

Annual Financial Report

Queen's University at Kingston

April 30, 2023

**QUEEN'S UNIVERSITY AT KINGSTON
ANNUAL FINANCIAL REPORT
APRIL 30, 2023**

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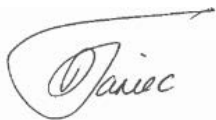
Queen's University is facing financial challenges, given the significant impacts of the provincially mandated 2019 tuition fee cut and subsequent freeze for Ontario students, the reduction in international enrolment post-pandemic and the cap on provincial funding for domestic students, along with inflationary pressures. As noted in previous years, annual investment returns reflect the volatility in financial markets. The \$15.6 million surplus in the current year is primarily a result of stronger investment returns, which rebounded from \$12.8 million in 2021-22 to \$84.4 million in 2022-23. As reported in the consolidated statement of financial position, internally restricted net assets, which are a reflection of the financial flexibility of the institution, declined by \$43.5 million in 2022-23. These balances are expected to be drawn down further in 2023-24 based on the significant projected operating budget deficit. The use of these reserves for on-going operational expenditures is not sustainable. To protect its academic mission while advancing its strategic priorities, the University will be implementing cost saving measures.

Despite ongoing financial challenges, several successes throughout the past year are noteworthy. In June of 2023, Queen's secured its best performance to date in the Time Higher Education (THE) Impact Rankings placing third globally and first in North America in the annual global rankings that assess universities' performance in advancing the United Nations' 17 Sustainable Development Goals (SDGs).

In April 2023, Queen's University published its inaugural Responsible Investing Annual Report, which indicated a 5 per cent reduction in the carbon footprint of Pooled Endowment Fund investments from December 2021 to December 2022. As a result, the carbon footprint is now 12 per cent lower than that of the global benchmark index.

In terms of capital investments, the University achieved a significant milestone when it began construction on the John Deutsch University Centre in May 2022. Funded largely by students over a period of 30 years, when reopened in 2024, the renovated space will feature accessible, sustainable, and inclusive spaces for students to learn, socialize, and study. In September 2022 Queen's welcomed students to its newest LEED Gold 334-bed student residence named Endayaan-Tkanónsote in recognition of the region's Anishinaabe and Haudenosaunee Indigenous communities.

The recent AA rating issued by Morningstar DBRS and the AA+ rating issued by Standard and Poors each provide an independent and objective assessment of the University's strong overall financial performance. Exceptional student demand, effective management practices, and the University's strong academic profile were all cited as strengths contributing to a consistently strong balance sheet. With this in mind, we will navigate our current fiscal challenges by leveraging our strengths through continued and ongoing engagement with our community. Aligned with our Vision – *“The Queen's community-our people- will solve the world's most significant challenges with their intellectual curiosity, passion to achieve, and commitment to collaborate”* - together we will accomplish the hard work that will be required to move beyond our current fiscal challenges and remain a strong institution “For the Future”.



Donna Janiec, FCPA, FCA
Vice-Principal (Finance & Administration)

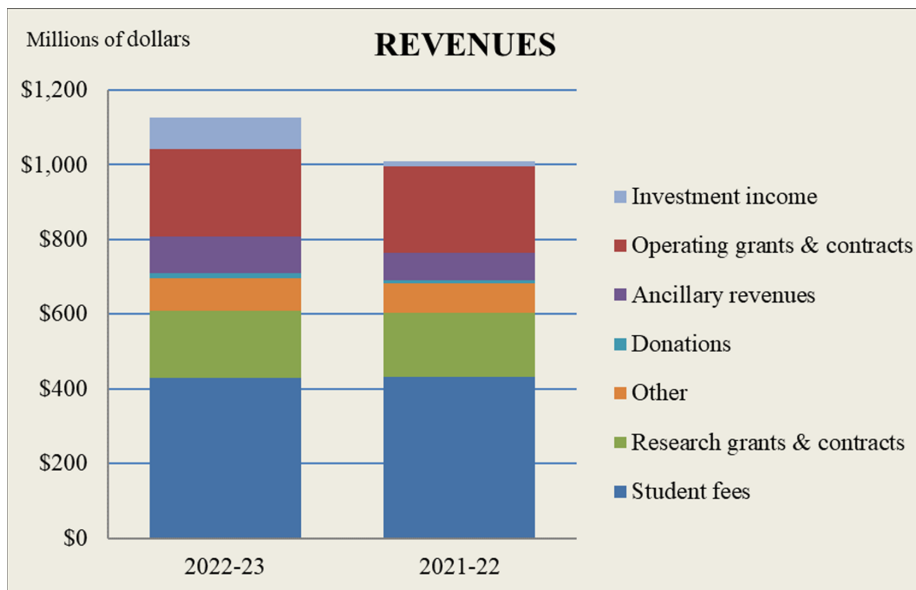
THE YEAR IN REVIEW

In 2022-23 the University completed the year with a surplus of \$15.6 million, driven primarily by positive investment returns and ancillary operations returning to pre-pandemic service levels.

YEAR ENDED APRIL 30	2023	2022
(Millions of dollars)		
Consolidated Statement of Operations		
Revenue	\$ 1,125.8	\$ 1,008.8
Expenses	1,110.2	1,012.1
Excess of revenues over expenses	<u>\$ 15.6</u>	<u>\$ (3.3)</u>
Consolidated Statement of Financial Position		
Assets	\$ 3,472.5	\$ 3,397.3
Liabilities	1,415.2	1,374.3
Net assets	<u>\$ 2,057.3</u>	<u>\$ 2,023.0</u>
Net Assets is comprised of:		
Endowments*	\$ 1,448.2	\$ 1,407.0
Invested in capital assets	216.2	201.2
Internally restricted	389.6	433.2
Unrestricted surplus/(deficit)	3.3	(18.4)
	<u>\$ 2,057.3</u>	<u>\$ 2,023.0</u>

* Endowment assets are permanently restricted and cannot be used for the University's general operations.

REVENUES



Note that all revenues that are externally restricted (e.g., research grants or donations) are only recorded when the related expenditures occur and thus have no impact on the University's net financial results.

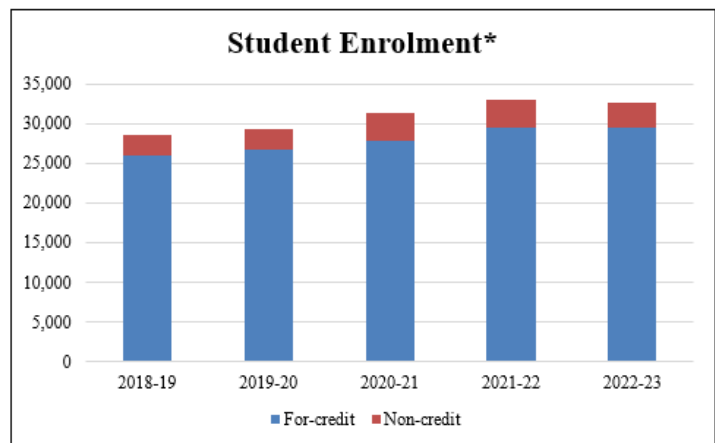
Student fees

Student fee revenue includes tuition fees (see section below for further details) as well as other fees related to activities such as student health, recreation, and athletics. In 2022-23, student fee revenue from all fee sources remained relatively flat. This is the result of year-over-year increases in non-credit fee revenue, athletic fee revenue and professional graduate program registration fee revenue. These increases were offset by declines in fees related to lower international undergraduate domestic enrolment and domestic graduate enrolment.

The University continues to face financial challenges resulting from the tuition framework that, after a 10% decrease, has kept tuition fees for domestic funding-eligible programs flat at the 2019-20 levels. On March 2, 2023, the MCU announced the tuition framework applicable for fiscal 2023-24 which continues to restrict flexibility for the University by freezing tuition fees for domestic funding-eligible programs at 2019-20 levels for Ontario students. The province continued to provide institutions the ability to increase tuition fees for domestic out-of-province students by up to five percent. In addition, the tuition framework provided for the ability to increase tuition fees by up to 7.5% per year (to a defined maximum amount by program) for up to three programs whose tuition fees were on average anomalous to comparator programs in the province.

At a glance....

Total revenues increased by 11.6 per cent due largely to favourable investment returns, and an increase in ancillary revenues. The increase in ancillary revenues is associated with the increased occupancy in residence buildings and the opening of the Endaayaan – Tkanónsote residence building. The majority of operating grants and contracts revenues are from the Ministry of Colleges and Universities (MCU).



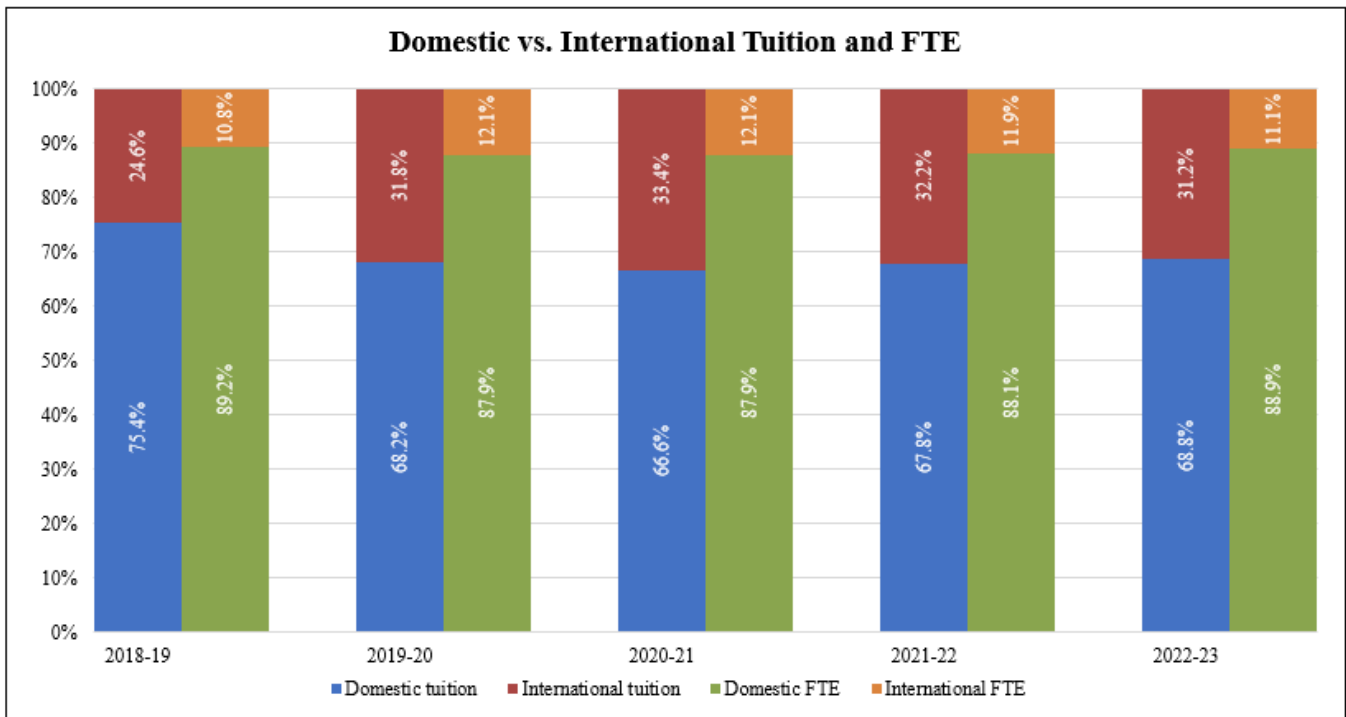
*Full-time equivalency (FTE); figures include exchange students.

