

Annual Financial Report

Queen's University at Kingston

April 30, 2026

QUEEN'S UNIVERSITY AT KINGSTON
ANNUAL FINANCIAL REPORT
APRIL 30, 2026

INDEX

	Page
The Year in Review	3
Statement of Management Responsibility	21
Consolidated Financial Statements	
Consolidated Statement of Financial Position	25
Consolidated Statement of Operations	26
Consolidated Statement of Changes in Net Assets	27
Consolidated Statement of Cash Flows	28
Notes to Consolidated Financial Statements	29

I am pleased to present Queen's University's 2025-26 Audited Financial Statements, which report on the University's financial position and results for the fiscal year that ended April 30, 2026.

While challenges remain, Queen's made promising progress over the past year in addressing some of the financial pressures facing the University and the broader postsecondary sector. The hard work and commitment of our staff and faculty continue to help Queen's navigate persistent inflation and rising costs, provincial funding constraints, and federal policy changes affecting international enrolment.

In February 2026, the Province of Ontario announced new funding for universities and colleges, marking an important shift after seven years of significant financial constraint. Since reducing domestic tuition rates by 10 per cent in 2019 and freezing them, the province had kept operating grant funding largely unchanged. The new funding framework, together with the introduction of annual tuition increases of two per cent for domestic Ontario students, represents a welcome first step toward greater financial sustainability for the sector. During the fiscal year, Queen's received an additional \$21.4 million in operating grant funding, an increase of approximately ten per cent.

Queen's also benefited from notable investment returns in 2025-26, including returns from the Pooled Investment Fund (PIF) and Pooled Endowment Fund (PEF). These returns contributed to a total consolidated surplus of \$160.4 million. While returns at this level are exceptional, investment performance can fluctuate considerably from year to year, and we cannot count on continued gains.

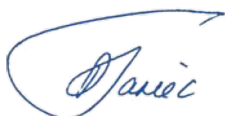
It is also important to note that investment returns do not necessarily translate into funds that can be used for any purpose. How Queen's can use this income depends on its source. A sizable portion comes from funds established through donor contributions and may be used only for the purposes specified by donors. These restricted funds advance the University's academic mission through support for areas such as faculty positions and a broad range of student awards.

Investment income also plays a critical role in funding essential capital projects. Beyond philanthropy, it is the University's only source of funding for the major investments needed to modernize and enhance the campus and advance strategic priorities.

Excluding *Investment Income Not Allocated to Operations*, Queen's recorded a surplus of \$16 million. This result marks an improvement over prior years and reflects the difficult but necessary measures taken across the University to moderate expenditures and strengthen revenues. Despite this improvement, we continue to face significant challenges. Rising inflation, annual salary growth averaging approximately four per cent, and uncertainty surrounding international enrolment will continue to strain our financial outlook. Therefore, it remains essential that we maintain financial discipline and take the necessary steps to ensure that expenditures do not outpace revenues.

This dynamic is once again reflected in the University's credit ratings. This year, S&P Global Ratings and Morningstar DBRS reaffirmed Queen's strong ratings of AA+ and AA, respectively, while stressing the importance of continued action to support long-term fiscal sustainability. Maintaining strong credit ratings signals confidence in the University's financial position and helps Queen's access financing on favourable terms, helping reduce borrowing costs over time.

Queen's *Bicentennial Vision* sets a shared direction for the University as it approaches its 200th anniversary in 2041 and guides the choices we make today. It invites us to "reflect carefully, to act with integrity, and to uphold the work of education as a vital force for the common good." Across the Queen's community, we have demonstrated financial discipline and remain committed to the responsible stewardship required to realize that vision. These choices strengthen Queen's capacity to advance its academic mission, respond to future opportunities and challenges, and invest in the people and priorities that will shape its future. In doing so, we honour our responsibility to build and sustain an institution that will serve students, scholars, partners, and our communities for generations to come.



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

THE YEAR IN REVIEW

A summary of the University's consolidated results for the year ended April 30, 2026 is shown in Table 1 below. The University completed the year with an overall surplus of \$160.4 million, driven primarily by positive investment returns.

Table 1

YEAR ENDED APRIL 30 (Millions of dollars)	2026	2025
Consolidated Statement of Operations		
Revenue	\$ 1,200.1	\$ 1,156.0
Expenses	1,184.1	1,164.6
Excess / (deficiency) of revenues over expenses before item below	16.0	(8.6)
Investment income not allocated to operations	144.4	68.7
Excess of revenues over expenses	\$ 160.4	\$ 60.1
Consolidated Statement of Financial Position		
Assets	\$ 4,460.5	\$ 3,956.8
Liabilities	1,546.7	1,512.8
Net assets	\$ 2,913.8	\$ 2,444.0
Net Assets is comprised of:		
Endowments*	\$ 2,080.3	\$ 1,717.7
Invested in capital assets	289.4	279.0
Internally restricted	543.7	446.4
Unrestricted surplus	0.4	0.9
	\$ 2,913.8	\$ 2,444.0

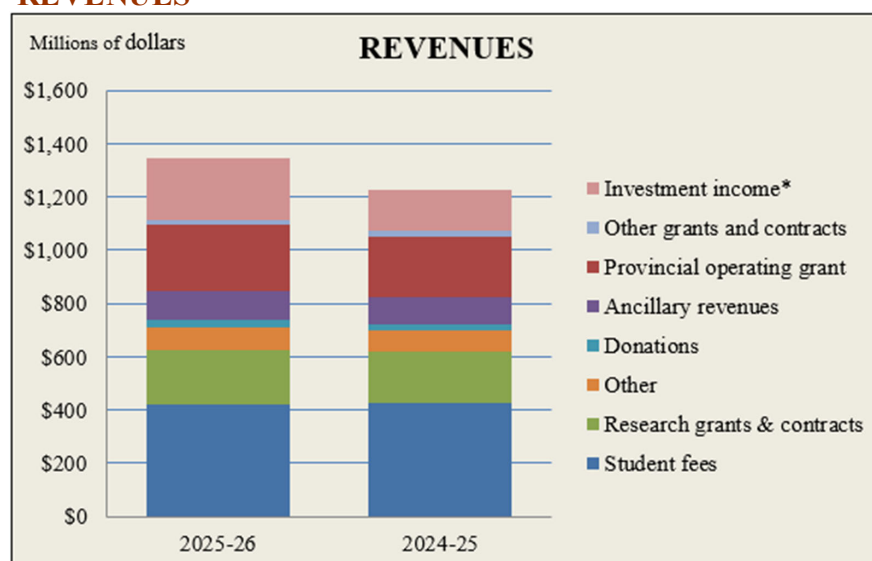
* Endowment assets are permanently restricted and cannot be used for the University's general operations.

Before investment income not allocated to operations, the University generated revenues in excess of expenses of \$16.0 million. Investment income not allocated to operations includes:

- The excess or deficiency of investment earnings over endowment spending on internally restricted endowments. This amount either contributes to or reduces the allowance for endowment capital preservation.
- Investment earnings in excess of the amount approved for spending on operations (\$10 million in 2025-26) from income earned on the Pooled Investment Fund. This amount contributes to funds available for capital renewal.
- Investment income earned from the University's sinking funds, which is restricted for extinguishing university debt.

All other investment income is allocated to operations.

REVENUES



* Includes both investment income allocated and not allocated to operations

At a glance....

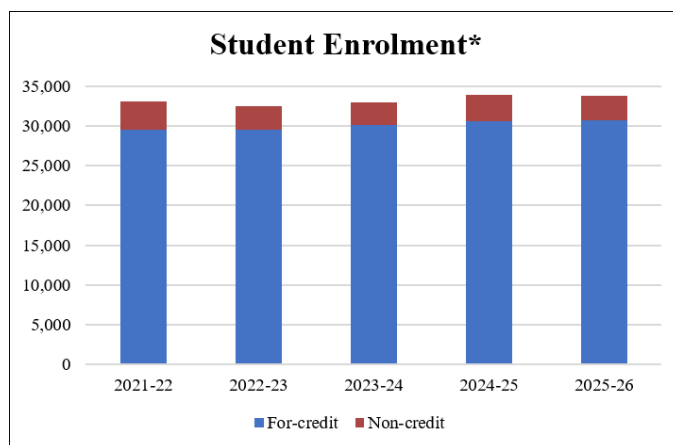
Total revenues increased by 9.8% primarily due to favourable investment returns and an increase in provincial operating grants and research grants and contracts.

Note that revenues that are externally restricted (e.g., research grants and contracts 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 following section for further details) as well as other fees related to activities such as student health, recreation, and athletics. In 2025-26, student fee revenue from all fee sources decreased by 2.0%, primarily due to a decline in international enrolment.

After managing within a provincial tuition framework that held domestic tuition fees flat following a 10.0% decrease in 2019-20, in February 2026 the province adjusted the framework to allow universities to increase Ontario domestic students tuition fees by up to 2.0% from 2026-27 through to 2028-29. The framework continues to allow universities to increase tuition fees for domestic out-of-province students by up to 5.0% annually.



