Rating Report

Queen's University

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DBRS

Insight beyond the rating.

Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	AA	Confirmed	Stable
Senior Unsecured Debt	AA	Confirmed	Stable

Rating Update

DBRS Limited (DBRS) confirmed the Issuer Rating and Senior Unsecured Debt rating of Queen's University (the University or Queen's) at AA. Both trends are Stable. The ratings reflect the University's exceptional academic profile, strong student demand and effective management practices, which have translated into positive operating results and a strong balance sheet. The credit profile is further supported by the University's considerable endowments.

Queen's reported strong results for the 2017-18 fiscal year with a $74.9 million surplus and a $36.8 million increase in net assets. The strong results reflect better-than-anticipated enrolment and prudent management by faculties and shared services units, resulting in reserve accumulation.

The outlook for 2018-19 operating results remains positive and the University expects to conclude the year in line with or ahead of budget expectations.

The multi-year outlook appears challenging for Ontario universities because the revised tuition-fee framework, frozen operating grants and constrained domestic enrolment will require restraint across the sector. Among Ontario universities, Queen's has greater budget and balance-sheet flexibility to adjust to the challenging policy environment. The University benefits from (1) exceptional demand with the capacity to shift the student mix and increase international enrolment, (2) strong management, (3) a robust balance and (4) a responsive budget model that incents faculties and shared service units to respond to the changing financial circumstances.

Queen's does not have immediate plans for material new borrowing, though further debt issuance is possible over the medium term with the possibility of a new residence and following a review of the University's capital priorities. In the absence of new indebtedness, the debt-to-full-time equivalent (FTE) ratio is likely to fall over the coming years to about $9,000 per FTE in 2021-22 from $10,536 in 2017-18.

DBRS expects the University's ratings to remain stable over the medium term based on its strong financial ratios and stable academic profile. A positive rating action is highly unlikely in the near term. A negative rating action could result from a significant and sustained deterioration in operating results, leading to significant balance-sheet deterioration.

Financial Information

	For the year ended April 30				
	2018	**2017**	**2016**	**2015**	**2014**
Consolidated operating result (DBRS-adjusted, CAD millions)	74.9	88.6	39.5	61.9	45.6
Surplus (deficit) to revenue (5-year rolling average)	6.9%	5.9%	3.4%	2.2%	0.6%
Debt per FTE ($)	10,536	11,032	11,519	10,319	9,997
Expendable resources to debt (times)	1.83	1.67	1.37	1.34	1.15
Interest coverage ratio (times)	6.8	7.7	4.6	6.9	6.4

Issuer Description

Established in 1841, Queen's is a mid-sized institution in Kingston, Ontario, a census metropolitan area of about 174,000 residents, located between Toronto and Montréal. The University has a long history of academic excellence and a comprehensive program offering. Student enrolment was about 26,000 FTEs in 2017-18.

Rating Considerations

Strengths

1. Academic profile
Queen's is one of Canada's leading universities with a long history of academic excellence dating back to the 1840s. The University performs strongly in domestic university rankings and is well positioned in international rankings (200-300 range globally) for a Canadian university of its size. The strength of the University's profile results in consistently strong student demand. Queen's has among the highest admissions standards in Canada.

2. Balance sheet
Queen's has one of the strongest balance sheets among DBRS-rated universities, which provides considerable financial flexibility. The University's balance sheet has shown consistent improvement over the past five years. In addition, the pension plan's funding status has improved and financial resources in the form of endowed gifts (+53%) and expendable resources (+193%) have risen strongly. Expendable resources were 1.8 times (x) the University's outstanding long-term debt at March 31, 2018.

3. Financial management practices
The University has a multi-year planning process and a decentralized, activity-based budget model, which supports strong operating results. The budget model places greater autonomy and responsibility with faculties and shared service units and encourages units to generate revenue, constrain expense and set aside reserves. This has contributed to the University's positive results and rising reserve balances in recent years.

4. Fundraising and endowment
The University has a well-established fundraising program and a large alumni base, which provide considerable donations and endowed contributions. Queen's also has among the largest endowments in Canada, which provides significant funding for student aid and other university priorities.

Challenges

1. Limited control of revenue
Canadian universities have limited control over their main revenue sources – tuition fees and government grants. The Province of Ontario (Ontario or the Province; rated AA (low) with a Stable trend by DBRS) effectively imposed a 10% reduction on tuition fees for domestic students in regulated programs for 2019-20 as well as froze domestic enrolment and operating grants. This essentially limits the University's ability to increase revenue to meet rising costs.