Student enrolment for the past five years is displayed in the chart above. Enrolment in for-credit courses decreased by 0.05 per cent from 29,544 in 2022 to 29,529 in 2023 and enrolment for non-credit courses decreased by 14 per cent from 3,478 in 2022 to 2,989 in 2023.

For-Credit Tuition fees

For-credit tuition fees are fees charged on courses offered for academic courses towards a degree program. For-credit tuition revenue decreased by \$7.5 million (2.0 %) to \$372.5 million in 2022-23. International student enrolment declines contributed to decreased international for-credit tuition revenue of \$6.0 million. International students pay higher tuition fees than domestic students as there is no provincial operating grant to offset the total education costs of these students. Domestic for-credit tuition fees decreased by \$1.5 million.

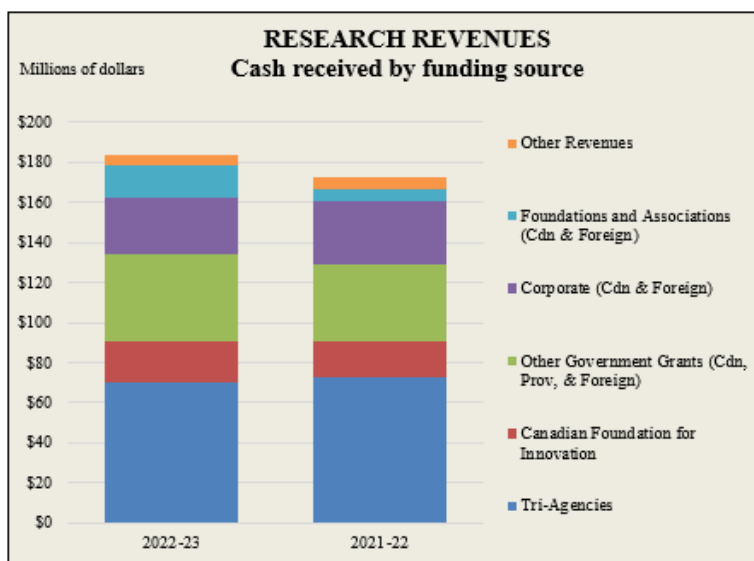
In 2022-23, domestic enrolment increased by 0.8% and international enrolment decreased by 6.6%. International students now account for approximately 11.1% of the total student population and 31.2% of tuition revenue.



Research grants and contracts

Research grants and contracts are received from a variety of sources with the largest contributions coming from the federal government through the Tri-Agencies and the Canada Foundation for Innovation (CFI). Because research funding is restricted for purposes specified by the funding agency, revenue is only recorded when the related expenditure occurs. Unspent externally sponsored research monies are recorded on the statement of financial position as deferred revenue. As such, the changes to revenue in research grants and contracts are not a contributing factor to the University's surplus.

Research grant and contract revenues received by funder is presented in the chart to the right. This chart is presented on a cash basis before any adjustment for funds deferred for spending in future years.



	Thousands of dollars	
	2022-23	2021-22
Cash received by funding source	\$ 183,355	\$ 172,558
Adjustment to deferral for future year spending	(127)	82
Research revenue as reported in research fund	\$ 183,482	\$ 172,476

Ancillary revenues

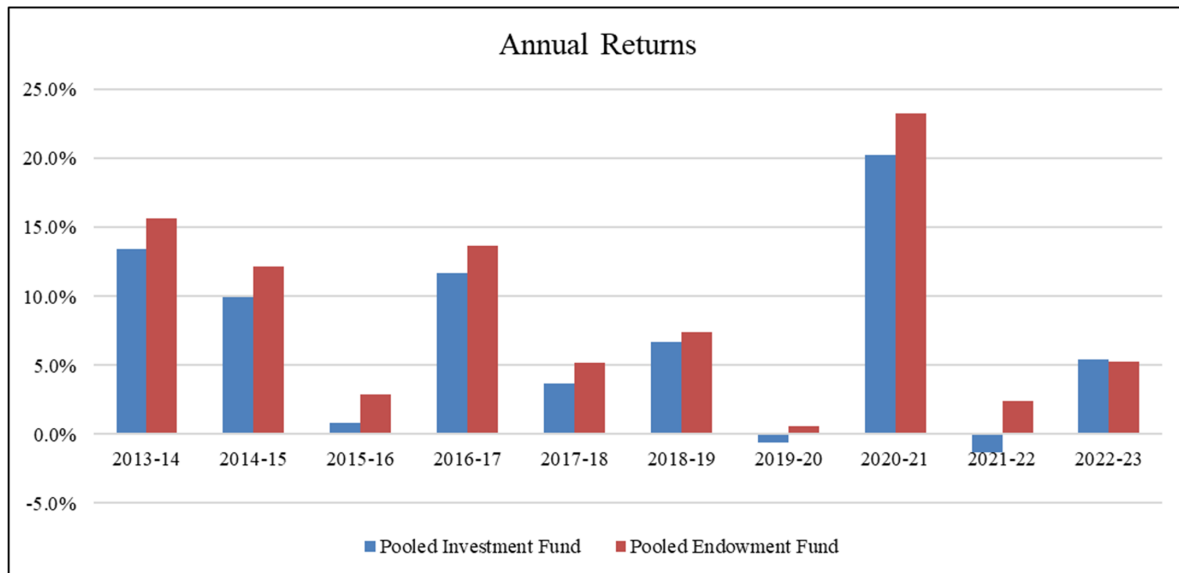
Ancillary operations include business units that provide goods and services to the University community. These units are expected to cover their full operating costs and may also defray general operating expenditures. The table to the right provides a breakdown of revenues in the Ancillary fund by ancillary operations. Ancillary revenue increased in 2022-23 due to the opening of the Endaayaan – Tkanónsote residence combined with the loosening of pandemic restrictions resulting in increased capacity in the residence buildings, increased operations at the Donald Gordon Centre and in Event Services, and increased parking sales.

	Thousands of dollars	
SALES BY ANCILLARY OPERATION	2022-23	2021-22
Housing and hospitality	\$ 97,281	\$ 69,903
Parking	3,794	3,363
	101,075	73,266
Less: Internal sales	(5,163)	(379)
	\$ 95,912	\$ 72,887

Investment income

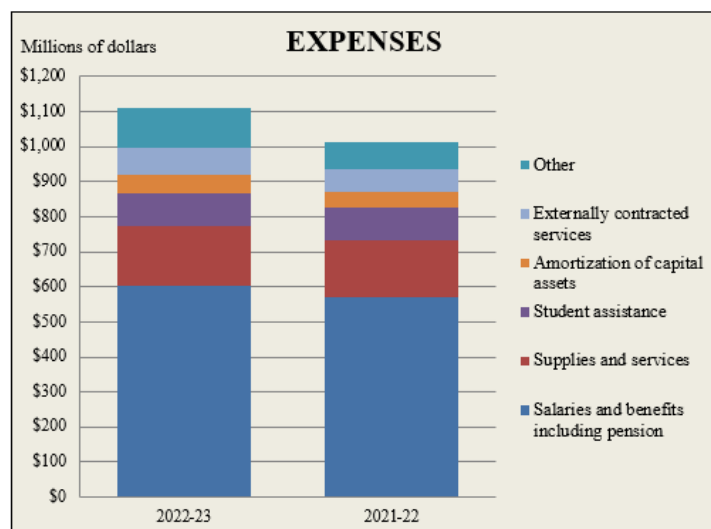
The Board of Trustees has overall responsibility for the management of investment funds at the University and has appointed an Investment Committee to help ensure its investment responsibilities are met. Both the Pooled Endowment Fund (PEF) and the Pooled Investment Fund are invested in accordance with a Board-approved Statement of Investment Policies and Procedures, which establishes risk and return objectives for each Fund, as well as a Responsible Investing Policy. Over the last year the Investment Committee has made considerable progress on its responsible investing initiatives, including implementing meaningful portfolio decarbonization, publishing the University’s inaugural Responsible Investing Annual Report, and hosting a responsible investing town hall. Additional information on Responsible Investing at Queen’s can be found on the [Investment Services website](#).

Given the nature of the funds’ medium- and long-term objectives, there can be considerable volatility in investment returns on an annual basis. Despite interest rates rising to combat historically high inflation, investment income for 2022-23 rebounded from \$12.8 million in 2021-22 to \$84.4 million. Annual rates of return for the last ten years for the Pooled Endowment Fund and the Pooled Investment Fund are presented below.



Because business units rely heavily on the annual payout from the Pooled Endowment Fund of approximately \$58 million, the payout calculation is smoothed and mitigates the impact of any volatility in investment income from year to year. In years of strong investment returns, excess gains are re-invested in the preservation of capital to offset years where the amount made available for spending exceeds investment income.

EXPENSES



At a glance...

Total expenses increased by 9.7 per cent in 2022-23, driven by an increase in expenses related to salaries and benefits, other expenses, and externally contracted services. Increased utility costs due to an increase in natural gas and electricity rates, together with more travel and conference activity, and an increase in renovations and alterations resulted in an increase in other expenses. The increase in occupancy in residence, along with the opening of a the Endaayaan – Tkanónsote residence, this year resulted in an increase in externally contracted services.

SALARIES AND BENEFITS

	Thousands of dollars	
	2022-23	2021-22
Salaries and benefits expense		
Salaries and benefits	\$ 550,932	\$ 525,063
Non-pension employee future benefits	11,714	10,553
Pension	38,551	35,765
Total	\$ 601,197	\$ 571,381
% of total expenses	54%	56%
Employee Future Benefits Liability		
Non-pension employee future benefits liability	\$ 124,287	\$ 95,788

At a glance...

Salaries and benefits comprise over half of the total expenses of the University and increases are influenced by collective agreement negotiations and staff and faculty complement.

The employment of the majority of employees is governed by various collective agreements. The table below provides a summary of employee groups and the date of their associated employee contracts. Those contracts that have expired will be negotiated in the current year.

In 2022-23, salaries and benefits grew by 4.9 per cent. Growth in the year is due to negotiated salary increases along with modest increases in the number of faculty and staff.

The non-pension employee future benefits liability increased due to a lower discount rate further to the adoption of a change in accounting policy as outlined in Note 3 to the financial statements, higher rate for claims, and the annual current services costs increase. Additional information on the employee future benefits liability is available in Note 13 of the financial statements.

