continue to be a positive contribution from self-funded operations.
- This contribution is expected to remain just under \$1M for FY2013 (note that units will realise additional savings from printing services that were previously captured at the institutional level).
- Self-funded units are expected to continue using funds generated as investments in academics activities and student support.

7.9 Operating Expenditures: Assumptions

A balance must be achieved between investment in top University priorities and fiscal responsibility. Some budget cuts will be necessary in order to achieve the financial goals to which we are firmly committed. Additionally, Bill 100 requires all Quebec universities to:

- Reduce “general administrative operating expenses” by a total of 10 per cent over the next four years;
- Develop a four-year plan to reduce the number of general administrative staff through attrition (one replacement for every two departures);
- Place limits on salary increases for selected managerial and administrative staff.

As part of the SRI, McGill is implementing a program to reduce general administrative staff through attrition and save operating budget.

7.10 SRI projects to be implemented in FY2013

7.10.1 Workforce Planning Initiative

For FY2013, Faculties and administrative and support units will not be required to take an across the board expense cut. Instead, for every administrative employee paid with Operating funds who leaves the University (whether through retirement or other forms of attrition), the 50% of the salary budget will be pulled back by the Budget Office.

These savings will be primarily used to reduce the University's deficit. Difficult management decisions will have to be made in cases where key employees leave, but the expectation is that this initiative will save the University \$2.2M in FY2013 and then approximately \$4M on an annual basis beginning in FY2014.

7.10.2 Significant one-time and ongoing expenses

Pay Equity

The Quebec Pay Equity Act was enacted in 1996 with a view to redressing differences in compensation often suffered by persons occupying positions in predominantly female job classes due to systemic gender discrimination. In practical terms, pay equity is a compensation practice that requires an employer to pay employees the same wage to male and female employees who are performing work of equal or comparable value. The Act goes further by stipulating the way in which pay equity is to be evaluated and implemented.

In 2002, McGill submitted and had accepted a pay equity program modeled after the one presented by the Treasury Board of Quebec. A one-time-only award was granted to the University for having completed this task, indeed we are unique in the sector for having done so. However, several years later the Pay Equity Commission decided that the methodology that was employed in arriving at the settlement amounts needed to be reconsidered.

In FY2012, after years of further discussions with a conciliator, McGill and MUNACA reached an agreement in principle to change the method by which adjustments would be made (using a polynomial regression). This new method resulted in requiring a one-time write-off to cover retroactivity, and an on-going annual expense component that would impact the operating budget going forward.

As of 31 January 2012, McGill reserved an amount of \$4.9 million representing the potential first portion of the retroactive component for the period of 2002-2008. A significant portion of this amount will result in a recurring payroll cost to the University. With respect the additional amounts attributable to the period beyond 2008, the University has reserved other funds in order to anticipate a future agreement in principle with MUNACA.

Pension Liability and Post-retirement obligations

Including the pension plan liability accrual, expenses for FY2013 are expected to grow by approximately 3.7% annually over where they were in FY2012.

Total GAAP liabilities include amounts for pension and post-retirement liabilities, which are assumed to remain constant with the December 2009 valuation. The expenses include the following:

	Forecast FY2012	Budget FY2013
Pension liability	\$6.6M	\$7.3M
Post-retirement obligations	<u>\$3.5M</u>	<u>\$3.5M</u>
Total GAAP expense	\$10.1M	\$10.8M

7.11 Alignment of resources to University priorities

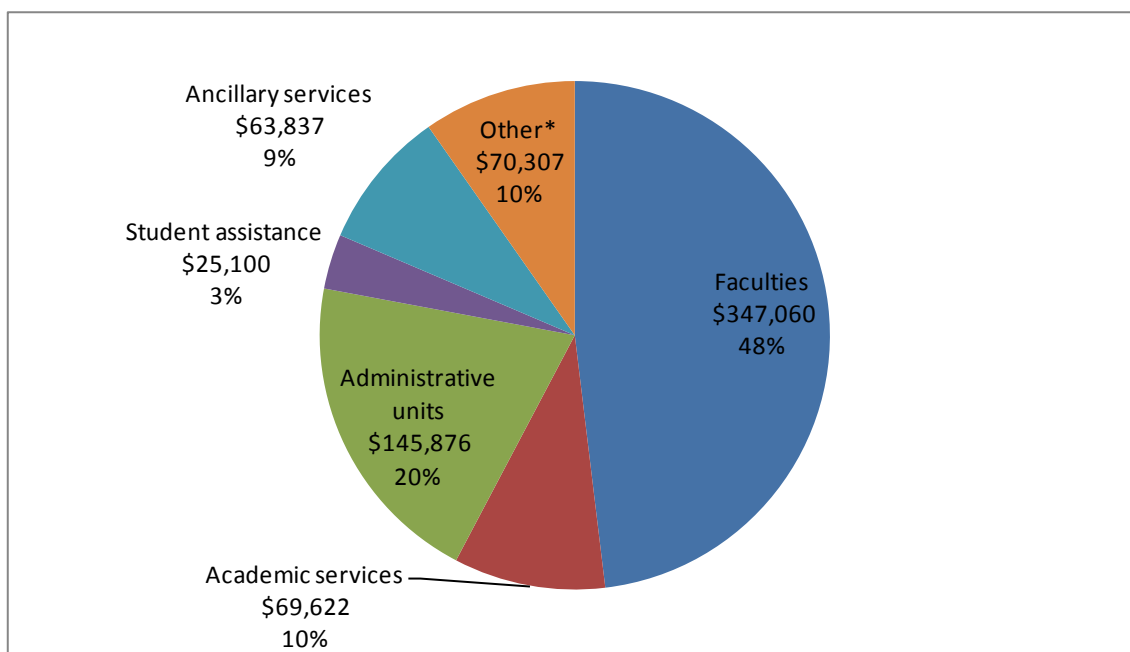
There are several University priorities that will require significant resource investments.

- Faculty-level and individual professorial research initiatives – including new projects that require seed funding
- CFI competition rounds 6 and 7 – expect approximately \$6.5M institutional contribution over the next 3 years
- Upfront investments in SRI initiatives that will either allow the University to operate more efficiently in the future or add to the effectiveness of a strategic priority (\$2.7M)
- Salary and benefit increases (\$12.9M).

7.11.1 Total Expenditures

Unlike our financial statements that show expenses broken down by category, we allocate operating budget at the Faculty or large administrative unit level and allow local control of the expense categories. These allocations, by unit, are illustrated below in [Figure 12](#). Most operating expenses are for the compensation of existing staff and new hires, including the incidental costs of investing in the new hires, such as recruitment costs and operating support costs.

7.11.2 Figure 12: Pre-GAAP Budget Operating Expenses (by unit) - FY2013 (thousands) \$721,802



*"Other" includes interest expense, contingency, student and community services, teaching and research support, pension liability accrual and pay equity accrual

8. Resources aligned to University priorities

A complete listing of the Operating budget allocation by unit for FY2012 can be found in [Appendix 3](#) and [4](#). The FY2013 budget will allocate resources to align with the following strategic goals:

- Enhance the enrolment and research incentive programs that were implemented in FY2012 whereby Faculties can earn additional funds by increasing enrolment, philanthropy, and research levels above FY2011 results;
- facilitate recruitment of research graduate students; we will continue our significant investments made in graduate student support;
- continuing to enhance the student learning environment;
- retaining and recruiting high-calibre, full-time academic staff members; continue to invest \$4M in our McGill / Dawson programs, as well as our \$2M investment in research centres;
- allocating significant amounts (approx. \$5M) of our Federal indirect cost of research grants to our academic units;
- ensuring efficient administrative support, including the streamlining of some of our current procurement practices, which is an SRI project expected to generate \$0.6M of savings in FY2013;

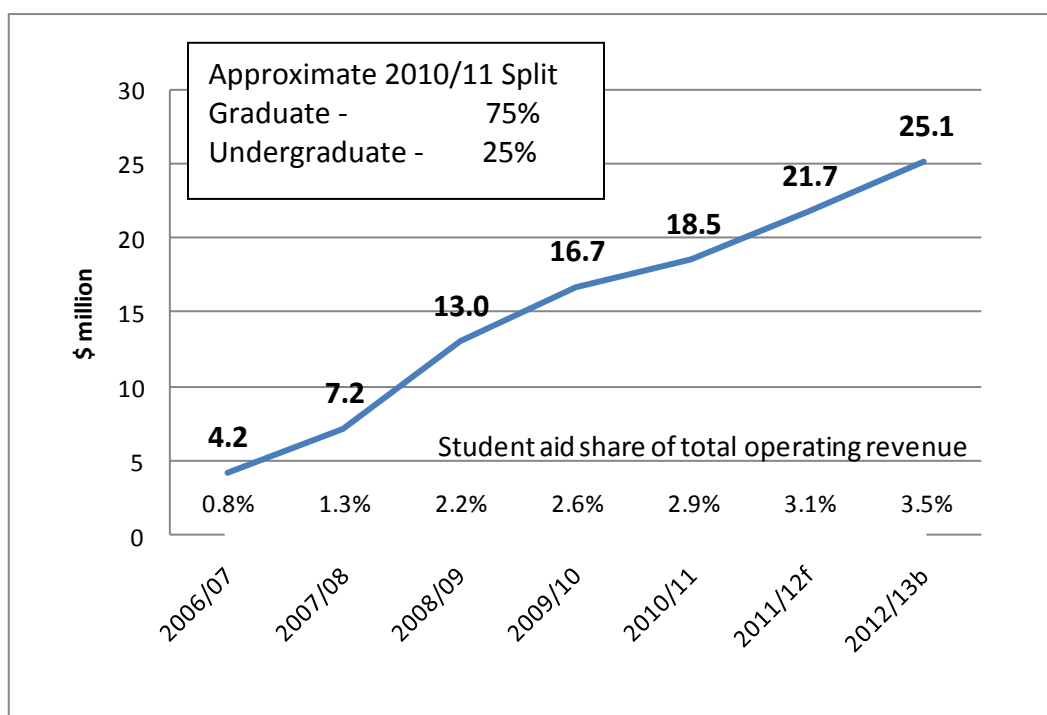
- upgrading and maintaining facilities and campus infrastructures.

8.1 Student Assistance

- McGill is committed to contributing at least 30% of incremental net tuition towards student aid

[Figure 13](#) shows total student assistance from the Operating Fund. Included in this number is an estimate of the 30% portion of net tuition increases that are directed toward students. It should be noted that restricted funds (donor funded fellowships and other endowment income) also make a significant contribution to student aid (approximately \$48.0M annually are budgeted for FY2013). Additionally, the University expects to pay student salaries in the amount of approximately \$52.0M through the operating and restricted funds.

8.1.1 Figure 13: Student Assistance from Operating Fund



Note: Percentage figures on horizontal axis indicate student aid (bursaries and graduate student funding) share of total operating revenue.

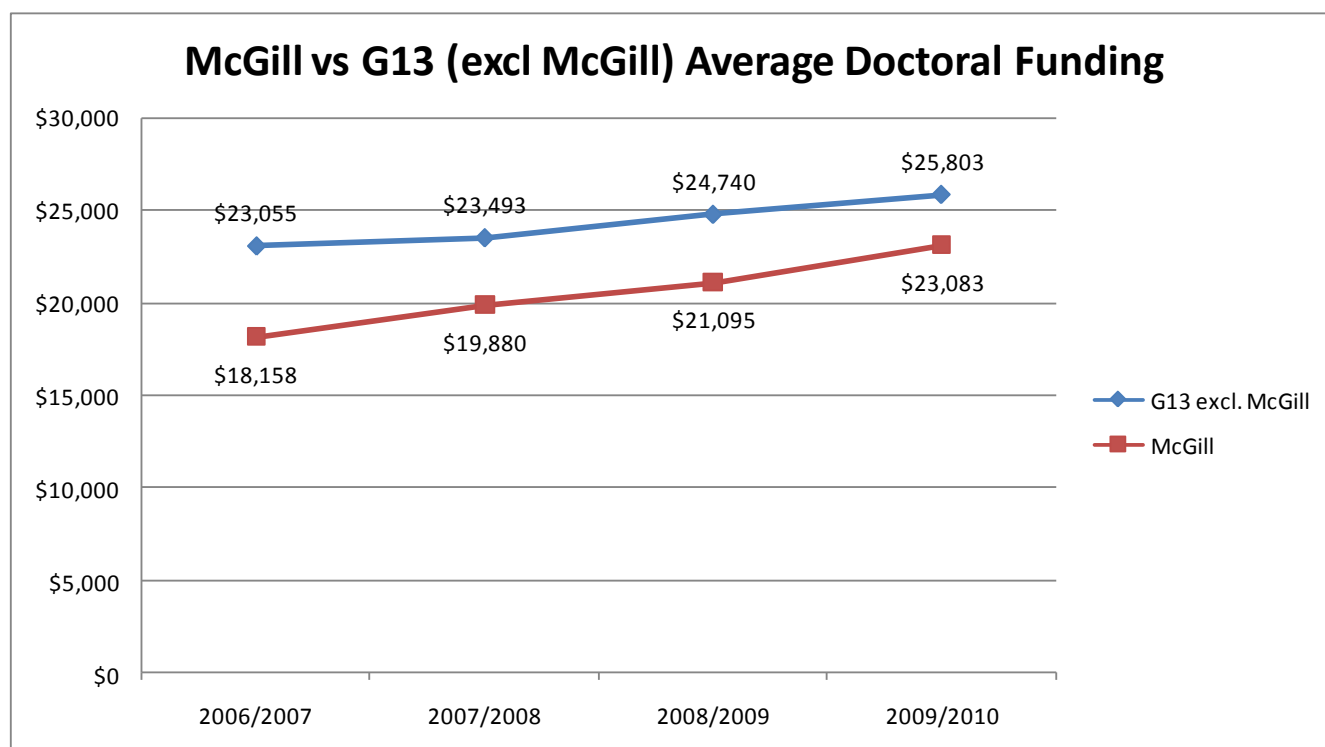
Source: Financial Services, Office of the Budget

8.2 Graduate student enhancement funds

8.2.1 Principles behind graduate student enhancement funds

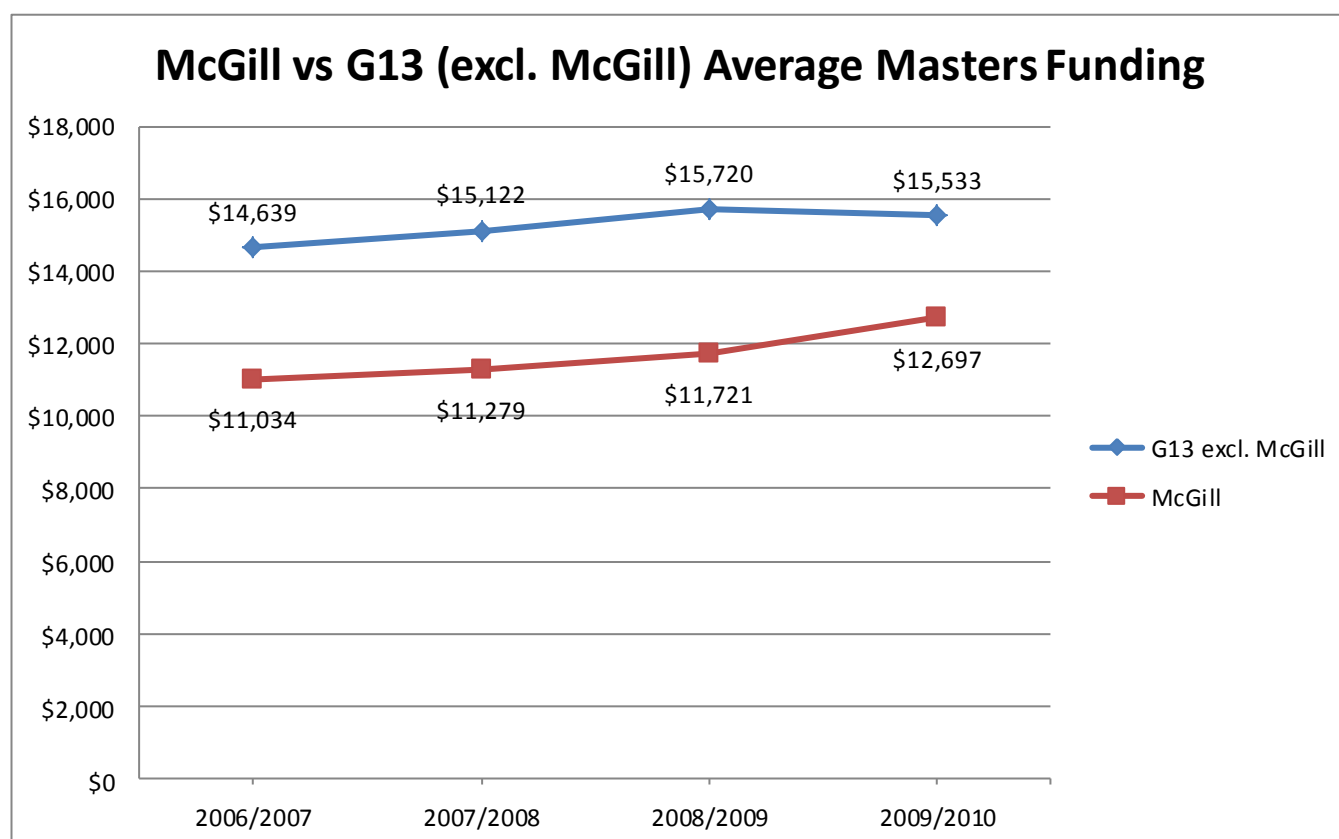
- In our strategic planning, McGill University has recognized the need to provide competitive graduate student support in order to be able to attract bright students to work alongside our prestigious group of professors.
- Information comparing the level of funding with our peer Canadian universities seems to indicate that, while we have made great strides in improving the funding situation of our graduate students, we need to continue to invest. (See [Figures 14](#) and [15](#) below)
- The injection of new funds has proven to be successful in attracting excellent students and increasing the numbers who are choosing to come to McGill. (See [Figure 16](#) below)
- The funding models developed by the Dean of Graduate and Postdoctoral Studies are financially viable, with approximately 11.9% of revenues generated from Masters and PhD enrolments being directed towards graduate student support (\$17.4M of \$146.8M).

8.2.2 Figure 14: Average Doctoral Funding Comparison (2009-10)



Data source: Dashboard – Comparison between McGill and G13 in average Doctoral funding in the G13 years (2006/07 to 2009/10)

8.2.3 Figure 15: Average Masters Funding Comparison (2009-10)



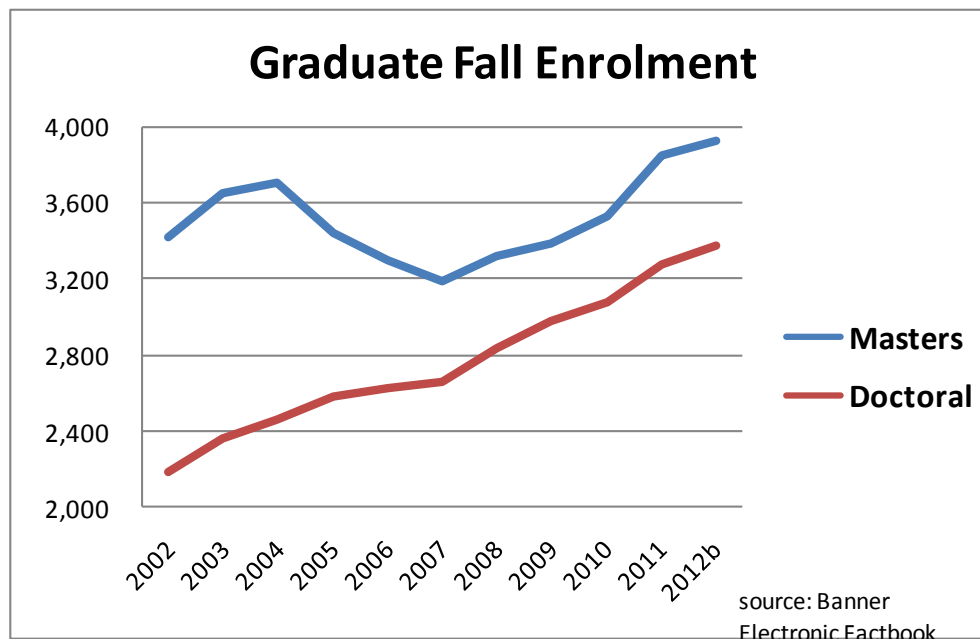
Data source: Dashboard – Comparison between McGill and G13 in average Master funding in the G13 years (2006/07 to 2009/10)

As outlined in the *Strategic Academic Plan*, the University will continue to enhance graduate enrolment through various initiatives. The competition for graduate students is fierce. Achieving the goals of increasing quality graduate student enrolment involves several objectives for FY2012:

- making graduate student support packages even more competitive to help Faculties attract the best students, both domestic and international;
- assuring adequate professorial numbers for increased graduate student supervision;
- enforcing times to completion commensurate with disciplinary norms;
- finalising Graduate Program Capacity Indicators to help put McGill in the top rank in graduate students per tenure track faculty among peer publicly funded research intensive universities.