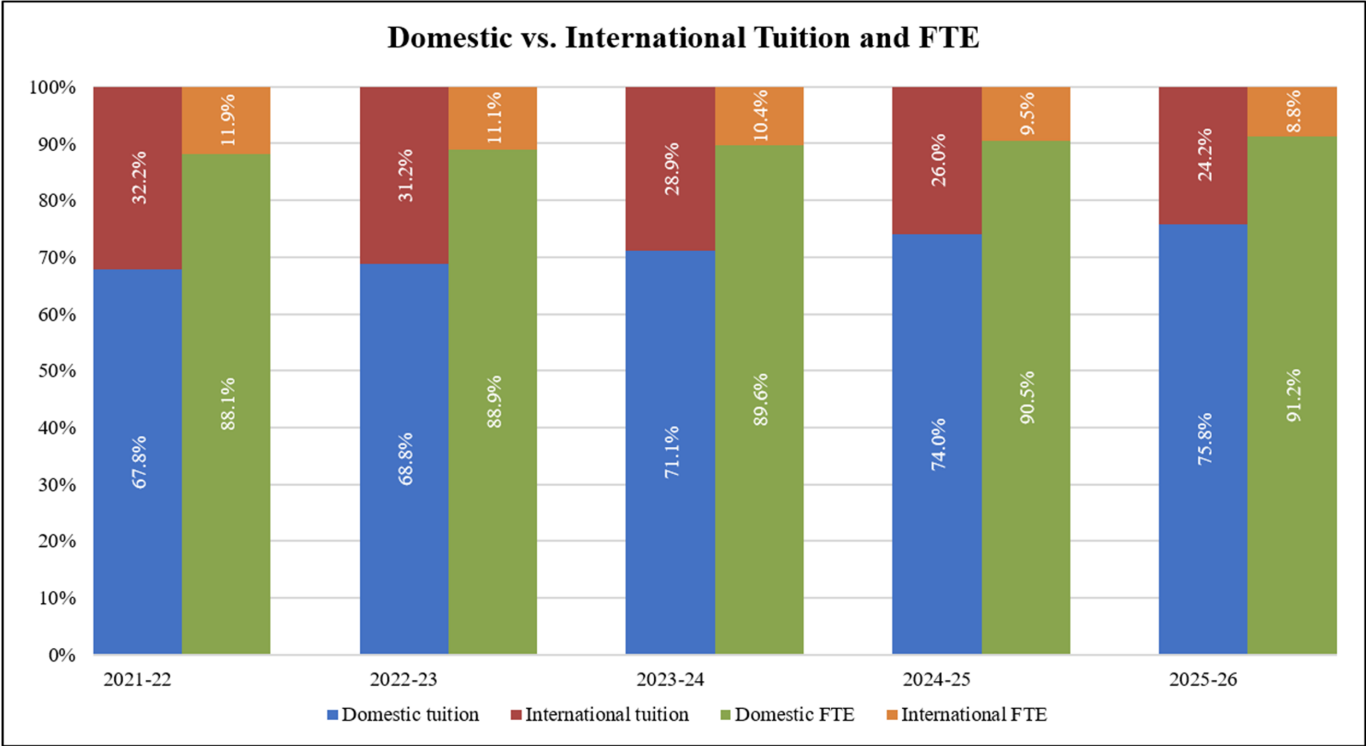
*Full-time equivalency (FTE); figures include exchange students.

Student enrolment for the past five years is displayed in the chart above. Enrolment in for-credit courses remained largely flat at 30,651 in 2026 (30,609 in 2025) and enrolment for non-credit courses decreased by 3.1 per cent to 3,157 in 2026.

For-Credit Tuition fees

For-credit tuition fees are fees charged on academic courses towards a degree program. International student enrolment declines contributed to decreased international for-credit tuition revenue of \$7.5 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 increased by \$4.4 million.

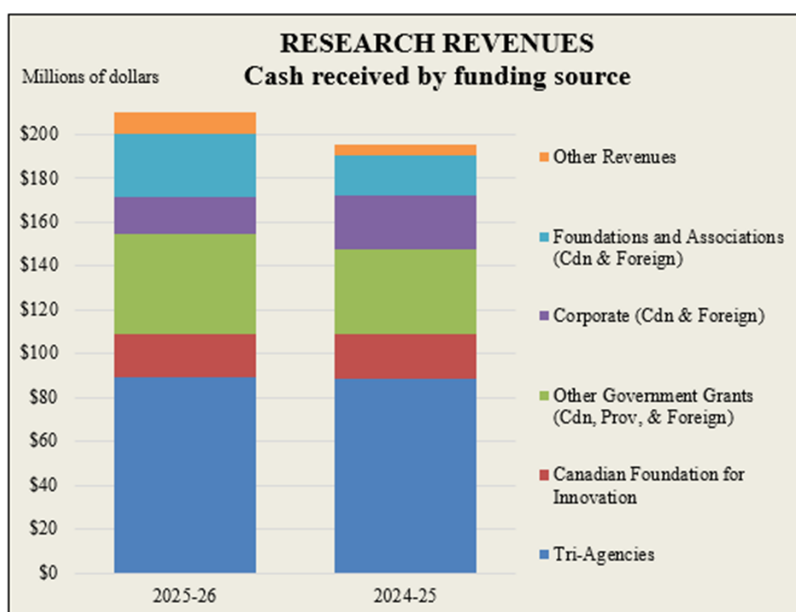
International students now account for approximately 8.8% of the total student population and 24.2% of tuition revenue.



Research grants and contracts

Research grants and contracts are received from a variety of sources with the largest contributions coming from government grants including the Tri-Agencies and the Canada Foundation for Innovation (CFI). Because research funding is restricted for purposes specified by the funding agency, external revenue is only recorded when the related expenditure occurs. Unspent externally sponsored research funds 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. In 2025-26 there was an increase in Tri-Agency funding, which continues to be an institutional priority.



	Thousands of dollars	
	2025-26	2024-25
Cash received by funding source	\$ 210,819	\$ 195,214
Adjustment to deferral for future year spending	4,061	1,935
Research revenue as reported in research fund	\$ 206,757	\$ 193,279

Ancillary revenues

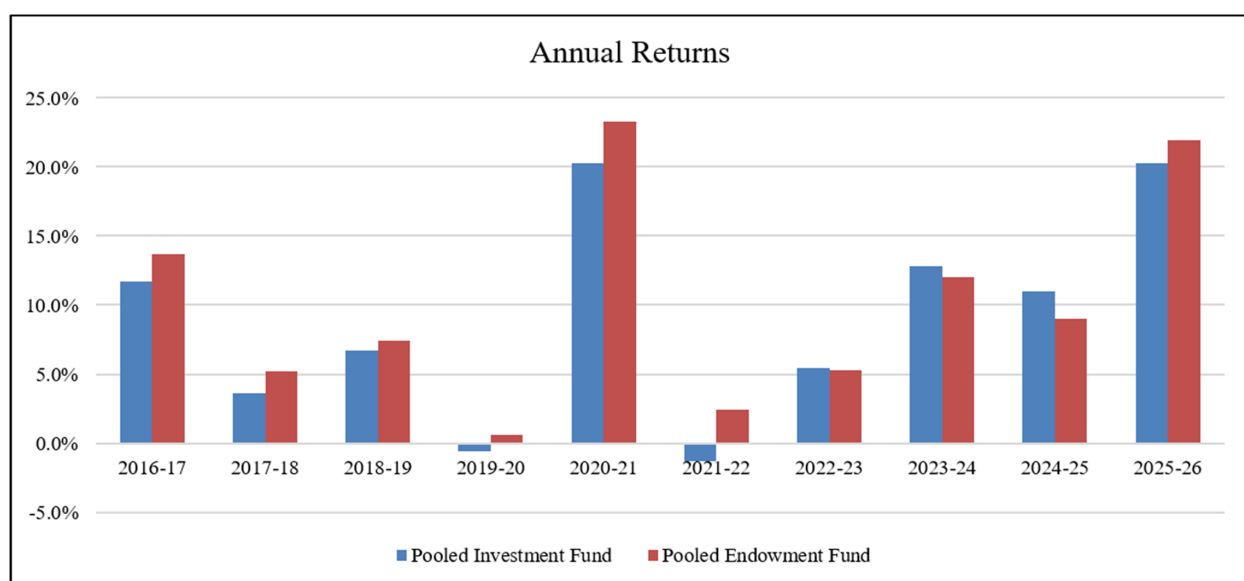
Ancillary operations include business units that provide goods and services to the University community. These units are expected to cover their full operating costs and may also defray general operating expenditures. The table to the right provides a breakdown of revenues in the Ancillary fund by ancillary operations. Ancillary revenue increased in 2025-26 primarily due to approved residence fee increases and increased occupancy.