Employee Group	Unit / Association	Contract effective until
Academic Assistants	USW 2010-01	August 2023
Allied Health Care Professionals (Family Health Team)	OPSEU 452	June 2022
General Support Staff	USW 2010	December 2024
Graduate Teaching Assistants and Teaching Fellows	PSAC 901, Unit 1	April 2024
Kingston Heating & Maintenance Workers	CUPE 229	June 2024
Kingston Technicians	CUPE 254	June 2024
Library Technicians	CUPE 1302	June 2024
Post-Doctoral Fellows	PSAC 901, Unit 2	June 2023
Queen's University Faculty Association	QUFA	June 2025
Registered Nurses and Nurse Practitioners (Family Health Team)	ONA 67	March 2024

CAPITAL PROJECTS

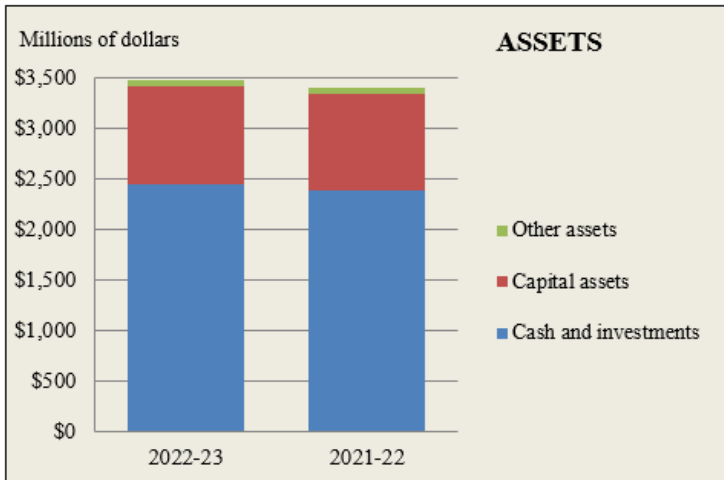
During the year, the University launched two significant projects, the revitalization of the John Deutsch University Centre (JDUC Revitalization) and Agnes Reimagined. The Board of Trustees approved the JDUC Revitalization at a total cost of \$85.6 million to create an important hub that accommodates social, recreational and cultural activities for students, faculty, staff and visitors. It is being funded mainly through student fee levies and University contributions. Agnes Reimagined was approved at a total cost of \$100 million funded by the generosity of donors. The vision of the project is to mobilize the transformative power of art to create a more equitable, inclusive and sustainable world.

In the 2022-23 fiscal year the University completed the construction of two significant projects: the renovation of 355 King Street (the property formerly known as St. Mary's of the Lake) and the construction of a new residence building. The Board of Trustees approved the renovation of 355 King Street property at a total cost of \$24.5 million which enabled the relocation of several main campus administrative units to this location. It is also the site of the University's first geothermal heating and cooling system. The Board of Trustees approved the construction of a new residence building on Albert Street at a total cost of \$57.5 million. The new residence building is officially Endaayaan – Tkanónsote and achieved Leadership in Energy and Environmental Design ("LEED") Gold certification. This new residence provides 334 beds to support the current and future need for student living space.

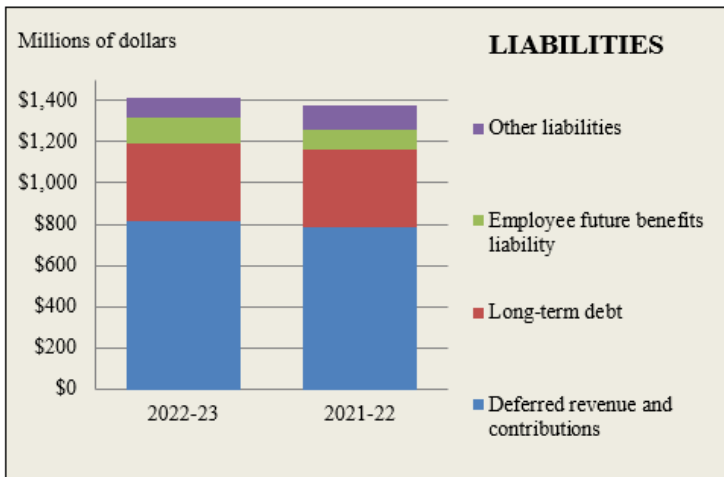
The University's capital expenditures of \$63.6 million in 2022-23 are presented in the table below, with comparative information for the prior year. The bulk of the spending on building projects and construction in progress in 2022-23 relates to the Richardson Stadium Pavilion (\$10.0 million) and the John Deutsch University Centre (JDUC) revitalization (\$17.3 million).

	Thousands of dollars	
CAPITAL ASSET ADDITIONS	2022-23	2021-22
Building projects and construction in progress	\$ 39,487	\$ 77,083
Equipment and furnishings	15,320	13,176
Other asset purchases	8,819	1,111
	<u>\$ 63,626</u>	<u>\$ 91,370</u>

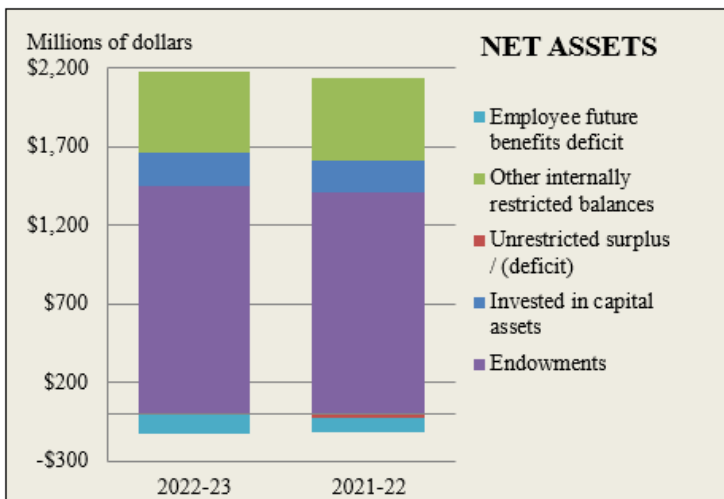
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT A GLANCE



Assets of the University increased by \$75 million or 2 per cent overall, due primarily to growth in the University's cash and investments due to favourable investment returns.



Liabilities of the University increased by 3 per cent. The increase in deferred revenue and contributions is due to an increase in externally restricted unspent trust and endowments. The Employee Future Benefits liability increased due to lower discount rate and higher rates for claims. Further information on Employee Future Benefits is provided in the previous Salaries and Benefits section and in Note 13 to the financial statements.



Net assets increased by \$34 million in 2022-23. This increase is comprised primarily by growth in endowments (\$41 million) driven by contributions to the endowment and investment returns, and a small unrestricted surplus compared to a deficit in the previous year. The increases are offset by an increase in the employee future benefits deficit.

CONSOLIDATED STATEMENT OF OPERATIONS BY FUND

The University's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations, described in Note 2 to the financial statements. Under these accounting standards, the financial results of the University are presented on a consolidated basis, in a single column, and present an overall accounting of the financial stewardship of the institution as a whole.

University budgets and internal reporting are prepared using the concepts of fund accounting. Under fund accounting, activities of the institution are segregated by fund to enhance accountability and control of funds. The University maintains the following funds:

Operating includes teaching and administrative activities at the University. Operating fund revenue includes government operating grants, student fees, and unrestricted investment income. For information on the performance of the Operating fund, please refer to the Performance of the Operating Fund section.

Ancillaries includes business units that provide goods and services to the University community and cover their full operating costs, including indirect costs, and may also contribute to general operating expenditures.

Trust and Endowments capture funds received within the University that are restricted for a particular purpose. Each external donation received for a specific purpose is usually supported by an agreement between the University and the donor, recorded in its own fund, and managed according to the terms and conditions of the donation. The capital of endowment donations is maintained in perpetuity. Investment of endowment capital generates revenue in the form of investment income, which is available for spending.

Research captures activity on campus related to research. The University continues to be one of Canada's leading research-intensive universities. Funding for research is received from a number of sources including the federal government, the provincial government, and various not-for-profit organizations.

Capital includes activity related to the capital infrastructure on campus. The Capital fund reflects amortization of both costs and deferred capital contributions, interest on debt to fund capital expenditures, the capitalization of assets purchased through other funds, the deferral of funding received to purchase assets, and renovations and alterations activity.

Consolidated Entities include PARTEQ Innovations, the Bader International Study Centre (operating as Bader College), the U.S. Foundation for Queen's University at Kingston, the Queen's University Pooled Trust Fund and Queen's Prison Law Clinic.

Interfund Transfers, as presented on the consolidated statement of operations by fund, represents transfers of money between funds. Transfers from the Operating fund are comprised primarily of transfers to the Capital fund resulting from operating budget commitments, and departmental transfers to the Research fund in support of internally sponsored research. Ancillaries fund transfers include transfers to the Operating fund to support operations and transfers to the Capital fund for long-term debt obligations.

THE CONSOLIDATED STATEMENT OF OPERATIONS BY FUND

April 30, 2023

(Thousands of dollars)

The table below presents the activities of the University by fund, for the year ended April 30, 2023, and supplements the information presented in the financial statements.

	Operating	Ancillaries	Trust and Endowment	Research	Capital	Consolidated Entities	Total 2023
REVENUES							
Grants and contracts	234,403	-	23,016	178,059	(4,365)	-	431,113
Student fees	429,723	-	-	-	-	-	429,723
Sales of service and products	10,778	95,912	-	-	-	9,265	115,955
Investment income	40,539	-	37,238	1,969	4,294	352	84,392
Amortization of deferred capital contributions	-	-	-	-	25,039	293	25,332
Other	18,956	-	-	3,454	285	502	23,197
Donations	1,580	-	14,490	-	-	-	16,070
	735,979	95,912	74,744	183,482	25,253	10,412	1,125,782
EXPENSES							
Salaries and benefits	492,992	10,961	21,430	69,102	-	6,712	601,197
Supplies and services	128,414	3,755	12,980	60,690	(23,782)	(9,969)	172,088
Student assistance	42,266	-	32,934	19,884	-	-	95,084
Externally contracted services	13,667	30,227	1,934	30,944	-	35	76,807
Amortization of capital assets	-	-	-	-	49,711	1,789	51,500
Renovations and alterations	19,695	10,543	351	522	14,404	71	45,586
Utilities, taxes and insurance	23,163	5,956	143	397	-	996	30,655
Travel and conferences	10,466	38	1,676	7,813	-	147	20,140
Interest on long-term debt	-	-	-	-	16,997	124	17,121
Interfund transfers out / (in)	55,797	30,966	1,066	(7,151)	(80,678)	-	-
	786,460	92,446	72,514	182,201	(23,348)	(95)	1,110,178
(Deficiency) / excess of revenues over expenses	(50,481)	3,466	2,230	1,281	48,601	10,507	15,604
Transfer from net assets invested in capital assets	-	-	-	-	24,672	1,496	26,168
Transfer from / (to) internally restricted net assets	59,910	(3,466)	(2,230)	(1,281)	(73,273)	271	(20,069)
Net change in unrestricted surplus	9,429	-	-	-	-	12,274	21,703
Unrestricted deficit, beginning of year	(9,223)	-	-	-	-	(9,167)	(18,390)
Unrestricted surplus, end of year	206	-	-	-	-	3,107	3,313

FINANCIAL RISK

The University manages the financial risks it faces as part of a broader enterprise risk management framework which is monitored by and reported on regularly to the Board of Trustees. The major financial risks to which the University is exposed include:

Deferred maintenance

Maintaining the University's space to appropriate standards puts significant pressure on university budgets. The current deferred maintenance (DM) balance is \$456 million.

The University continues to recognize the importance of addressing DM as a strategic priority and has increased operating budget funding from \$4.2 million in 2013-14 to \$10.8 million in 2022-23. Total DM funding (including Provincial and Residences contributions) is \$22.9 million in 2022-23, which is approximately 1.0% of a \$2.4 billion campus replacement value. The industry standard is 1.5%. The university will continue to prioritize addressing its DM backlog as funding allocations are increased and significant building renewals occur. The John Deutsch University Centre revitalization, that commenced in Summer 2022, will remove \$14 million of deferred maintenance.