Figure 16 highlights the growth in Graduate enrolment at McGill over the past 10 years. Growth in Masters enrolment in Fall of 2011 was almost 9.0% higher than the previous Fall and is expected to continue to grow 2.0% in fall of 2012. PhD enrolment grew more than 6.0% in Fall 2011 as compared to 2010 and is expected to growth another 3.0% in Fall 2012.

8.2.4 Figure 16: Graduate Student Enrolment based on Fall Enrolment



Source: Enrolment Graduate (Banner) Report

8.3 Enhance learning

8.3.1 Library funding assumption

Spending on the Library's collections has increased by \$1.0M every year from FY2005 through FY2010. The goal for FY2013 is to maintain and index the level of spending of the past five years. The Library benefitted from a re-injection of the across-the-board budget cuts in order to offset the reduction in Endowment Spendable Income which is an integral part of Library's collection budget and serials/database. These costs experience inflation at a rate of 8-10% a year.

Beginning in FY2004, the university made the Library a high priority in order to enhance the quality and availability of library resources and services to all users. Students, faculty, and staff continue to demonstrate the very high value they place on library facilities and services. The Library continues to receive contributions from student societies. The SSMU and PGSS contributions, which are matched by the university, along with a contribution from Arts Undergraduate Society (AUS) have supported Library Collections and funded recent renovations in numerous Library buildings. The Library has a high priority for improving study spaces and student societies and the university community at large support this priority.

Overall, use of library facilities and services continues to grow, with a total of more than 6.6 million visitors to the McGill Library in 2010-2011, a 12% increase compared to 2009-2010. The increased expenditure within the Library system over the past few years has resulted in an expansion of physical

collections to over 7 million items. There has been considerable growth in online resources to more than 80,000 e-journal titles and 2 million e-books.

The on-going improvements to services have had a profound impact on the ways teaching, learning and research are conducted at McGill. The installation of a WorldCat Local discovery tool coupled with the implementation of the Expanded Course Reserves program has significantly enhanced how student find and effectively use the library resources they need via the Library's online catalogue.

A considerable amount of attention has also been placed on front-line services for students including the programming of research skills and information literacy programs targeted at undergraduate and graduate students and outreach through social networking and M-Learning (mobile learning) initiatives.

8.4 Retain high-caliber academic staff

8.4.1 Pre-determined Faculty Compact agreement assumptions

- Faculties' Discretionary Funding Envelopes are preserved in the budget for FY2013.
- All "equipment" allocation to Faculties will be negotiated through the Compact agreements to ensure compliance with tightened purchasing guidelines and practices as recommended by government reporting compliance and internal and external audit reports.
- Specific commitments that have been made to Deans during the current academic year will be honoured through funding in the FY2012 compacts.
- Priorities Pool envelope at \$3.0M in FY2012, is being kept stable for FY2013.

8.4.2 Salary and benefits increase assumptions

- The "retention and anomaly envelope", along with promotions for academic staff, will be lowered to approximately \$0.7M in FY2013 from \$1.0M, to reflect historical usage.
- McGill's academic salaries will increase by 3.5% beginning 1 June 2012. All projections for future years are provisional and subject to change, but have been included for illustrative purposes only.
- The minimum salary for course lecturers increased to \$7,200 per 3 credit course as of 1 January 2012. Each Faculty will be provided with budget in FY2013 to cover 50% of the increase for the Summer and Fall terms based on the prior year's actual expense, after receiving at least 50% of the required increase for last year's increase.

8.4.3 Academic renewal assumptions

In 2001, McGill embarked on an aggressive academic renewal plan, which was articulated in detail in 2006 in the Provost's white paper on strategic planning, "Strengths and Aspirations". The objectives were to grow the tenure-track professoriate in order to permit McGill to remain among the world's leading research-intensive and student-centred universities. As we approach our overall target complement, one should expect the numbers of recruitments to gradually decrease to the level of departures.

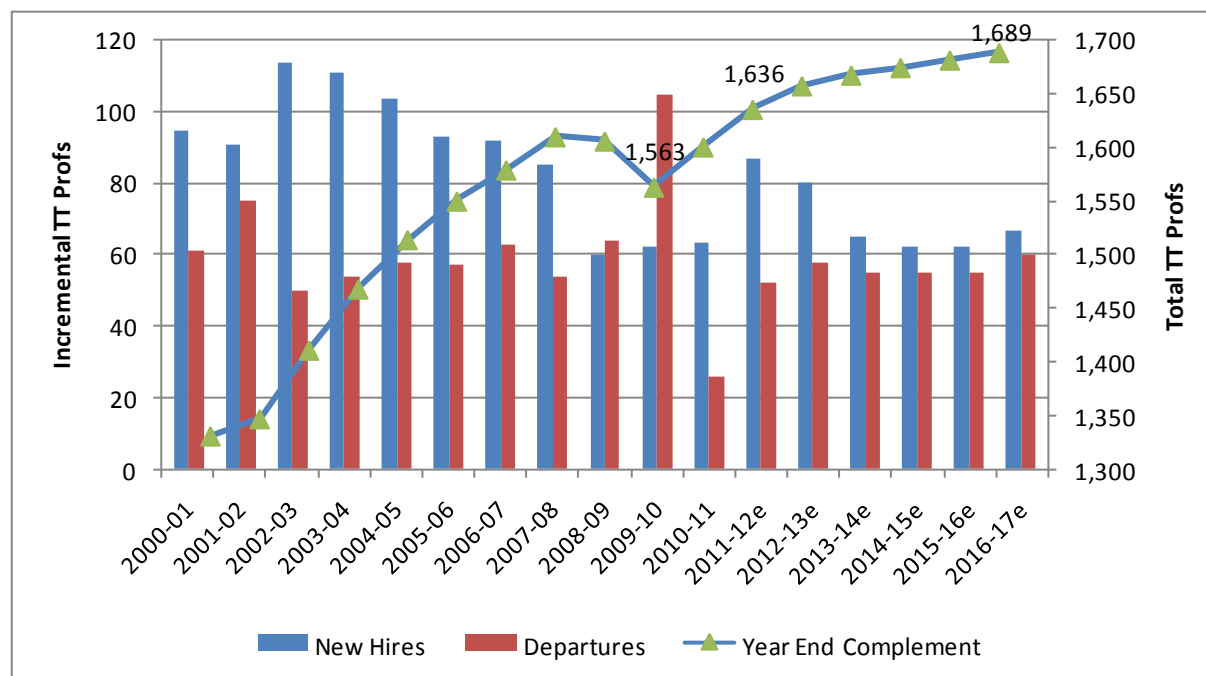
One of the most significant contributions to McGill's academic renewal envelope comes from the Canada Research Chair program which now provides 158 tenure-track professorial positions at McGill, of which 147 are currently filled. While we have been holding relatively constant since FY2006 in this regard, it must be noted that we are down from the original allocation in FY2000 of 165. Note that McGill has chosen to split some of the Tier I CRC awards to provide 2 Tier II's. McGill must continue to improve its research performance in order to protect this level of CRC chairs.

The FY2010 retirement incentive program has altered the shape of our recruitment trajectory. A total 115 tenure track staff participated in the first phase of the program. As academic units were, on average, required to wait 1.33 years to replace these retirees, a significantly higher amount of hiring occurred in FY2012 (as evidenced in [Figure 17](#)). A flattening of the net hiring is projected for 2013-14 and onwards.

The academic renewal envelope (ARE) is the funding source that contributes towards the academic renewal activity found in the Compacts. Typical expenditures covered by the academic renewal envelope include regular salaries of new tenure track recruits, retirement allowances, and contributions towards recruitment costs as well as operating start-up costs

The Provost, in consultation with the Dean of each Faculty, sets a target complement number of tenure-track staff. The target is compared to the actual staff count for each Faculty to determine the number of potentially available licenses for academic recruitment.

8.4.4 Figure 17: Tenure-Track Staff (FY2001 - FY2017)



Note: Year End Complement in [Figure 17](#) includes approximately 36 individuals who are spousal hires or senior administrators in “vacated academic positions” or holding positions in administration and not teaching, that cannot be used for tenure-track hiring. McGill is expected to achieve the target complement by FY2017.

Source: Academic Management Office, Academic Personnel Office and Faculty Affairs and Resource Allocation

Estimated tenure-track academic staff hires and departures are shown in [Table 7](#) below. The Faculty-specific hiring licenses for Tenure-Track professors available for FY2013 and FY2014 can be found in [Appendix 20](#).

8.4.5 Table 7: Tenure-track complement

	2010/11	2011/12	2012/13	2013/14	2014/15
New hires	63.5	87	80	65	62
Departures	27	52	58	55	55
End of year complement	1601	1636	1658	1668	1675

The number of expected annual departures is expected to remain at approximately 55 in FY2014 and beyond.

The net incremental cost of academic renewal is estimated at \$3.4M for FY2013.

Costs include:

- Regular salaries of new tenure track hires, net of departures.
- Operating start-up costs.
- Retirement packages.
- Other costs, including recruitment costs and salary award contributions.

Currently projected costs of the ARE are shown in *Table 8*.

8.4.6 Table 8: Incremental Cost of Academic Renewal (in millions)

	2010/11*	2011/12	2012/13	2013/14	2014/15
Annual	2.5	0.0	2.5	0.1	(0.6)
One Time	1.7	5.1	0.9	5.0	5.2
Total	4.2	5.1	3.4	5.1	4.6

*Note: Fiscal Year 2011 was an 11-month year.

8.5 Ensuring efficient administrative support

8.5.1 Administrative Priorities assumptions

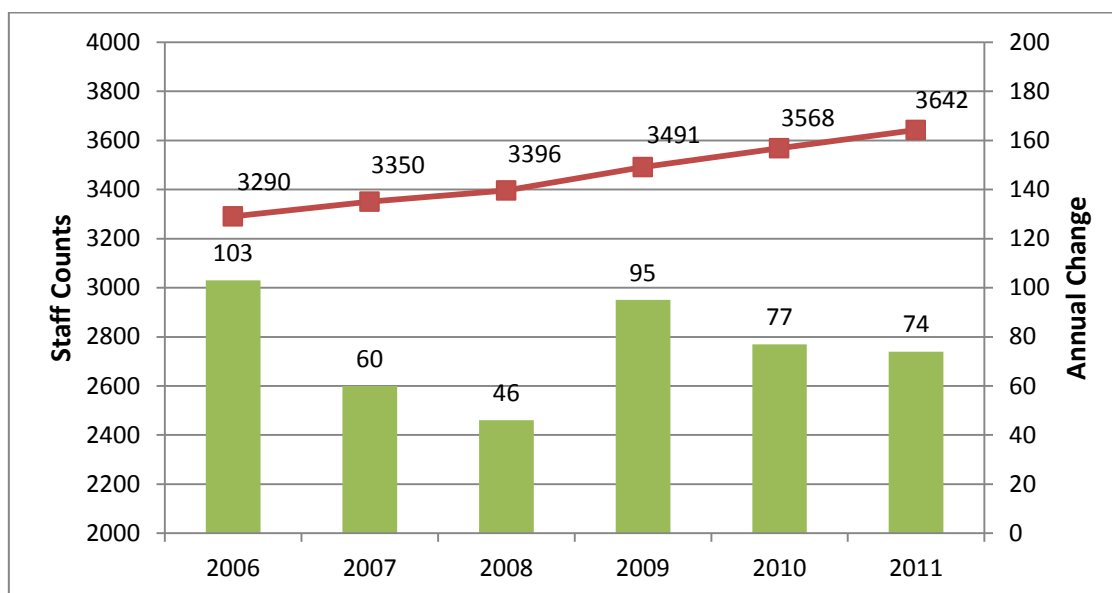
- For FY2013, we have established an initial “priority pool envelope” of approximately \$1.1M, but we anticipate additional expenditures will be necessary as investments to help us realise future savings, so there is an additional contingency available as well.
- Administrative and Support salaries will increase approximately 3.0% beginning 1 June 2012. Based on the length of current contractual obligations and discussions with various employee associations, for purposes of projections into future years we have estimated salary growth for future years, but these are subject to variation.
- In order to establish current needs, during the course of the fiscal year there are planned meetings between Vice Principals and the Provost and VP Administration and Finance. In these meetings, VP’s will make their case for budget requests and discuss their financial goals and objectives for the next fiscal year.

Administrative and support positions, student advisors, and trades and services all play vital roles supporting the mission of the University. In order to reinforce the significant contributions that these

individuals make to the health of the University, we must re-assess the number and skill sets of the current staff positions in order to allow them to develop professionally and to support McGill's top academic priorities.

Our current administrative and support staff includes approximately 3,642 full-time individuals and has grown by almost 11% since 2006 as shown in [Figure 18](#). As we begin to implement fully the "workforce planning initiative", the number of administrative and support staff will decrease, principally by means of attrition. As noted above, in lieu of an across the board budget cut, 50% of the wage bill for eliminated positions will contribute to achieving a balanced budget over the next few years.

8.5.2 Figure 18: Administrative and Support Staff – Full time only as of May 31, 2011



Source: McGill Staffing Report

8.6 Administrative and Support Staff Breakdown within Faculties and Major Units

As can be verified by the above descriptive statistics, there has been a steady growth in administrative and support staff positions across the University over the last 5 years. Total administrative and support staff within the Faculties and Libraries has grown by 5% or 78 individuals from 1,566 in 2006 to 1,644 in 2011. In Administrative Units, the 5year growth in administrative and support staff has been even higher, growing from 1,724 in 2006 to 1,998 in 2011, representing a 15.9% growth. A detailed breakdown of administrative and support staff headcount by unit can be found in [Appendix 17](#) and [Appendix 18](#).

The workforce planning initiative is designed to help McGill right-size the numbers and the skillsets of administrative and support staff required to support the University's mission, first by stopping the growth in the category and eventually in reducing its size.

9. Overall Borrowing and Debt Position

As at January 31, 2012, the University's total borrowings were \$ 859.4M, including long-term debt of \$704.1M and bank indebtedness of \$ 155.3M. Included in the long-term debt is \$150M of McGill Senior Unsecured Debentures issued in 2002. The remaining \$ 554.1M is substantially due from MELS for which University charges MELS interest. Overall long-term debt increased by \$8.3M as compared to year end April 2011, which is all attributable to the Quebec government debt. The projected MELS total debt is expected to be approximately \$575M by April 2013.

The indebtedness of \$155.3M is supported by unsecured and uncommitted lines of credit totalling \$330M available to McGill and are normally drawn through bankers' acceptances for periods of up to one year. McGill's Board of Governors has approved maximum borrowings in Fiscal 2013 totalling \$300M under short-term credit facilities. It is anticipated that this maximum borrowing level will need to be adjusted upwards, as the University will need to borrow funds to address some deferred maintenance projects over the next 5 years (see [Appendix 28](#)).

Our short-term bank borrowing included approximately \$120M temporarily borrowed on behalf of MELS and for capital projects (\$62M) for which current fundraising efforts are on-going (see [Appendix 29](#)). The net remainder is comprised cash generated from working capital items and the financing of the accumulated deficit.

Any carrying costs associated with MELS temporary borrowings are charged back to them at the monthly CDOR rate plus 30 basis points (currently at approximately 1.5%). Other interest rate assumptions are shown below.

9.1 Interest Expense assumptions

- The cost of borrowing is expected to be no less than 2.10% over the course of FY2013 (estimate provided by McGill Treasury) and total interest expenses are forecast to be \$5.9M in FY2012. We have anticipated that this rate will rise modestly to 2.40% in FY2014 for purposes of extrapolation of future budget estimates.

10. Capital (Plant) Fund

The capital fund includes capital grants received primarily for the purposes of adding new buildings or renovating existing space.

It is important to note that MELS has just confirmed the total capital budget for FY2011, so, obviously, the figures for FY2012 or FY2013 are not yet available. However, based on the FY2011 capital budget, we expect that the FY2013 budget will include (1) two renovation/development envelopes of \$15.9M (primarily to fund capital projects related to new academic hires, Faculty major renovation projects, renovation projects for classrooms/teaching labs, and institutional capital priority renovations) and \$27.1M for deferred maintenance (with no requirement for the University to match the funds), (2) \$3.6M for a “correction envelope” for renovations, and (3) \$1.9M for information technology (IT) equipment, and IT development. This latter allocation is \$1.6M lower than FY2009 due to the completion of a special MELS program (called MAO-TIC) for additional equipment for student growth, which was anticipated.

The specific grants would be as follows:

	Budget FY2013
Envelope for developing existing space	\$ 3.1 M
Envelope for renovating existing space	\$ 12.8 M
Deferred Maintenance (current program)	\$ 10.5 M
Deferred Maintenance (new program)	\$ 16.6 M
Corrections envelope for renovations	<u>\$ 3.6 M</u>
Subtotal ('Maintien des actifs')	\$ 46.7 M
IT Development	<u>\$ 1.9 M</u>
TOTAL	\$ 48.6 M

In addition to these funds, in its recent March 2013 budget announcement, Quebec indicated that the University has been granted \$35M for the renovation of Wilson Hall. For purposes of this budget book, we expect that this allocation will be included in the MELS FY2012 capital plan. Work on the \$81M federal “Knowledge Infrastructure Program” (KIP) for three projects related to the infrastructure upgrades in the McIntyre Medical, Macdonald Engineering, and Otto Maass Chemistry Buildings was completed in 2011.

As was the case last year, in order to build our multi-year capital budget projections, we have assumed that this funding level from MELS will continue for the next five years, and that the envelopes for **deferred maintenance** will continue for a 15-year period (beginning in 2007), as indicated in Quebec’s own budget. The timing of the announcement of the MELS FY2012 is not known. The Corrections envelop for renovations of \$3.6 M is a program meant to address funding shortfalls in the past. At present, it is not known how long this additional funding will be available. We have built these MELS allocations into the budget for FY2013 and into preliminary planning for subsequent fiscal years.

In 2007, our deferred maintenance deficit, in academic buildings, was estimated at \$647M in work that was identified in our deferred maintenance inventory, as estimated in a Province-wide exercise led by CREPUQ in 2007. In 2009, a similar study for our non-academic and self-financing buildings (including residences, parking structures, etc. identified an additional \$185 of deferred maintenance work required.

From 2007-2011, McGill has invested \$259.1M in capital renewal and deferred maintenance (called Lot 1); however, it should also be noted that our annual deferred maintenance backlog continues to accumulate due to the shortfall between the capital grant and the amount that should be invested each year in renovations.

Recent experience in executing these deferred maintenance projects has made it clear that not only was the original deferred maintenance deficit far greater than the 2007 estimate of \$647M, but also new and previously unidentified problems are arising at an unprecedented pace, further adding to that deficit. As a result, we estimate that despite the inroads made from 2007 to 2011, the University's current 2012 deferred maintenance deficit is well in excess of the \$647M figure estimated in 2007.