	Thousands of dollars	
SALES BY ANCILLARY OPERATION	2025-26	2024-25
Housing and ancillary	\$ 112,460	\$ 107,108
Parking	4,226	3,822
	116,686	110,930
Less: Internal sales	(5,918)	(5,739)
	\$ 110,768	\$ 105,191

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 (PIF) are invested in accordance with a Board-approved Statement of Investment Policies and Procedures (SIPP), which establishes risk and return objectives for each Fund, as well as a Responsible Investing Policy. Over the last year the Investment Committee has continued to make progress on its responsible investing initiatives. Additional information on Responsible Investing at Queen's can be found on the [Investment Services website](#).

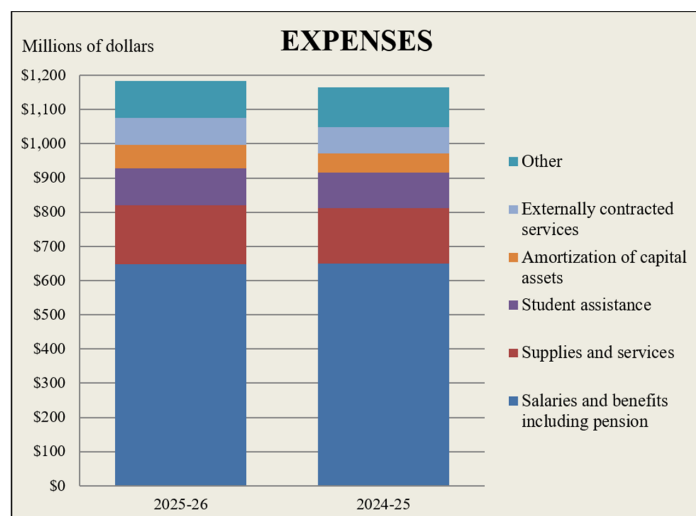
Given the nature of the funds' medium- and long-term objectives, there can be considerable volatility in investment returns on an annual basis. Annual rates of return for the last ten years for the PEF and the PIF are presented below.



Because business units rely heavily on the annual payout from the PEF of approximately \$69 million, the payout calculation is smoothed and mitigates the impact of any volatility in investment income from year to year. The payout is used to support operations in accordance with donor wishes, primarily student scholarships and bursaries and faculty chairs and professorships. 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.

With no other source of funding for this purpose, the University relies on PIF income in excess of the \$10 million in investment income allocated to fund investments for strategic capital priorities.

EXPENSES



At a glance...

Total expenses increased by 1.7% in 2025-26, driven mainly by an increase in expenses related to research supplies and services, and amortization of capital assets, offset by a decrease in renovations and alterations.

SALARIES AND BENEFITS

	Thousands of dollars	
	2025-26	2024-25
Salaries and benefits expense		
Salaries and benefits	\$ 591,964	\$ 595,437
Non-pension employee future benefits	13,359	12,945
Pension	42,488	42,065
Total	\$ 647,811	\$ 650,447
% of total expenses	55%	56%
Employee Future Benefits Liability		
Non-pension employee future benefits liability	\$ 135,189	\$ 130,771

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 most employees is governed by 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 2025-26, salaries and benefits declined by 0.4%. This is due to a decrease in academic salaries relating to departures further to the voluntary retirement program for faculty, librarians and archivists, which saw a larger uptake in fiscal 2025 than fiscal 2026.

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 2027
Allied Health Care Professionals (Family Health Team)	OPSEU 452	June 2029
General Support Staff	USW 2010	December 2027
Graduate Teaching Assistants and Teaching Fellows	PSAC 901, Unit 1	April 2027
Kingston Heating & Maintenance Workers	CUPE 229	June 2027
Kingston Technicians	CUPE 254	June 2027
Library Technicians	CUPE 1302	June 2027
Post-Doctoral Fellows	PSAC 901, Unit 2	June 2026
Queen's University Faculty Association	QUFA	June 2029
Registered Nurses and Nurse Practitioners (Family Health Team)	ONA 67	March 2029
Residence Dons, Residence Life Assistants, and Living Learning Community Dons	USW 2010-02	July 2026

CAPITAL PROJECTS

During the year the University continued with the construction of the Agnes Reimagined and Duncan McArthur Hall Renovation projects. Agnes Reimagined was approved at a total cost of \$108.1 million funded by the generosity of donors as well as a Heritage Canada Grant. The vision of the project is to mobilize the transformative power of art to create a more equitable, inclusive and sustainable world. The Duncan McArthur Hall Renovation was approved at a total cost of \$31 million to enhance student learning by improving academic facilities.

The University's capital expenditures of \$111.5 million in 2025-26 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 2025-26 relates to Agnes Reimagined (\$38.4 million) and Duncan McArthur Hall (\$15.9 million). Other projects that progressed during the year include the Climate Adaptive Infrastructure Testing and Longevity Evaluation (CASTLE) Laboratory, the Environmental Science Research Centre, and Queen's Biomedical Research Facility. Additionally, the JDUC Revitalization which received occupancy in fiscal 2025 had final construction costs of \$10.5 million in 2025-26.

		Thousands of dollars	
CAPITAL ASSET ADDITIONS		2025-26	2024-25
Building projects and construction in progress	\$	80,683	\$ 52,878
Equipment and furnishings		22,351	17,171
Other asset purchases		8,420	8,615
	\$	111,454	\$ 78,664

NET ASSETS

Net assets of the University represent the residual balance after total liabilities are subtracted from total assets on the Consolidated Statement of Financial Position and comprises the balances in the table below.

	Thousands of dollars	
	2025-26	2024-25
Endowment	\$ 2,080,247	\$ 1,717,726
Invested in capital assets	289,406	278,951
Internally restricted net assets		
Operating contingencies	123,705	109,460
Transition fund	49,682	39,924
Unspent research funds	78,546	77,112
Internally financed capital projects	(86,118)	(81,084)
Sinking funds	145,682	139,194
General capital reserves	189,572	127,725
Other capital reserves and projects in progress	116,470	103,169
Employee future benefits	(73,822)	(69,127)
	543,717	446,373
Unrestricted net assets	401	932
	\$ 2,913,771	\$ 2,443,982

Endowment assets: Endowment assets are the largest proportion of the University's net assets. These balances are permanently restricted and cannot be used to fund the University's general operations. Endowment asset balances have grown in 2026 because of endowment contributions and strong investment returns. Details are presented in Note 14 of the financial statements.

Invested in Capital Assets (ICA): represents the total amount of unrestricted funds the University has spent on capital assets, minus amortization of those assets. The cost of assets purchased with donor funding or external grant funding does not get included in ICA. Because ICA balances are tied up in capital assets like buildings, ICA balances cannot be accessed to support general operations.

Internally restricted net assets: represent expendable funds that the University has restricted for specific purposes.

- *Operating contingencies* are unspent operating budget allocations and ancillary reserves and provide flexibility to bridge to a point of guaranteed funding relief or to invest in one-time only strategic expenditures.
- The *Transition fund* is funds set aside for implementing efficiency related initiatives.
- *Unspent research funds* are operating funds committed to support current and future research projects.
- *Internally financed capital projects* is a negative (deficit) balance. This balance represents the cumulative internal funds spent on capital projects for which funding has not yet been allocated. Payment plans exist to fund all existing balances.
- *Sinking funds* are committed to servicing the University's future debenture payments.
- *General capital reserves* are operating funds set aside to support strategic capital investment priorities at the University.
- *Other capital reserves* are funds committed primarily for capital projects in progress, ancillary capital development, and deferred maintenance.
- *Employee future benefits* is a negative (deficit) balance. This balance represents the deficit associated with employee future benefit plans. The deficit of \$135.2 million is offset by a reserve of \$61.4 million set aside to fund potential future pension commitments related to past service obligations under the University Pension Plan Ontario.

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 the Bader International Study Centre (operating as Bader College), the U.S. Foundation for Queen's University at Kingston, and the Queen's University Pooled Trust Fund.

Interfund transfers presented in the Consolidated Statement of Operations by Fund represent transfers of money between funds as detailed in the table below.

Thousands of dollars						
	Operating	Ancillaries	Trust and Endowment	Research	Capital	Total
Funding for Bioscience Facility and 235 Frontenac Street	26,554	-	-	-	(26,554)	-
Deferred maintenance	13,093	-	-	-	(13,093)	-
Other capital transfers	1,901	(520)	-	-	(1,381)	-
Loan repayments for capital projects built in prior years	10,224	16,917	-	-	(27,141)	-
Overhead and indirect costs of research	(17,622)	12,670	-	4,952	-	-
Departmental transfers	10,870	(30)	5,378	(16,218)	-	-
Interfund transfers out / (in)	45,020	29,037	5,378	(11,266)	(68,169)	-

THE CONSOLIDATED STATEMENT OF OPERATIONS BY FUND

April 30, 2026

(Thousands of dollars)

The table below presents the activities of the University by fund, for the year ended April 30, 2026, and supplements the information presented in the financial statements.