2. Cost pressures
Underlying cost pressures are somewhat detached from the University's revenue drivers. Universities' expense bases are largely fixed and growing in the form of tenured faculty, unionized support staff, externally mandated student aid requirements and large infrastructure footprints. In recent years, inherent cost pressures such as negotiated wage settlements, competitive salaries for top researchers and increasing benefit costs have outpaced provincially controlled revenue growth. The fixed nature of the expense tends to slow the pace at which universities can respond to a significant exogenous shock to revenue.

3. Pension and post-employment benefit liabilities
The funding status of university pension plans is sensitive to changing market conditions, which can result in balance-sheet volatility and give rise to large special payments. In the years following the financial crisis, Queen's pension-funding status deteriorated sharply, but has largely recovered at present. The University's pension plan is fully funded on an accounting and going-concern basis, but there continues to be a large solvency deficit of $313 million, which will require relatively large special payments of approximately $19 million annually in the coming years. Queen's also has a large unfunded obligation for non-pension post-employment benefits.

2017-18 Operating Performance

The University reported a surplus of $74.9 million for the year ended April 30, 2018, which equates to 7.9% of revenue on a relative basis. The strong result was principally based on higher-than-anticipated enrolment as well as efforts from faculties and shared services to prudently manage their affairs and set aside reserves for future initiatives.

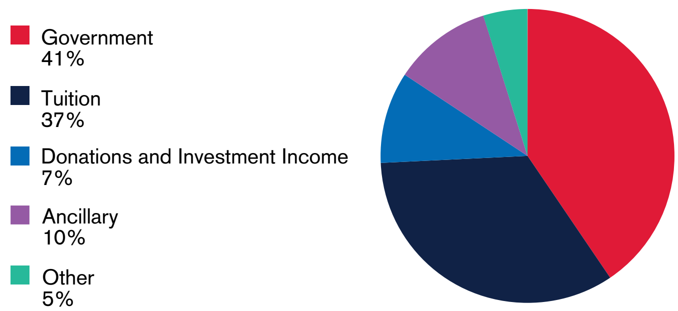
Total revenue rose slightly (+0.3%) during the year, which reflects a divergence between the relatively strong growth in enrolment-related revenues and year-over-year declines in investment income and donations. Investment income and donations, which tend to be the most volatile revenue sources for universities, fell to $47.1 million (-40.5%) on weaker returns and $15.3 million (-34.2%), respectively.

Tuition and other student fees were higher (+11.1%), supported by modest enrolment growth (+3.3%) in both degree and non-degree programs, increasing internationalization, a favourable shift in student mix and fee increases. Queen's increased fees to the extent permitted by the provincial framework for domestic students (3.0% on average) and by 7.1%, on average, for international students.

Grants and contracts were slightly higher (+0.7%) with modest growth in government operating grants (+3.6%) offset by a decline in other grants and contracts (-2.5%). Other grants and contracts are primarily research-related. Research funding is restricted to specific purposes and is recognized as revenue when the related expenditures occur. This results in revenue and expense volatility, but has little (if any) impact on bottom-line results.

Total expense rose modestly (+2.0%), reflecting growth in many of the largest expense categories. Salary and wage escalation were modest in the final year(s) of most of the University's major collective agreements while headcount continued to rise slightly with the University's faculty renewal plan and other revenue-generating initiatives. Supplies and services (+7.6%) and student aid (+5.6%) experienced relatively strong growth, but were largely offset by declines in other spending areas (i.e., amortization, interest, renovations and alterations).

Exhibit 1: 2017-18 Consolidated Revenue Sources
($948 million)



Queen's has a decentralized, activity-based budget model, which has supported strong operating results in recent years. The budget model places greater autonomy and responsibility with faculties and shared service units and encourages units to generate revenue, constrain expenses and set aside reserves to support their long-term objectives and to manage enrolment and other risks. Many faculties prepare for modest surpluses/reserve accumulation as part of their budget planning, which has contributed to the University's positive results and rising reserve balances in recent years.