The accelerated program of deferred maintenance work that began in 2007 has been financed based on MELS deferred maintenance funding programs. To-date, it has not been necessary to borrow against future years of funding in support of this work. However, given the extremely large volume of high-priority deferred maintenance projects that cannot be delayed any longer, it is anticipated that over the coming years it may become necessary for McGill to borrow against future capital funding.

In 2011, remaining deferred maintenance projects were prioritized based on three key considerations: health and safety, technical urgency with respect to maintaining functionality of infrastructure, and impact on and support of academic priorities. As a result, the following program (revised as of February 2012) has been identified:

2011-2014	Lot 2	\$350M
2014-2017	Lot 3	\$283M
TOTAL		\$633M

The University is currently reviewing the funding options for this urgent work.

Excluded from the above total are supplemental specific capital grants as follows:

- new construction/initiatives,
- capital grants received from CFI, and Quebec's matching contribution, donations,
- capital research grants from the Quebec research agency FQRNT

For new construction and capital initiatives, McGill submitted the following projects for FY2011 as part of the annual MELS *Plan Quinquennal d'investissements* submission, in order of priority:

- Relocation of Dental Clinic from MGH

- Lyman Duff Major Renovation
- RVH Planning Exercise (\$4.5M)
- Projects for Universal Access
- Data Centre and IT Infrastructure
- Wilson Hall Major Renovation*
- Growth of Desautels Faculty of Management
- Construction of Bio-Engineering Building

*NOTE: \$35M was allocated to the Wilson Hall project in the FY2013 Quebec budget

It is anticipated that the University will initiate significant discussion with MELS to review these projects. Indications are that MELS' funds will continue to be extremely limited for new capital initiatives for the next few years, although the announcement of the grant for Wilson Hall of \$35M is a positive step forward.

CFI funds are allocated via the CFI funding program on a project-by-project basis.

In FY2010, the University successfully lobbied MELS to increase the University's subsidized space allocations to include the Montreal Neurological Institute (MNI). In FY2011, this lobbying continued, to further include various recent building acquisitions; e.g., the Durocher Street Building and Martlett House. As just announced in the PQI 2011, this later lobbying has also been successful. For the capital budget, this has resulted in the University maintaining its share of the budget. We understand that now MELS will recalculate the operating grants for the Terrains et Bâtiments and Frais Indirect de Recherche envelopes to include this space for FY2011 and for subsequent years.

For FY2013, the University anticipates allocating \$48.6M in capital monies, including for Deferred Maintenance (DM) projects, as follows:

Institutional Priorities	\$	4.5 M
Faculty Compact Allocations	\$	4.3 M
Admin and Support Staff Capital Base Allocations	\$	0.9 M
Campus Facility Maintenance	\$	3.0 M
IT Projects	\$	1.9 M
Innovative teaching space renovations	\$	2.0 M
Deferred Maintenance to address the backlog	\$	25.9 M
Capital Repayment of Deferred Maintenance Loans	\$	5.1 M
Contingencies	\$	<u>1.0 M</u>
TOTAL for FY2013	\$	48.6 M

Within the Faculty Compact Allocations, an allocation is calculated for capital start-ups for new recruits, which contributes to the development of research labs and renovations. These allocations are calculated and adjusted based on expected academic renewal.

10.1 Teaching Space Renovations

Table 9 below show the total number of classrooms renovated since 2005. After the projects budgeted in FY2013 are completed, the majority of all renovations will have been completed in the two most recent years.

10.1.1 Table 9: Teaching Space Renovations

<u>Renovation Type</u>	<u>Number of Classrooms</u>		
	FY2005- FY2011	FY2012	FY2013b
Major Renovations (\$100k+)	12	2	2
Minor Renovations	33	50	2
IT	184	164	81
Total Classrooms Renovated	229	216	85

11. Restricted Fund

The Restricted Fund is composed primarily of research grants and contracts, but includes as well other revenues whose purposes are tightly controlled and received in the form of grants, donations or other allocations that must be spent in accordance with the terms of the grant or wishes of the donors.

In addition to the operating expenses for running and equipping modern laboratories and/or for research infrastructures and services, an important part of research grants is used to support the education and training of graduate students and post-doctoral fellows. In 2002, the federal government recognized that research activity also resulted in an increased level of indirect costs that required funding. These costs are incurred for common resources and activities that cannot be attributed to a specific project or activity, and it is difficult to assess precisely which users should pay what share.

In FY2004, the federal government formally created an “Indirect Cost of Research” grant program based on recognized sponsored research grants to our professors intended to cover some of these costs. These annual indirect costs of research grants are recorded as part of operating revenues in order to offset the “indirect costs” borne by operations. Unfortunately, this level of funding indirect

costs (currently below 20%) falls short of the real indirect costs of conducting research on campuses such as McGill's, which approximate 40 to 60%. In the past few years, we have allocated 25% of these revenues (net of amounts owed to the teaching hospitals) directly to the Faculties in proportion to their tri-council research grant performance. The remainder of the grant is used for institutional expenses such as utilities, building operations, library investments, the optical backbone IT network, and other truly "indirect" costs relative to conducting research.

12. Endowment Fund

The market value of McGill's endowment has been subject to considerable fluctuations, reflecting continued uncertainty in financial markets: increased by 13.5% for FY2011 to \$954M, up from \$840M for FY2010, then decreased to \$933M as of 31 January 2012 (or 9 months into Fiscal 2012).

Management fees contributed by the operating fund continue to be approximately 50 basis points (bpts). An additional 40 bpts are paid for associated external charges and for costs associated with the Office of Investment Management.

The McGill Investment Pool ("MIP") consists of investments for the McGill endowments and accounts managed on behalf of McGill units and affiliated entities.

In FY2012 an income distribution rate of 4.25% was established, consistent with the rate of the previous year. The Board of Governors approved the income distribution rate at 4.25% for FY2013. Although the rate will remain the same in FY2013, the actual income distribution expressed in dollars will be 4.4% less per unit (\$12.75 in FY2013 versus \$13.33 in FY2012) because of the three-year moving average of market values on which the income distribution rate is based. While the academic renewal envelope that provides the funding for all tenure-track professors will cover the shortfall in endowed chair salaries for tenure track professors, there are a number of endowment-supported activities in the Faculties and Administrative Units that will have fewer dollars for distribution in FY2013.

12.1.1 Endowment Fund Growth

The following table (*Table 10*) reflects the actual growth in the Endowment due to continued gifts and also outlines particular investment returns for the year.

Overall, the fund gained 13.5% in value, as compared to a gain of 10.1% in the prior year. Although new gifts provided a 4.0% increase (2010: 5.1%), the combination of realized gains on sale of investments and change in the unrealized value associated with the investments contributed to an increase in fund value of 13.8% (2010: 8.8% net increase). The annual income distribution/payment, including other transfers contributed to an additional 4.3% reduction (2010: 3.8% net reduction).

12.1.2 Table 10: Change in McGill Endowment Fund market value for the year ended April 30, 2011

	April 30, 2011 (11 mths)		May 31, 2010 (12 mths)	
	(\$ in millions)		(\$ in millions)	
Opening Book Value	831.0		753.3	
Unrealized Market Value	9.2		10.1	
Opening Market Value	840.2		763.4	
New Gifts Received	33.9	4.0%	38.7	5.1%
Net Income Realized	28.8	3.4%	67.8	8.9%
Net Income Distributed (Net of capitalizations)	(31.9)	(3.8%)	(33.1)	(4.3%)
Transfers to (from) Other Funds	(4.2)	(0.5%)	4.3	0.5%
Realized Increase in Assets	26.6	3.1%	77.7	10.2%
Change in Unrealized Market Values	87.1	10.4%	(0.9)	(0.1%)
Total Increase in Fund Value	113.7	13.5%	76.8	10.1%
Closing Book Value	857.6	89.9%	831.0	98.9%
Unrealized Market Value	96.3	10.1%	9.2	1.1%
Closing Market Value	953.9		840.2	

Source: 2010-11 Financial Statement Analysis

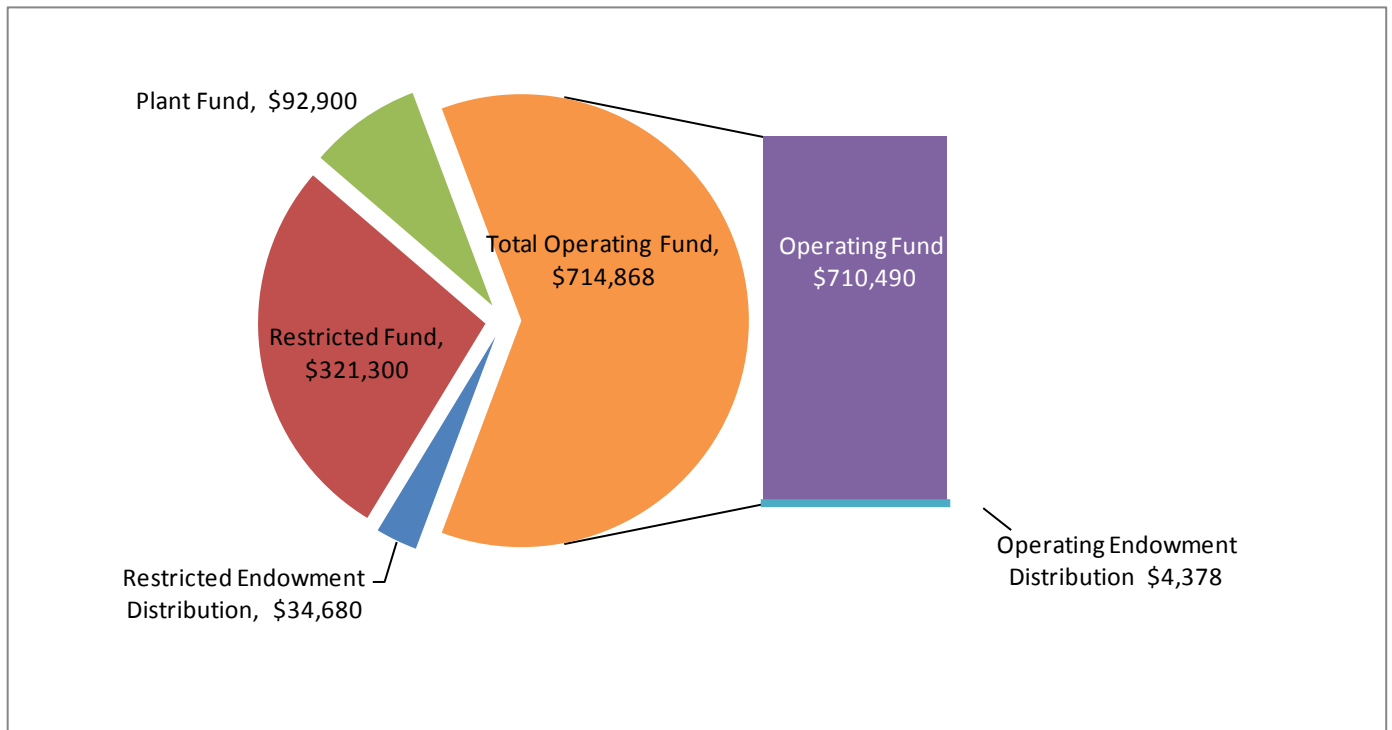
13. Conclusion

For FY2013, the total four-fund revenue budget of the University is forecast to be \$1,163.7M ([Figure 19](#)). This revenue will support overall four-fund GAAP expenses which are expected to be \$1,134.7M ([Figure 20](#)).

The budget proposed for FY2013 as the start of the next 5-year planning cycle has been designed to leverage the savings generated by the SRI and the incremental revenue expected from tuition increases in order to continue investing in the University's top priorities.

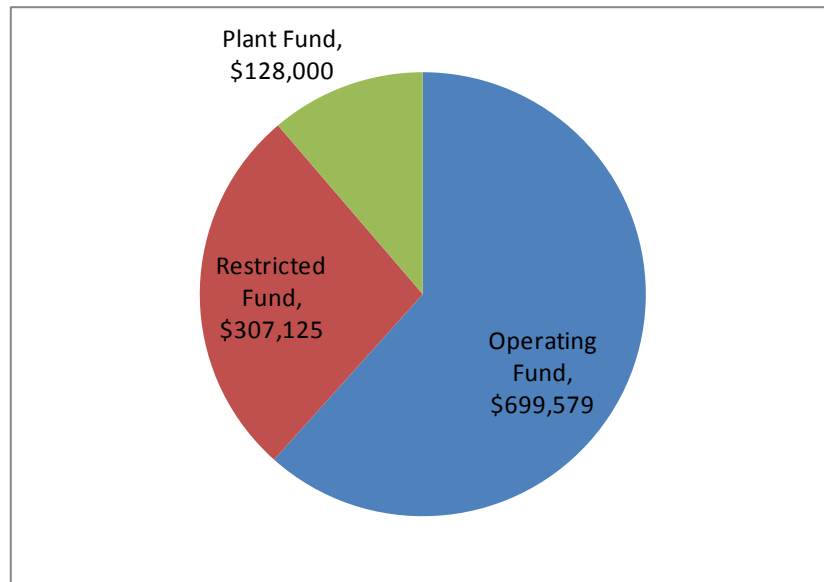
The annual surplus in FY2013 on a GAAP and total funds basis, is expected to be approximately \$29.0M. We will continue to show progress in each of four strategic investment areas: people (students and staff), research, teaching, and space.

13.1.1 Figure 19: GAAP Total Budget Revenue - FY2013 (thousands)
\$1,163,748



Note: Revenues earned from Endowment investments are recorded in the Operating and Restricted funds under GAAP.

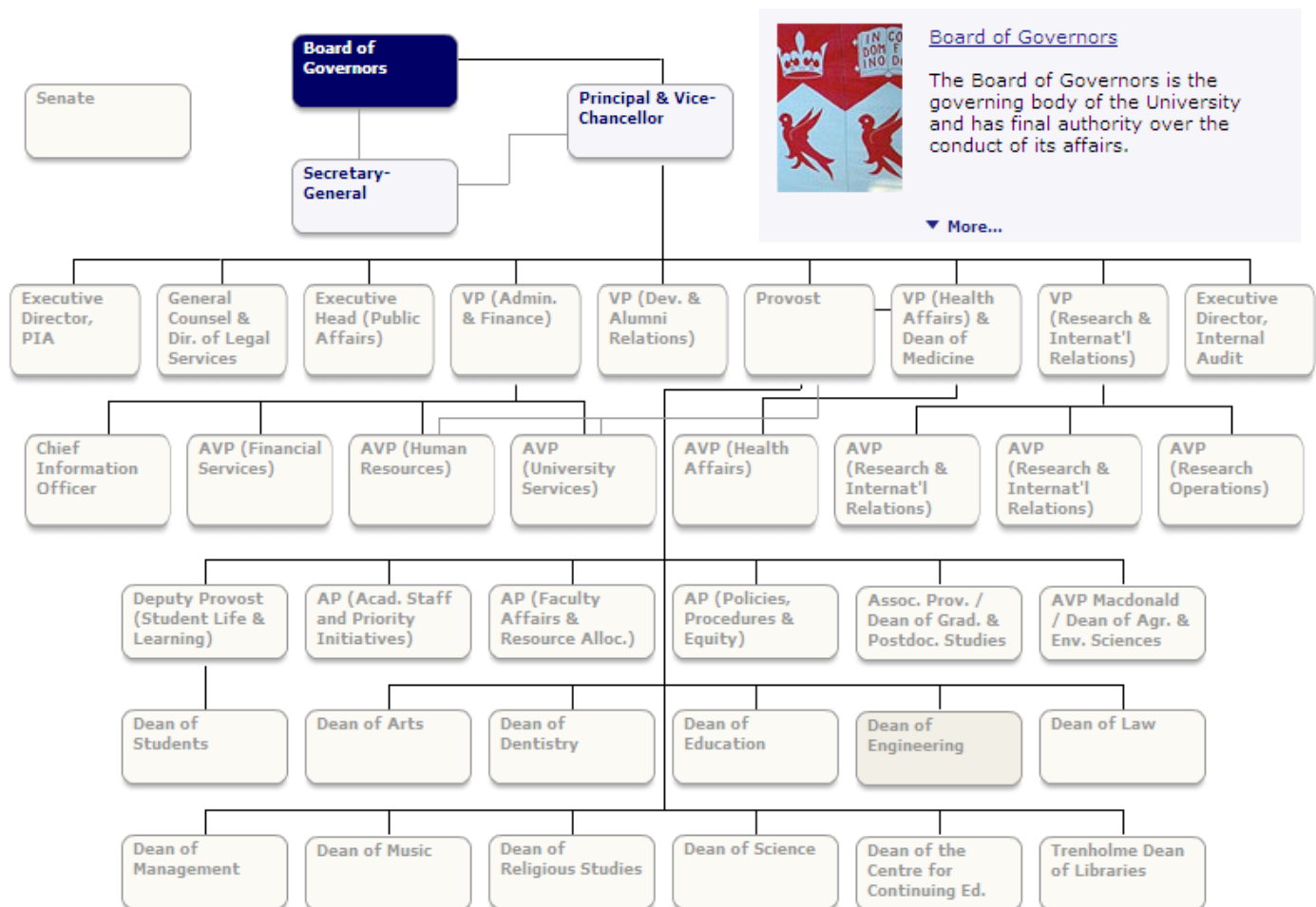
**13.1.2 Figure 20: GAAP Total Budget Expenses - FY2013 (thousands)
\$1,134,704**



Note: Endowment Fund expenses are allocated to the Operating and Restricted funds under GAAP. They are recorded as a reduction of Net Assets.

[Appendix 25](#) provides a detailed breakout for each of the four funds in terms of forecast revenue sources and expenditures for FY2012 and the budgeted revenues and expenditures for FY2013 under GAAP.

14. Appendix 1: Organizational Chart for McGill University



Board of Governors

The Board of Governors is the governing body of the University and has final authority over the conduct of its affairs.

▼ More...