	Operating	Ancillaries	Trust and Endowment	Research	Capital	Consolidated Entities	Total 2026
REVENUES							
Student fees	\$ 419,948	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 419,948
Provincial operating grant	247,202	-	-	-	-	-	247,202
Other grants and contracts	20,111	-	25,109	203,237	(13,359)	-	235,098
Sales of service and products	11,947	110,768	-	-	-	1,459	124,174
Investment income allocated to operations	34,750	-	48,261	1,395	(183)	112	84,335
Other	28,774	-	-	2,125	595	(8)	31,486
Amortization of deferred capital contributions	-	-	-	-	29,325	293	29,618
Donations	3,506	-	25,920	-	(1,153)	-	28,273
	766,238	110,768	99,290	206,757	15,225	1,856	1,200,134
EXPENSES							
Salaries and benefits	522,343	13,584	32,265	76,145	-	3,474	647,811
Supplies and services	111,160	5,915	13,370	75,792	(30,362)	(3,038)	172,837
Student assistance	41,267	-	42,206	23,696	-	-	107,169
Externally contracted services	12,591	35,166	2,442	29,177	-	(128)	79,248
Amortization of capital assets	-	-	-	-	67,290	2,290	69,580
Renovations and alterations	794	13,379	931	1,728	21,299	(18)	38,113
Utilities, taxes and insurance	21,782	7,057	98	121	-	954	30,012
Travel and conferences	10,530	65	2,162	9,918	-	8	22,683
Interest on long-term debt	-	-	-	-	16,588	85	16,673
Interfund transfers out / (in)	45,020	29,037	5,378	(11,266)	(68,169)	-	-
	765,487	104,203	98,852	205,311	6,646	3,627	1,184,126
Excess / (deficiency) of revenues over expenses before item below	751	6,565	438	1,446	8,579	(1,771)	16,008

THE CONSOLIDATED STATEMENT OF OPERATIONS BY FUND

April 30, 2026

(Thousands of dollars)

	Operating	Ancillaries	Trust and Endowment	Research	Capital	Consolidated Entities	Total 2026
Excess / (deficiency) of revenues over expenses before item below	751	6,565	438	1,446	8,579	(1,771)	16,008
Investment income not allocated to operations	86,791	-	55,045	-	2,531	-	144,367
Excess / (deficiency) of revenues over expenses	87,542	6,565	55,483	1,446	11,110	(1,771)	160,375
Transfer from net assets invested in capital assets	-	-	-	-	37,965	1,997	39,962
Transfer to internally restricted net assets	(87,657)	(6,565)	(55,483)	(1,446)	(49,075)	(642)	(200,868)
Net change in unrestricted deficit	(115)	-	-	-	-	(416)	(531)
Unrestricted surplus, beginning of year	607	-	-	-	-	325	932
Unrestricted surplus / (deficit), end of year	492	-	-	-	-	(91)	401

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 University continues to recognize the importance of addressing deferred maintenance (DM) as a strategic priority and has increased operating budget funding from \$4.2 million in 2013-14 to \$13.1 million in 2025-26. Total DM funding (including provincial and residences contributions) is \$28.8 million in 2025-26, which is approximately 0.73% of a \$3.97 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 Agnes Reimagined project which will be completed this year will remove \$2.5 million of deferred maintenance.

Over the last few years, the University has invested significant effort in creating multi-year DM plans with multi-disciplinary teams using prioritization principles. Planning has also been augmented by a holistic approach to building system renewal to ensure alignment with long term asset management. This has resulted in large multi-year DM projects that are having an impact on addressing the DM backlog. The current DM balance is \$521 million, a decrease from the \$544 million reported last year.

Reliance on grant support and tuition revenue controlled by the government

The University relies heavily on tuition and government grant support to fund its operations, both of which remain largely controlled by the provincial government through the Ministry of Colleges, Universities, Research Excellence and Security (MCURES). The Strategic Mandate Agreement (SMA4), effective from fiscal year 2025-26 through 2029-30, continues the corridor system to stabilize grant revenue within an allowable range around the enrolment midpoint and includes performance metrics.

In February 2026, MCURES announced additional funding commencing fiscal 2027. Under the corridor funding model there were a large number of unfunded domestic students. The MCURES announcement changes that for fiscal 2027, which is welcome news. There was also relief from the tuition freeze since 2019 with an allowable 2 % annual increase. The framework also continues to allow universities to increase tuition fees for domestic out-of-province students by up to 5.0% annually.

While these combined government investments and tuition increases provide important financial relief, rising annual compensation costs and broader inflationary pressures will continue to challenge any future revenue growth, necessitating sustained cost containment and efficiency initiatives.

Reliance on international tuition revenue

The University relies on international tuition revenue to support its operations. Changes to federal immigration policies introduced by Immigration, Refugees and Citizenship Canada, including caps on international student study permits and Provincial Attestation Letter requirements, continue to constrain international student recruitment and limit opportunities for enrolment growth. Although 2026-27 enrolment results have improved from the prior year, international student applications and enrolment levels remain below historical highs. Ongoing policy changes and uncertainty within the international education sector may continue to affect future enrolment patterns and associated tuition revenue. To help mitigate these risks and reverse the recent trend of declining international enrolment, the University has implemented measures including significant marketing and recruitment efforts for international students, early offers, scholarships for incoming international undergraduates, housing guarantees, and streamlined immigration support through BorderPass to enhance enrolment outcomes and support the transition of international newcomers.

FINANCIAL HEALTH

The MCURES University Financial Accountability Framework (the “framework”) outlines specific metrics that are used by MCURES to evaluate the financial health of universities in Ontario and builds on a set of metrics established by the university sector in Ontario a number of years ago.

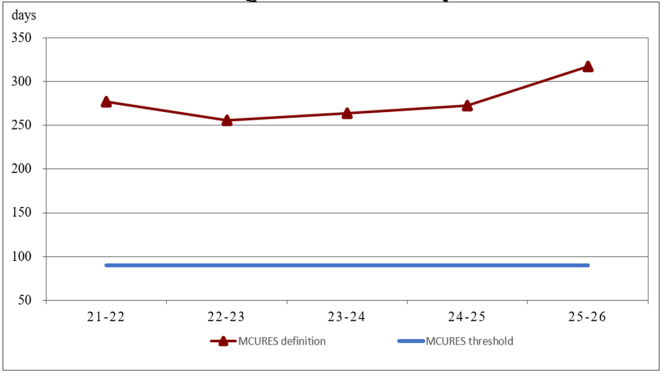
The metrics and related descriptions are presented below, together with the thresholds universities must meet to avoid additional MCURES financial monitoring requirements. The University’s fiscal 2026 combined risk score across all metrics, which remains subject to verification and confirmation by MCURES, requires no financial monitoring action.

Liquidity

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.

MCURES Threshold: greater than 90 days

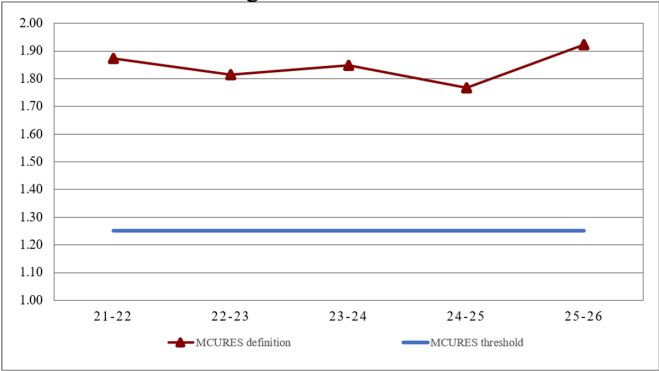


Definition: Expendable net assets divided by total expenses multiplied by 365

Working Capital Ratio

The working capital ratio is a measure that indicates the University’s ability to meet its current financial obligations as they come due without affecting the normal course of operations.

MCURES Threshold: greater than 1.25



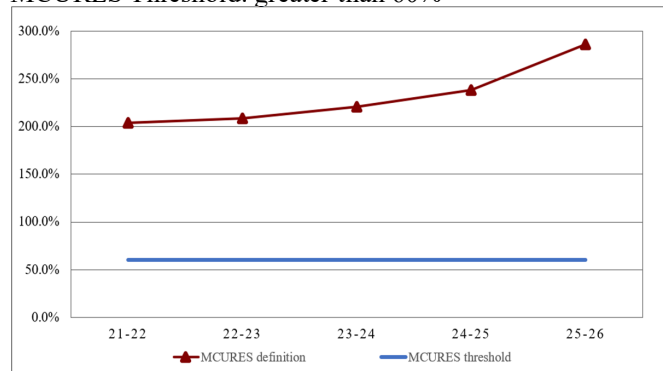
Definition: Current assets plus Pooled Investment Fund divided by current liabilities

Financial Sustainability

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.

MCURES Threshold: greater than 60%

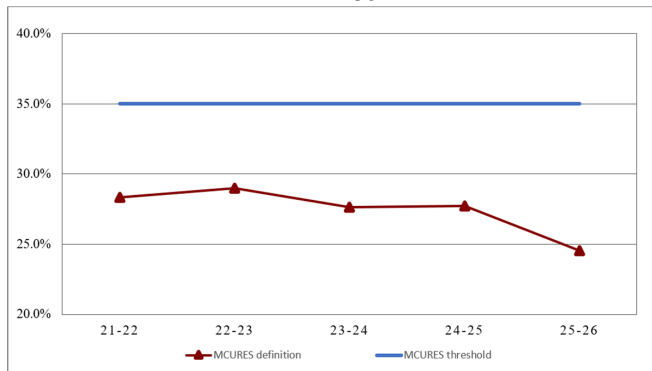


Definition: Expendable net assets divided by long-term debt

Debt Ratio

The debt ratio measures the amount of financial leverage the University has used. It shows how much of the University's assets are financed by its creditors compared to the proportion of assets held by the institution.