Net assets rose modestly by $36.8 million (+2.6%), which reflects the positive operating result ($74.9 million), endowed contributions ($22.2 million) and investment earnings on the externally restricted endowment ($8.5 million). The increases were largely offset by remeasurements and other items relating to employee future benefits (-$73.6 million).

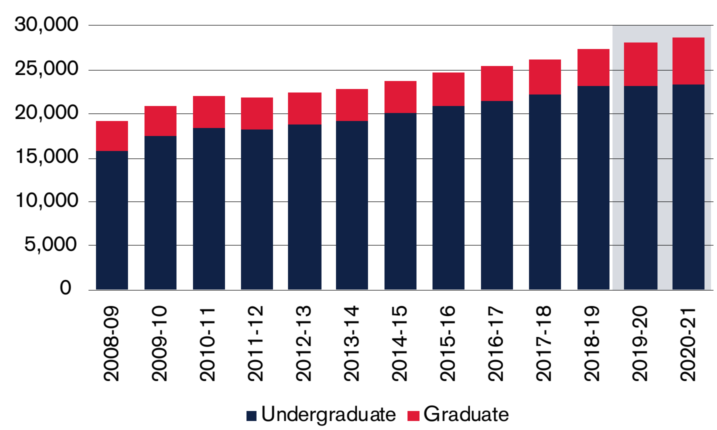
Operating Outlook

Queen's prepares an annual operating fund budget, which differs in scope and accounting practices from the annual consolidated financial statements. The operating fund budget comprises about 67% of total expenditures. The operating fund budget is indicative of the University's core teaching activities, but does not fully reflect capital, research activity and ancillary operations.

2018-19 Budget and Interim Expectations

The University's 2018-19 operating fund budget is effectively balanced as mandated by the Board. Queen's budgeted for an operating fund surplus of $11.5 million before transfers to the capital fund ($11.5 million), pension reserve ($16.0 million) and drawdown of carry-forward balances ($7.7 million), which result in a net budget surplus of $8.3 million. The budget includes modest

Exhibit 2: Enrolment (FTEs)



Operating Outlook (CONTINUED)

contingencies. The planned drawdown of carry-forward balances reflects budgeted expenses by academic units which exceeded their base budget allocations. Faculties and shared service units tend to budget conservatively, resulting in drawdown amounts that are generally lower than forecast.

Operating fund revenue was projected to rise by $40.3 million (+7.3%) to $595.5 million. Revenue growth was largely attributable to growth in student fees (+34.3 million), which reflects both fee and enrolment increases. The University planned for total enrolment growth of 496 FTEs (+2.1%) with the majority of growth at the graduate level (+415 FTEs). Undergraduate student enrolment growth has slowed at many universities, including Queen's, considering the most recent Strategic Mandate Agreement, which sought to distribute enrolment growth across the sector through an enrolment-corridor funding model. Queen's has also seen a slowdown in enrolment growth because of limited residence capacity.

The University increased tuition fees to the extent permitted by the provincial framework for domestic students. Under the framework, Queen's could raise fees for undergraduate arts and science students by 3.0% and for higher-cost, professionally oriented programs by 5.0%, provided that the overall institutional average did not increase by more than 3.0%. International student tuition fees were generally increased by 5% to 11% depending on program area and year of study.

Government grants are forecast to rise by just 1.8% while most other revenues, including investment income, are projected to remain stable or rise modestly.

Operating expenses (excluding non-centrally budgeted expenses) were forecast to rise by $40.5 million (+7.5%) over the prior year's budget. The bulk of the increase is attributable to rising salary and benefit costs within the faculties and schools as well as rising costs for shared services, including libraries, occupancy costs, information technology and student aid.

The University presented a mid-year budget update in early March 2019, indicating that the budget was largely tracking expectations with modestly higher-than-anticipated enrolment, although investment earnings present some uncertainty, given the increased market volatility in late 2018/early 2019.

Medium-Term Outlook

The operating outlook for Ontario universities is clouded by provincial policy uncertainty. The Progressive Conservative government, elected in 2018, has begun to announce policy changes affecting post-secondary institutions in Ontario, though specific details are still forthcoming.

In January 2019, the Province announced a revised tuition-fee framework. Previously, Ontario universities had some flexibility to raise tuition fees for domestic students in regulated programs; however, the new government imposed an across-the-board 10% reduction to tuition fees for domestic students in regulated programs in 2019-20 and mandated that fees remain frozen at these levels in 2020-21. For Queen's, this results in a revenue loss of about $35 million in 2019-20, which is about 3.5% of total revenue.