15. Appendix 2: Distribution of Operating Budget Allocation in FY2012

McGill's Distribution of Operating Budget Allocation

\$ in 000s

Faculty Allocation Type	Total	Quality of Teaching & Student Services	Quality of Research	Competitive Positioning of Universities	Improved Admin & Management
Academic Renewal	723	723			
Allocation Acad Retirement	3,642	3,642			
Allocation admin/support	591				591
Allocation Indirect Cost	5,335		5,335		
Allocation McGill/Dawson	3,776		3,776		
Allocation Research	297		297		
Allocation Start Ups	408		408		
Allocation TA	257	257			
Allocation Teaching Other	8,199	8,199			
Other	3,992	3,992			
Priority Pool Allocation	2,404	2,404			
Salary Policy - non teaching	717				717
Salary Policy - teaching	2,805			2,805	
Tenure Track salaries	1,637	1,637			
Total	34,783	20,853	9,817	2,805	1,308

Admin Unit Allocation Type	Total	Quality of Teaching & Student Services	Quality of Research	Competitive Positioning of Universities	Improved Admin & Management
Allocation Research	8		8		
Other	14,657	5,541	3,548	1,303	4,265
Priority Pool Allocation	1,145	1,145			
Salary Policy - non teaching	3,759			3,759	
Salary Policy - teaching	7			7	
Technological infrastructure	0				
Total	19,576	6,686	3,556	5,070	4,265

Total for University	54,359	27,539	13,372	7,875	5,573
----------------------	---------------	---------------	---------------	--------------	--------------

McGill Allocation Share of Total	51%	25%	14%	10%
---	------------	------------	------------	------------

MELS Target Range	50-60%	15-25%	10-20%	5-15%
--------------------------	---------------	---------------	---------------	--------------

16. Appendix 3: Incremental Operating Budget Allocations for Faculties FY2012

McGill University
Incremental Budget Allocations for Faculties and Admin Units in (\$000)
For the period May 1, 2011 to March 27, 2012
in 000's

Parameter Key	
QTS =	Quality of Teaching & Student Services
QR =	Quality of Research
CP =	Competitive Positioning of Universities in Canada and Abroad
A&M =	Improved Administration & Management

	Agriculture & Environmental Science	Arts	Continuing Studies	Dentistry	Education	Engineering	Law	Libraries	Management	Medicine	MSE	Music	Religious Studies	Science	Total	Parameter
Academic Renewal	16	(240)	0	123	(107)	159	(15)	0	(109)	1,095	(30)	(1)	(3)	(166)	723	QTS
Allocation Acad Retirement	161	450	0	0	90	592	215	0	0	1,270	0	289	187	387	3,642	QTS
Allocation admin/support	50	0	169	0	0	0	50	0	0	63	0	54	13	193	591	A&M
Allocation Indirect Cost	331	228	0	113	85	660	59	0	60	2,624	0	45	10	1,119	5,335	QR
Allocation McGill/Dawson	226	518	0	50	103	499	117	0	75	1,454	0	107	1	627	3,776	QR
Allocation Research	0	0	0	0	0	25	0	0	19	80	0	127	0	47	297	QR
Allocation Start Ups	0	152	0	0	0	216	0	0	32	0	0	0	8	0	408	QR
Allocation TA	13	74	0	0	10	35	0	0	2	12	2	8	4	97	257	QTS
Allocation Teaching Other	82	558	936	21	284	862	128	0	4,441	383	12	107	40	345	8,199	QTS
Other	73	123	30	6	(1)	79	25	680	17	2,542	0	256	27	135	3,992	QTS
Priority Pool Allocation	170	50	210	165	0	280	204	0	100	250	0	0	0	975	2,404	QTS
Salary Policy - non teaching	29	91	30	16	36	59	21	48	44	188	2	37	7	108	717	A&M
Salary Policy - teaching	146	451	16	54	123	246	72	97	152	887	12	100	18	429	2,805	CP
Tenure Track salaries	(79)	381	0	93	(136)	(304)	(19)	0	196	1,044	75	53	(67)	399	1,637	QTS
Total	1,219	2,836	1,392	641	487	3,409	857	825	5,028	11,894	74	1,182	246	4,695	34,783	

Notes:

Indirect Cost allocation for Medicine include pass-through to MNI (approx \$1M)

Allocation Teaching Other to Management comprised primarily of MBA tuition (\$3.6M)

Salary policy teaching lower than what it would have been due to 6 month salary delay to academics in FY12

Other category for Medicine includes \$2M allocation for MNI's FY2011 deficit

Excludes fund code 3: Control, benefit, central allocation and external/student revenue funds.

Includes allocations made during annual Budget Development Exercise. Does not include budget cuts.

17. Appendix 4: Incremental Operating Budget Allocations for Admin Units FY2012

McGill University
Incremental Budget Allocations to Administrative Units
For the period May 1, 2011 to March 27, 2012
in 000's

Parameter Key	
QTS =	Quality of Teaching & Student Services
QR =	Quality of Research
CP =	Competitive Positioning of Universities in Canada and Abroad
A&M =	Improved Administration & Management

	Assoc. Provost (Graduate Education)	Assoc. VP (Human Resources)	Assoc. VP (Macdonald Campus)	Assoc. VP (University Services)	Asst. VP (Financial Services)	Deputy Provost (Student Life & Learning)	Information Technology Services	Institutional Services	Planning and Institutional Analysis	Principal and Vice Chancellor	Provost	Public Affairs	Vice-Principal (Development and Alumni Relations)	Vice-Principal (Research & International Relations)	Vice-Principal (Administration & Finance)	Total	Category
Allocation Research	0	0	0	0	0	0	0	0	0	0	8	0	0	0	0	8	QR
Other	2,276	117	10	198	172	1,799	1,466	1,350	1,303	745	1,144	96	410	3,548	24	14,657	Mix
Priority Pool Allocation	55	0	0	2	0	215	500	123	0	0	50	200	0	0	0	1,145	QTS
Salary Policy - non teaching	35	134	20	2,189	142	169	550	81	25	33	55	59	124	103	42	3,759	CP
Salary Policy - teaching	0	0	0	0	0	6	0	0	0	0	0	0	0	1	0	7	CP
Technological infrastructure	0	0	0	0	0	571	(571)	0	0	0	0	0	0	0	0	0	
Total	2,365	252	30	2,388	314	2,760	1,945	1,554	1,328	778	1,257	355	534	3,651	66	19,576	

Notes

Other line for PIA - related to SRI implementation costs

Other line for Grad Educ, Dep Provost SL&L and IT (\$1,466) - all related to student services or aid to students

Other line for Institutional Services includes \$1M for the VP A&F's contingency

University Services Salary Policy - non teaching includes \$1.3M of retroactive 1 time payment

Excludes fund code 3: Control, benefit, central allocation and external/student revenue funds.

Includes allocations made during annual Budget Development Exercise. Does not include budget cuts.

18. Appendix 5: Unit Level Unrestricted Financials FY2009 – Faculties and Libraries

McGill University
Unrestricted Fund - Faculties & Libraries - Without GAAP adjustments
For the year ended May 31, 2009
Summary (In '000s)

	Agriculture & Environmental Science	Arts	Continuing Studies	Dentistry	Education	Engineering	Law	Management	Medicine	Music	Religious Studies	Science	Libraries	MSE	Total
Revenue															
Quebec	0	0	0	0	20	0	0	0	0	0	0	0	0	0	20
Tuition & Fees	101	566	4,305	713	9	677	0	265	206	873	0	573	305	0	8,593
Sales of Goods & Services	2,149	409	1,104	2,164	539	1,406	173	4,847	6,493	1,809	98	1,196	298	2	22,686
Gifts and Bequests	17	465	0	18	18	347	89	286	136	39	40	399	87	15	1,955
Short Term Interest	0	0	4	0	0	2	1	0	1	0	0	26	0	0	34
Investment Income	4	0	0	19	0	0	7	4	17	0	0	1	430	0	483
Canada	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Total	2,271	1,440	5,413	2,914	586	2,432	272	5,402	6,853	2,721	138	2,195	1,120	16	33,773
Expenses															
Salary Expenses															
Academic	9,567	30,305	5,454	3,313	9,913	14,949	4,866	12,155	53,156	8,768	1,622	24,976	5,105	837	184,988
Administrative and support	3,087	6,112	2,169	1,300	2,470	5,807	1,535	4,340	15,601	2,851	412	7,287	7,294	132	60,396
Student	591	2,619	1	61	437	1,325	158	680	737	294	139	4,269	11	54	11,374
Student Aid	45	481	0	5	16	134	3	35	102	12	16	281	0	3	1,133
Benefits	2,289	6,534	1,287	716	2,286	3,617	1,098	2,569	12,097	1,968	348	5,799	2,602	177	43,385
Total Salaries	15,578	46,051	8,911	5,395	15,122	25,832	7,661	19,779	81,692	13,893	2,536	42,611	15,012	1,203	301,276
Non-Salary Expenses															
Materials, Supplies and Publications	478	229	74	281	93	433	36	234	727	72	3	647	13,073	1	16,381
Transfers to Partner Institutions	0	23	0	60	0	0	0	0	960	0	0	31	0	0	1,075
Contract Services	171	594	97	251	118	394	189	379	923	316	15	148	661	10	4,266
Professional Fees	22	142	842	4	113	122	66	1,910	1,255	187	6	120	111	26	4,927
Travel	500	676	201	93	202	378	161	787	910	213	30	1,306	100	11	5,568
Cost of Goods & Services Rendered	15	0	0	445	0	0	0	0	0	0	0	13	0	0	472
Building & Occupancy Costs	232	616	297	169	90	390	49	59	579	271	8	869	819	17	4,467
Tuition Expense	14	220	4	7	1	5	0	121	42	13	0	35	0	0	463
Energy	9	0	0	0	0	0	0	0	30	0	0	62	0	0	102
Other Non-Salary Expenses	858	1,801	1,325	222	348	1,025	302	1,628	2,374	659	74	1,310	855	58	12,838
Capital Purchases	194	532	81	124	131	788	57	156	992	377	10	1,212	3,102	16	7,771
Interest & Bank Charges	0	2	57	22	2	10	0	14	111	16	0	0	6	0	242
Total Non-Salary	2,494	4,837	2,979	1,678	1,099	3,545	860	5,288	8,903	2,124	145	5,753	18,727	139	58,571
Total Expenses	18,073	50,888	11,890	7,073	16,221	29,376	8,521	25,067	90,595	16,017	2,680	48,365	33,739	1,342	359,847
(Deficiency) Excess of Revenues Over Expenses, Before the Undernoted															
Net capz & decapz of investment income	(15,802)	(49,448)	(6,477)	(4,159)	(15,634)	(26,945)	(8,249)	(19,665)	(83,742)	(13,296)	(2,542)	(46,169)	(32,619)	(1,326)	(326,074)
Interfund Transfers	436	853	(149)	(16)	47	964	22	1,539	418	5	11	(576)	(239)	2	3,316
Total Change in Net Assets	(15,366)	(48,595)	(6,625)	(4,207)	(15,587)	(25,981)	(8,234)	(18,126)	(83,335)	(13,291)	(2,532)	(46,747)	(32,871)	(1,324)	(322,819)

19. Appendix 6: Unit Level Restricted Financials FY2009 – Faculties and Libraries

McGill University
Research & Restricted Funds - Without GAAP adjustments
For the year ended May 31, 2009
Summary (In '000s)

Revenues	Agriculture	Arts	Cont Ed	Dentistry	Education	Engineering	GPS	Law	Management	Medicine	Music	Religious Studies	Science	McGill School of Environment	Libraries	Total
Grant - Government Sponsors																
Canada	10,751	10,831	32	2,213	2,645	14,679	11,333	558	1,978	64,725	554	111	24,205	74	0	144,689
Quebec	2,469	4,401	0	273	780	4,815	55	768	530	18,748	2,955	9	8,476	0	0	44,279
United States	51	0	0	286	144	473	0	0	28	4,771	0	0	1,437	0	0	7,190
Other Grant Sponsors	2,599	4,380	0	913	1,363	6,658	44	445	849	24,130	3,065	19	11,065	0	0	55,530
Contracts	431	0	0	659	100	5,989	0	0	5	9,625	777	0	3,710	0	0	21,296
Tuition & Fees	15	0	0	0	1	0	0	1	0	0	0	0	0	1	0	18
Sales of Goods & Services	264	220	0	738	53	110	172	271	165	4,544	23	1	191	0	22	6,774
Gifts and Bequests	512	3,114	21	591	118	1,945	105	973	1,813	10,525	788	13	975	10	1,292	22,795
Investment & Interest Income	1,000	3,966	17	723	350	3,671	2,285	1,638	1,653	14,737	1,152	103	2,967	4	1,569	35,835
Total Revenue:	18,092	26,912	70	6,396	5,554	38,340	13,994	4,654	7,021	151,805	9,314	256	53,026	89	2,883	338,406
Expenses																
Salary																
Academic	3,553	4,335	0	1,641	1,369	4,188	50	911	1,175	35,257	334	30	8,153	0	123	61,119
Administrative and support	734	807	0	523	406	1,360	1	171	294	15,499	272	0	1,252	0	76	21,395
Student	2,893	2,793	0	1,005	1,252	8,399	562	676	627	21,424	552	52	11,232	25	0	51,492
Benefits	905	1,120	0	411	374	1,142	0	267	282	10,449	128	10	2,015	1	29	17,133
Student Aid	522	1,209	5	67	251	1,811	13,289	657	95	1,315	1,066	55	1,142	13	0	21,497
Total Salary:	8,607	10,264	5	3,647	3,652	16,900	13,902	2,682	2,473	83,944	2,352	147	23,794	39	228	172,636
Non-Salary																
Materials, Supplies and Publications	1,880	349	0	545	117	1,706	3	67	121	17,281	23	10	2,538	1	2,083	26,724
Contributions to Partner Institutions	892	3,629	0	230	200	1,456	0	38	419	17,024	10	1	4,744	0	0	28,643
Contract Services	238	650	0	34	40	690	0	106	182	10,351	8	1	423	1	202	12,926
Professional Fees	160	1,200	0	71	74	87	0	277	702	3,185	190	0	293	15	2	6,256
Travel	1,259	2,758	7	152	438	1,653	3	378	817	4,142	295	60	3,452	4	10	15,428
Building & Occupancy Costs	1,538	847	1	524	104	649	0	25	366	8,741	13	0	466	1	156	13,431
Tuition	6	248	0	123	0	0	0	0	213	136	0	0	161	0	0	887
Energy	7	2	0	2	2	13	0	0	0	765	6	0	41	0	0	838
Other Non-Salary Expenses	1,359	1,787	29	377	234	1,277	-21	297	672	8,522	116	6	2,464	7	56	17,182
Capital Purchases	1,098	842	21	474	625	12,651	0	83	272	24,314	1,347	16	5,853	0	298	47,894
Interest & Bank Charges	0	1	0	3	0	0	0	1	0	1	0	0	2	0	0	8
Total Non-Salary:	8,437	12,313	58	2,535	1,834	20,182	-15	1,272	3,764	94,462	2,008	94	20,437	29	2,807	170,217
Total Expense:	17,044	22,577	63	6,182	5,486	37,082	13,887	3,954	6,237	178,406	4,360	241	44,231	68	3,035	342,853
(Deficiency) Excess of Revenues Over Expenses, Before the Undernoted	1,048	4,335	7	214	68	1,258	107	700	784	-26,601	4,954	15	8,795	21	-152	(4,447)
Interfund Transfer	(2,716)	(374)	(3)	(611)	125	(1,032)	(1)	(332)	(1,811)	(1,631)	(6)	(25)	429	1	421	(7,566)
Total Change in Net Assets:	(1,668)	3,961	4	(397)	193	226	106	368	(1,027)	(28,232)	4,948	(10)	9,224	22	269	(12,013)

20. Appendix 7: Unit Level Unrestricted Financials FY2009 – Administrative Units

McGill University
Unrestricted Fund - Administrative Units - Without GAAP adjustments
For the year ended May 31, 2009
Summary (In '000s)

	Principal and Vice Chancellor	Institutional Services	Provost	Planning and Institutional Analysis	Assoc. VP (Macdonald Campus)	Deputy Provost (Student Life & Learning)	Assoc. Provost (Graduate Education)	Vice-Principal (Administration & Finance)	Information Technology Services	Assoc. VP (University Services)	Assoc. VP (Human Resources)	Asst. VP (Financial Services)	Vice-Principal (Research & International Relations)	Vice-Principal (Development and Alumni Relations)	Public Affairs	Total
Revenue																
Canada	0	25,315	0	0	0	0	0	0	0	0	0	0	0	0	0	25,315
Quebec	0	295,327	0	0	0	2,216	0	390	0	0	0	0	0	0	0	297,933
Tuition & Fees	0	148,915	0	0	0	12,219	0	0	70	0	0	0	0	0	0	161,204
Sales of Goods & Services	0	3,722	2	144	691	36,992	0	301	2,011	21,392	193	830	1,118	1,302	16	68,713
Gifts and Bequests	0	(94)	2,797	0	0	200	0	25	0	0	0	0	0	51	0	2,980
Short Term Interest	0	3,910	0	0	0	0	0	0	0	0	0	0	0	0	0	3,910
Investment Income	0	8,417	129	0	0	259	51	5	0	0	0	0	0	0	0	8,860
Total	0	485,512	2,928	144	691	51,886	51	721	2,081	21,392	193	830	1,118	1,353	16	568,915
Expenses																
Salary Expenses																
Academic	20	50	32	0	0	2,732	24	0	0	0	(57)	0	2,440	1	0	5,242
Administrative and support	571	3,903	1,401	1,160	821	22,241	1,771	1,665	19,183	24,610	5,862	6,520	3,053	9,177	1,788	103,726
Student	0	0	0	0	3	150	26	0	0	18	6	0	0	0	0	203
Student Aid	0	0	0	0	0	1,774	10,085	0	0	0	0	0	20	0	0	11,879
Benefits	96	5,048	242	210	162	5,289	344	283	3,459	4,988	(22)	1,166	871	1,567	309	24,011
Total Salaries	687	9,001	1,674	1,370	987	32,185	12,250	1,948	22,642	29,616	5,789	7,686	6,385	10,745	2,097	145,061
Non-Salary Expenses																
Materials, Supplies and Publications	7	129	16	2	63	3,492	61	7	56	4,030	22	37	28	248	71	8,269
Transfers to Partner Institutions	0	0	0	0	0	0	0	0	0	0	0	0	167	0	0	167
Contract Services	32	976	21	18	554	2,387	4	38	(1,191)	16,962	180	114	90	1,030	139	21,353
Professional Fees	33	1,762	31	29	1	245	2	75	159	90	721	10	754	9	11	3,929
Travel	58	244	138	21	35	1,142	41	13	271	(115)	52	14	213	699	19	2,844
Cost of Goods & Services Rendered	0	0	0	0	0	128	0	0	0	15,197	0	0	0	0	0	15,325
Building & Occupancy Costs	7	410	12	2	528	8,057	9	2,253	4,988	(3,499)	96	26	33	211	8	13,140
Tuition Expense	0	0	0	0	0	89	0	0	0	0	0	477	0	0	0	565
Energy	0	0	0	0	69	3,810	0	2	0	16,271	0	0	0	0	0	20,150
Other Non-Salary Expenses	114	7,896	674	35	85	4,692	167	474	(2,379)	(1,955)	451	318	513	3,854	359	15,296
Capital Purchases	14	174	21	3	27	1,909	17	13	2,580	(5,219)	66	27	43	76	12	(237)
Interest & Bank Charges	0	5,051	44	0	1	3,433	0	0	4	586	0	0	0	20	0	9,139
Total Non-Salary	264	16,641	957	109	1,361	29,383	299	2,875	4,489	42,347	1,587	1,023	1,841	6,145	618	109,940
Total Expenses	951	25,642	2,631	1,479	2,348	61,568	12,549	4,823	27,132	71,963	7,376	8,709	8,225	16,890	2,714	255,001
(Deficiency) Excess of Revenues																
Over Expenses, Before the	(951)	459,869	297	(1,335)	(1,656)	(9,682)	(12,498)	(4,103)	(25,051)	(50,571)	(7,183)	(7,879)	(7,107)	(15,537)	(2,699)	313,914
Net capz & decapz of investment income	0	831	(129)	0	0	(32)	(51)	(5)	0	0	0	0	0	0	0	614
Interfund Transfers	(9)	(3,479)	(114)	12	37	(113)	454	(92)	(5)	(597)	0	25	(2,866)	19	5	(6,724)
Total Change in Net Assets	(959)	457,221	54	(1,323)	(1,620)	(9,827)	(12,095)	(4,200)	(25,056)	(51,168)	(7,183)	(7,854)	(9,974)	(15,518)	(2,694)	307,805

21. Appendix 8: Unit Level Restricted Financials FY2009 – Admin Units

McGill University
Research & Restricted Funds - Without GAAP adjustments
For the year ended May 31, 2009
Summary (In '000s)