Reliance on grant support and tuition revenue

The University relies heavily on tuition and grant support to fund its operations, both of which are controlled largely by the provincial government. The third round of the Strategic Mandate Agreement (SMA3) covering 2020-21 to 2024-25 planned for at-risk performance-based funding. Because of the expected impacts of the pandemic on the metrics, the Ministry decoupled funding from the performance against metrics for the first three years of the SMA3 period (2020-21, 2021-22 & 2022-23). On March 24th, 2023, the Ministry announced the decision to move forward with activating performance-based funding at a system-wide proportion of ten percent for Year 4 (2023-24). The Ontario government announced on March 2nd, 2023, the launch of a blue-ribbon panel to provide advice and recommendations that will keep the postsecondary education sector financially strong and focused on providing the best student experience possible.

In 2019-20, the MCU mandated a 10% cut in domestic tuition for funding eligible programs, and a freeze in tuition for these programs at the 2019-20 levels for fiscals 2020-21, 2021-22, and 2022-23. On March 2nd, 2023, the provincial government announced the tuition framework applicable for 2023-24 only. This framework continues to restrict flexibility for the University by freezing tuition fees for domestic funding-eligible programs at 2019-20 levels for Ontario students. The framework provides institutions the ability to increase tuition fees for domestic out-of-province students by up to five percent. In addition, the tuition framework provided for the ability to increase tuition fees by up to 7.5% per year (to a defined maximum amount by program) for up to three programs whose tuition fees were on average anomalous to comparator programs in the province.

The Board of Trustees approved tuition fee increases for 2023-24 in compliance with the Ontario government 2023-24 tuition fee framework. The tuition fee framework does not apply to tuition fees for international students and funding-ineligible programs. In 2023-24, a select number of undergraduate and graduate programs will maintain international tuition fees at 2022-23 levels to remain competitive amongst comparable programs in Ontario, within Canada and internationally. The remainder of the programs will see international tuition fee increases with no planned increases exceeding five per cent. Additionally, international students have the assurance that the maximum annual tuition increase will be no more than five per cent through the normal length of their degree programs.

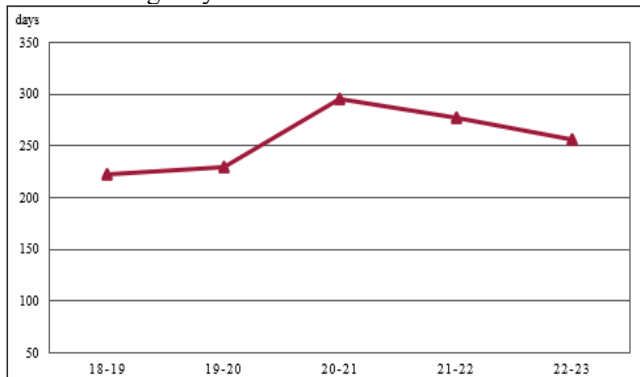
FINANCIAL HEALTH

In support of the financial sustainability of the institution, the University has established metrics to monitor and report on the University's financial health. Because investment gains and losses flow through income, there will always be volatility in the University's financial results.

The value in these ratios is not the point-in-time measurement, but rather the information provided by looking at the trend over time. Five-year trends on these metrics are presented below.

Primary Reserve Ratio

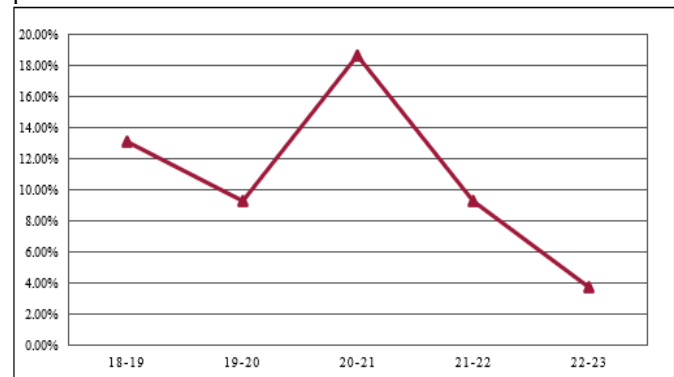
The primary reserve ratio helps to determine whether the University's resources are sufficient and flexible enough to support the mission. It summarizes the financial health and flexibility by indicating how long the University could function using only its reserves with no external restrictions.



Definition: Expendable net assets divided by total expenses multiplied by 365

Net Operating Revenues Ratio

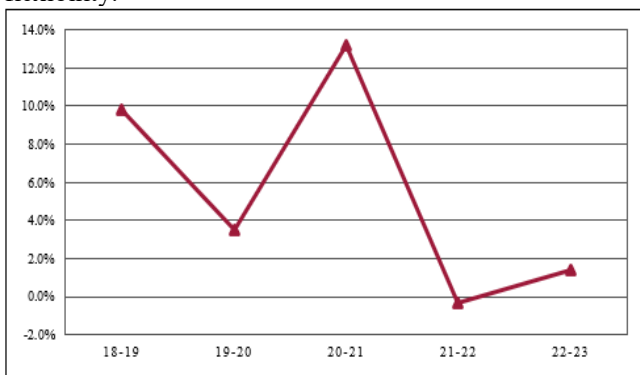
The net operating revenues ratio is a measure of financial performance. Positive cash flow from operations indicates a strengthening position, and, conversely, structural negative cash flows are almost always an indication of financial pressures.



Definition: Cash flow from operating activities divided by total revenues

Net Income / Loss Ratio

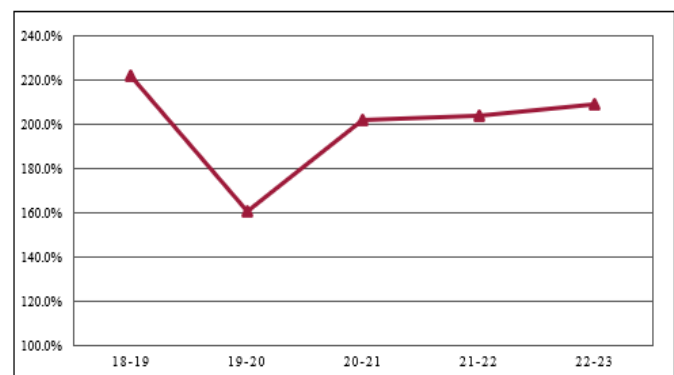
The net income / loss ratio measures the percentage of revenues that contribute to net assets. The objective of this ratio is to track trends in an institution's net earnings. An increase in this ratio indicates greater future financial flexibility.



Definition: Net income or loss divided by total revenues

Viability Ratio

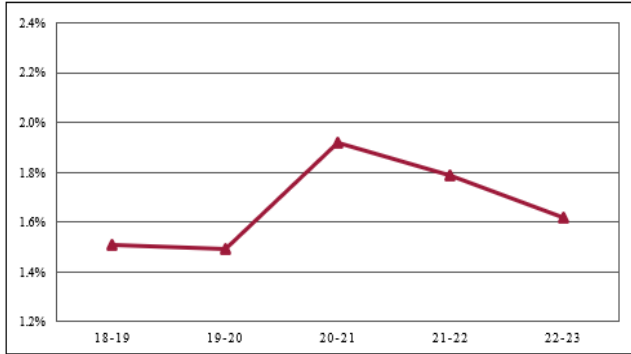
The viability ratio provides an indication of the funds on hand to settle the University's long-term debt obligations at a point in time. This ratio provides assistance in evaluating debt affordability.



Definition: Expendable net assets divided by long-term debt

Interest Burden Ratio

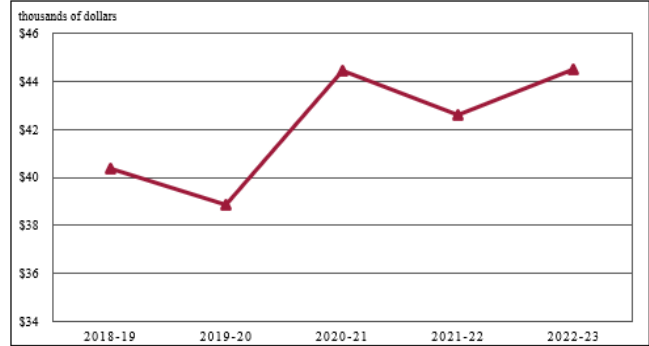
The interest burden ratio is an indicator of debt affordability. It indicates the percentage of total expenses used to cover the cost of servicing the University's debt. The University is well below the suggested maximum of 5 to 7 per cent established by the University sector.



Definition: Interest expense divided by total expenses excluding amortization

Endowment per Student FTE

The endowment value per student FTE provides information on the relative importance of the endowments in relation to the size of the student population and is a measure of the long-term strength of the University.



Definition: Endowment value at end of year divided by student FTE

PERFORMANCE OF THE OPERATING FUND

The Board of Trustees approves the operating fund budget and monitors the performance of the operating fund throughout the year. The operating fund represented 65 per cent of consolidated revenue in 2022-23.

The Board of Trustees pays careful attention to the allocation and use of resources within the operating fund and remains focused on achieving a balanced budget. Budgets are prepared on a cash basis and include drawdowns of cash reserves to balance.

2022-23 Operating Fund	Thousands of dollars		
	Actual	Budget	Variance
Revenue	735,979	739,934	(3,955)
Less: expenditures	(786,460)	(783,482)	(2,978)
Deficit	(50,481)	(43,548)	(6,933)
Transfer from internally restricted net assets	59,910	43,548	16,362
Increase in unrestricted surplus	9,429	-	9,429
Operating deficit - beginning of year	(9,223)		
Operating surplus - end of year	206		

The negative variance in operating revenue in fiscal 2023 is due primarily to shortfalls in student fees. Student fee shortfalls were due to less international enrolment than anticipated and a shortfall in graduate professional programs.

On the expense side the higher than budgeted expenses is due to capital transfers to fund internally financed capital projects offset by the units experiencing lower than budgeted salaries expenditures due to higher than anticipated vacancies and delays in hiring.

Overall, the operating fund reported a deficit of \$50.5 million or 6.9 per cent of budgeted revenue. **This deficit was covered by existing reserves.**

The University remains focused on managing its resources responsibly in order to protect and advance its academic mission and strategic priorities in the midst of significant financial challenges. In May 2023, the Board of Trustees approved the 2023-24 operating budget, with a deficit of \$62.8 million covered by a drawdown of reserves. Several mitigation efforts are underway to aid in lowering the deficit through the examination of international student enrollment growth along with cost containment and revenue generation strategies. Subsequent to the approval of the budget the University announced a hiring freeze as an additional immediate interim measure with the goal of reducing the University's in-year deficit prior to exploring further cost containment options. Acting now to mitigate the in-year deficit will provide runway to collaborate with the community on achieving a balanced budget by 2025-26. In addition to the hiring freeze implemented for full-time operating budget positions, a series of new measures will be put in place for the next few years to reduce expenditures across the University, including a reduction in budget allocations to all faculties and shared service portfolios. The new measures include a 1.5 per cent reduction on allocations for all units for 2024/25 and 2025/26. Faculties are also being directed to reduce their structural deficits to no more than five per cent of their operating budget allocation for 2024-25, followed by a balanced budget for 2025-26. Shared services will need to balance their budgets in each of the next two years. Funds from these combined measures will be held for subventions and strategic investments, where funds are needed to ensure the University's academic and research missions are not compromised.