The Province also announced that it would make some ancillary fees optional for students. There are few details available at this time, but DBRS understands that Queen's will seek to ensure that students' levies tied to debt servicing (e.g., for the student union building) would be mandatory under the new framework.

The Province indicated that operating grants will be unchanged in 2019-20, but the outlook for subsequent years is less clear. Ontario faces significant budgetary challenges and has signalled that a period of general restraint is forthcoming.

Despite the changes and uncertainty, DBRS does not expect Queen's to face significant difficulties over the medium term. The University has greater financial and operational flexibility than many other Ontario universities. Queen's has adopted a flexible and responsive budget model, has the ability to adjust international and professional program enrolment and has some capacity to constrain spending growth in faculties and shared services.

The University's enrolment outlook remains strong. Queen's continues to see exceptional demand with application growth outpacing system applications while standards remain high with entering averages typically around 90% for domestic students. The University is planning for modest enrolment growth and further internationalization over the coming years, largely from the introduction of new programs (e.g., Bachelor of Health Sciences). The pace of enrolment growth will, however, be constrained by limited residence capacity since the University offers a first-year residence guarantee.

International students accounted for about 12% of the student population in 2017-18. Queen's has sought to increase its number of international students, given its goals around internationalization, diversity, inclusion and equity. The University's goal was to reach 15%, which it is likely to meet in 2019-20. In subsequent years, Queen's is likely to see further growth. Like many other Canadian universities, most the University's international students are from the People's Republic of China. Queen's is now seeking to diversify its international student mix by increasing its recruitment efforts in South and Southeast Asia, along with the United States.

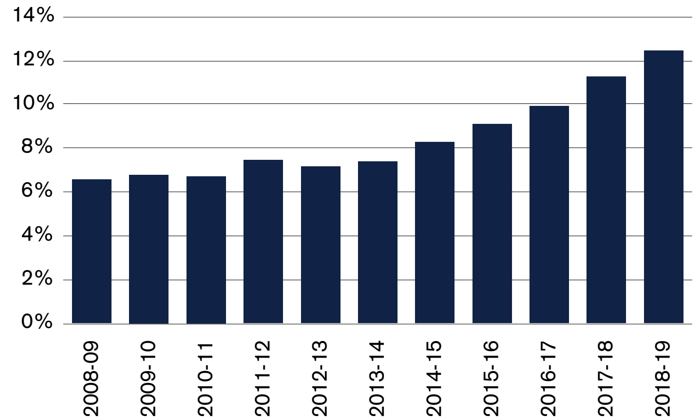
The University's strategic direction has been stable in recent

Operating Outlook (CONTINUED)

years, though some modest changes are likely with the forthcoming change in leadership. In November 2018, Queen's announced that Patrick Deane would be returning as its next Principal (Queen's equivalent of a President). Mr. Deane is currently the President of McMaster University and was previously the Vice Principal (Academic) at Queen's University from 2005 to 2010.

Labour relations remain positive and constructive at the University. Queen's recently concluded collective agreements with its major bargaining units that stretch into the early 2020s. The agreements were concluded quickly and include provisions that are contingent upon implementation of the multi-employer jointly sponsored pension plan (the University Pension Plan or UPP). The University is now working with labour groups to seek consent to establish the new pension plan.

Exhibit 3: International Enrolment (%)



Capital Plan

The University's capital plan is guided by the 2014 Campus Master Plan, which outlines the longer-term vision for its campus. The plan contains recommendations to guide development in response to changing learning, research as well as social needs and trends. Key themes include changing learning/research requirements, increasing use of technology, enhancing the student experience as well as sustainability and health/wellness considerations.

In 2017-18, capital investment rose to $101.3 million, which was almost double what the University has typically invested in recent years. The increase partly reflected support provided by the federal government for research- and innovation-related post-secondary infrastructure. Queen's received $31.7 million from the federal government and $4.9 million from the Province of Ontario to fund the Biomedical Research Facility Revitalization project and the Mitchell Hall development.

The University's only major upcoming project is:

- **John Deutsch University Centre ($62 million):** Revitalization of the university centre building, which houses social, recreational and cultural centres. The intention is to improve the student experience with a more inclusive and accessible space. The project is largely funded by the student body through a student union levy and contingent upon securing philanthropic support.