	VP Research & International Relations	Sponsored Research	VP Admin & Finance	Central Administration	VP Development & Alumni Relations	Secretariat	Provost	Deputy Provost SLL	HR	Total
Revenues										
Grant - Government Sponsors										
Canada	357	556	(2,742)	0	0	0	0	0	0	(1,829)
Quebec	0	37	(2,494)	0	0	0	0	1,888	0	(569)
United States	0	0	0	0	0	0	0	0	0	0
Other Grant Sponsors	0	0	3,831	0	0	0	0	0	0	3,831
Contracts	0	0	27	0	0	0	0	0	0	27
Tuition & Fees	0	0	0	0	0	0	0	0	0	0
Sales of Goods & Services	42	1	260	0	0	1	98	54	0	456
Gifts and Bequests	0	0	(69)	0	(10,360)	1	0	1,586	0	(8,842)
Investment & Interest Income	184	0	403	46	292	13	132	6,663	7	7,740
Total Revenue:	583	594	-784	46	-10,068	15	230	10,191	7	814
Expenses										
Salary										
Academic	126	1	0	0	0	0	151	22	0	300
Administrative and support	119	0	0	0	0	13	64	615	0	811
Student	0	0	9	0	0	0	0	8	0	17
Benefits	57	0	1	0	0	1	14	59	0	132
Student Aid	84	0	0	0	0	0	0	7,297	0	7,381
Total Salary:	386	1	10	0	0	14	229	8,001	0	8,641
Non-Salary										
Materials, Supplies and Publication:	29	0	1	0	0	0	0	72	0	102
Contributions to Partner Institution	69	0	0	0	0	0	0	0	0	69
Contract Services	(126)	0	2	0	1	0	0	24	0	(99)
Professional Fees	0	1	4	0	9	0	0	10	0	24
Travel	6	16	0	0	0	0	0	80	0	102
Building & Occupancy Costs	(4)	0	0	0	1	0	0	195	0	192
Tuition	0	0	0	0	0	0	0	0	0	0
Energy	0	0	0	0	0	0	0	0	0	0
Other Non-Salary Expenses	22	79	201	222	75	0	0	80	0	679
Capital Purchases	33	0	3	0	0	0	0	99	0	135
Interest & Bank Charges	0	0	0	0	4	0	0	0	0	4
Total Non-Salary:	29	96	211	222	90	0	0	560	0	1,208
Total Expense:	415	97	221	222	90	14	229	8,561	0	9,849
(Deficiency) Excess of Revenues Over Expenses, Before the	168	497	(1,005)	(176)	(10,158)	1	1	1,630	7	(9,035)
Interfund Transfer	(234)	(329)	(874)	748	1,905	(13)	(414)	(737)	(7)	45
Total Change in Net Assets:	(66)	168	(1,879)	572	(8,253)	(12)	(413)	893	0	(8,990)

22. Appendix 9: Unit Level Unrestricted Financials FY2010 – Faculties and Libraries

McGill University

Full Year Expenses as at May 31, 2010

Unrestricted (Operating) Fund: Faculties

(\$ 000)

	Agricultural & Environmental Science	Arts	Continuing Education	Dentistry	Education	Engineering	Law	Management	Medicine	Music	Religious Studies	Science	Libraries	MSE	Total Faculty
Expenses															
Salaries:															
Academic	9,408	30,171	5,813	3,213	9,530	15,508	4,766	13,400	55,689	8,796	1,607	24,993	5,514	845	189,253
Administrative & Support	3,335	6,122	2,426	1,468	2,654	6,123	1,544	4,870	17,688	3,042	446	7,799	7,360	150	65,027
Student	683	2,753	1	104	433	1,444	113	680	828	338	153	4,204	-	63	11,797
Student Aid	18	430		4	4	142	4	87	140	-	4	293		14	1,140
Benefits	3,015	8,039	1,383	758	2,923	3,799	1,023	2,854	15,338	2,316	351	6,784	2,698	220	51,501
Sub-total Salaries:	16,459	47,515	9,623	5,547	15,544	27,016	7,450	21,891	89,683	14,492	2,561	44,073	15,572	1,292	318,718
Non-Salary:															
Materials, Supplies and Publications	401	157	64	304	84	390	35	223	932	109	3	438	12,443	1	15,584
Transfers to Partner Institutions		-		48	2				821		-	-			871
Contract Services	126	640	153	241	188	(58)	200	403	574	373	11	289	804	-	3,944
Professional Fees	1	150	792	257	87	93	43	1,497	1,116	229	6	102	10	28	4,411
Travel	462	518	177	106	246	530	118	548	905	126	36	1,167	99	4	5,042
Cost of Goods & Services Rendered	18			394				68		159		309			948
Building Occupancy Costs	108	149	109	182	45	269	24		939		4	475	1,763	9	4,076
Hardware & Software Maintenance															-
Tuition Expense	1	18	35	1	1	3		98	52	3		8			220
Energy	8								7			65			80
Other Non-Salary Expenses	892	1,732	1,584	494	338	657	302	1,683	2,121	688	81	1,139	797	47	12,555
Capital Purchases	257	237	31	133	174	991	65	86	1,246	684	17	874	676	2	5,473
Interest & Bank Charges	-	2	56	18	3	2	2	18	11	16		-	7		135
Sub-total Non-Salary:	2,274	3,603	3,001	2,178	1,168	2,877	789	4,624	8,724	2,387	158	4,866	16,599	91	53,339
Total Expenses:	18,733	51,118	12,624	7,725	16,712	29,893	8,239	26,515	98,407	16,879	2,719	48,939	32,171	1,383	372,057

Note: Academic Salaries exclude year-end accruals for retirement incentive program

23. Appendix 10: Unit Level Restricted Financials FY2010 – Faculties and Libraries

McGill University
Research & Restricted Funds
For the year ended May 31, 2010
Summary (In '000s)

															McGill School of Environment	Total
Revenues	Agriculture	Arts	Continuing Studies	Dentistry	Education	Engineering	GPS	Law	Management	Medicine	Music	Religious Studies	Science	Libraries		
Grant - Government Sponsors																
Canada	12,022	27,589	3	2,741	1,944	18,877	11,346	814	2,030	68,009	832	156	43,375		71	189,808
Quebec	3,964	1,841		1,211	725	2,585	55	562	308	16,640	335		13,706			41,933
United States	7	0		34	-1	669			284	3,786			1,617			6,396
Other Grant Sponsors	537	280		766	123	2,286	60	171	531	13,371	172		3,235			21,532
Contracts	1,130	106		305	-74	3,803			454	1,225	928		3,816			11,692
Tuition & Fees		1														1
Sales of Goods & Services	187	123	0	958	54	20	173	188	102	6,101	29		181	13		8,129
Gifts and Bequests	918	1,378	41	375	267	2,172	882	623	1,562	8,207	876	9	1,012	1,247	28	19,599
Investment & Interest Income	788	2,919	14	641	285	3,241	3,328	1,214	1,443	12,021	900	92	2,031	1,293	22	30,233
Deferred Contribution																0
Total Revenue:	19,552	34,237	59	7,031	3,324	33,653	15,844	3,573	6,715	129,360	4,072	257	68,973	2,553	121	329,323
Expenses																
Salary																
Academic	3,223	4,398		1,905	1,025	4,210	4	1,038	882	35,474	472	41	9,091	122	5	61,888
Administrative and support	643	922	0	555	259	1,467	0	185	170	16,658	303	1	1,194	108		22,465
Student	3,076	2,896		861	1,349	10,316	134	619	797	22,242	500	89	12,754		60	55,692
Benefits	886	1,156	0	480	293	1,130	0	289	223	10,855	148	12	2,217	29	3	17,722
Student Aid	499	748	6	72	211	2,108	16,158	386	96	2,140	906	16	743		13	24,102
Total Salary:	8,326	10,120	6	3,873	3,138	19,232	16,296	2,517	2,167	87,369	2,328	160	25,998	258	81	181,869
Non-Salary																
Materials, Supplies and Publications	1,577	458	1	490	107	1,863	1	48	138	17,476	35	16	2,703	1,901	1	26,815
Contributions to Partner Institutions	1,850	2,788		304	142	3,641		54	90	13,577	0	104	3,108		12	25,671
Contract Services	161	455		163	21	371		137	211	3,129	7	2	518	191		5,367
Professional Fees	166	733		124	49	162		25	721	2,453	161		285			4,880
Travel	1,070	2,262	0	164	385	1,763	2	398	611	3,983	309	47	3,334	10	4	14,343
Building & Occupancy Costs	576	167	6	167	132	510		92	13	5,329	15	0	4,304	-5		11,307
Tuition	23	81		81		1		17	22	147			138			511
Energy						0				435						435
Other Non-Salary Expenses	2,197	2,105	47	832	477	10,553	9	418	929	32,287	784	23	9,176	137	8	59,982
Interest & Bank Charges		0		3	0	0		0	3	2			2			10
Total Non-Salary:	7,621	9,049	55	2,328	1,313	18,866	12	1,189	2,737	78,819	1,312	191	23,568	2,234	26	149,321
Total Expense:	15,948	19,169	61	6,200	4,451	38,098	16,309	3,706	4,904	166,189	3,640	351	49,566	2,492	106	331,190
(Deficiency) Excess of Revenues Over Expenses, Before the Undernoted	3,604	15,068	-2	831	-1,127	-4,445	-464	-134	1,811	-36,829	432	-95	19,407	61	14	-1,867
Interfund Transfer	(1,256)	(665)	8	(450)	120	(632)	22	(54)	(1,640)	2,502	(82)	75	634	708	(3)	(713)
Total Change in Net Assets:	2,348	14,403	6	381	(1,007)	(5,076)	(442)	(187)	170	(34,326)	350	(20)	20,041	769	12	(2,580)

Note: These financials represent budgets at the unit level and exclude GAAP adjustments

24. Appendix 11: Unit Level Unrestricted Financials FY2010 – Administrative Units

McGill University

Full Year Expenses as at May 31, 2010

Unrestricted (Operating) Fund: Administrative Units

(\$ 000)

Principal and Vice Chancellor	Institutional Services	Provost and Admin Unit Reports	Planning and Institutional Analysis	Assoc. VP (Macdonald Campus)	Deputy Provost (Student Life and Learning)	Assoc. Provost (Graduate Education)	VP A&F, IA, Risk Mgmt, Investments	Information Technology Services	Assoc. VP (University Services)	Assoc. VP (Human Resources)	Asst. VP (Financial Services)	Vice-Principal (Research & International Relations)	Vice-Principal (Development and Alumni Relations)	Public Affairs	Total Admin Units
-------------------------------	------------------------	--------------------------------	-------------------------------------	------------------------------	--	-------------------------------------	------------------------------------	---------------------------------	---------------------------------	-----------------------------	-------------------------------	---	---	----------------	-------------------

Expenses

Salaries:

Academic	20	66	365		2	3,044	37	-	-	1	14		2,046	3	5,598
Administrative & Support	664	3,342	1,355	896	1,324	22,897	1,819	2,067	19,710	26,694	6,043	6,725	3,195	9,193	108,307
Student		3	32		4	215	12	-		15		4			285
Student Aid		-	-			1,902	13,606	-		-		19			15,527
Benefits	113	5,051	293	155	281	5,423	349	377	3,735	5,277	145	1,215	1,023	1,618	25,459
Sub-total Salaries:	797	8,462	2,045	1,051	1,611	33,481	15,823	2,444	23,445	31,987	6,202	7,940	6,287	10,814	155,176

Non-Salary:

Materials, Supplies and Publicatio	16	93	30	3	100	3,496	78	13	69	3,914	18	20	38	79	8,090
Transfers to Partner Institutions		-	-				21	-			3		105		129
Contract Services	127	1,157	21	3	488	3,011	31	70	(1,109)	14,561	101	104	174	958	19,820
Professional Fees	129	2,930	41	17	1	154	-	50	69	133	500	1	655	5	4,794
Travel	56	196	189	19	40	1,126	29	20	172	(138)	38	23	177	425	2,394
Cost of Goods & Services Rendered		-	-			7,098		-		13,112					20,210
Building Occupancy Costs	12	499	7	-	726	7,028	6	1,910	4,241	(1,966)	232	13	24	243	12,972
Hardware & Software Maintenance		-	-					-							-
Tuition Expense		-	-			81		-	-		509		-		590
Energy		-	-		278	3,674		-		14,483					18,435
Other Non-Salary Expenses	168	8,683	572	25	130	2,539	193	7,738	(1,628)	(797)	574	268	414	2,752	21,924
Capital Purchases	12	127	41	-	78	2,754	16	23	3,052	(3,258)	29	9	13	48	2,958
Interest & Bank Charges		2,139	49		102	4,688		-	3	494		3	-	20	7,498
Sub-total Non-Salary:	520	15,824	950	67	1,943	35,649	374	9,824	4,869	40,538	1,495	950	1,600	4,530	119,814
Total Expenses:	1,317	24,286	2,995	1,118	3,554	69,130	16,197	12,268	28,314	72,525	7,697	8,890	7,887	15,344	274,990

Note: Institutional Services includes, Legal, Secretariat, and Other Institutional units

25. Appendix 12: Unit Level Restricted Financials FY2010 – Administrative Units

McGill University
Research & Restricted Funds - Without GAAP adjustments
For the year ended May 31, 2010
Summary (In '000s)

	VP Research & International Relations	Sponsored Research	VP Admin & Finance	Central Administration	VP Development & Alumni Relations	Secretariat	Provost	Deputy Provost SLL	HR	Total
Revenues										
Grant - Government Sponsors										
Canada	662	227	6,643	0	0	0	0	0	0	197,340
Quebec	0	0	2,427	0	0	0	0	3,445	0	47,805
United States	0	0	0	0	0	0	0	0	0	6,396
Other Grant Sponsors	0	0	343	0	0	0	0	0	0	21,875
Contracts	0	0	0	0	4	0	0	0	0	11,696
Tuition & Fees	0	0	0	0	0	0	0	0	0	0
Sales of Goods & Services	81	2	78	11	102	0	105	109	0	8,617
Gifts and Bequests	0	0	1	0	10,134	21	0	1,806	0	31,561
Investment & Interest Income	148		903	101	323	11	101	5,493	6	37,318
Total Revenue:	890	229	10,395	112	10,563	31	206	10,853	6	362,608
Expenses										
Salary										
Academic	178	1	0	0	1	0	228	27	0	62,323
Administrative and support	138	0	0	365	0	12	0	947	0	23,927
Student	0	0	8	0	0	0	0	78	0	55,777
Benefits	75	0	1	-6	0	2	0	83	0	17,877
Student Aid	84	0	0	0	0	0	0	8,458	0	32,644
Total Salary:	475	1	9	359	1	14	228	9,592	0	192,548
Non-Salary										
Materials, Supplies and Publications	25	0	3	0	1	0	0	63	0	26,906
Contributions to Partner Institutions	0	0	0	0	0	0	0	10	0	25,681
Contract Services	-231	0	0	0	15	14	0	34	0	5,198
Professional Fees	0	6	0	0	10	0	0	30	0	4,925
Travel	8	35	0	0	2	0	0	79	0	14,467
Building & Occupancy Costs	5	0	0	0	0	0	0	101	0	11,413
Tuition	0	0	0	0	0	0	0	0	0	511
Energy	0	0	0	0	0	0	0	0	0	435
Other Non-Salary Expenses	39	109	-278	222	23	0	0	135	0	22,294
Capital Purchases	5	0	0	0	0	7	0	20	0	37,971
Interest & Bank Charges	13	0	0	0	0	0	0	0	0	23
Total Non-Salary:	-135	151	-275	222	49	21	0	471	0	149,825
Total Expense:	340	151	-267	581	50	35	228	10,063	0	342,372
(Deficiency) Excess of Revenues Over Expenses, Before the Undernoted	550	77	10,662	-469	10,512	-4	-22	791	6	20,236
Interfund Transfer	403	(246)	(1,542)	145	(2,669)	55	1,204	652	(6)	-2,717
Total Change in Net Assets:	953	(169)	9,120	(324)	7,843	51	1,182	1,443	(0)	17,519

26. Appendix 13: Unit Level Unrestricted Financials FY2011 – Faculties and Libraries

McGill University
Unrestricted Fund - Faculties & Libraries - Without GAAP adjustments
For the year ended April 30, 2011
Summary (In '000s)

	Agriculture & Environmental Science	Arts	Continuing Studies	Dentistry	Education	Engineering	Law	Management	Medicine	Music	Religious Studies	Science	Libraries	MSE	Total
Revenue															
Quebec	0	0	0	0	0	0	0	0	106	0	0	0	0	0	106
Tuition & Fees	360	676	4,728	853	13	749	0	202	250	779	11	684	248	1	9,553
Sales of Goods & Services	1,695	406	1,361	1,841	886	1,155	384	3,766	6,753	1,923	100	897	348	0	21,515
Gifts and Bequests	15	683	3	24	26	509	85	334	1,039	141	15	555	43	16	3,486
Short Term Interest	0	0	0	0	0	0	0	0	0	0	0	26	0	0	26
Investment Income	3	3	0	20	0	1	21	3	288	37	132	17	326	0	851
Total	2,072	1,768	6,092	2,738	924	2,414	490	4,305	8,436	2,879	258	2,179	966	17	35,537
Expenses															
<u>Salary Expenses</u>															
Academic	8,442	27,492	6,164	2,827	9,092	14,837	4,438	12,713	50,893	8,359	1,512	24,011	5,047	855	176,683
Administrative and support	3,139	5,197	2,380	1,416	2,369	5,618	1,456	4,549	16,007	2,751	430	7,194	6,341	137	58,985
Student	750	2,384	6	132	453	1,980	148	625	900	280	141	4,188	0	65	12,052
Student Aid	43	464	13	22	0	152	52	310	125	60	7	215	0	9	1,473
Benefits	2,497	6,439	1,509	744	2,070	3,644	1,414	2,796	13,395	1,957	398	6,464	2,490	166	45,986
Total Salaries	14,872	41,977	10,072	5,141	13,984	26,231	7,508	20,994	81,321	13,408	2,488	42,072	13,878	1,232	295,179
<u>Non-Salary Expenses</u>															
Materials, Supplies and Publications	328	114	73	260	97	303	(6)	221	1,164	127	2	259	13,469	1	16,410
Transfers to Partner Institutions	3	17	0	19	0	0	(0)	0	885	0	0	5	0	0	929
Contract Services	132	692	318	230	171	178	198	370	924	125	11	197	994	0	4,541
Professional Fees	125	102	736	539	102	53	19	1,218	825	341	8	125	8	14	4,213
Travel	399	451	168	132	170	361	157	649	834	131	13	1,006	97	14	4,583
Cost of Goods & Services Rendered	9	0	0	271	0	0	0	0	120	0	0	399	0	0	799
Building & Occupancy Costs	108	135	175	63	36	244	46	298	974	219	0	657	594	2	3,551
Tuition Expense	2	4	5	65	0	1	0	117	5	0	0	0	0	0	197
Energy	29	0	0	0	0	0	0	0	0	0	0	80	0	0	109
Other Non-Salary Expenses	609	1,427	1,607	441	331	837	262	2,012	1,435	666	76	993	1,042	42	11,783
Capital Purchases	190	310	22	130	150	916	11	94	1,150	226	5	964	950	4	5,121
Interest & Bank Charges	2	2	53	17	3	3	4	19	18	17	0	1	6	0	146
Total Non-Salary	1,936	3,254	3,158	2,166	1,061	2,895	691	4,998	8,332	1,852	114	4,687	17,159	77	52,382
Total Expenses	16,808	45,231	13,231	7,307	15,045	29,126	8,199	25,992	89,653	15,260	2,603	46,759	31,037	1,309	347,561
(Deficiency) Excess of Revenues															
Over Expenses, Before the															
Undernoted	(14,736)	(43,464)	(7,139)	(4,569)	(14,122)	(26,712)	(7,709)	(21,687)	(81,217)	(12,380)	(2,345)	(44,580)	(30,071)	(1,292)	(312,023)
Net capz & decapz of investment income	(13)	0	0	(9)	0	(1)	(21)	0	(139)	0	0	(5)	(118)	0	(305)
Interfund Transfers	1,044	284	(137)	(277)	89	329	2	1,194	(2,013)	(112)	(21)	(0)	1,261	0	1,641
Total Change in Net Assets	(13,705)	(43,180)	(7,276)	(4,856)	(14,033)	(26,385)	(7,728)	(20,493)	(83,369)	(12,492)	(2,366)	(44,585)	(28,928)	(1,292)	(310,688)

27. Appendix 14: Unit Level Restricted Financials FY2011 – Faculties and Libraries

McGill University
Research & Restricted Funds - Without GAAP adjustments
For the year ended April 30, 2011 (11 month year)
Summary (In '000s)