MCURES Threshold: less than 35%

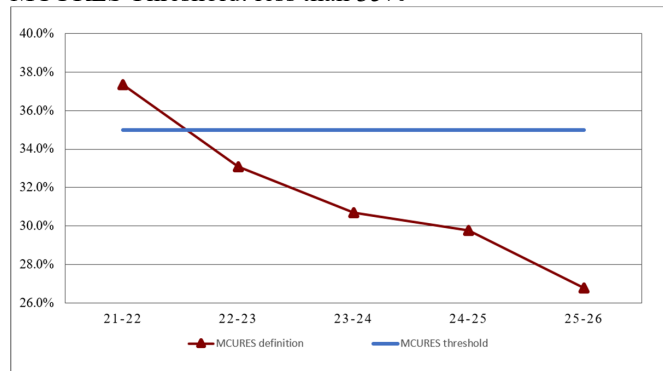


Definition: Total liabilities (less deferred capital contributions), divided by total assets

Debt to Revenue Ratio

The debt to revenue ratio shows the extent to which the University relies on debt to service its operations. Alternatively, it measures the amount of revenue generated by the University in order to repay its debt.

MCURES Threshold: less than 35%

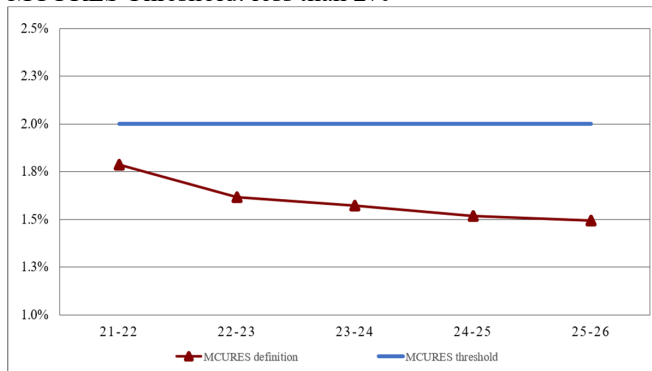


Definition: Long-term debt divided by total revenues

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.

MCURES Threshold: less than 2%



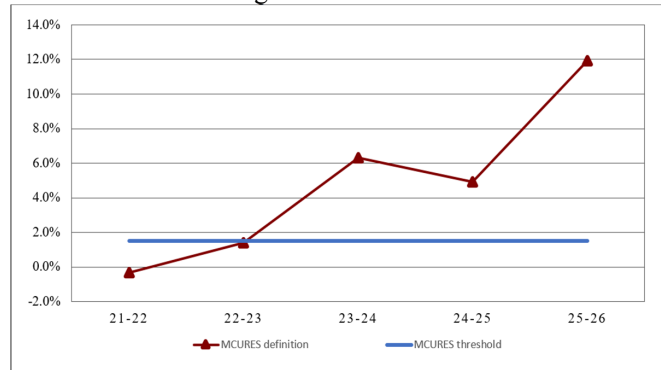
Definition: Interest expense divided by total expenses excluding amortization

Performance

Surplus (Deficit) Ratio

The surplus (deficit) ratio shows the percentage of revenues that contribute to it's net assets. This ratio provides insight into how well the University is able to manage its expenses relative to it's revenue base.

MCURES Threshold: greater than 1.5%

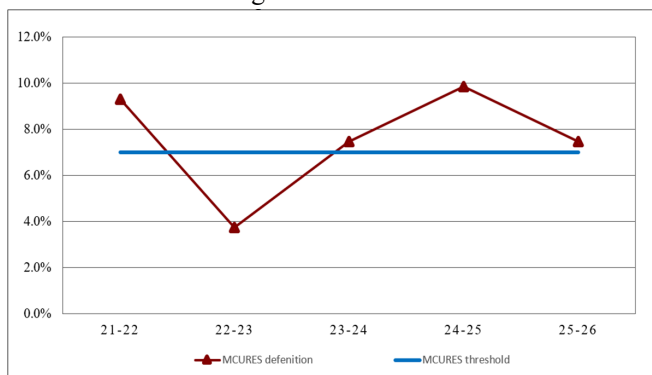


Definition: Surplus (deficit) divided by total revenues

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.

MCURES Threshold: greater than 7%



Definition: Cash flow from operating activities divided by total revenues

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 63% of consolidated revenue in 2025-26.

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 fund the deficits.

2025-26 Operating Fund	Thousands of dollars		
	Actual	Budget	Variance
Revenue			
Investment income allocated to operations	34,750	35,715	(965)
Other revenue	731,488	698,445	33,043
Total revenues	766,238	734,160	32,078
Expenditures	738,433	760,578	(22,145)
Surplus / (deficit) before unbudgeted items below	27,805	(26,418)	54,223
Funding from capital reserves for capital projects	(27,054)	-	(27,054)
Investment income not allocated to operations	86,791	-	86,791
Surplus / (deficit)	87,542	(26,418)	113,960
The 2025-26 surplus was deposited to / (taken from) reserves as follows:			
Funding transferred for capital projects	(27,054)		
Transfer operating budget allocation to capital reserves	2,100		
Transfer PIF income in excess of budgeted amount to capital reserves	86,791		
Transfer to departmental reserves	20,186		
Other transfers from internally restricted net assets	5,634		
Total contribution to internally restricted net assets	87,657		
Distribution from unrestricted net assets	(115)		
Total increase in reserves	87,542		

In 2025-26 the operating fund reported a surplus of \$27.8 million based on budgeted revenues and expenses. The positive variance in operating revenue to budget is due primarily to an increase in unbudgeted grants and contracts revenues of \$33.0 million, of which \$24.5 million relates to provincial operating grants.

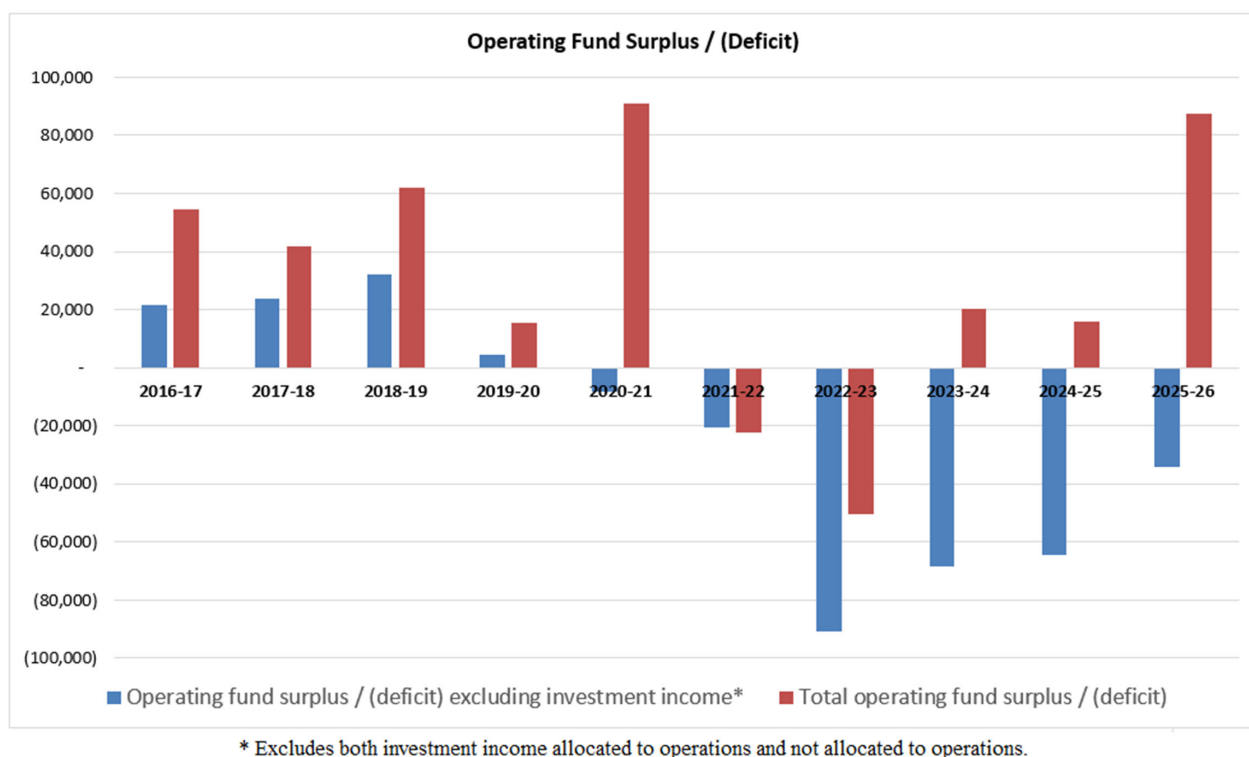
Overall, the operating fund reported a surplus of \$87.5 million or 11.9% of budgeted revenue.