The University does not have any immediate plans for additional academic buildings over the next three years, but is exploring opportunities to increase residence capacity as the first-year residence guarantee constrains enrolment growth. Queen's is conducting a comprehensive asset and capital planning review and, with a new Principal set to start, additional capital priorities may arise in the coming years.

Queen's is one of the oldest universities in Canada and has several buildings with heritage designations. As such, the University has a considerable amount of deferred maintenance (DM). The most recent assessment from 2018 was $297 million in DM, which equates to an Facilities Condition Index of 0.10. Queen's is addressing the elevated level of DM, which the University has sought to address through the construction of new facilities and annual facility renewal. The University is currently budgeting about $15.0 million annually for DM needs.

Debt and Liquidity

The University's long-term debt fell slightly to $275.8 million at April 30, 2018, which reflected the amortization of an unsecured bank loan. On a per-student basis, this translated into a more pronounced decline because of ongoing enrolment growth. The debt burden fell to $10,536 per FTE at April 30, 2018, from $11,032 per FTE in the prior year.

Queen's long-term debt comprises three series of long-dated debentures with maturities in 2032 and 2040 and an amortizing bank loan maturing in 2030. Annual principal repayments will remain modest at around $4.0 million through the medium term. Interest charges are similarly modest at $14.0 million, or 1.6% of total expense, and interest coverage remains high at 6.8x.

The University has established a sinking fund to accumulate funds to repay the $215 million in debentures. At April 30, 2018, the sinking fund had a balance of $89.3 million, up from $83.7 million a year earlier. The sinking fund is not explicitly required by the bonds' indenture and is not held by a trustee. As such, DBRS presents debt on a gross basis with the sinking fund assets included in DBRS's measure of expendable resources.

In addition to measuring debt relative to enrolment, DBRS also assesses debt relative to expendable financial resources. DBRS estimates universities' expendable resources as a subset of net assets, which includes unrestricted net assets, internally restricted endowments and some internally restricted net assets. As at April 30, 2018, the University's expendable resources totalled $504.3 million, up from $468.4 million in the prior year. The expendable resources-to-debt ratio has risen steadily in recent years, reaching 183% in 2017-18. This is among the highest levels for DBRS-rated universities.

The University's endowments grew modestly (+3.7%) in 2017-18, reflecting investment returns during the year as well as ongoing endowed contributions. In aggregate, endowments increased by $39.0 million to $1.1 billion, or $41,461 per FTE. Queen's has among the largest endowments of DBRS-rated universities and the largest on a per-student basis.

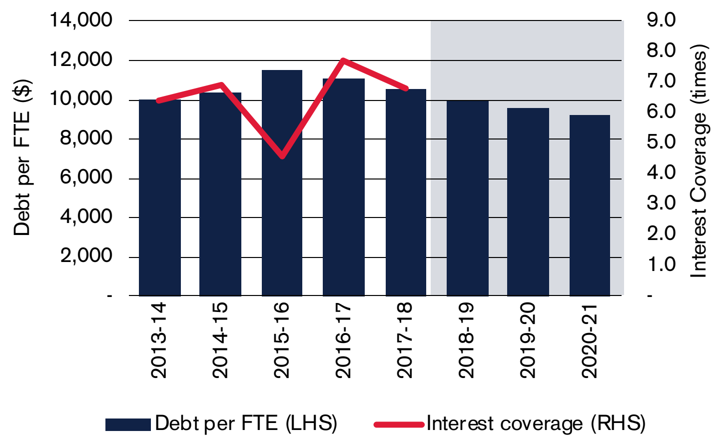
Employee Future Benefits

Queen's has a hybrid pension plan – a defined contribution plan with a defined benefit guarantee that provides a minimum level of pension benefits.

The University's most recent financial statements continue to show a pension surplus, though the surplus declined to $8.7 million from $55.1 million in the prior year. The deterioration reflects weaker investment returns and changes in actuarial assumptions, resulting from the 2017 actuarial valuation. The discount rate was lowered to 5.6% from 5.8% in the prior year.

Queen's conducts triennial actuarial valuations. The most recent valuation, as of August 31, 2017, showed an improvement in the pension plan's going-concern funding status. The going-concern deficit fell to $32 million on a smoothed basis from $176 million in 2014. This equates to a funding status of 98%.