Revenues	Agriculture	Arts	Cont Ed	Dentistry	Education	Engineering	GPS	Law	Management	Medicine	Music	Religious Studies	Science	McGill School of Environment	Libraries	Faculty Total
Grant - Government Sponsors																
Canada	9,835	6,021	0	2,249	1,674	26,943	9,652	830	1,502	85,767	679	97	47,618	0	0	192,867
Quebec	3,729	3,000	0	412	1,045	7,560	-3	219	364	34,671	470	0	16,842	0	0	68,309
United States	109	0	0	22	27	929	0	0	152	4,073	0	0	985	0	0	6,297
Other Grant Sponsors	3,269	248	0	338	155	1,994	55	160	350	14,048	0	0	2,230	0	-2	22,845
Contracts	820	205	0	341	20	3,872	0	1,685	374	10,717	60	0	1,566	0	0	19,660
Tuition & Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales of Goods & Services	234	79	0	547	25	115	95	130	175	4,841	4	5	140	0	8	6,398
Gifts and Bequests	653	1,664	89	829	247	2,048	88	982	1,559	9,491	632	170	1,062	27	1,461	21,002
Investment & Interest Income	794	3,197	13	675	323	3,146	1,849	1,413	1,478	11,559	909	92	2,601	82	1,188	29,319
Total Revenue:	19,443	14,414	102	5,413	3,516	46,607	11,736	5,419	5,954	175,167	2,754	364	73,044	109	2,655	366,697
Expenses																
Salary																
Academic	3,263	3,923	14	1,975	866	4,418	-4	1,007	768	33,238	394	88	8,547	5	54	58,556
Administrative and support	587	764	5	494	253	1,251	0	101	204	15,529	368	3	1,309	4	153	21,025
Student	2,764	2,698	0	840	1,172	11,808	45	536	796	21,461	576	85	12,862	52	0	55,695
Benefits	846	1,009	2	472	267	1,122	0	259	190	10,399	145	22	2,097	1	33	16,864
Student Aid	504	1,280	3	54	171	3,257	13,861	741	184	2,446	951	21	1,354	7	0	24,834
Total Salary:	7,964	9,674	24	3,835	2,729	21,856	13,902	2,644	2,142	83,073	2,434	219	26,169	69	240	176,974
Non-Salary																
Materials, Supplies and Publications	1,665	350	0	464	91	1,757	0	38	84	15,624	45	4	3,095	1	1,855	25,073
Contributions to Partner Institutions	1,220	2,448	0	332	120	4,967	0	197	65	12,145	-8	4	4,644	0	0	26,134
Contract Services	156	375	1	95	18	760	0	47	266	3,617	11	1	875	0	337	6,559
Professional Fees	211	793	36	178	64	115	0	29	332	2,157	225	0	610	0	2	4,752
Travel	1,139	1,828	2	155	297	1,684	3	424	463	3,886	293	102	3,311	8	9	13,604
Building & Occupancy Costs	555	220	16	23	331	541	0	134	52	8,615	29	1	7,122	1	48	17,688
Tuition	0	70	0	0	0	0	0	0	0	174	0	0	-2	0	0	242
Energy	0	0	0	0	0	7	0	0	0	479	7	0	6	0	0	499
Other Non-Salary Expenses	1,179	1,445	31	408	164	1,654	28	524	509	9,344	111	116	2,452	9	28	18,002
Capital Purchases	3,224	713	26	120	409	3,383	3	65	137	20,601	510	5	16,978	0	101	46,275
Interest & Bank Charges	4	1	0	3	0	0	0	1	0	2	0	0	0	0	0	11
Total Non-Salary:	9,353	8,243	112	1,778	1,494	14,868	34	1,459	1,908	76,644	1,223	233	39,091	19	2,380	158,839
Total Expense:	17,317	17,917	136	5,613	4,223	36,724	13,936	4,103	4,050	159,717	3,657	452	65,260	88	2,620	335,813
(Deficiency) Excess of Revenues Over Expenses, Before the Undernoted	2,126	-3,503	-34	-200	-707	9,883	-2,200	1,316	1,904	15,450	-903	-88	7,784	21	35	30,884
Interfund Transfer	(704)	(39)	40	(322)	(215)	1,645	293	164	(1,487)	3,604	96	(33)	1,485	(59)	(444)	4,024
Total Change in Net Assets:	1,422	(3,542)	6	(522)	(922)	11,528	(1,907)	1,480	417	19,054	(807)	(121)	9,269	(38)	(409)	34,908

28. Appendix 15: Unit Level Unrestricted Financials FY2011 – Administrative Units

McGill University
Unrestricted Fund - Administrative Units - Without GAAP adjustments
For the year ended April 30, 2011
Summary (In '000s)

	Principal and Vice Chancellor	Institutional Services	Provost	Planning and Institutional Analysis	Assoc. VP (Macdonald Campus)	Deputy Provost (Student Life & Learning)	Assoc. Provost (Graduate Education)	Vice-Principal (Administration & Finance)	Information Technology Services	Assoc. VP (University Services)	Assoc. VP (Human Resources)	Asst. VP (Financial Services)	Vice-Principal (Research & International Relations)	Vice-Principal (Development & Alumni Relations)	Public Affairs	Total
Revenue																
Canada	0	24,414	0	0	0	0	0	0	0	0	0	0	0	0	0	24,414
Quebec	0	305,709	0	0	0	1,910	0	485	0	0	0	0	0	0	0	308,104
Tuition & Fees	0	180,337	0	0	0	13,742	0	0	88	0	0	540	0	0	0	194,707
Sales of Goods & Services	0	220	1	144	724	43,750	5	375	2,119	19,108	752	361	1,234	1,168	39	70,001
Gifts and Bequests	0	0	1,199	0	0	142	0	0	0	419	0	0	0	178	0	1,938
Short Term Interest	0	2,269	0	0	0	0	0	0	0	0	0	0	0	0	0	2,269
Investment Income	0	1,343	136	0	0	215	44	4	0	61	0	0	0	0	0	1,803
Total	0	514,291	1,337	144	724	59,758	50	864	2,208	19,588	752	901	1,234	1,345	39	603,236
Expenses																
Salary Expenses																
Academic	23	1,032	11	0	0	3,065	33	0	1	9	0	0	1,061	1	0	5,237
Administrative and support	645	4,654	1,969	847	941	23,245	1,546	1,553	18,377	25,769	5,306	6,119	3,792	8,686	2,395	105,844
Student	0	0	3	0	1	235	5	0	0	27	0	0	1	0	0	272
Student Aid	0	(0)	3	0	0	2,717	14,308	0	0	15	0	0	18	0	0	17,062
Benefits	103	10,377	341	145	224	5,520	289	265	3,396	5,060	(1,227)	1,131	873	1,532	413	28,443
Total Salaries	772	16,063	2,328	992	1,166	34,782	16,181	1,818	21,774	30,881	4,079	7,250	5,745	10,219	2,808	156,858
Non-Salary Expenses																
Materials, Supplies and Publications	9	62	34	6	64	3,879	68	12	41	3,934	10	29	(7)	261	40	8,444
Transfers to Partner Institutions	0	6,649	0	0	0	0	24	0	0	0	0	0	67	0	(0)	6,739
Contract Services	23	(11,737)	19	1	510	3,310	6	73	(74)	12,178	111	94	166	747	294	5,722
Professional Fees	215	2,785	27	43	0	194	0	100	538	125	423	154	506	63	30	5,204
Travel	63	180	41	15	39	1,106	28	7	153	(100)	24	12	92	382	27	2,070
Cost of Goods & Services Rendered	0	1,057	0	0	0	5,722	0	0	0	11,626	0	0	0	0	0	18,405
Building & Occupancy Costs	6	6,994	27	0	428	15,975	2	2,061	214	(4,812)	25	4	7	100	5	21,035
Tuition Expense	0	0	0	0	0	50	279	0	0	0	0	546	0	0	0	875
Energy	0	0	0	0	65	4,105	0	0	0	14,303	0	0	0	0	0	18,473
Other Non-Salary Expenses	133	(6,045)	271	22	64	2,731	280	534	1,627	(922)	341	243	423	2,042	410	2,153
Capital Purchases	16	4,997	84	2	10	1,570	18	15	2,856	(2,949)	2	4	78	8	8	6,718
Interest & Bank Charges	0	2,584	0	0	1	4,497	0	0	1	396	0	3	0	33	0	7,516
Total Non-Salary	464	7,527	503	90	1,182	43,139	704	2,801	5,357	33,779	935	1,089	1,332	3,636	815	103,353
Total Expenses	1,236	23,591	2,831	1,082	2,348	77,921	16,885	4,619	27,131	64,660	5,014	8,338	7,077	13,856	3,623	260,211
(Deficiency) Excess of Revenues Over Expenses, Before the Undernoted																
Undernoted	(1,236)	490,701	(1,494)	(938)	(1,624)	(18,163)	(16,836)	(3,755)	(24,924)	(45,071)	(4,262)	(7,437)	(5,843)	(12,510)	(3,583)	343,025
Net capz & decapz of investment income	0	(13)	200	0	0	(56)	(13)	(4)	0	(61)	0	0	0	0	0	53
Interfund Transfers	0	2,301	(238)	12	72	(125)	277	(41,452)	89	(2,081)	56	0	(5,033)	(1,236)	(0)	(47,358)
Total Change in Net Assets	(1,236)	492,988	(1,533)	(926)	(1,553)	(18,345)	(16,571)	(45,211)	(24,834)	(47,214)	(4,205)	(7,437)	(10,876)	(13,746)	(3,583)	295,720

29. Appendix 16: Unit Level Restricted Financials FY2011 – Administrative Units

McGill University
Research & Restricted Funds - Without GAAP adjustments
For the year ended April 30, 2011 (11 month year)
Summary (In '000s)

	VP Research & International Relations	Sponsored Research	VP Admin & Finance	Central Administration	VP Development & Alumni Relations	Secretariat	Provost	Deputy Provost SLL	HR	Total
Revenues										
Grant - Government Sponsors										
Canada	84	177	312	149	0	0	0	0	0	193,589
Quebec	0	0	453	-77	0	0	0	2,698	0	71,383
United States	0	0	0	0	0	0	0	0	0	6,297
Other Grant Sponsors	0	0	-3,723	0	0	0	0	0	0	19,122
Contracts	0	0	0	0	0	0	0	0	0	19,660
Tuition & Fees	0	0	0	0	0	0	0	0	0	0
Sales of Goods & Services	244	5	98	0	117	0	108	76	0	7,046
Gifts and Bequests	0	0	1	0	10,957	25	0	1,071	0	33,056
Investment & Interest Income	136	0	806	89	168	10	93	5,326	6	35,953
Total Revenue:	464	182	-2,053	161	11,242	35	201	9,171	6	386,106
Expenses										
Salary										
Academic	151	0	0	0	0	0	258	25	0	58,990
Administrative and support	111	0	0	0	0	28	0	873	0	22,037
Student	0	0	8	0	0	0	0	41	0	55,744
Benefits	66	0	1	0	0	4	0	71	0	17,006
Student Aid	84	0	0	0	0	0	0	8,068	0	32,986
Total Salary:	412	0	9	0	0	32	258	9,078	0	186,763
Non-Salary										
Materials, Supplies and Publications	32	0	2	0	1	3	0	50	0	25,161
Contributions to Partner Institutions	0	0	0	0	0	0	0	0	0	26,134
Contract Services	-299	5	0	0	2	4	0	14	0	6,285
Professional Fees	0	4	0	0	8	0	0	23	0	4,787
Travel	10	27	0	0	0	0	0	88	0	13,729
Building & Occupancy Costs	30	0	0	0	0	0	0	85	0	17,803
Tuition	0	0	0	0	0	0	0	0	0	242
Energy	0	0	0	0	0	0	0	0	0	499
Other Non-Salary Expenses	19	114	577	0	0	11	0	102	0	18,825
Capital Purchases	117	0	14	0	0	0	0	26	0	46,432
Interest & Bank Charges	0	0	0	0	66	0	0	0	0	77
Total Non-Salary:	-91	150	593	0	77	18	0	388	0	159,974
Total Expense:	321	150	602	0	77	50	258	9,466	0	346,737
(Deficiency) Excess of Revenues Over Expenses, Before the Undernoted	143	32	-2,655	161	11,165	-15	-57	-295	6	39,369
Interfund Transfer	65	(1,170)	(1,425)	(90)	(9,633)	1	907	59	(6)	(7,268)
Total Change in Net Assets:	208	(1,138)	(4,080)	71	1,532	(14)	850	(236)	0	32,101

30. Appendix 17: Administrative and Support Staff Counts within the Faculties and Libraries

Unit	Year			1-yr change		5-yr change	
	2006	2010	2011	#	%	#	%
Agriculture and Environmental Science.	89	91	88	-3	-3.3%	-1	-1.1%
Arts	120	129	118	-11	-8.5%	-2	-1.7%
Continuing Studies	40	40	46	6	15.0%	6	15.0%
Dentistry	38	41	44	3	7.3%	6	15.8%
Desautels Faculty of Mgmt.	63	83	82	-1	-1.2%	19	30.2%
Education	51	49	52	3	6.1%	1	2.0%
Engineering	126	134	136	2	1.5%	10	7.9%
Law	28	31	31	0	0.0%	3	10.7%
Libraries	165	147	144	-3	-2.0%	-21	-12.7%
Medicine	625	659	657	-2	-0.3%	32	5.1%
MSE	1	3	3	0	0.0%	2	200.0%
Religious Studies	6	8	8	0	0.0%	2	33.3%
Schulich School of Music	51	62	61	-1	-1.6%	10	19.6%
Science	163	166	174	8	4.8%	11	6.7%
Grand Total	1566	1643	1644	1	0.1%	78	5.0%

Source: Staffing and Academic Leaves Report 2010-2011 – data as of May in stated year

31. Appendix 18: Administrative and Support Staff Counts within Major Units

Unit	Year		1-yr change			5-yr change	
	2006	2010	2011	#	%	#	%
University Administration	92	114	123	9	7.9%	31	33.7%
Student Life and Learning	386	446	490	44	9.9%	104	26.9%
Graduate and Post-doc. Studies	29	33	30	-3	-9.1%	1	3.4%
Research and International Relations	49	64	77	13	20.3%	28	57.1%
Development and Alumni Relations	142	158	158	0	0.0%	16	11.3%
Finance and Administration	29	37	33	-4	-10.8%	4	13.8%
Financial Services	108	130	122	-8	-6.2%	14	13.0%
Human Resources	77	78	85	7	9.0%	8	10.4%
IT Services	294	314	323	9	2.9%	29	9.9%
University Services	491	519	523	4	0.8%	32	6.5%
Subtotal:	1697	1893	1964	71	3.8%	267	15.7%
Affiliated Units	27	32	34	2	6.3%	7	25.9%
Grand Total	1724	1925	1998	73	3.8%	274	15.9%

Source: Staffing and Academic Leaves Report 2010-2011 – data as of May in stated year

32. Appendix 19: Full-Time Tenure-Track Faculty Staff Counts³

Faculty	Year			1-yr net change		5-yr change		New Hires 2006-2011
	2006	2010	2011	#	%	#	%	
Agric. & Envir. Sci.	87.3	86.3	84.8	-1.5	-1.7%	-2.5	-2.9%	16.5
Arts	265.8	269.8	262.3	-7.5	-2.8%	-3.5	-1.3%	59.5
Dentistry	15.5	18.0	18.0	0.0	0.0%	2.5	16.1%	4.5
Desautels Faculty of Mgmt.	50	69.5	72.5	3.0	4.3%	22.5	45.0%	35.5
Education	86.5	75.5	80.0	4.5	6.0%	-6.5	-7.5%	21.0
Engineering	127.0	145.0	157.0	12.0	8.3%	30.0	23.6%	43.0
Law	41.0	44.0	40.0	-4.0	-9.1%	-1.0	-2.4%	11.0
Medicine	554.2	582.2	562.7	-19.5	-3.3%	8.5	1.5%	102.5
MSE	6.2	7.3	7.8	0.5	6.8%	1.7	27.0%	2.0
Religious Studies	12.5	13.5	12.5	-1.0	-7.4%	0.0	0.0%	1.0
Schulich School of Music	56	59	57	-2.0	-3.4%	1.0	1.8%	11.0
Science	244.0	252.8	253.8	1.0	0.4%	9.8	4.0%	62.5
Total	1546.0	1623.0	1608.5	-14.5	-0.9%	62.5	4.0%	370.0

Source: Staffing and Academic Leaves Report 2010-2011 – data as of May in stated year

The figures in **Table 1** joint appointments, often counted in the “primary” Faculty, are reflected more accurately by splitting the appointment equally among respective departments or Faculties.

33. Appendix 20: Planned Tenure Track Hires FY2013 and FY2014

Outstanding Tenure Track Hiring Licenses

	FY 2012-13	FY 2013-14
AES*	11	0
Arts	15.5	2
Dentistry	1	0
Education	8.5	0
Engineering	6	6
Law	8.5	0
Management	6	0
Medicine	13	24
Music	4	3
Religious Studies	0	1
Science	<u>6.5</u>	<u>4</u>
TOTAL	80	40

* Includes School of the Environment

34. Appendix 21: Full-Time Tenure and Non-Tenure Track Libraries Staff

	2003	2007	2008	2009	2010	2011
Tenure-Track	48	36	64	65	64	68.5
Non-Tenure Track	12	25	5	10	10	11
Total	60	61	69	75	74	79.5

Source: Staffing and Academic Leaves Report 2010-2011 – data as of May in stated year

35. Appendix 22: Operating Fund comparison to prior year's outlook (in millions)

5 Year Outlook - as of April 2011						
	11 Month					
	<u>FY11f</u>	<u>FY12b</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
Revenue	626.3	677.9	712.0	733.3	758.2	779.4
Expenses	621.0	684.0	718.8	733.4	758.3	779.4
Annual Surplus/(Deficit)	5.3	(6.0)	(6.8)	(0.1)	(0.1)	(0.0)
Accumulated Surplus/(Deficit)	(277.7)	(283.7)	(290.5)	(290.6)	(290.6)	(290.7)

5 Year Outlook - as of March 2012							
	11 Month				Outlook		
	<u>FY11a</u>	<u>FY12f</u>	<u>FY13b</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
Revenue	630.5	695.4	710.5	732.7	754.2	778.9	802.3
Expenses & Adjustments	625.8	695.0	717.4	736.6	751.1	774.7	799.0
Annual Surplus/(Deficit)	4.7	0.4	(7.0)	(3.9)	3.0	4.2	3.2
GAAP Accumulated Surplus/(De	(275.3)	(274.9)	(281.9)	(285.8)	(282.7)	(278.6)	(275.3)

a = actual; f = forecast; b = budget; all other years are plan

Note, the major differences between pre-GAAP recording of Revenue and Expenses and GAAP is that all inter-fund transfers (such as contribution from the endowment fund), along with capital purchases are captured "below the line" (under GAAP). That is why Revenue is higher in the pre-GAAP Operating fund than it is under GAAP.