Capital reserves increased by \$61.8 million in total, comprising primarily the transfer of PIF income in excess of budget to the capital reserve, offset by the use of capital reserves to fund the Bioscience Facility Revitalization and 235 Frontenac Street projects.

Investment income in the operating fund

The financial results of the operating fund for the last ten years are presented in the chart below. For three of the last five years, investment income has masked operating fund deficits. Investment income in the operating fund is generated by two separate funds:

- **Short-Term Fund (STF):** holds funds the University is expected to require in the next three years
- **Pooled Investment Fund:** holds cash balances not expected to be required for more than three years.



In accordance with the Board of Trustee approved SIPP, the STF is invested in cash, money market and fixed income investments. Investment income earned on the STF is less volatile and incorporated into budgeted revenues in the Operating Budget. Approximately \$16.1 million in investment income was earned on the STF for the year ended April 30, 2026. If or as interest rates decrease and/or as cash balances decline, the amount of investment income available to support operations will also decrease. The University must therefore be cautious in its reliance on these revenues to support base operating expenditures.

In accordance with the SIPP the PIF is invested 65% in Equities and 35% in Fixed Income. Investment income on the PIF varies considerably with financial market conditions and accordingly, only \$10 million in investment income is budgeted annually to support operations. PIF investment returns in excess of \$10 million are deposited in a capital reserve to support capital investment and other strategic priorities at the University. World class academic facilities are essential to supporting the University's academic mission and these funds are the only source of operating funding available to support capital expansion of the University's academic and research facilities. Approximately \$96.7 million in investment income was earned on the PIF for the year ended April 30, 2026, therefore the excess of \$86.7 million was transferred to capital reserves. Without this practice, the University would not have been able to invest in its academic future through things like the purchase of 235 Frontenac Street and the capacity to renovate the property in support of academic priorities. Capital reserve balances also serve as a buffer in years of investment losses.

COMMITMENT TO CLIMATE ACTION – 2026 UPDATE

Queen's recognizes that addressing climate change requires more than institutional action alone; it calls for collaboration, leadership and sustained commitment across sectors and borders. As part of its mission to contribute to a better future for people and the planet, Queen's is taking action locally while engaging globally. Through its participation in the [University Climate Change Coalition \(UC3\)](#), its commitment to the [United Nations' Race to Zero](#) campaign, and its continued advancement of the [United Nations Sustainable Development Goals](#) (SDGs), Queen's continues to support collective climate action and long-term sustainability.

Queen's achieved a 35% reduction in emissions between 2008 and 2020, a significant milestone toward its goal of achieving net-zero greenhouse gas (GHG) emissions by 2040 as outlined in its [Climate Action Plan](#). Meeting these commitments will require significant investment in infrastructure. Our annual [Carbon Footprint Report](#) showcases that emissions have remained stable despite a new residence opening. In 2022, Queen's [Progress Report on the Climate Action Plan](#) highlighted its ongoing efforts in meeting its climate goals. Queen's is continuing to prioritize sustainable building practices across campus. This includes low-carbon heating systems in the QUBS research and teaching centre and the new CASTLE lab, geo-exchange systems planned for Agnes Reimagined, and energy system upgrades in areas serving Dupuis Hall, the Old Medical Building, and Ontario Hall. All new construction targets LEED Gold certification, underscoring Queen's commitment to sustainable design and long-term environmental stewardship.

In May 2026, Queen's published its fourth [Responsible Investing Annual Report](#), demonstrating the university's sustained commitment to climate-focused investing across its \$2.7 billion portfolio of assets across the Pooled Endowment Fund and Pooled Investment Fund. Over the past year, Queen's has continued to build on the foundation laid by the work of the [Climate Change Action Task Force](#), and our pledges under the University Climate Charter ([Investing to Address Climate Change: A Charter for Canadian Universities](#)), to advance its responsible investing commitments through measurable action and enhanced transparency. A notable milestone this year has been the expansion of the Queen's Climate Action Allocation (QCAA), an energy-transition allocation within our endowment, which included an increased allocation to our low carbon global equity fund, further reinforcing our commitment to our carbon reduction strategy. As a United Nations-supported Principles for Responsible Investment (UNPRI) signatory, Queen's continues to strengthen its responsible investing approach. Since releasing its first Public Transparency Report in 2024, Queen's has maintained a high level of transparency through the public disclosure of investment holdings and environmental, social, and governance (ESG) annual reports from our investment managers. The Investment Committee is currently reviewing the Responsible Investing Policy, with the goal of bringing forward policy update recommendations to the Board of Trustees by December 2026.

In the 2026 Times Higher Education (THE) Impact Ratings, Queen's is ranked 4th globally, placing among the top institutions in a field of more than 1,600 universities worldwide. Queen's also remains Canada's highest-rated university, becoming the first institution in the country to hold the national top spot for two consecutive years. This marks the sixth consecutive year that Queen's has placed in the global top 10, a milestone unmatched by any other Canadian institution since the rankings began in 2019. Queen's has released its fifth [social impact report](#), highlighting the university's activities in research, teaching, community engagement, and environmental stewardship that advance the SDGs, including SDG 13 on Climate Action. In addition, the [Principal's Implementation Council on UN SDGs](#) continues to work to advance the UN SDGs at Queen's by sharing information, coordinating initiatives, and fostering collaboration across the university. It provides feedback on institutional priorities and supports the implementation of the SDG Operational Framework. The group also identifies opportunities to connect and amplify ongoing work, develop engagement initiatives for students, faculty, and staff, and participate in external partnerships and leadership opportunities to position Queen's as a model for local and global impact.

STATEMENT OF MANAGEMENT RESPONSIBILITY

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

Management 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. Management believes the consolidated financial statements present fairly the University's financial position as at April 30, 2026 and the results of its operations for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management 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 management 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 management, 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 management.

The consolidated financial statements for the year ended April 30, 2026 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)



KPMG LLP

150 Elgin Street, Suite 1800
Ottawa, ON K2P 2P8
Canada
Telephone 613 212 5764
Fax 613 212 2896

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 (the Entity), which comprise:

- the consolidated statement of financial position as at April 30, 2026
- 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 financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at April 30, 2026, and its consolidated results of operations 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 auditor's report thereon, included in the Entity's A Year in Review ("annual report").



Page 2

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 auditor's report thereon, included in the annual report as at the date of this auditor's 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 auditor's 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 the Entity'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 the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's 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 auditor's 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 the 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.



Page 3

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 the Entity'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 the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Entity 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

October 5, 2026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at April 30, 2026

(Thousands of dollars)

	2026	2025
ASSETS		
Current		
Cash	\$ 215,377	\$ 214,310
Accounts receivable (note 3)	57,615	46,947
Loans receivable (note 4)	253	238
Prepaid expenses	6,237	6,387
Investments (note 6)	297,275	313,171
Total current assets	576,757	581,053
Loans receivable (note 4)	1,139	1,391
Asset for implementation of software services (note 5)	2,779	3,134
Investments (note 6)	2,816,069	2,349,299
Capital assets (note 7)	1,063,763	1,021,889
Collections (note 8)	1	1
	\$ 4,460,508	\$ 3,956,767
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (note 9)	\$ 89,217	\$ 104,093
Current portion of long-term debt (note 12)	5,317	5,024
Deferred revenue and contributions (note 10)	505,847	491,873
Total current liabilities	600,381	600,990
Deferred capital contributions (note 11)	451,139	416,368
Long-term debt (note 12)	360,028	364,656
Employee future benefits liability (note 13)	135,189	130,771
	1,546,737	1,512,785
Net Assets		
Endowments (note 14)	2,080,247	1,717,726
Invested in capital assets	289,406	278,951
Internally restricted (note 15)	543,717	446,373
Unrestricted surplus	401	932
	2,913,771	2,443,982
	\$ 4,460,508	\$ 3,956,767

Commitments and contingencies (note 20)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Trustees:



David Court
Chair, Board of Trustees



Dean McCann
Chair, Audit and Risk Committee

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended April 30, 2026

(Thousands of dollars)

	2026	2025
REVENUES		
Student fees	\$ 419,948	\$ 428,323
Provincial operating grant	247,202	226,028
Other grants and contracts	235,098	227,835
Sales of service and products	124,174	118,286
Investment income allocated to operations (note 6)	84,335	82,968
Other	31,486	24,587
Amortization of deferred capital contributions (note 11)	29,618	26,072
Donations	28,273	21,893
	1,200,134	1,155,992
EXPENSES		
Salaries and benefits	647,811	650,447
Supplies and services	172,837	160,681
Student assistance	107,169	102,826
Externally contracted services	79,248	77,099
Amortization of capital assets	69,580	57,297
Renovations and alterations	38,113	44,519
Utilities, taxes and insurance	30,012	32,164
Travel and conferences	22,683	22,725
Interest on long-term debt	16,673	16,822
	1,184,126	1,164,580
Excess / (deficiency) of revenues over expenses before item below	16,008	(8,588)
Investment income not allocated to operations (note 6)	144,367	68,725
Excess of revenues over expenses	\$ 160,375	\$ 60,137