Exhibit 4: Debt per FTE and Interest Coverage



The solvency valuation assumes the windup of the pension plan on the valuation date and uses prevailing long-term interest rates to value the obligations. The solvency deficit deteriorated between valuations, rising to $313.4 million from $285.4 million. The solvency ratio remains unchanged at 86%.

Like other Canadian public universities, Queen's is an enduring institution, which makes the sudden windup of a pension plan highly unlikely. As such, DBRS places less emphasis on the solvency valuation, although a large solvency deficit can put pressure on the University's financial resources (expendable resources) because provincial regulations require that universities make special payments to liquidate the going-concern and solvency deficits. For Queen's, annual special payments are set to total $19.0 million in 2018-19.

Queen's is working with the University of Guelph (rated A (high) with a Stable trend by DBRS) and the University of Toronto (rated AA with a Stable trend by DBRS) to develop the UPP. DBRS understands that considerable progress has been made and that the Province remains supportive of the initiative with the universities planning for a July 1, 2021, implementation date. The universities have begun to seek consent from plan membership and intend to submit their application to the Financial Services Commission of Ontario, the provincial regulator, at the end of 2019. If approved, the governing body and administrative entity will be established in early 2020.

If implemented, the universities will be responsible for their existing going-concern deficits (amortized over 15 years), but will no longer be required to make special solvency payments or Pension Benefits Guarantee Fund payments.

Outlook

Queen's does not have immediate plans for material new borrowing, but further debt issuance may be possible over the medium term with the possibility of a new residence, the changes in the University's leadership and a review of its capital priorities.

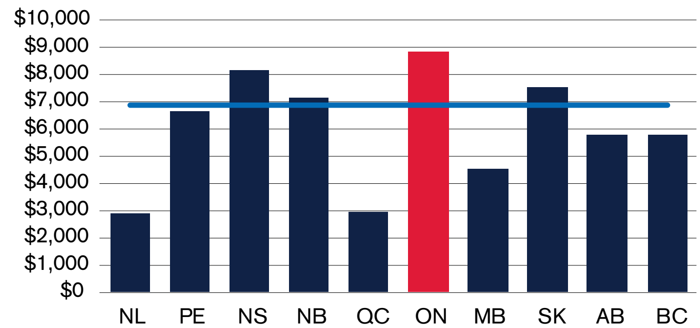
In the absence of new indebtedness, debt to FTE should gradually decline over the coming years, falling to about $9,000 per FTE in 2021-22.

University Funding in Ontario

Ontario universities generally have three major revenue sources for their core teaching and research activities: (1) government grants, (2) student fees and (3) donations and investment income. For Queen's, these accounted for approximately 85% of total revenues in 2017-18.

Provincial government funding remains one of the primary sources of revenue for universities across the country, but its relative importance has diminished because of strained public finances. Over time, this has led to a gradual shift in the relative shares of revenue. Operating grants have declined in significance while tuition fees have increased.

Exhibit 5: 2018-19 Average Undergraduate Tuition Fees



Source: Statistics Canada

Government Funding (provincial and federal; 41%)

Government funding includes operating grants, research grants and contracts as well as capital grants. Operating grants are the most important and stable source of university revenue.

The previous Liberal provincial government introduced a new funding model for Ontario universities in 2017-18. The model is similar to the previous funding model with a large enrolment-based share of funding; however, the new model seeks to reduce the financial incentive to increase domestic undergraduate enrolment and will provide universities facing enrolment declines with downside protection. Under the model, funding was expected to be relatively stable for all Ontario universities over a three-year period (2017-18 to 2019-20). The recent change in government has created some uncertainty, however. The current Progressive Conservative government indicated that it will not make any changes to the funding formula at this time, but the medium-term outlook is uncertain. The direction of fiscal policy under the new government is one of constraint.

Government grants for research and capital projects are also an important source of funding. The federal government typically provides 65% to 75% of all public research funding whereas the Province provides the bulk of capital funding.

In the 2016 federal budget, the federal government announced a $2.0 billion Strategic Innovation Fund to support post-secondary infrastructure development. The fund provided up to 50% of eligible costs for shovel-ready projects that enhance research and innovation capacity or improve environmental performance and could be completed within two years. Queen's received $31.7 million from the federal government and $4.9 million from the Province of Ontario to fund the Biomedical Research Facility Revitalization project and the Mitchell Hall development.