COMMITMENT TO CLIMATE ACTION – 2023 UPDATE

Climate change is one of the most significant challenges of our time, and Queen's is deeply committed to making a global impact in advancing sustainability and responding to the world's most urgent challenges. The University is a member of the [United Nations Race to Zero](#) coalition and the [University Climate Change Coalition \(UC3\)](#).

Queen's achieved a 35 per cent reduction in greenhouse gas (GHG) emissions between 2008 and 2020, its first major milestone target laid out in the [Climate Action Plan](#). While realizing this target has set Queen's on the path to achieving net-zero GHG emissions by 2040, significant investment in the university's infrastructure will be required to meet our commitments. Queen's was named the winner of the 2021 Greatest Overall Greenhouse Gas Emissions Reduction Award from Sustainable Kingston for reducing the university's emissions by 6,023 tonnes, and in recognition of its hard work in mitigating the climate emergency.

In the fall of 2022, Queen's released its [Progress Report on the Climate Action Plan](#) to provide an overview of the university's progress in meeting its climate goals. Queen's is installing more efficient ventilation systems in high-energy-use lab spaces such as Chernoff Hall and Biosciences Complex. The university is also using geo-exchange heating and cooling systems for the 355 King Street West facility. All new construction is targeting LEED Gold certification, an internationally recognized standard for green buildings.

In April 2023, Queen's published its inaugural [Responsible Investing Annual Report](#). Coinciding with the launch of the report, on April 5, 2023, Principal Patrick Deane and representatives of Queen's Board of Trustees Investment Committee hosted [a virtual town hall](#) for members of the Queen's community to provide an update on Responsible Investment actions undertaken by Queen's across its investment portfolios. Queen's has progressed on the commitments established in the Board of Trustees' approval of the Investment Committee's March 2022 recommendations, which stemmed from the work of the [Climate Change Action Task Force](#). These include ambitious carbon reduction targets, establishing our Queen's Climate Action Allocation (QCAA) endowment allocation which includes investments with significantly lower carbon emissions, and becoming a signatory to United Nations-supported Principles for Responsible Investment (UNPRI). Work on responsible investing continues.

In 2023, and for the third straight year, Queen's ranked in the top 10 of the [Times Higher Education \(THE\) Impact Rankings](#), earning third place worldwide and first place in North America out of over 1,700 universities. Queen's is the only Canadian university to achieve three top-10 placements since the rankings began in 2019. These remarkable results underlines the university's commitment to advance the [United Nations Sustainable Development Goals](#) (SDGs), fight climate change and achieve social impact. For the second year, Queen's has also released a [social impact report](#), highlighting the university's activities in research, teaching, outreach, and stewardship that support advancing the SDGs.

STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

The administration of the University is responsible for the preparation of the consolidated financial statements and the notes to the consolidated financial statements.

The administration has prepared the accompanying consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Chartered Professional Accountants of Canada. In order to achieve the objective of fair presentation in all material respects, the use of reasonable estimates and judgments were employed. The administration believes the consolidated financial statements present fairly the University's financial position as at April 30, 2023 and the results of its operations for the year then ended.

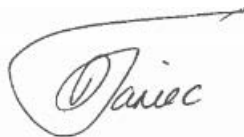
In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis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

The Board of Trustees is responsible for ensuring that administration fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Trustees carries out its responsibility for review of the consolidated financial statements principally through the Audit and Risk Committee. The majority of the members of the Audit and Risk Committee are not officers or employees of the University. The Audit and Risk Committee meets with the administration, as well as the internal and the external auditors, to discuss the results of audit examinations and financial reporting matters, and to satisfy itself that each party is properly discharging its responsibilities. The internal and external auditors have full access to the Audit and Risk Committee with and without the presence of the administration.

The consolidated financial statements for the year ended April 30, 2023 have been reported on by KPMG LLP, Chartered Professional Accountants, the independent auditors appointed by the Board of Trustees. The independent auditors' report outlines the scope of their audit and their opinion on the consolidated financial statements.



Dr. Patrick Deane
Principal and Vice-Chancellor



Donna Janiec, FCPA, FCA
Vice-Principal (Finance & Administration)

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Queen's University at Kingston

Opinion

We have audited the consolidated financial statements of Queen's University at Kingston, which comprise:

- the consolidated statement of financial position as at April 30, 2023
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Queen's University at Kingston as at April 30, 2023, and its results of consolidated operations, its consolidated changes in net assets, and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our report.

We are independent of Queen's University at Kingston in accordance with the applicable independence standards, and we have fulfilled our other ethical responsibilities in accordance with these standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in Queen's University at Kingston's The Year in Review ("annual report").

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Queen's University at Kingston's annual report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Queen's University at Kingston's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Queen's University at Kingston or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Queen's University at Kingston's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Queen's University at Kingston's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Queen's University at Kingston's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Queen's University at Kingston to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group of Queen's University at Kingston to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at April 30, 2023

(Thousands of dollars)

	2023	2022
ASSETS		
Current		
Cash	\$ 96,842	\$ 118,185
Accounts receivable (note 4)	52,375	53,287
Loans receivable (note 5)	211	199
Prepaid expenses	4,659	4,184
Investments (note 6)	208,002	204,918
Total current assets	362,089	380,773
Loans receivable (note 5)	1,729	1,941
Investments (note 6)	2,147,060	2,065,081
Capital assets (note 7)	961,595	949,469
Collections (note 8)	1	1
	\$ 3,472,474	\$ 3,397,265
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (note 9)	\$ 98,037	\$ 112,862
Current portion of long-term debt (note 12)	4,471	4,338
Deferred revenue and contributions (note 10)	407,432	372,584
Total current liabilities	509,940	489,784
Deferred capital contributions (note 11)	408,590	411,885
Long-term debt (note 12)	372,336	376,807
Employee future benefits liability (note 13)	124,287	95,788
	1,415,153	1,374,264
Net Assets		
Endowments (note 14)	1,448,191	1,407,026
Invested in capital assets	216,194	201,195
Internally restricted (note 15)	389,623	433,170
Unrestricted surplus / (deficit)	3,313	(18,390)
	2,057,321	2,023,001
	\$ 3,472,474	\$ 3,397,265

Commitments and contingencies (note 20)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Trustees:



Mary Wilson Trider
Chair, Board of Trustees



David Allgood
Chair, Audit and Risk Committee

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended April 30, 2023

(Thousands of dollars)

	2023	2022
REVENUES		
Grants and contracts	\$ 431,113	\$ 425,672
Student fees	429,723	429,267
Sales of service and products	115,955	86,566
Investment income (note 6)	84,392	12,810
Amortization of deferred capital contributions (note 11)	25,332	25,315
Other	23,197	21,244
Donations	16,070	7,932
	<u>1,125,782</u>	<u>1,008,806</u>
EXPENSES		
Salaries and benefits	601,197	571,381
Supplies and services	172,088	162,211
Student assistance	95,084	90,321
Externally contracted services	76,807	66,842
Amortization of capital assets	51,500	45,764
Renovations and alterations	45,586	30,132
Utilities, taxes and insurance	30,655	24,213
Travel and conferences	20,140	3,965
Interest on long-term debt	17,121	17,262
	<u>1,110,178</u>	<u>1,012,091</u>
Excess / (deficiency) of revenues over expenses	\$ 15,604	\$ (3,285)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended April 30, 2023

(Thousands of dollars)

	Endowments	Invested in capital assets	Internally restricted	Unrestricted	Total 2023	Total 2022
Net assets / (deficit), beginning of year	\$ 1,407,026	\$ 201,195	\$ 433,170	\$ (18,390)	\$ 2,023,001	\$ 1,990,434
Change in accounting policy (note 3)	-	-	(10,563)	-	(10,563)	-
Revised net assets / (deficit), beginning of year	1,407,026	201,195	422,607	(18,390)	2,012,438	1,990,434
(Deficiency) / excess of revenues over expenses	-	(26,168)	-	41,772	15,604	(3,285)
Employee future benefits remeasurements and other items (note 13)	-	-	-	(9,894)	(9,894)	18,976
Change in net assets invested in capital assets	-	41,167	-	(41,167)	-	-
Change in internally restricted net assets	-	-	(32,720)	32,720	-	-
Endowment contributions (note 14)	24,363	-	-	-	24,363	29,828
Excess / (deficiency) of investment earnings over endowment spending (note 14)	9,544	-	-	(1,728)	7,816	(19,120)
Departmental transfers and other contributions (note 14)	7,258	-	(264)	-	6,994	6,168
Net assets, end of year	\$ 1,448,191	\$ 216,194	\$ 389,623	\$ 3,313	\$ 2,057,321	\$ 2,023,001

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended April 30, 2023

(Thousands of dollars)

	2023	2022
OPERATING ACTIVITIES:		
Excess / (deficiency) of revenues over expenses	\$ 15,604	\$ (3,285)
Add / (deduct) non-cash items:		
Amortization of deferred capital contributions	(25,332)	(25,315)
Amortization of capital assets	51,500	45,764
Unrealized (gain) / loss on investments (note 6c)	(28,121)	78,588
Employee future benefits	8,042	6,469
Net change in non-cash working capital (note 16)	20,460	(8,549)
Cash provided by operating activities	42,153	93,672
INVESTING ACTIVITIES:		
Net change in loans receivable	200	187
Net change in investments	(56,942)	(75,459)
Purchases (net of disposals) of capital assets	(63,626)	(91,371)
Net change in investments reported as a direct increase / (decrease) in net assets	7,816	(19,120)
Cash used in investing activities	(112,552)	(185,763)
FINANCING ACTIVITIES:		
Repayment of long-term debt	(4,338)	(4,209)
Contributions received for capital purposes	22,037	12,882
Contributions reported as direct increase in net assets	31,357	35,996
Cash provided by financing activities	49,056	44,669
Net decrease in cash	(21,343)	(47,422)
Cash, beginning of year	118,185	165,607
Cash, end of year	\$ 96,842	\$ 118,185

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

1. AUTHORITY

Queen's University at Kingston (“the University”) operates under the authority of the Royal Charter of 1841 and subsequent federal and provincial statutes. The mission of the University includes post-secondary and graduate education, research and community service. The University is a registered charity and is therefore, under section 149 of the Income Tax Act (Canada), exempt from payment of income tax.

The University controls PARTEQ Innovations, the Bader International Study Centre (operating as Bader College), the U.S. Foundation for Queen’s University at Kingston, Queen’s University Pooled Trust Fund, Queen’s Prison Law Clinic and Elentra Corporation.

PARTEQ Innovations (PARTEQ) is incorporated by letters patent as a corporation without share capital under the Ontario Corporations Act. PARTEQ is exempt from income tax under section 149 of the Income Tax Act (Canada). PARTEQ was originally established to work with researchers and the business and venture capital communities to bring the benefits of scientific discovery to the public while returning proceeds to inventors and the University. PARTEQ's operations have been assumed by the University as PARTEQ winds down its activities.

The Bader International Study Centre (operating as Bader College) was established in 1993 to enhance the University's role in international education and research through the establishment of a meeting place for students, scholars, and professionals from around the world. Bader College operates in East Sussex, England and is incorporated under the laws of the United Kingdom as a Company Limited by Guarantee. It is registered as a charity with the United Kingdom Charity Commissioners and is therefore exempt from tax to the extent that income or gains are applied exclusively to charitable purposes.