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended April 30, 2026

(Thousands of dollars)

	Endowments	Invested in capital assets	Internally restricted	Unrestricted	Total 2026	Total 2025
Net assets, beginning of year	\$ 1,717,726	\$ 278,951	\$ 446,373	\$ 932	\$ 2,443,982	\$ 2,269,507
(Deficiency) / excess of revenues over expenses	-	(39,962)	-	200,337	160,375	60,137
Employee future benefits remeasurements and other items (note 13)	-	-	-	4,121	4,121	6,345
Change in net assets invested in capital assets	-	50,417	-	(50,417)	-	-
Change in internally restricted net assets	-	-	99,528	(99,528)	-	-
Endowment contributions (note 14)	51,372	-	-	-	51,372	44,361
Excess / (deficiency) of investment earnings over endowment spending (note 14)	301,338	-	-	(55,044)	246,294	59,750
Departmental transfers and other contributions (note 14)	9,811	-	(2,184)	-	7,627	3,882
Net assets, end of year	\$ 2,080,247	\$ 289,406	\$ 543,717	\$ 401	\$ 2,913,771	\$ 2,443,982

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended April 30, 2026

(Thousands of dollars)

	2026	2025
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 160,375	\$ 60,137
Add / (deduct) non-cash items:		
Amortization of deferred capital contributions	(29,618)	(26,072)
Amortization of capital assets	69,580	57,297
Unrealized gain on investments (note 6c)	(97,269)	(55,767)
Employee future benefits	8,539	8,319
Net change in non-cash working capital (note 16)	(11,420)	76,500
Cash provided by operating activities	100,187	120,414
INVESTING ACTIVITIES:		
Net change in loans receivable	237	225
Net change in asset for implementation of software services	355	(1,079)
Net change in investments	(353,605)	(156,600)
Purchases (net of disposals) of capital assets	(111,454)	(78,664)
Net change in investments reported as a direct increase in net assets	246,294	59,750
Cash used in investing activities	(218,173)	(176,368)
FINANCING ACTIVITIES:		
Proceeds from long-term debt	828	-
Repayment of long-term debt	(5,163)	(4,894)
Contributions received for capital purposes	64,389	37,871
Contributions reported as direct increase in net assets	58,999	48,243
Cash provided by financing activities	119,053	81,220
Net increase in cash	1,067	25,266
Cash, beginning of year	214,310	189,044
Cash, end of year	\$ 215,377	\$ 214,310

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2026

(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 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 ("QUPTF") and 12591146 Canada Inc (formerly Elentra Corporation).

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.

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.

12591146 Canada Inc was incorporated under the Canada Business Corporations Act on December 22, 2020 and began operations on February 1, 2021. 12591146 Canada Inc. 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. 12591146 Canada Inc. has sold its assets and its operations are inactive.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2026

(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 management 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, reflecting any impairment.
- 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, reflecting any impairment. Pooled fund investments consist of bonds and equities.
- 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, reflecting any impairment. 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 and consist of private equities, infrastructure and real estate investments.

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, 2026

(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 accrued liabilities, 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. Capital assets include intangible assets, which are non-monetary assets without physical substance. Intangible assets which will, in management's best estimate, provide a future economic benefit are recognized.

Capital assets are assessed at each statement of financial position date for full or partial impairment.

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 their 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 progress 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.

(e) Cloud computing arrangements

Implementation costs on cloud computing software service arrangements that do not meet the definition of an intangible asset are capitalized as an asset for implementation of software services. The asset is expensed using the straight-line method over the expected period of access to the software service, which is estimated at five years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2026

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

(f) 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.

(g) 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.

(h) 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, 2026

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

(i) 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.

(j) 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.

(k) 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. ACCOUNTS RECEIVABLE

Accounts receivable comprises primarily of balances receivable for research projects and trade accounts receivable, including tuition net of an allowance for doubtful accounts of \$5,000 (2025 - \$4,633).

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	
2027	\$ 31,143
2028	18,783
2029	16,277
2030	11,623
2031	10,256
Thereafter	27,522
	\$ 115,604

4. LOANS RECEIVABLE

Loans receivable comprises primarily of a loan to the Kingston Health Sciences Centre ("KHSC") / Queen's Parking Commission (the "Parking Commission") in the amount of \$1,266 (2025 - \$1,505). The loan to the Parking Commission bears interest at 6 per cent per annum and matures in October 2030.

5. ASSET FOR IMPLEMENTATION OF SOFTWARE SERVICES

Asset for implementation of software services represents the implementation costs on cloud computing software arrangements that do not meet the definition of an intangible asset. During the year, the University capitalized \$193 (2025 - \$1,079) in implementation costs. During the year, \$548 (2025 - \$Nil) of implementation costs were expensed and are included in supplies and services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2026

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

6. INVESTMENTS AND INVESTMENT INCOME

(a) Investments

Fair value details of investments are as follows:

	2026	2025
Current		
Short-term:		
Short-term notes and treasury bills	\$ 70,163	\$ 87,181
Bonds	227,112	225,990
Total current	297,275	313,171
Non-current		
Pooled Endowment Fund:		
Bonds	398,901	343,802
Equities	1,317,922	1,044,679
Infrastructure	171,804	143,307
Private equities	93,448	97,691
Real estate	104,110	91,430
Total Pooled Endowment Fund	2,086,185	1,720,909
Pooled Investment Fund:		
Bonds	190,591	172,301
Equities	386,896	308,437
Total Pooled Investment Fund	577,487	480,738
Sinking Fund:		
Bonds	146,534	142,347
Total Sinking Fund	146,534	142,347
Other	5,863	5,305
Total non-current	2,816,069	2,349,299
Total investments	\$ 3,113,344	\$ 2,662,470

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

The Pooled Investment Fund is invested in highly liquid investments to support working capital needs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2026

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

(b) Uncalled commitments

As at April 30, 2026, 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, 2026, the University had uncalled commitments of approximately \$117,302 (2025 - \$144,024), 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.

(c) Investment income

Investment income comprises the following:

	2026	2025
Investment income allocated to operations	\$ 84,335	\$ 82,968
Investment income not allocated to operations	144,367	68,725
Investment income	228,702	151,693

Broken down as:

Realized income on investments	137,237	103,239
Unrealized gains on investments	97,269	55,767
Investment management fees and transaction costs	(5,804)	(7,313)
Investment income	\$ 228,702	\$ 151,693

Investment income allocated to operations comprises primarily income earned on the University's cash and current investments, the portion of investment income on the Pooled Investment Fund allocated to operations and endowment investment income available for spending

Investment income not allocated to operations of \$144,367 (2025 - \$68,725) is described below.

The excess or deficiency of investment earnings over endowment spending on internally restricted endowments is not available for spending annually as it either contributes to or reduces the allowance for endowment capital preservation.

Investment earnings in excess of the amount approved for spending on operations from income earned on the Pooled Investment Fund is not allocated for spending annually as it contributes to funds available for capital renewal.

Investment income earned on the University's sinking funds is not allocated for spending annually as it is restricted for extinguishing university debt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2026

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

7. CAPITAL ASSETS

Capital assets consist of the following:

	2026			2025		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 84,158	\$ -	\$ 84,158	\$ 84,158	\$ -	\$ 84,158
Buildings and their components	1,524,262	696,913	827,349	1,503,601	652,657	850,944
Leasehold improvements	12,683	11,991	692	12,683	11,469	1,214
Equipment and furnishings	161,590	121,361	40,229	153,065	120,723	32,342
Library acquisitions	88,872	72,263	16,609	90,893	75,840	15,053
Intangible assets	31,366	31,366	-	31,366	31,366	-
Construction in progress	94,726	-	94,726	38,178	-	38,178
	\$ 1,997,657	\$ 933,894	\$ 1,063,763	\$ 1,913,944	\$ 892,055	\$ 1,021,889

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 consolidated statement of operations. The total amount expended on artwork for the year was \$Nil (2025 - \$Nil) and the total amount expended on rare and historical books for the year was \$130 (2025 - \$136). The artwork and book collections are insured through a fine arts policy for a total value of \$290,410 (2025 - \$289,216).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprises primarily 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 \$17,745 (2025 - \$16,871).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2026

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

10. DEFERRED REVENUE AND CONTRIBUTIONS

	2026	2025
Research funds	\$ 237,445	\$ 222,960
Trust funds	176,516	155,670
Student fees	36,368	36,437
Capital funds	48,528	66,165
Other	5,870	9,838
Gift annuities	1,120	803
	\$ 505,847	\$ 491,873

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 purchases.