Student Fees (37%)

On January 17, 2019, the Province announced a revised tuition-fee framework for regulated domestic programs at Ontario universities and colleges. Ontario universities are required to reduce tuition fees for domestic funding - eligible programs by 10% in 2019-20 and to maintain domestic funding eligible program tuition fees at this level for the 2020-21 academic year. For most DBRS-rated universities, the tuition-fee reduction results in a total revenue loss of between 3% and 5%.

International student fees are not regulated by the Province.

Donations and Investment Income (7%)

Donations and investment income recognized as revenue on the statement of operations typically represent about 9% of total revenue at Queen's. Endowed contributions and investment income earned by the externally restricted endowments are recognized as changes in net assets and are not captured on the statement of operations. Earnings subsequently spent are recognized on the statement of operations.

The University has a well-established fundraising operation and a large alumni base, which provide considerable expendable donations and endowed contributions. In 2017-18, Queen's received $15.3 million in expendable donations and a further $22.2 million in endowed contributions.

Queen's has built up its fundraising capacity through leadership, increased resources and more sophisticated data-mining techniques to reach and identify potential donors within its alumni base. The University's most recent campaign — the Initiative Campaign — raised $640 million, which exceeded the $500 million target. Queen's is now in a quiet phase, but targeting to raise $240 million over a four-year period.

The University's endowments totalled $1.1 billion at April 30, 2018, or $41,236 per FTE. This is the highest level of endowments among DBRS-rated universities. The endowments support the University's operating budget and provide ongoing support for student assistance programs.

Queen's University

Statement of Financial Position

DBRS-adjusted (CAD thousands)

	As at April 30				
Assets	**2018**	**2017**	**2016**	**2015**	**2014**
Cash	141,967	149,254	146,736	95,959	84,010
Receivables	40,197	32,593	36,081	37,648	41,553
Deferred and prepaid expenses	7,196	8,923	9,086	6,784	7,646
Short-term investments	113,575	94,468	8,756	23,808	3,026
Long-term investments 1	1,429,033	1,367,333	1,222,831	1,183,665	1,031,084
Capital assets	900,669	843,946	840,954	841,432	840,972
Total assets	**2,632,637**	**2,496,517**	**2,264,444**	**2,189,296**	**2,008,291**
Liabilities and Equity					
Payables, accuried liabilites and deferred revenue	359,076	355,923	302,518	301,882	287,343
Deferred capital contributions	425,896	384,905	371,106	373,919	375,658
Employee future benefit obligations	94,620	35,590	130,759	111,441	67,298
Debt	275,849	279,721	283,600	245,373	228,821
Total liabilities	**1,155,441**	**1,056,139**	**1,087,983**	**1,032,615**	**959,120**
Net Assets					
Unrestricted net assets	(121,006)	(114,023)	(116,393)	(148,600)	(162,050)
Internally restricted net assets	309,670	328,554	175,731	164,181	174,491
Endowment – internally restricted	221,048	218,313	199,376	200,742	183,780
Endowment – externally restricted	864,438	828,218	731,492	718,236	616,458
Equity in capital assets	203,046	179,316	186,255	222,122	236,492
Total net assets	**1,477,196**	**1,440,378**	**1,176,461**	**1,156,681**	**1,049,171**
Total liability and net assets	**2,632,637**	**2,496,517**	**2,264,444**	**2,189,296**	**2,008,291**
Commitments and Contingencies					
Capital commitments	33,085	64,272	14,920	19,729	45,396
Letters of credit	2,023	3,290	3,289	3,596	3,608
Other	-	-	1,000	1,000	1,000
	35,108	**67,562**	**19,209**	**24,325**	**50,004**

1 Fair value.

Statement of Operations

DBRS-adjusted (CAD thousands)