The U.S. Foundation for Queen's University at Kingston was incorporated under the applicable provisions of the District of Columbia Non-Profit Corporation Act in 1995. The U.S. Foundation for Queen's University at Kingston works to promote, encourage and foster an appreciation by the American public of the work conducted by the University. It does this by financing in whole or in part various programs, projects and facilities of the University necessary for the accomplishment of its charitable and educational mission. The U.S. Foundation for Queen's University at Kingston is exempt from income tax under section 501(c)(3) of the United States Internal Revenue Code.

Queen’s University Pooled Trust Fund (QUPTF) was established as a unit trust under paragraph 108(2)(a) of the Income Tax Act on December 17, 2013. QUPTF was established for the purposes of holding in trust, certain investments and other assets of the Queen’s Pooled Endowment Fund and provide for certain matters relating to its undertaking and governance. The University is the sole holder of units of QUPTF.

Queen’s Prison Law Clinic (QPLC) was incorporated without share capital under the laws of the Province of Ontario on November 24, 2014 through supplementary letters patent. It was originally incorporated on February 23, 2000 under the name Correctional Law Project. QPLC was established to provide equal access to quality legal services for inmates incarcerated in the federal penitentiaries in the Kingston area.

Elentra Corporation (Elentra) was incorporated under the Canada Business Corporations Act on December 22, 2020 and began operations on February 1, 2021. The University wholly controls Elentra and has a majority ownership. Elentra was formed for the purposes of commercializing an integrated teaching and learning platform and to license its use to other institutions that can benefit from being able to understand exactly where, when and how those institutions are teaching their curriculum.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of presentation

These consolidated financial statements ("the financial statements") have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

These financial statements include the accounts, transactions and operations of those controlled entities whose activities align with that of the University. Other controlled entities are accounted for using the equity method.

(b) Accounting estimates

The preparation of the financial statements requires administration to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the year. These estimates are reviewed annually and as adjustments become necessary they are recognized in the financial statements in the period in which they become known. Significant areas requiring the use of management estimates relate to the assumptions used in the valuation of financial instruments, the valuation of employee future benefits, the carrying value of capital assets, and the valuation of accounts receivable. Actual results could differ from those estimates.

(c) Financial instruments

i. Investments

Investments are recorded at fair value. The fair value of investments recorded in the financial statements is determined as follows:

- 1) Short-term notes and treasury bills maturing within one year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.
- 2) Bonds and equities are valued at year-end quoted market prices using closing prices. Where quoted prices are not available, estimated fair values are calculated using comparable securities.
- 3) Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the University's proportionate share of underlying net assets at fair values determined using quoted market prices or alternative valuation methods where quoted market prices are not available.
- 4) Limited partnership investments are valued at fair values using values supplied by the fund managers who are directly investing the funds in the underlying operating units. The fund managers use a valuation methodology that is based upon the best available information that may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Limited partnership investments are only held in the Pooled Endowment Fund.

ii. Derivative and other financial instruments

Derivative financial instruments are used to manage market and currency exposure risk primarily associated with the University's debt and investments, and are measured at fair value.

Gains and losses on forward foreign exchange contracts are recognized when they mature. The notional amounts of derivative financial instruments are not included in the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

The University follows hedge accounting for its interest rate swap which results in the interest expense related to certain long-term debt being recorded in the financial statements at the hedged rate rather than at the original contractual interest rate. At the inception of the hedging relationship, the University designates that hedge accounting will be applied. The University formally documents the hedging relationship between the hedging instruments and hedged item. At the inception of the hedge and throughout its term, the terms of the hedging item and hedged item are the same.

Other financial instruments, including accounts receivable, accounts payable and debt are recorded at fair value upon initial recognition, which represents cost, and are subsequently recorded at cost, net of any provisions for impairment.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition. Financing costs are amortized using the amortized cost method.

(d) Capital assets and net assets invested in capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution.

Intangible assets are non-monetary assets without physical substance. The University's intangible assets consist of computer software. Costs that are directly associated with the acquisition or internal development of identifiable software which will, in administration's best estimate, provide a future economic benefit are recognized as intangible assets.

Capital assets and intangible assets are assessed at each statement of financial position date for full or partial impairment. Refer to Note 7 for current year assessments.

Amortization is provided on a straight line basis over the estimated useful life of the asset. When components of a capital asset have different useful lives, they are accounted for as separate items of capital assets and depreciated separately.

The estimated useful lives of assets are as follows:

Asset	Useful Life
Buildings and its components	15 to 40 years
Equipment and furnishings	5 years
Intangible assets	5 years
Library acquisitions	5 years
Leasehold improvements	Term of lease

When completed and put into use, costs of construction in process are transferred to the appropriate category and amortized in accordance with the category's useful life.

Net assets invested in capital assets represents the net amount of capital assets funded using internal resources.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

(e) **Employee future benefit plans**

i. **Pension plan**

The University is a member of the University Pension Plan Ontario ("UPP"), which is a multi-employer jointly sponsored, defined benefit plan. The University's contributions are accounted for as if the plan were a defined contribution plan due to the plan being a multi-employer plan. The University's contributions are expensed in the period they come due.

ii. **Employee benefits plans**

The University provides other retirement and post-employment benefits such as medical, dental and life insurance to eligible employees. Post-employment benefits are benefits provided to employees on long-term disability. Each of these plans is unfunded.

The University accrues its obligations and the related costs for other retirement and post-employment benefit plans using the projected benefit method prorated on services. The actuarial valuation for other retirement benefits is performed at least every three years. In the years between valuations, other retirement benefits results are prepared based on extrapolations of the latest available actuarial valuation prepared for accounting purposes. The actuarial valuation of post-employment benefits is performed annually.

The benefit plan expense for the year consists of the current service and finance costs.

(f) **Revenue recognition**

The University follows the deferral method of accounting for contributions for not-for-profit organizations, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount receivable can be reasonably estimated and collection is reasonably assured.

Contributions externally restricted for purposes other than endowments and capital assets are deferred and recognized as revenue in the year in which related expenses are recognized. External endowment contributions and income / (losses) that impact the capital preservation of externally restricted endowments are recognized as direct increases / (decreases) in net assets. Income / (losses) impacting the capital preservation of internally restricted endowments are recorded as unrestricted revenue and transferred to internal endowments.

Externally restricted contributions for capital assets are deferred and amortized to operations on the same basis as the related capital asset.

Pledges are recorded as revenue in the period in which they are received.

Student fees are recognized as revenue in the year courses and seminars are held.

Sales and services revenue is recognized at point of sale or when the service has been provided.

Externally restricted investment income is recognized as revenue when the restriction is met. Unrestricted investment income is recognized as revenue during the period in which it is earned.

(g) **Collections**

The University maintains a collection of fine art that includes European art, historical and modern Canadian art, contemporary American and Canadian art, Inuit art, and African sculpture as well as a collection of rare and historical books.

Contributions of collection items are recorded at nominal value and are not amortized. Collection purchases are expensed as acquired.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

(h) Translation of foreign currency

Transactions denominated in foreign currencies are accounted for at the exchange rate in effect at the date of the transaction. At year end, monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the rates of exchange prevailing at the statement of financial position date. The resulting gains and losses are included in other revenue.

(i) Contributed services

Volunteers, including volunteer efforts from the staff of the University, contribute an indeterminable number of hours per year to assist the University in carrying out its service delivery activities. The cost that would otherwise be involved with these contributed services is not recognized in the financial statements.

(j) Agency obligations

The University acts as an agent which holds resources and makes disbursements on behalf of various unrelated individuals or groups. The University has no discretion over such agency transactions. Resources received in connection with such agency transactions are reported as liabilities, not revenue, and subsequent distributions are reported as decreases to these liabilities.

3. CHANGE IN ACCOUNTING POLICY

The University has adopted the amendments made to *Section 3462, Employee future benefits*, which are effective for financial statements for fiscal years beginning on or after January 1, 2022. The amendments require those defined benefit plans for which there is no legislative, regulatory or contractual requirement to prepare an actuarial valuation for funding purposes to be measured as of the statement of financial position date using an actuarial valuation for accounting purposes.

The cumulative effect of applying the amendment is recorded in opening net assets at the date that the amendments are first applied.

4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised primarily of balances receivable for research projects and trade accounts receivable, including tuition net of an allowance for doubtful accounts of \$3,736 (2022 - \$3,807).

Pledges receivable, since not legally enforceable, are recorded as revenue on a cash basis and accordingly are not recognized as assets in the financial statements. The total amount of pledges outstanding and the expected year of collection are as follows:

Fiscal year	
2024	\$ 24,142
2025	19,017
2026	15,695
2027	8,973
2028	1,286
Thereafter	1,970
	<u>\$ 71,083</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

5. LOANS RECEIVABLE

Loans receivable is comprised of a loan to the Kingston Health Sciences Centre / Queen's Parking Commission (the "Parking Commission") in the amount of \$1,940 (2022 - \$2,140). The loan to the Parking Commission bears interest at 6 per cent per annum and matures in October 2030.

6. INVESTMENTS AND INVESTMENT INCOME

(a) Investments

Fair value details of investments are as follows:

	2023	2022
Current		
Short-term	\$ 208,002	\$ 204,918
Non-current		
Pooled Endowment Fund	1,456,850	1,408,881
Pooled Investment Fund	563,093	537,221
Other	127,117	118,979
	2,147,060	2,065,081
Total investments	\$ 2,355,062	\$ 2,269,999

Derivative financial instruments, as disclosed in Note 17 are included in non-current investments.

The Pooled Investment Fund consists mainly of the University's working capital for operations.

(b) Uncalled commitments

As at April 30, 2023, a portion of the University's investment portfolio is invested in private funds managed by third-party managers ("the manager"). These private funds typically take the form of limited partnerships managed by a General Partner. The legal terms and conditions of these private investment funds, which cover various areas of private equity investments and real estate and infrastructure investments, require that investors initially make an unfunded commitment and then remit funds over time (cumulatively up to a maximum of the total committed amount) in response to a series of capital calls issued to the investors by the manager. As at April 30, 2023, the University had uncalled commitments of approximately \$164,485 (2022 - \$101,100), which will be funded using funds within the investment portfolio. The capital committed is called by the manager over a pre-defined investment period, which varies by fund.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

(c) Investment income

Investment income is comprised of the following:

	2023		2022	
Realized income on investments	\$	64,196	\$	99,185
Unrealized gains / (losses) on investments		28,121		(78,588)
		92,317		20,597
Investment management fees and transaction costs		(7,925)		(7,787)
Investment income	\$	84,392	\$	12,810

7. CAPITAL ASSETS

Capital assets consist of the following:

	2023			2022		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 84,158	\$ -	\$ 84,158	\$ 84,158	\$ -	\$ 84,158
Buildings and its components	1,378,662	583,877	794,785	1,292,615	550,489	742,126
Leasehold improvements	12,683	10,426	2,257	12,683	9,872	2,811
Equipment and furnishings	159,727	130,257	29,470	162,875	134,098	28,777
Library acquisitions	94,053	85,909	8,144	94,923	93,156	1,767
Software	31,366	31,366	-	31,366	31,366	-
Construction in process	42,781	-	42,781	89,830	-	89,830
	\$ 1,803,430	\$ 841,835	\$ 961,595	\$ 1,768,450	\$ 818,981	\$ 949,469

Capital assets have been reviewed for full or partial impairment and management has determined there are none. The University's intangible assets have been fully amortized, and as such, an impairment assessment was not required.