Differences in the current forecast (as of March 2012) versus last year's budget (as of April 2011): FY2012 forecasted revenue is higher by approximately \$17M compared to last year's budget due primarily to:

- 1) + \$13.2M MELS grant adjustment related to rattrapage and indirect cost recoveries for FY2010 and FY2011
- 2) +\$6M Undergraduate and Masters enrolments were higher than budget, partially offset by lower PhD FTEs
- 3) +\$3M due to expected Clarder code changes and MELS indirect cost recovery grant was higher than anticipated
- 4) Partially offset by a reduction in MELS grant related to expected strike costs; this will be adjusted after the submission to MELS of salary and strike related expense data

FY2012 forecasted expenses are also higher than budget, by approximately \$11M due primarily to:

- 1) \$5M write-off of restricted fund and capital expenses

- 2) \$4.9M pay equity reserve for 2002-2008 and an additional accrual for post 2008
- 3) Partially offset by lower salary costs due to MUNACA related strike

36. Appendix 23: Unrestricted Fund FY2010 and FY2011 (11 month) Actuals, FY2012 Forecast and FY2013 Budget (GAAP)

McGill University
Multi-year financial outlook by Revenue and Expense
(\$ 000)
Unrestricted (Operating) Fund

Actual 2009-10	Actual 2010-11 11 months	Forecast 2011-12	Budget 2012-13
-------------------	--------------------------------	---------------------	-------------------

Revenue

Government Sources

Canada	24,331	24,414	24,766	24,731
Quebec	315,195	294,560	352,243	348,752
Tuition & Fees	186,966	203,835	215,715	229,523
Sales of Goods & Services	94,824	92,233	92,352	97,774
Gifts & Bequests	5,753	4,709	4,675	4,307
Short-term investment income	1,779	2,295	3,159	3,386
Endowment investment income	5,105	8,410	2,466	2,018
Total Revenue	633,953	630,456	695,375	710,490

Expenses

Salary:

Academic	206,866	186,459	209,811	216,590
Administrative & Support	173,689	165,319	194,456	191,342
Student	12,082	12,323	11,276	9,236
Student Aid	16,667	18,535	21,731	25,100
Benefits	79,224	75,065	78,585	83,706
Total Salary	488,528	457,701	515,859	525,974

Non-Salary:

Materials, supplies & publications	13,647	13,529	16,635	18,212
Contributions to partner institutions	7,499	7,668	13,396	15,140
Contract services	8,751	10,263	13,429	14,732
Professional fees	9,158	9,417	14,451	16,594
Travel	7,420	6,653	11,623	13,136
Cost of good sold & services rendered	21,478	19,203	27,549	29,918
Building occupancy costs	14,123	10,716	18,719	19,156
Energy	18,515	19,250	15,147	15,010
Other Non-Salary Expenses	14,796	13,276	18,193	19,213
Hardware & software maintenance	5,725	5,404	5,441	6,670
Interest and bank charges	2,421	3,147	4,067	5,824
Total Non-Salary	123,533	118,526	158,648	173,605

Total Expenses	612,061	576,227	674,507	699,579
-----------------------	----------------	----------------	----------------	----------------

Excess (deficiency) of revenue over expenses	21,892	54,229	20,868	10,911
---	---------------	---------------	---------------	---------------

Book-to-Market Adjustment	60	(5,929)	2,000	
Over/(Under) Distributed of Endowment Income	(2,410)	173	(1,500)	
Interfund Transfers	(30,866)	(43,196)	7,456	(17,864)
Net Capitalization & Decapitalization of Investment Income	(590)	(531)	(28,449)	
Decrease (Increase) in accumulated deficit :	(11,914)	4,746	375	(6,953)

37. Appendix 24: Pro-forma GAAP FY2013 Budget (1 column



Revenue and Expenses - Management Statements (all
Budget FY2013, Forecast FY2012 and Actual FY2011
For the fiscal period ended: April 30, 2013
(\$000's)

	Budget (12 months) 2013	Forecast (12 months) 2012	Actuals (11 months) 2011
All Funds			
	Total	Total	Total
Revenue			
Government Sources			
Canada	215,191	211,766	227,634
Quebec	459,532	462,243	407,670
United States	8,160	8,000	5,682
Grants - Other Sources	27,540	27,000	31,300
Contracts	25,500	25,000	10,472
Tuition & Fees	229,523	215,715	203,835
Sales of Goods & Services	105,314	99,752	99,632
Gifts & Bequests	46,027	45,675	37,327
Investment Income	42,584	42,125	48,801
Total Revenues	1,159,370	1,137,275	1,072,353
Expenses			
Salaries:			
Academic Salaries	282,830	273,811	246,169
Non-Academic Salaries	210,950	213,456	187,034
Student Salaries	52,496	53,276	68,068
Student Aid	73,040	68,731	51,521
Benefits	102,246	96,585	92,125
Total Salaries	721,562	705,859	644,917
Non-Salary:			
Materials & Supplies & Publications	42,692	40,635	36,930
Contributions to Partner Institutions	46,760	44,396	37,854
Contract Services	20,852	19,429	16,548
Professional Fees	23,734	21,451	16,675
Travel	27,416	25,623	20,382
Cost of Goods Sold & Services Rendered	29,918	27,549	19,209
Building Occupancy Costs	19,156	18,719	15,310
Energy	19,702	19,747	19,749
Other Non-Salary Expenses	21,213	20,193	35,534
Hardware and software maintenance	7,792	6,541	5,542
Amortization	116,420	116,000	87,623
Interest & Bank Charges	36,977	35,217	31,715
Total Non-Salary	413,142	395,998	343,071
Total Expenses	1,134,704	1,101,857	987,988
Excess of revenue over expenses:	24,666	35,418	84,365
Net Assets, beginning of year	1,200,443	1,150,025	952,357
Net change in Endowment net assets	15,000	15,000	113,303
Interfund Transfers - Unrealized (Gain) Loss on Investments	-	-	-
Over/(Under) distributed income	-	-	-
Capitalization of current year income	-	-	-
Internal loan repayments	-	-	-
Capital Purchases via interfund transfers	-	-	-
Interfund Transfers - Operations	-	-	-
Net Assets, end of period:	1,240,109	1,200,443	1,150,025

38. Appendix 25: Pro-forma GAAP Financials FY2013

Budget vs FY2012 Forecast – 4 Funds



Revenue and Expenses - Management Statements (all funds)

Budget FY2013 and Forecast FY2012

For the twelve month period ended: April 30, 2013

(\$000's)

	BUDGET FY 2013				Budget (12 months) 2013	Forecast (12 months) 2012
	Unrestricted Fund	Restricted Fund	Plant Fund	Endowment Fund	All Funds	
	Total	Total	Total	Total	Total	Total
Revenue						
Government Sources						
Canada	24,731	176,460	14,000	-	215,191	211,766
Quebec	348,752	39,780	71,000	-	459,532	462,243
United States	-	8,160	-	-	8,160	8,000
Grants - Other Sources	-	27,540	-	-	27,540	27,000
Contracts	-	25,500	-	-	25,500	25,000
Tuition & Fees	229,523	-	-	-	229,523	215,715
Sales of Goods & Services	97,774	7,140	400	-	105,314	99,752
Gifts & Bequests	4,307	36,720	5,000	-	46,027	45,675
Deferred Contributions (Net)	-	-	-	-	-	-
Short Term Interest	-	-	-	-	-	-
Investment Income	5,404	34,680	2,500	-	42,584	42,125
Other	-	-	-	-	-	-
Total Revenues	710,490	355,980	92,900	-	1,159,370	1,137,275
Expenses						
Salaries:						
Academic Salaries	216,590	66,240	-	-	282,830	273,811
Non-Academic Salaries	191,342	19,608	-	-	210,950	213,456
Student Salaries	9,236	43,260	-	-	52,496	53,276
Student Aid	25,100	47,940	-	-	73,040	68,731
Benefits	83,706	18,540	-	-	102,246	96,585
Total Salaries	525,974	195,588	-	-	721,562	705,859
Non-Salary:						
Materials & Supplies & Public	18,212	24,480	-	-	42,692	40,635
Contributions to Partner Instit	15,140	31,620	-	-	46,760	44,396
Contract Services	14,732	6,120	-	-	20,852	19,429
Professional Fees	16,594	7,140	-	-	23,734	21,451
Travel	13,136	14,280	-	-	27,416	25,623
Cost of Goods Sold & Services	29,918	-	-	-	29,918	27,549
Building Occupancy Costs	19,156	-	-	-	19,156	18,719
Energy	15,010	4,692	-	-	19,702	19,747
Other Non-Salary Expenses	19,213	-	2,000	-	21,213	20,193
Hardware and software maint	6,670	1,122	-	-	7,792	6,541
Amortization	-	21,420	95,000	-	116,420	116,000
Loss on disposal of assets	-	510	-	-	510	500
Interest & Bank Charges	5,824	153	31,000	-	36,977	35,217
Total Non-Salary	173,605	111,537	128,000	-	413,142	395,998
Total Expenses	699,579	307,125	128,000	-	1,134,704	1,101,857
Excess of revenue over expenses:	10,911	48,855	(35,100)	-	24,666	35,418
Net Assets, beginning of year	(274,916)	(6,752)	514,474	967,637	1,200,443	1,150,025
Net change in Endowment net assets				15,000	15,000	15,000
Interfund Transfers:	(17,864)	(46,159)	71,144	(7,121)	-	-
Over/(Under) distributed inco -					-	-
Capitalization of current year i	(200)	(3,000)		3,200	-	-
Internal loan repayments	(8,000)		8,000	-	-	-
Capital Purchases via interfund	(25,841)	(41,159)	67,000	-	-	-
Interfund Transfers - Operatio	16,177	(2,000)	(3,856)	(10,321)	-	-
Net Assets, end of period:	(281,869)	(4,056)	550,518	975,516	1,240,109	1,200,443

39. Appendix 26: Statement of change in net assets – 4 year

McGill University
Statement of Change in Net Assets
Year ended April 30, 2011
in thousands of \$

	Budget FY2013	Forecast FY2012	FY2011	FY2010
Net Assets, beginning of year	1,200,443	1,150,026	952,357	873,290
Excess/(deficiency) of revenue over expenses	24,666	35,418	84,365	5,654
Endowment contributions	15,000	42,000	113,304	38,966
Investment income items reported as direct increase/(decrease) in net assets	0	-27,000	0	34,447
Net Assets, end of year	1,240,109	1,200,443	1,150,026	952,357

40. Appendix 27: MELS Operating Grant

MELS Operating Grant

\$000s		2009-10 Actual	2010-11 Actual	2011-12 Forecast	2012-13 Budget
	<i>Notes</i>		11 Mos.		
Teaching services	a	240,641	237,778	293,735	300,852
Administrative and support services	b	44,014	42,136	50,895	51,876
Other MELS Operating Grant	c	29,859	20,476	21,446	13,969
Facilities and buildings		33,982	34,472	35,282	35,282
General fixed costs		2,394	3,024	2,422	2,812
Total Operating (Permanent) Grant		350,890	337,886	403,780	404,791
Contribution to student aid	d	(7,368)	(7,615)	(8,830)	(12,139)
Canadian fee supplements		(23,952)	(24,075)	(29,530)	(29,707)
International fee supplements	e	(42,381)	(42,082)	(46,822)	(47,771)
Total MELS Recoveries:		(73,701)	(73,772)	(85,182)	(89,617)
Allocation for graduation premiums	f	6,036	6,248	6,330	6,537
Indirect Cost of Research Grant		16,419	15,112	17,403	17,403
Information technology and libraries		2,630	2,545	2,702	2,752
Other grants	g	10,928	4,630	3,763	4,344
Specific (Temporary) Grants		36,013	28,535	30,198	31,036
Total Operating Grant	h	313,202	292,650	348,797	346,210

Notes:

- a) Based on weighted FTEs (FY2011 factors adjusted by 94% to account for 11 month year)
- b) Based on unweighted FTEs
- c) Includes reinvestment, International fees compensation, enrolment adjustment & strike expenses
- d) Increasing due to higher tuition - QC keeps 35% of \$325 tuition increase in FY2013
- e) Increased supplement for international deregulated students (McGill will keep the tuition offset beginning in FY2015)
- f) \$500 per undergraduate, \$1,000 per Masters and \$7,000 for PhD graduates
- g) Includes matching donation, lease rental, Chantiers and other support envelopes from MELS;
FY2010 includes \$4.2M from Calculs Definitif 08/09
- h) Note that a portion of MELS grant (\$2M budget for FY2013) flows directly to student services. GAAP accounting would include in total.

41. Appendix 28: Schedule of McGill's Total Debt and Bank Borrowings

McGill University

Summary of Credit Facilities & Projections

February 2012

\$ in millions

		Forecast <u>FY12</u>	Forecast <u>FY13</u>	Forecast <u>FY14</u>
<u>Known use of funds:</u>				
MELS Annual Capital :	<i>i</i>			
Deferred maintenance (DM) grants		\$ 25.0	\$ 25.0	\$ 25.0
Capital budget grants		\$ 18.0	\$ 18.0	\$ 18.0
Annual Debt repayments	<i>ii</i>	\$ -	\$ 112.7	\$ 144.0
Financement Quebec (FQ) debt issuances	<i>iii</i>	\$ -	\$ (145.0)	\$ (140.0)
Projected annual deficits surplus)	<i>iv</i>	\$ (0.7)	\$ 7.2	\$ (0.3)
Total Known requirements :		<u>\$ 42.3</u>	<u>\$ 17.9</u>	<u>\$ 46.7</u>
<u>Projected use of funds (net of repayments) :</u>				
Acceleration of DM projects	<i>v</i>	\$ 10.0	\$ 10.0	\$ 15.0
Energy conservation projects		\$ 11.4	\$ 1.2	\$ (0.8)
Pension Plan contribution		\$ 7.0	\$ -	\$ -
New Residence		\$ -	\$ -	\$ -
Real Estate Acquisition	<i>vi</i>	\$ -	\$ 32.5	\$ (1.5)
Consolidation (MAC) of data centers		\$ -	\$ -	\$ -
Network & telco upgrade		\$ -	\$ -	\$ 22.5
Deferred Maintenance - Residences		\$ -	\$ 4.5	\$ 17.0
Total Projected requirements :		<u>\$ 28.4</u>	<u>\$ 48.2</u>	<u>\$ 52.2</u>
<u>Projected net cash needs :</u>		<u>\$ 70.7</u>	<u>\$ 66.1</u>	<u>\$ 98.9</u>

Projected bank borrowings :

***viii* \$ 226.0 \$ 292.1 \$ 391.0**

Total Current Bank Facilities

***ix* \$ 330.0 \$ 330.0 \$ 330.0**

Notes :

- i* Payable via Financement Quebec debt issuances.
- ii* Per F/S note 11. Amounts for FY12 repaid via FY12 FiQ debt issuances.
- iii* Assume amount is approximate to prior year requirements (capital grant + DM + Debt repayments).
- iv* Excludes any contributions to unfunded Building projects (\$ 52M); fundraising is ongoing.
- v* Repayments required to be built into annual budget plans, unless new gifts can be raised.
- vi* Possible refinancing options via Pension Plan or Endowments.
- viii* Approved maximum borrowings = \$ 250M. As at January 31, 2012, borrowings = \$ 155.3 million.
- ix* Includes: RBC (\$ 120M), Desjardins (\$ 75M), BMO (\$ 60M), and TD (\$ 75M). National (\$ 50+) under negotiations.

42. Appendix 29: Capital Projects

McGill University
Summary of Outstanding Capital Borrowings
Supported by future donations
March 2012

	Expected Sources of Funds	Outstanding Borrowings (\$ M)					
		FY12 (est)	FY11	FY10	FY09	FY08	FY07
1 <u>Life Sciences</u>	Capital Campaign – Future Fundraising	\$ 9.32	\$ 9.32	\$ 9.97	\$ 9.97	\$ 9.12	\$ -
2 <u>740 Penfield</u>	Capital Campaign – Future Fundraising	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
3 <u>Barton Library</u>	Capital Campaign – Future Fundraising	\$ 2.03	\$ 2.03	\$ 2.13	\$ 2.24	\$ 4.21	\$ 4.94
	Support Committed to Date (Gifts and Pledges)						
	MacDonald Stewart Foundation						
	McGill University Private Support Matching Grant						
	Capital Campaign – Future Fundraising						
4 <u>New Music</u>	Capital Campaign – Future Fundraising	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.42	\$ 4.21
5 <u>Bronfman Basement</u>	Support Committed to Date (Gifts and Pledges)	\$ 2.92	\$ 2.92	\$ 2.92	\$ 2.91	\$ 2.82	\$ -
6 <u>Bronfman 3rd floor</u>	Capital Campaign – Future Fundraising	\$ 2.26	\$ 2.26	\$ 2.26	\$ 2.37	\$ -	\$ -
7 <u>Faculty of Law Renovations</u>	Capital Campaign – Future Fundraising	\$ 1.17	\$ 1.17	\$ 1.16	\$ 1.00	\$ -	\$ -
8 <u>Dietetics & Human Nutrition Lab</u>	Capital Campaign – Future Fundraising	\$ 1.75	\$ 0.88				
9 <u>Eduation - Professor Anderson CFI</u>	Capital Campaign – Future Fundraising	\$ 0.48	\$ 0.48				
10 <u>Governance Room</u>	Capital Campaign – Future Fundraising	\$ 1.30	\$ 0.22				
11 <u>Molson Stadium</u>	Capital Campaign – Future Fundraising	\$ 4.00	\$ 4.00	\$ 4.00	\$ 6.00	\$ -	\$ -
	Future gifts/Allouettes - line of credit						
12 <u>Other (< \$ 200k)</u>	Various	\$ 2.50	\$ 2.50	\$ 0.35	\$ 0.45	\$ 0.35	\$ 1.46
Outstanding Capital Borrowings :		\$ 37.23	\$ 35.27	\$ 32.29	\$ 34.44	\$ 25.92	\$ 16.61
13 MNI - McBir (CFI)		\$ 21.26	\$ 16.88	\$ 5.60	\$ 4.00	\$ -	\$ -
- Brain Tumour (net)		\$ 4.90	\$ 4.90	\$ 4.90	\$ 4.90	\$ 4.90	\$ 4.90
TOTAL Outstanding - MNI:		\$ 26.16	\$ 21.78	\$ 10.50	\$ 8.90	\$ 4.90	\$ 4.90
<u>TOTAL</u>		\$ 63.39	\$ 57.05	\$ 42.79	\$ 43.34	\$ 30.82	\$ 21.51

43. Appendix 30: Endowed Chairs by Faculty

	Number of chairs (vacant and filled)	2011-12		2012-13		
		Annual endowment income	\$13.33 payout rate	Est endowment income based on payout rate of \$12.75	Portion of endowed income to cover chairholder salaries	
AES	2	\$	94,826	\$	90,701	\$ 58,143 64%
Arts	22	\$	1,175,794	\$	1,124,635	\$ 927,000 82%
Dentistry	1	\$	38,565	\$	36,887	\$ 36,887 100%
Education	2	\$	130,755	\$	125,066	\$ 125,066 100%
Engineering	13	\$	737,572	\$	705,480	\$ 505,303 72%
Law	11	\$	\$641,961	\$	614,030	\$ 251,413 41%
Management	6	\$	234,424	\$	224,224	\$ 189,741 85%
Medicine	59	\$	3,493,296	\$	3,341,303	\$ 2,678,985 80%
MSE	1	\$	102,587	\$	98,123	\$ - 0%
Music	2	\$	157,425	\$	150,575	\$ 73,934 49%
Religious Studies	1	\$	49,387	\$	47,238	\$ - 0%
Science	20	\$	946,415	\$	905,236	\$ 838,772 93%
Libraries	1	\$	86,866	\$	83,086	\$ 83,086 100%
	141	\$	7,889,873	\$	7,546,584	\$ 5,768,329 76%

Medicine hospital chairs:

Active	2	\$	255,000	\$	255,000
Identified, but no financials	8		n/a		n/a
Additional hospital chairs expected	5		n/a		n/a
Total expected hospital chairs	15	\$	255,000	\$	255,000

44. Appendix 31: Endowed Income Contribution to Restricted Fund (by major unit) – FY2011 vs. FY2010 and FY2009

McGill University

Current Year Endowment Income Received by Restricted Funds

FY2011 details compared to FY2010 and FY2009 totals (in '000s)