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:

	2026	2025
Balance, beginning of year	\$ 416,368	\$ 404,569
Amortization of deferred capital contributions	(29,618)	(26,072)
Contributions expended for capital purchases	64,389	37,871
	\$ 451,139	\$ 416,368

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2026

(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:

			2026	2025
	Maturity in Fiscal Year Ending	Interest Rate	Principal Outstanding	Principal Outstanding
Amortizing unsecured bank loan maturing November 1, 2030	2031	Variable	\$ 25,021	\$ 30,013
Series A senior unsecured bullet debenture maturing 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
Other			2,367	1,952
			367,388	371,965
Unamortized transaction costs/bond discount			(2,043)	(2,285)
			365,345	369,680
Less current portion			(5,317)	(5,024)
			\$ 360,028	\$ 364,656

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, 2026 the value of the sinking funds is \$146,534 (2025 - \$142,347).

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 2.89 per cent.

Other represents the cost of enhancement of food and hospitality venues, which has been fully spent in fiscal 2026. This non-interest bearing loan has amortization periods ranging from five to ten years and matures in 2034, as part of the food services contract.

(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	
2027	\$ 5,317
2028	5,454
2029	5,607
2030	5,763
2031	3,326
Thereafter	339,878
	\$ 365,345

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2026

(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, in which a number of organizations participate. 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, 2025 indicated an actuarial surplus on a going concern basis of \$245,033.

Contributions made to the UPP during the year amounted to \$42,488 (2025 - \$42,065). This amount is 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, 2025 and results have been extrapolated to April 30, 2026. The date of the next required valuation is February 1, 2028.

The most recent actuarial valuation of post-employment benefits was performed as of April 30, 2026.

The discount rate used in the actuarial measurement of the employee future benefit plans obligation was 5.2 per cent (2025 – 5.0 per cent).

The discount rate used in the actuarial measurement of the benefit plans expense was 5.0 per cent (2025 – 5.2 per cent).

Salaries and benefits expense for the year includes non-pension retirement and post-employment benefit expenses of \$13,359 (2025 – \$12,945).

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, 2026

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

	2026	2025
Accrued benefit liability		
Accrued benefit obligation	\$ (135,189)	\$ (130,771)
Accrued benefit liability	\$ (135,189)	\$ (130,771)
Benefit plan expense		
Current service cost	\$ 6,857	\$ 6,255
Finance costs	6,502	6,690
Net benefit cost	\$ 13,359	\$ 12,945
Remeasurements and other items		
Actuarial gain on accrued benefit obligation	(4,121)	(6,345)
Net remeasurements and other items gains	\$ (4,121)	\$ (6,345)

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 operations 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.

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

	2026			2025		
	External	Internal	Total	External	Internal	Total
Investment income on endowments	\$ 303,811	\$ 66,677	\$ 370,488	\$ 113,083	\$ 23,846	\$ 136,929
Less: available for spending	(57,519)	(11,631)	(69,150)	(53,333)	(10,924)	(64,257)
Excess of investment earnings over endowment spending	246,292	55,046	301,338	59,750	12,922	72,672
Endowment contributions	51,372	-	51,372	44,361	-	44,361
Departmental transfers and other contributions	6,868	2,943	9,811	3,882	45	3,927
Net increase in net assets	304,532	57,989	362,521	107,993	12,967	120,960
Net assets, beginning of year	1,425,761	291,965	1,717,726	1,317,768	278,998	1,596,766
Net assets, end of year	\$1,730,293	\$ 349,954	\$ 2,080,247	\$1,425,761	\$ 291,965	\$ 1,717,726

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2026

(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:

	2026	2025
Operating contingencies	\$ 123,705	\$ 109,460
Transition fund	49,682	39,924
Unspent research funds	78,546	77,112
Internally financed capital projects	(86,118)	(81,084)
Sinking funds	145,682	139,194
General capital reserves	189,572	127,725
Other capital reserves and projects in progress	116,470	103,169
Employee future benefits		
Employee future benefits deficit	(135,189)	(130,771)
Pension reserve	61,367	61,644
	\$ 543,717	\$ 446,373

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.

The Transition fund represents funds set aside to support efficiency related initiatives.

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.

General capital reserves are operating funds set aside to support strategic capital investments.

Other capital reserves are funds committed primarily for capital projects in progress, ancillary capital development, and deferred maintenance.

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, 2026

(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:

	2026	2025
Net change in non-cash working capital:		
Accounts receivable	\$ (10,668)	\$ (371)
Prepaid expenses	150	(2,092)
Accounts payable and accrued liabilities	(14,876)	14,069
Deferred revenue and contributions	13,974	64,894
	\$ (11,420)	\$ 76,500

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:

	2026		2025	
	Notional value	Fair value	Notional value	Fair value
US Dollar	\$ 586,506	\$ 1,575	\$ 501,060	\$ 9,264
Other	197,742	1,408	164,526	(4,154)
	\$ 784,248	\$ 2,983	\$ 665,586	\$ 5,110

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 is not reflective of future fair values. The fair value of the foreign currency contracts is reported as \$2,983 (2025 - \$5,110) 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, 2026

(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 3). 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, Universities, Research Excellence and Security, 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, 2026

(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:

	2026	2025
Endowment:		
Opening balance	\$ 68,198	\$ 68,198
Endowment capital	\$ 68,198	\$ 68,198
Expendable:		
Opening balance	\$ 622	\$ 146
Investment income	5,490	5,228
Bursaries awarded	(5,389)	(4,752)
Expendable funds available for awards	\$ 723	\$ 622
Number of bursaries awarded	1,271	1,326

The market value of the OSOTF phase 1 endowment fund at April 30, 2026 is \$166,483 (2025 - \$141,791).

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

(for the year ended March 31)	OSOTF II	OTSS	2026 Total	2025 Total
Endowment:				
Opening balance	\$ 12,788	\$ 39,638	\$ 52,426	\$ 51,726
Transfer from expendable funds	12	185	197	699
Endowment capital	\$ 12,800	\$ 39,823	\$ 52,623	\$ 52,425
Expendable:				
Opening balance	\$ 175	\$ 614	\$ 789	\$ 823
Investment income	780	2,592	3,372	3,204
Bursaries awarded	(701)	(1,979)	(2,680)	(2,539)
Transfer to endowment funds	(12)	(185)	(197)	(699)
Expendable funds available for awards	\$ 242	\$ 1,042	\$ 1,284	\$ 789
Number of bursaries awarded	520	600	1,120	1,240

The market value of the OSOTF phase 2 endowment fund at March 31, 2026 was \$97,621 (2025 - \$88,668).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2026

(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 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 (2025 - \$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 \$1,049 (2025 - \$1,007).

(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 fiscal 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 \$1,036 (2025 - \$1,491).

(c) Investment in 12591146 Canada Inc.

As disclosed in Note 2(a), the University accounts for its investment in 12591146 Canada Inc. using the equity method. The University's proportionate share of the shareholders' equity at April 30, 2026 is \$18 (2025 - \$25).

	2026 (unaudited)	2025 (unaudited)
Total assets	\$ 24	\$ 25
Due to Queen's University	6	-
Shareholders' equity	\$ 18	\$ 25
Revenue	\$ -	\$ 2,756
Expenses	7	499
Net (loss) / income before item below	(7)	2,257
Gain on sale of assets	-	2,350
Net (loss) / income	\$ (7)	\$ 4,607
Cash flows from operating activities	\$ (7)	\$ 4,622
Cash flows from investing activities	-	-
Cash flows from financing activities	6	(4,760)
Net decrease in cash	\$ (1)	\$ (138)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2026

(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, 2025 was \$114 (2024 - \$1,342).

	2025	2024
Total assets	\$ 2,283	\$ 2,413
Total liabilities	2,512	5,096
Total fund balances	\$ (229)	\$ (2,683)
Revenues	\$ 7,669	\$ 4,411
Expenses	5,214	5,409
Excess / (deficiency) of revenues over expenses	\$ 2,455	\$ (998)

(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, 2026

(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 twenty 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 / 21 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, 2026 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.

	2026	2025
Total assets	\$ 59,253	\$ 72,375
Total liabilities	17,018	25,569
Total fund balances	\$ 42,235	\$ 46,806
Revenues	\$ 120,872	\$ 114,847
Expenses	125,442	114,972
Deficiency of revenues over expenses	\$ (4,570)	\$ (125)

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, 2026, management 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, management 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, 2025, the date of the latest financial statements available, CURIE had a surplus of \$133,886 (2024 - \$130,337).

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, 2026

(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, 2026 the estimated cost to complete construction in progress for the extension of facilities is approximately \$66,026 (2025 - \$92,397). These costs will be financed by a combination of 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	
2027	\$ 4,285
2028	2,859
2029	2,096
2030	1,697
2031	1,316
Total thereafter	1,912
	\$ 14,165

(f) Other

In addition to the capital commitments disclosed in Note 20(e), the University has issued letters of credit of \$1,431 (2025 - \$1,803) primarily for capital construction.

The University has entered into contracts to purchase natural gas at a fixed rate. The total amount committed under these contracts is as follows:

Fiscal year	
2027	\$ 2,595
2028	1,214
2029	208
	\$ 4,017

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2026

(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, 2025, 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, 2025 is not recorded in the University's consolidated financial statements as the expected future benefit will be recognized under the UPP.