8. COLLECTIONS

Purchased artwork and rare and historical books that form part of the University's collections are expensed and included in supplies and services in the statement of operations. The total amount expended on artwork for the year was \$46 (2022 - \$139) and the total amount expended on rare and historical books for the year was \$459 (2022 - \$12). The artwork and book collections are insured through a fine arts policy for a total value of \$270,475 (2022 - \$248,363).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities is comprised primarily of trade accounts payable, government remittances and payroll related accruals. The University's government remittances payable at the end of the year were current and amounted to \$15,965 (2022 - \$16,806).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

10. DEFERRED REVENUE AND CONTRIBUTIONS

	2023	2022
Research funds	\$ 229,273	\$ 220,665
Trust funds	111,821	86,443
Student fees	34,437	39,077
Capital funds	10,242	10,688
Other	20,318	14,198
Gift annuities	1,341	1,513
	\$ 407,432	\$ 372,584

Research funds are the unexpended portion of research grants and contracts received.

Trust funds are the unexpended portion of restricted donations and contracts and unexpended income payouts from externally restricted endowments.

Student fees represent fees paid prior to April 30 for courses and special programs offered after that date.

Capital funds are the unexpended portion of funds restricted for future capital expenditures.

Other deferred revenue primarily represents deferred government funding that relates to the next fiscal year.

Under the now suspended gift annuity program, a donor was able to gift an amount to the University and receive a tax preferred life annuity in return. The annuity capital reverts to the University on the death of the donor. The deferred revenue portion represents the current residual value of the donor's gift, net of the present value of future annuity payments.

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the consolidated statement of operations. The changes in the deferred capital contributions balance are as follows:

	2023	2022
Balance, beginning of year	\$ 411,885	\$ 424,318
Amortization of deferred capital contributions	(25,332)	(25,315)
Contributions received for capital purposes	22,037	12,882
	\$ 408,590	\$ 411,885

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

12. LONG-TERM DEBT

(a) **Long-term debt consists of the following:**

			2023	2022
	Maturity in Fiscal Year Ending	Interest Rate	Principal Outstanding	Principal Outstanding
Amortizing unsecured bank loan maturing November 1, 2030	2031	Variable	\$ 39,533	\$ 44,072
Series A senior unsecured bullet debenture maturing on November 19, 2032	2033	6.10%	90,000	90,000
Senior unsecured bullet debenture maturing April 1, 2040	2040	5.09%	75,000	75,000
Senior unsecured bullet debenture maturing June 1, 2040	2041	5.10%	50,000	50,000
Series B senior unsecured bullet debenture maturing April 27, 2060	2060	2.89%	125,000	125,000
			379,533	384,072
Unamortized transaction costs/bond discount			(2,726)	(2,927)
			376,807	381,145
Less current portion			(4,471)	(4,338)
			\$ 372,336	\$ 376,807

The University has established sinking funds to provide funds to repay the Series A senior unsecured debenture maturing on November 19, 2032, the senior unsecured debentures maturing on April 1, 2040 and June 1, 2040 and the Series B senior unsecured debenture maturing on April 27, 2060. The sinking fund for the Series A debenture is fully funded. At April 30, 2023 the value of the sinking funds is \$122,183 (2022 - \$111,563).

The University has in place an interest rate swap agreement which expires in fiscal 2031. Under the terms of the agreement, the University receives a floating interest rate on its amortizing unsecured bank loan maturing November 1, 2030, while paying an effective rate of 3.18 per cent.

(b) **Long-term debt repayments**

Anticipated requirements to meet the principal portion of long-term debt repayments over the next five years are as follows:

Fiscal year	
2024	\$ 4,471
2025	4,608
2026	4,749
2027	4,894
2028	5,043
Thereafter	353,042
	\$ 376,807

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

13. EMPLOYEE FUTURE BENEFITS LIABILITY

(a) Pension plan

The university administrations, faculty associations, unions and non-represented staff at Queen's University at Kingston, the University of Toronto and the University of Guelph have developed a jointly sponsored multi-employer pension plan, the UPP, which is open to other Ontario universities. The UPP was formally established on January 1, 2020 to cover active members (employees) and inactive members (pensioners and deferred vested members) in the existing plans at all three universities.

The assets and liabilities of the Queen's Pension Plan ("QPP") were transferred to the UPP as at July 1, 2021, the effective date of the commencement of accrual of the benefits and contributions under the UPP (post-conversion service) and the termination of the QPP.

Any post-conversion pension surplus or deficit of the UPP is a joint responsibility of the members and employers and may affect future contribution rates for members and employers. Contribution rates are determined by the UPP's Joint Sponsors (representing employees and employers). The University does not recognize any share of the UPP's post-conversion pension surplus or deficit as insufficient information is available to identify the University's share of the underlying pension assets and liabilities. The most recent UPP actuarial valuation filed with pension regulators as at January 1, 2022 indicated an actuarial surplus on a going concern basis of \$1,122,666.

Contributions made to the UPP during the year amounted to \$38,759 (2022 - \$31,131) and pension benefits expenses relating to the QPP amounted to \$nil (2022 - \$4,634). These amounts are included in salaries and benefits in the consolidated statement of operations.

The University is also required to fund any pre-conversion net pension obligations (determined based on the UPP's actuarial assumptions) related to service costs up to the transition date of July 1, 2021. Refer to Note 20(g) for additional information.

(b) Employee future benefits

The University provides other retirement and post-employment benefits such as medical, dental and life insurance to eligible employees. Post-employment benefits are benefits provided to employees on long-term disability.

The most recent actuarial valuation of other retirement benefits was performed as of February 1, 2022 and results have been extrapolated to April 30, 2023. The date of the next required valuation is February 1, 2025.

The most recent actuarial valuation of post-employment benefits was performed as of April 30, 2023.

The discount rate used in the actuarial measurement of the employee future benefit plans obligation was 4.9 per cent (2022 - 5.6 per cent) and 5.0 per cent for the opening net asset balance adjustment.

The discount rate used in the actuarial measurement of the benefit plans expense was 5.0 per cent (2022 - 5.6 per cent).

Salaries and benefits expense for the year includes non-pension retirement and post-employment benefit expenses of \$11,714 (2022 - \$10,553).

Information about the University's other retirement and post-employment benefit plans at April 30 is as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

	2023	2022
Accrued benefit liability		
Accrued benefit obligation	\$ (124,287)	\$ (95,788)
Accrued benefit liability	\$ (124,287)	\$ (95,788)
Benefit plan expense		
Current service cost	\$ 6,418	\$ 4,471
Finance costs	5,296	6,082
Net benefit cost	\$ 11,714	\$ 10,553
Remeasurements and other items		
Actuarial loss / (gain) on accrued benefit obligation	9,894	(18,976)
Net remeasurements and other items losses / (gains)	\$ 9,894	\$ (18,976)

14. ENDOWMENTS

Contributions restricted for endowments consist of externally restricted donations received by the University and contributions internally restricted by the University, in exercising its discretion. The endowment principal is required to be maintained intact. The University monitors, as part of its fiduciary responsibilities, that all funds received with a restricted purpose and investment income thereon, are expended for the purpose for which they were provided.

The University protects the capital value of endowment investments using a spending policy designed to meet the competing objectives of releasing current income into the operating budget and protecting the value of endowment assets against inflation.

For endowments without sufficient accumulated investment income, temporary encroachment on capital is permitted. The encroached amounts will be recovered from future investment returns.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

Details of changes in year-end balances are as follows:

	2023			2022		
	External	Internal	Total	External	Internal	Total
Investment income on endowments	\$ 55,226	\$ 12,100	\$ 67,326	\$ 23,019	\$ 5,351	\$ 28,370
Less: available for spending	(47,410)	(10,372)	(57,782)	(42,139)	(9,464)	(51,603)
Excess / (Deficiency) of investment earnings over endowment spending	7,816	1,728	9,544	(19,120)	(4,113)	(23,233)
Endowment contributions	24,363	-	24,363	29,828	-	29,828
Departmental transfers and other contributions	6,994	264	7,258	6,368	355	6,723
Net increase / (decrease) in net assets	39,173	1,992	41,165	17,076	(3,758)	13,318
Net assets, beginning of year	1,149,026	258,000	1,407,026	1,131,950	261,758	1,393,708
Net assets, end of year	\$1,188,199	\$ 259,992	\$ 1,448,191	\$1,149,026	\$ 258,000	\$ 1,407,026

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

15. INTERNALLY RESTRICTED NET ASSETS

Details of year-end balances are as follows:

	2023	2022
Operating contingencies	\$ 136,718	\$ 167,069
Unspent research funds	75,167	73,887
Internally financed capital projects	(46,326)	(74,196)
Sinking funds	122,183	111,563
Capital reserves	164,187	193,858
Employee future benefits		
Employee future benefits deficit	(124,287)	(95,788)
Pension reserve	61,981	56,777
	\$ 389,623	\$ 433,170

In order to encourage judicious expenditure of funds, the University's policy permits operating and ancillary units to carry forward unexpended budget allocations, unrestricted donations and investment income to the succeeding years as operating contingencies. These funds are held to protect against possible adverse operating circumstances such as changes to student enrolment, investment return fluctuations and salary cost escalations.

Unspent research funds are primarily overheads or internally funded research grants, which are reserved to support future research activities and commitments.

Internally financed capital projects are temporarily financed with internal funds until other committed sources are received, which include any combination of donations, grants or budget allocations.

Sinking funds have been established to fund the principal repayments of the bullet debentures held by the University, as disclosed in Note 12.

Capital reserves represent amounts set aside for deferred maintenance, capital projects planned or in progress, and other future commitments.

Employee future benefit balances represent the deficit associated with the employee future benefit plans, offset by associated internally restricted reserve balances set aside to fund potential future pension commitments related to past service obligations (see Note 20(g)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

16. NET CHANGE IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital balances related to operations consists of the following:

	2023	2022
Net change in non-cash working capital:		
Accounts receivable	\$ 912	\$ (9,294)
Prepaid expenses	(475)	(46)
Accounts payable and accrued liabilities	(14,825)	10,582
Deferred revenue and contributions	34,848	(9,791)
	\$ 20,460	\$ (8,549)

17. FINANCIAL INSTRUMENTS

(a) Fair value

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

The fair value of investments is disclosed in Note 6.

Derivative financial instruments

The notional and fair values of the foreign currency contracts are as follows:

	2023		2022	
	Notional value	Fair value	Notional value	Fair value
US Dollar	\$ 428,421	\$ (223)	\$ 417,619	\$ (2,605)
Other	130,149	(2,920)	111,807	8,556
	\$ 558,570	\$ (3,143)	\$ 529,426	\$ 5,951

Fair value is determined based on quoted market prices. The calculation of fair value is based upon market conditions at a specific point in time and may not be reflective of future fair values. The fair value of the foreign currency contracts is reported as \$(3,143) (2022 - \$5,951) in investments (Note 6). The change in the fair value of the foreign currency contracts is accounted for consistent with investment returns in the consolidated statements of operations and statement of changes in net assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

(b) Financial risk

The primary risk exposures for financial instruments are foreign currency, interest rate, market and credit risks. The University's Statement of Investment Policies and Procedures (SIP&P) governs the asset mix among equity, fixed income and alternative investments, requiring diversification within categories, and setting limits on the size of exposure to individual investments and counterparties.

Foreign currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The University has entered into forward foreign exchange contracts to minimize exchange rate fluctuations and to mitigate any uncertainty for future financial results.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The University is subject to interest rate risk with respect to its floating rate debt. The University mitigates this risk by entering into interest rate swap agreements for its floating rate debt that fixes the interest rate over the term of the debt.