	DP SLL	Agriculture	Arts	Dentistry	Education	Engineering	GPS	Law	Mgmt	Medicine	Music	Religious Studies	Science	Libraries	Total FY2011 (11 months)	FY2010 (12 months)	2009 (12 months)
Medals	\$ -	\$ 3	\$ 11	\$ -	\$ -	\$ 5	\$ -	\$ 7	\$ 1	\$ 1	\$ 1	\$ -	\$ 12	\$ -	\$ 41	\$ 44	\$ 54
Prizes	\$ 130	\$ 31	\$ 107	\$ 16	\$ 33	\$ 71	\$ 15	\$ 54	\$ 64	\$ 163	\$ 30	\$ 23	\$ 37	\$ -	\$ 779	\$ 812	\$ 997
Scholarships	\$ 4,165	\$ 143	\$ 158	\$ 27	\$ 54	\$ 265	\$ 5	\$ 115	\$ 73	\$ 816	\$ 580	\$ 11	\$ 354	\$ -	\$ 6,768	\$ 7,078	\$ 8,530
Bursaries	\$ 601	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9	\$ 4	\$ 20	\$ -	\$ 8	\$ -	\$ -	\$ 643	\$ 571	\$ 602
Fellowships	\$ -	\$ 187	\$ 701	\$ 30	\$ 52	\$ 602	\$ 1,750	\$ 231	\$ 61	\$ 564	\$ 80	\$ -	\$ 564	\$ -	\$ 4,843	\$ 4,738	\$ 5,230
Chairs	\$ -	\$ 61	\$ 1,039	\$ 36	\$ 131	\$ 724	\$ -	\$ 599	\$ 310	\$ 3,250	\$ 155	\$ -	\$ 894	\$ 87	\$ 7,412	\$ 7,802	\$ 9,296
Other	\$ 199	\$ 804	\$ 1,160	\$ 565	\$ 48	\$ 1,468	\$ 67	\$ 377	\$ 964	\$ 6,407	\$ 57	\$ 50	\$ 730	\$ 1,094	\$ 15,384	\$ 16,101	\$ 17,396
Total	\$ 5,095	\$ 1,230	\$ 3,176	\$ 674	\$ 318	\$ 3,135	\$ 1,837	\$ 1,392	\$ 1,477	\$ 11,221	\$ 903	\$ 92	\$ 2,591	\$ 1,181	\$ 35,870	\$ 37,146	\$ 42,105

45. Appendix 32: McGill University – Quick Facts

At a glance

- Founding date of McGill University: 1821
- Degrees granted in 2009-10: 7,739
- Downtown campus: 845 Sherbrooke St. West, Montreal, Quebec
- Macdonald campus: 21111 Lakeshore Road, Ste. Anne de Bellevue, Québec H9X 3V9

Leadership

- Chancellor: Arnold Steinberg
- Chair, Board of Governors: Stuart ("Kip") Cobbett
- Principal and Vice-Chancellor: Heather Munroe-Blum

Students

- 36,531 students
- Most Rhodes Scholars of any Canadian university

Faculty and staff

- 1,627 tenured and tenure-stream faculty

Faculties and schools

- 11 faculties and 11 schools

Research

- \$432.118 million awarded in research funding in 2008-09 (McGill and affiliated hospitals)

Notable firsts

- Nature of radioactivity (Ernest Rutherford)
- Discovery of the role of the hippocampus in memory (Brenda Milner)
- First artificial cell (Thomas Chang)
- First Internet Search Engine (Peter Deutsch, Alan Emtage, Bill Heelan)
- Invention of the Charge Coupled Device used in digital cameras and photocopiers (Willard Boyle, BSc'47, MSc'48 and PhD'50)
- Solving how cells protect their DNA from damage (Jack Szostak, BSc'72)
- Discovery of the fastest spinning neutron star (Vicky Kaspi)

Health

- Canada's first faculty of medicine, established in 1829
- 4 teaching hospitals affiliated with McGill, including the McGill University Health Centre, an amalgamation of 6 hospitals and institutes.
- Through its Faculty of Medicine and teaching hospitals, McGill is responsible for tertiary health care services, teaching and research in a region (Réseau Universitaire Intégré de Santé or RUIS) covering 63% of the Quebec's land mass – and about 1.7 million people.

Tuition

- Quebec residents \$2,168
- Rest of Canada \$5,858
- International students (varies depending on program—see [source](#))

46. Appendix 33: University Financial Policies and GAAP Principles

46.1.1 Financial/accounting policies

As of 1 June 2009, in accordance with the prescribed guidelines set out by Ministère de l'Éducation, du Loisir et du Sport du Québec ("MELS"), the University has retrospectively adopted the standards set out in the Canadian Institute of Chartered Accountants' Handbook and has prepared its financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") using the deferral method without funds. Previously, McGill followed the accounting policies and practices required by the Cahier des définitions, des termes et des directives de présentation du rapport financier annuel pour les universités du Québec (the "Cahier"), as required by MELS.

The adoption of these policies had the following effects on the financial statements of the University:

46.1.2 Revenue Recognition

The University changed from the restricted fund method to the deferral method of accounting for contributions, which include donations and government grants.

Interest and dividend revenue is recorded on an accrual basis. Realized gains or losses on sales of investments are recorded when securities are sold based on the cost. Unrealized gains and losses related to the change in market value are disclosed as investment income.

One-time revenues are non-recurring in nature. The amount of one-time revenue year-after-year is generally consistent, though it may come from different sources (examples include restricted grant revenue, special MELS grant envelopes, and donations/bequests).

46.1.3 Balanced Budget

MELS does not require Quebec universities to submit a balanced budget every year, but they must show a plan to return to a balanced budget within an acceptable time period. The University defines a "balanced budget" as having annual operating revenues sufficient to meet all operating expenses. An annual budgeted breakeven position would mean operating revenues exactly equal to operating expenses. If actual financial results differ from the previous year's budgeted amounts, explanations are provided in the financial statement analysis.

The University is expected to run annual deficits for FY2013 and FY2014 and then return to an effective balanced budget by FY2015. Additional tuition increases above those recently announced by MELS would allow McGill to begin to decrease its accumulated deficit, with the ultimate long-term goal of eliminating that deficit through sustained annual surplus budgets. The current level of accumulated deficit is benchmarked against other universities in the province and is generally consistent with the other large universities that have medical schools.

46.1.4 Contingency fund

The University increased its mid-year Contingency fund in FY2012 to \$5M to cover unexpected operational or building needs.

46.1.5 Capital assets

As part of its financial reporting reform, MELS modified the capitalization thresholds, categorization, method, recording, and amortization periods of capital assets. In addition, MELS previously required that capital assets be recognized as assets of the Plant Fund and as an expense of the fund from which the transaction originated. These amounts are now capitalized in the Plant Fund and no longer expensed in the other funds.

Facilities Management, the group that repairs and maintains the physical assets of the University, accounts for their expenses through the Operating Fund.

46.1.6 Grants receivable

Previously, as part of MELS reporting guidelines, amounts receivable from MELS were recorded as a decrease to the Fund Balance of the Plant Fund. Under GAAP, these amounts meet the criteria of an asset and have therefore been recorded as grants receivable. An offsetting charge is recorded as a corresponding deferred contribution. See the section entitled “revenue recognition” above for further details.

In addition, the long-term portion of grants receivable has been discounted to its present value using the borrowing rate in effect as of 31 May 2010. Previously, grants receivable were not discounted to a present value since MELS reporting guidelines held that the market rate of interest for such receivables was 0%.

46.1.7 Pledges

Pledges from fundraising and other donations are recorded in the period in which they are collected, with future pledges receivable being disclosed. Previously, pledges were recognized as revenue and a receivable when pledged. See note 17 of the Financial Statements for further details on pledges outstanding.

46.1.8 Long-term debt

Previously, as part of MELS reporting guidelines, long-term debt was recorded net of bond sinking fund contributions from the Government of Quebec. Starting in 2009, long-term debt is presented at the gross value of all outstanding debt, on a retrospective basis.

46.1.9 Short-term debt

McGill’s Board of Governors has approved a maximum borrowing level of \$250M under short-term credit facilities. Unsecured and uncommitted lines of credit, totalling \$345M, are available to McGill and are normally drawn through bankers’ acceptances for periods of up to one year.

46.1.10 Employee Future Benefits

The University conformed to section 3461 of the CICA handbook, “Employee Future Benefits” on a retrospective basis, to account for future benefit plans and pension costs of its employees, resulting in accruals for future employee benefits over the period that services are rendered to the University by the employee. Previously these amounts were recorded on a cash basis. This includes accruals for vacation pay, banked overtime, and all other employee benefits.

46.1.11 Investment Income

Effective 1 June 2009, the University adopted the following recommendations of CICA Handbook:

- Section 1000, Financial Statement Concepts:
 - This section clarifies that assets failing to meet the formal definition of an asset or the attendant recognition criteria are not permitted to be categorised on the Balance Sheet. The adoption of this Section had no impact on the financial statements.
- Section 1540, Cash Flow Statement:
 - This Section has been amended to include not-for-profit organizations within its scope. The adoption of this Section had no impact on the financial statements.
- Section 4400 Financial Statement Presentation:
 - This Section has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of fund balance and, instead, permit a not-for-profit organization to present such an amount as a category of an internally restricted fund balance when it chooses to do so. It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in a transaction.
- Section 4460 Financial Statement of disclosures of related-party transactions:
 - This Section establishes the disclosure standards for related-party transaction. The adoption of this Section had no impact on the financial statements.

46.2 Implementation of Generally Accepted Accounting Principles (GAAP)

For FY2010 and onwards, as mandated by MELS, the University’s financial statements will be prepared in accordance with GAAP. The following are the most significant GAAP changes:

46.2.1 Pledges

In FY2010, pledges are no longer recorded as receivables. Gifts and bequest revenue will be recorded on a cash basis (as received). Pledges receivable will be disclosed in the notes to the financial statements, consistent with other Canadian universities and industry practice.

46.2.2 Discounting of Long-Term Grants Receivable

Under GAAP, long-term receivables are discounted to their present values. In the past, MELS has dictated the use of a 0% discount rate, which is not GAAP-compliant. A rate based on risk of the counterparty will be agreed to. These valuations will be performed at year-end.

46.2.3 Deferral of Research and Capital Grants

Unspent research funds will now be recorded as deferred revenue, rather than as grant revenue, to reflect an equivalent amount of revenue to match the related expense in any one year. In the past, the total revenue related to any one year was recorded. This resulted in an excess of revenues over expenses in the Restricted Fund, for which the Fund Balances were drawn down in future years as other expenses were incurred. These adjustments will be recorded at year-end once all grant award amounts are known for fiscal 2010.

46.2.4 Capital Assets

Categorization and amortization rates will be modified based on new MELS guidelines, which are consistent with GAAP. In addition, purchases made using Operating or Restricted funds will no longer be presented as part of expenses in those respective Funds, but rather capitalized directly in the Plant Fund. This change is to conform to GAAP, as the prior presentation accounted for the same asset twice. Current year-to-date amortization expense amounts reflect changes in the categorization of assets and amortization rates. Restricted funding contributions will be recorded in the Plant Fund as deferred contributions and recognized as revenue in parallel with the corresponding amortization expense.

This change in policy will be applied retrospectively and opening balances will be restated at year's end.

46.2.5 Employee Future Benefits, Vacation Accrual and Other Pension Costs

Under GAAP, accruals for the above items are required to be recorded over the periods of service. The current method used is to record these expenses as they are paid (i.e. cash basis). An actuarial valuation identifying the future liability related to past retirement benefits will be performed at year-end to determine the Balance Sheet liability (and corresponding increase to the accumulated deficit) with respect to these costs and the annual related expense. The valuation will use assumptions and changes made to the current benefit plans during the current fiscal year.

Other accruals, such as vacation (\$33 million estimated in note 2 to the May 2009 audited financial statements) will be updated and accounted for as a liability for the first time.

46.2.6 Other Presentation Changes

Several presentation changes will be required which will not affect the net results for the year. Presentation changes will be recorded, including restatement of prior year adjustment, at year's end.

46.3 Future Oriented information

(from McGill's FY2012 Q3 financial statements)

- i. New Accounting Framework for Not-for-Profit Organizations (Part III of CICA Handbook):
 - a) Applicable for year ends commencing Jan 1, 2012
 - b) First year of adoption will be April 30, 2013, with retrospective application
 - c) Balance sheets will be presented for three comparative years
 - d) Significant change will be accorded to pension benefits, with actuarial gains or losses being recognized in the year versus amortized (current McGill practice)

- ii. Implementation of International Financial Reporting Standards (IFRS) for not for profit organizations
 - a. New IFRS accounting rules for not for profit organizations are expected in the future, although it remains unclear whether the current GAAP standards will be affected. No directives from MELS has been issued on this topic as of yet. Moreover, these changes are not expected to have a significant impact on the financial statements of the University.

47. Appendix 34: Glossary of Terms

Academic Renewal: The program by which the University sets Faculty-based tenure-track academic targets and provides Faculties with the operating support needed to reach the targets, including operating salaries, start-ups, and recruitment funds.

Accumulated Operating Debt: The total debt (i.e., the sum of the operating deficits) incurred to support the accumulated spending that is in excess of revenues.

Activity Based Budgeting (ABB): The form of budgeting that allocates revenue to the activities that generate them. In the case of a university, student enrolment is the primary driver of revenue, both through grants and tuition. Additionally, the activities that incur costs in every functional area are accounted for, analysed, and then linked to the mission and strategic goals of the institution. The full costs of programs and services are then more transparent and available to help with planning, budgeting and decision making.

Actual: Real revenues, salaries, expenditures, or transfers that have been posted to a fund.

Administrative and Support Services: All institutional administration, including such services as physical plant.

Administrative Grant: The portion of the operating grant provided by MELS to cover the administrative costs (non-teaching) of running a university. Calculated by multiplying an unweighted student full-time equivalent (FTE) times a dollar amount per FTE.

Amortisation: The accounting of a purchased asset, which represents a non-cash expense over a period of time. Also, for those units required to repay internal loans, it represents the systematic repayment of the debt over the agreed upon period.

Ancillary Operations: Resources devoted to the activities and jobs that complement the range of services offered by the University; examples include food services, residences, and printing.

Asset: A tangible or intangible item of positive value to the University. Some examples are: cash, government receivables, a building, or a piece of equipment.

Balance Sheet: A report of financial position at a specific point in time outlining the Institution's assets, liabilities, and fund balances available for future purposes.

Bequest: A gift given to the university at the time of a person's death as set forth in the individual's last will and testament. Bequests can have a variety of forms including, but not limited to: cash, marketable securities, tangible fixed assets, and consumable commodities. Bequests are classified according to the absence or presence of donor stipulations as unrestricted, temporarily restricted, or permanently restricted.

Budget: An organisational plan stated in monetary terms; functions as a tool to measure revenue levels and expenditures against expectations.

Budget Calendar: The timeline of key dates for both requests for resources and deliverables of budget related information from the Budget Office to end-users and from end users to the Budget Office.

Campaign McGill: An intensive set of operations or actions undertaken by the University to increase the amount of money coming from philanthropic donations to support academic priorities, goals, and objectives.

Campus Renewal Loans: Loans that the University has obtained from financial institutions in order to fund deferred maintenance projects requiring immediate attention.

Capital Fund: Holds all the assets acquired by the University and any debt incurred to acquire such assets.

Clarder Codes: series of codes found in a CLARDER table allowing the MELS and universities to codify courses, programs, research activities and staff into various disciplines

Compact: An agreement between the Provost and the Dean(s) regarding academic objectives, resource allocations, intended results for specific projects, and other desired outcomes.

Contribution: Gifts, grants, bequests and any similar transfer of resources (both monetary and in-kind).

Deferred Maintenance: The amount of renovation and upgrade required for the University's physical infrastructure. The repairs are serious and urgent in-nature as preventive maintenance was not performed in prior years. Examples include: upgrading ventilation systems, roof replacements, and building or wall replacements.

Deficit: Also known as overdraft; the amount by which an account's expenses and transfers out exceed revenues and transfers in, resulting in a balance of less than \$0.

De-regulated tuition: Universities allowed to charge the tuition they deem appropriate (refer to regulated and re-regulated tuition)

De-regulation: Government cedes tuition setting authority to university for a program(s).

Entrance Bursary Program: A financial award for students entering McGill.

Endowment Fund: This Fund, consisting of all gifts, donations, and bequests including those for Chairs, financial aid, and other specific purposes, is invested to earn a reasonable rate of return over time, while attempting to protect the purchasing power of the original gift. Earned income from the endowment is distributed according to University policy in effect and spent in specifically designated ways, as required by the donor.

Expenditure: The amount spent for goods delivered or services rendered, whether paid or accrued, including expenses, debt service, and capital outlays.

Expense: Charges incurred, whether paid or accrued, for operation, maintenance, interest, and other charges that are presumed to benefit the current fiscal period.

Fiscal Year (FY): Twelve consecutive months used as an accounting period. For 2009-2010, the university fiscal year was June 1 through May 31. As of 2010-2011, the fiscal year will end on April 30, resulting in an 11-month fiscal year. As of 2011-2012 the 12-month fiscal year will start on May 1, 2011 and end on April 30, 2012.

Forfaitaires: (also called tuition supplements) the additional tuition, above the Quebec student tuition, charged to out-of-province Canadians and International students. These amounts are determined by MELS annually and the universities remit them back to the Province in exchange for having the students funded through the grant.

Fund Balance: The difference between assets and liabilities in a fund; also defined as the cumulative results of a fund.

Gift: A resource provided by a donor who enters into the transaction voluntarily and receives nothing other than a token of appreciation in exchange for the resource he/she is providing. Contributions can have a variety of forms including, but not limited to: cash, marketable securities, tangible fixed assets, and consumable commodities. Gifts are classified according to the absence or presence of donor stipulations as unrestricted, temporarily restricted, or permanently restricted.

Grant: A monetary award, allowance or subsidy.

Indirect Cost of research: The institutional costs incurred by the University to support research projects. Costs include items such as central administrative support, utilities and other plant costs.

Investment: Refers to an exchange of cash for a less liquid asset that is expected to increase in value beyond the initial purchase price. Investment vehicles include corporate stocks and bonds, government bonds and real estate.

ISO 31000 ERM Framework: Created by the International Organization for Standardization, this framework provides principles and general guidelines on risk management. It serves as a guide towards the implementation of best practices.

MELS (*Ministère de l'Éducation, du Loisiret du Sport*) grant: The grant received from the Québec Ministry of Education in support of teaching and research.

Operating Fund: Revenue is primarily from grants, tuition and fees, overhead on research grants, investment and endowment income, and annual gifts. The revenue is pooled and then allocated to units concerned with fundamental and on-going operations, dealing primarily with those activities normally associated with the University's core teaching and research. The operating fund is

unrestricted and there are no external constraints as to how these funds are spent as long as the University policies and procedures are respected.

Plant Fund: Capital projects and assets; including those funds from Quebec capital grants, donations, and other sources.

Publicly-funded: An educational institution for which the majority of its operating funds are from the government or a government-owned agency or unit.

Regulated tuition: Tuition rates set and frozen by MELS

Re-regulated tuition: Lift of tuition freeze within the framework of increases set by MELS (refer to regulated tuition)

Re-regulation: Tuition adjustments approved by provincial government and the Board of Governors to increase the share of program funding coming from tuition rather than the annual government grant. In the Quebec context, these tuition increases may be accompanied by a reduction in the level of the government's program funding and by the setting aside of a proportion of the tuition increase for student financial assistance to protect student accessibility to tertiary education.

Resources: Assets available (actual and anticipated) for University operations; includes people, equipment, and facilities.

Resource Allocation: The process of distribution resources to units in order for them to achieve their designated activities, absorb operating and/or facilities costs in order to achieve goals for the future.

Restricted Fund: Any fund with stipulations imposed by a sponsor or donor external to the University. A particular project or activity is specified in writing by the donor. These funds also refer to research-related funds from Canadian, Quebec, and international sources.

Retention Envelope: An envelope reserved for adjusting the salaries of certain professors to ensure that the University's best can be retained in the face of the external competitive environment.

Revenue: Income generated by the supply of goods or services by the University unit to an external customer. Some examples are: tuition and fee revenue, sales of goods and services to external entities, and earnings on investments.

Sustainability: meeting the needs of the present without compromising the ability of future generations to meet their own needs.

Tenure: A permanent appointment granted to Associate and Full Professors who have demonstrated excellence in teaching and research.

Weighted Full-Time Equivalent (FTE) Student: a full-time student is one who takes a 30-credit course load; courses are divided into 23 funding families based on codes of disciplines. These are then

weighted with values from 1 to 10.69 based on academic levels and curriculum. Higher weights are intended to denote courses that are more expensive to deliver.