Market risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Management mitigates this risk through diversification of its investment portfolio as stipulated in the University's SIP&P.

Credit risk is the risk of financial loss to the University if a counterparty to a financial instrument fails to meet its contractual obligation. The University is exposed to credit risk with respect to its accounts receivable and investments. The University assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts (Note 4). The University's investments must adhere to minimum quality standard ratings as stipulated in the SIP&P.

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The University manages its liquidity risk by monitoring its operations. The University prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no material changes to the risk exposures during the year.

18. ONTARIO STUDENT OPPORTUNITY TRUST FUND AND ONTARIO TRUST FOR STUDENT SUPPORT

Under terms of agreement with the Ministry of Colleges and Universities, note disclosure or separate audited year-end reports are required.

Externally restricted endowments, as described in Note 14, include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund (OSOTF) and Ontario Trust for Student Support (OTSS) matching programs to award student aid as a result of raising an equal amount of endowed donations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

The University has recorded the following amounts under phase 1 of the program:

	2023	2022
Endowment Funds:		
Opening balance	\$ 68,198	\$ 68,871
Transfer from expendable funds	-	(673)
Endowment capital	\$ 68,198	\$ 68,198
Expendable Funds:		
Opening balance	\$ 1,577	\$ 428
Investment income	5,244	5,064
Bursaries awarded	(6,747)	(4,588)
Transfer to endowment funds	-	673
Expendable funds available for awards	\$ 74	\$ 1,577
Number of bursaries awarded	1,667	1,606

The market value of the OSOTF phase 1 endowment fund at April 30, 2023 is \$130,548 (2022 - \$129,583).

The University has recorded the following amounts under phase 2 of the program:

(for the year ended March 31)	OSOTF II	OTSS	2023 Total	2022 Total
Endowment Funds:				
Opening balance	\$ 12,542	\$ 38,149	\$ 50,691	\$ 48,619
Donations received	-	-	-	1,658
Transfer from expendable funds	53	438	491	414
Endowment capital	\$ 12,595	\$ 38,587	\$ 51,182	\$ 50,691
Expendable Funds:				
Opening balance	\$ 147	\$ (112)	\$ 35	\$ 5
Internal Transfers to expendable funds	-	-	-	10
Investment income	690	2,334	3,024	2,658
Bursaries awarded	(669)	(1,562)	(2,231)	(2,223)
Transfer to endowment funds	(53)	(438)	(491)	(414)
Expendable funds available for awards	\$ 115	\$ 222	\$ 337	\$ 36
Number of bursaries awarded	549	560	1,109	657

The market value of the OSOTF phase 2 endowment fund at March 31, 2023 was \$76,349 (2022 - \$55,829).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

19. RELATED ENTITIES

This section addresses disclosure requirements regarding the University's relationships with related entities. The relationships include economic interest, significant influence, joint control or control when accounted for using the equity method.

(a) Investment in Parking Commission

The University entered into a joint venture with Kingston Health Sciences Centre (KHSC) for the construction and operation of an underground parking garage managed and governed by a joint Parking Commission established by the parties and including an equal number of commission members appointed by both parties. The University's proportionate share of the joint venture is 50 per cent and KHSC's proportionate share is 50 per cent. In fiscal 2011 the Parking Commission embarked on a significant restoration project with the University's share of these capital expenditures being \$3,750 (2022 - \$3,750). The University's share of the capital expenditures will be repaid by the Parking Commission over a 20 year period ending in fiscal 2031. The University's proportionate share of the Parking Commission's assets, liabilities and operations have been included in the financial statements. The University's proportionate share of the excess of revenues over expenses for the current fiscal year is \$784 (2022 - \$558).

(b) Investment in Cogeneration Facility

The University entered into a joint venture with KHSC for the construction and operation of a cogeneration facility governed by a management board consisting of representatives of the University and KHSC. The purpose of the facility is to produce electricity and steam. The University's proportionate share of the joint venture is 60 per cent and KHSC's proportionate share is 40 per cent. The University's capital investment in the joint venture is repaid from the operating fund over a twenty-five year period ending April 30, 2031. The University's proportionate share of the cogeneration facility's assets, liabilities and operations have been included in the financial statements. The University's proportionate share of the deficiency of revenues over expenses for the current fiscal year is \$1,295 (2022 - \$1,312).

(c) Investment in Elentra

As disclosed in Note 2(a), the University accounts for its investment in Elentra using the equity method. The University's proportionate share of the shareholders' (deficit) / equity at April 30, 2023 is \$(14) (2022 - \$3,840).

	2023 (unaudited)	2022 (unaudited)
Total assets	\$ 5,707	\$ 7,049
Total liabilities	5,723	2,584
Shareholders' equity	\$ (16)	\$ 4,465
Revenue	\$ 1,906	\$ 1,749
Expenses	6,387	4,421
Net loss	\$ (4,481)	\$ (2,672)
Cash flows from operating activities	\$ (2,842)	\$ (2,596)
Cash flows from investing activities	31	(308)
Cash flows from financing activities	2,719	1,705
Net decrease in cash	\$ (92)	\$ (1,199)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

(d) McGill-Queen's University Press

The University has significant influence in McGill-Queen's University Press (the "Press"). The Press was incorporated by letters patent as a corporation without share capital under Part II of the Canada Corporations Act. The objective of the Press is to stimulate scholarship, research and debate through the publication of materials for scholars and the community at large. The Press is exempt from income tax under section 149 of the Income Tax Act. The University is responsible for / entitled to, a 50 per cent share of any deficit / surplus accumulated by the Press. The University's proportionate share of the Press' assets, liabilities and operations have not been included in the financial statements. The University's proportionate share of the accumulated deficit at April 30, 2022 was \$431 (2021 - \$277).

	2022	2021
Total assets	\$ 2,881	\$ 2,241
Total liabilities	3,744	2,794
Total fund balances	\$ (863)	\$ (553)
Revenues	\$ 4,438	\$ 4,455
Expenses	4,748	4,695
Deficiency of revenues over expenses	\$ (310)	\$ (240)

(e) SNOLAB Institute at Queen's University

The SNOLAB Institute at Queen's University (SNOLAB) was created to perform research in particle astrophysics and succeeds the Sudbury Neutrino Observatory Institute which was decommissioned in 2007. This is a joint venture of the University and four other Canadian universities. The University's proportionate share (20 per cent) of the joint venture's assets, liabilities and operations have been included in the financial statements (see also Note 20(c)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

(f) TRIUMF Inc.

The University is a member, with thirteen other universities, of the joint venture, TRIUMF Inc., Canada's national laboratory for particle and nuclear physics located on the University of British Columbia (UBC) campus. TRIUMF Inc. is a registered charity and not-for-profit corporation incorporated under the laws of Canada and each university has an undivided 1 / 14 interest. The land and buildings it occupies are owned by UBC. The facilities and its operations are funded by federal government grants and the University has made no direct financial contribution to date. TRIUMF Inc.'s net assets are not contemplated to be and are not readily realizable by the University. The University's interest in the assets, liabilities and results of operations are not included in the financial statements (see also Note 20(d)).

The following financial information at March 31, 2023 for TRIUMF Inc. was prepared in accordance with Canadian public sector accounting standards (PSAS), including accounting standards that apply to government not-for-profit organizations, except that all property, plant and equipment purchased or constructed for use at TRIUMF Inc. and related decommissioning costs (if any) are expensed in the period in which the costs are incurred.

	2023 (draft)		2022	
Total assets	\$	53,755	\$	51,029
Total liabilities		11,266		10,339
Total fund balances	\$	42,489	\$	40,690
Revenues	\$	101,155	\$	98,605
Expenses		99,356		103,405
Excess / (deficiency) of revenues over expenses	\$	1,799	\$	(4,800)

20. COMMITMENTS AND CONTINGENCIES

(a) Litigation

The nature of the University's activities are such that there may be litigation pending or in prospect at any time. With respect to claims at April 30, 2023, administration believes that the University has valid defenses and that appropriate insurance coverage is in place wherever it is possible to do so. In the event any claims are successful, administration believes that such claims are not expected to have a material effect on the University's financial position. Accordingly, no provision has been made in the financial statements.

(b) Insurance

The University is a member of the Canadian University Reciprocal Insurance Exchange (CURIE). CURIE insures general liability, university property and errors and omissions. Annual premiums paid by the University are determined by the CURIE Board, on the advice of the actuary. There is a provision under the agreement for assessments to all member universities if these premiums are not sufficient to cover losses. As of December 31, 2022, the date of the latest financial statements available, CURIE had a surplus of \$97,444 (2021 - \$105,790).

Additional insurance for automobiles, artwork, miscellaneous property, and major construction projects is purchased through commercial insurers to provide coverage for losses not insured by CURIE.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

(c) SNOLAB - Asset retirement obligation

As stipulated within the Constitution for SNOLAB, this joint-venture research project's assets and liabilities are to be divided among the member institutions. The agreements also indicate decommissioning costs for the former Sudbury Neutrino Observatory as well as SNOLAB facility expansions are the responsibility of member institutions based on their proportionate share.

Currently, new experiments are being developed using the facility. There are no immediate plans for decommissioning of the facilities or a reasonable estimate of when such decommissioning may occur.

(d) TRIUMF - Asset retirement obligation

The members of TRIUMF and the Canadian Nuclear Safety Commission (CNSC) approved a decommissioning plan which requires all members to be severally responsible for their share of the decommissioning costs, as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions of decommissioning the facilities, TRIUMF has complied with federal legislation by putting in place a decommissioning plan, including a funding plan. This decommissioning plan does not require any payments from the members. All decommissioning costs are expensed in the period in which the costs are incurred.

(e) Capital commitments

As of April 30, 2023 the estimated cost to complete construction in process for the extension of facilities is approximately \$78,730 (2022 - \$36,174). These costs will be financed by a combination of debt, gifts, grants, and allocations from operations.

The University leases premises and equipment. The remaining aggregate minimum rental payments under operating leases are as follows:

Fiscal year	
2024	\$ 3,316
2025	2,349
2026	2,028
2027	1,876
2028	1,000
Total thereafter	954
	<hr/>
	\$ 11,523

(f) Other

In addition to the capital commitments disclosed in Note 20(e), the University has issued letters of credit of \$2,285 (2022 - \$1,580) primarily for capital construction and has guaranteed an operating line of credit of \$5,000 (2022 - \$2,500) for Elenra.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2023

(Amounts in the notes to the consolidated financial statements are in thousands of dollars unless otherwise noted)

(g) Pension obligations

As stated in Note 13(a), the University remains responsible to fund any pre-conversion net pension obligations (determined based on the UPP's actuarial assumptions) related to service costs up to the transition date of July 1, 2021. Based on the most recent actuarial valuation performed as at January 1, 2022, the UPP had a pension surplus and as such the University does not have a pre-conversion pension obligation at this time. The pension obligation for pre-conversion service may fluctuate in the future based on changes to the UPP's actuarial assumptions and for changes in experience in future periods. The pre-conversion pension obligation would continue to be the responsibility of the University to fund for the first 10 years starting July 1, 2021, after which the responsibility for such changes becomes gradually shared over the next ten years with the other participants of the UPP. The pre-conversion net pension surplus determined as at January 1, 2022 is not recorded in the University's consolidated financial statements as the expected future benefit will be recognized under the UPP.

21. COMPARATIVE FIGURES

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