	For the year ended April 30				
	2018	**2017**	**2016**	**2015**	**2014**
Total Revenue (DBRS-adjusted)	947,716	944,687	853,779	850,794	835,410
Total Expense (DBRS-adjusted)	872,802	856,060	814,237	788,853	789,823
Recurring operating balance	**74,914**	**88,627**	**39,542**	**61,941**	**45,587**
Non-recurring revenue 1	-	-	58,607	-	-
Non-recurring expense 1	-	-	(58,607)	-	-
Consolidated operating result as reported	**74,914**	**88,627**	**39,542**	**61,941**	**45,587**
Revenue					
Student fees	354,021	318,600	292,239	268,548	244,534
Government operating grants	208,065	200,914	199,330	196,930	196,041
Other grants and contracts	177,282	181,860	164,982	169,228	161,244
Sales of service and products (ancillary operations)	95,614	95,011	95,464	85,401	81,149
Investment income	47,087	79,188	30,369	73,357	64,958
Donations	15,260	23,188	20,781	7,413	39,896
Amortization of deferred capital contributions	23,902	25,065	26,112	26,130	24,797
Other revenue	26,485	20,861	24,502	23,787	22,791
Total revenue	**947,716**	**944,687**	**853,779**	**850,794**	**835,410**
Expense					
Salaries and benefits	464,591	451,251	441,249	428,570	434,425
Supplies and services	150,629	140,027	127,992	126,027	133,887
Student aid	63,957	60,562	60,437	57,564	55,396
Amortization	44,547	45,746	49,863	51,828	52,201
Utilities, taxes and insurance	23,375	22,954	20,856	24,875	23,828
Interest	13,995	14,111	13,895	12,885	12,562
Other expense	111,708	121,409	99,945	87,104	77,524
Total expense	**872,802**	**856,060**	**814,237**	**788,853**	**789,823**
Excess of revenue over expense	**74,914**	**88,627**	**39,542**	**61,941**	**45,587**
Capital investment	**101,270**	**48,738**	**49,385**	**52,288**	**71,026**

1 Major artwork donation.

Calculation of Free Cash Flow

DBRS-adjusted (CAD thousands)

	For the year ended April 30				
	2018	**2017**	**2016**	**2015**	**2014**
Operating balance before fund contributions	74,914	88,627	39,542	61,941	45,587
Amortization	44,547	45,746	49,863	51,828	52,201
Other non-cash adjustments 1	(38,498)	(39,437)	(39,960)	(37,779)	(30,167)
Cash flow from operations	80,963	94,936	49,445	75,990	67,621
Change in non-cash working capital	(3,228)	56,347	(547)	18,940	9,876
Operating cash flow after working capital	77,735	151,283	48,898	94,930	77,497
Net capital expenditures 2	(36,377)	(9,874)	(26,086)	(27,897)	(22,614)
Free cash flow	41,358	141,409	22,812	67,033	54,883

1 Includes unrealized gains and losses on investments, excluding externally restricted endowments after transition date of May 1, 2011.
2 Defined as gross capital expenditures less contributions restricted for capital purposes.

Summary Statistics

DBRS-adjusted (CAD thousands)

	For the year ended April 30				
	2018	**2017**	**2016**	**2015**	**2014**
Total Enrolment (FTE)	26,181	25,355	24,619	23,779	22,778
Undergraduate	85%	85%	85%	85%	84%
Graduate	15%	15%	15%	15%	16%
Total annual change	3.3%	3.0%	3.5%	4.4%	1.6%
Total Enrolment (Headcount)					
Domestic	91.6%	93.0%	93.3%	93.8%	94.4%
International	8.4%	7.0%	6.7%	6.2%	5.6%
Total Employees (FTE) 1	4,399	4,207	4,115	4,039	3,978
Faculty	1,698	1,608	1,601	1,610	1,594
Revenue Mix					
Government	40.7%	40.5%	42.7%	43.0%	42.8%
Student Fees	37.4%	33.7%	34.2%	31.6%	29.3%
Ancillary	10.1%	10.1%	11.2%	10.0%	9.7%
Donation and investment income	6.6%	10.8%	6.0%	9.5%	12.6%
Other	5.3%	4.9%	5.9%	5.9%	5.7%
Debt and Liquidity					
Total debt (CAD millions)	275.8	279.7	283.6	245.4	228.8
Per FTE student ($)	10,536	11,032	11,519	10,319	10,046
Interest costs as a share of total expense	1.6%	1.6%	1.7%	1.6%	1.6%
Interest coverage ratio (times)	6.8	7.7	4.6	6.9	6.4
Expendable resources (CAD millions)	504.3	468.4	389.5	327.8	263.5
Share of debt	183%	167%	137%	134%	115%
Endowment Funds					
Total market value (CAD millions)	1,085.5	1,046.5	930.9	919.0	800.2
- Per FTE student ($)	41,461	41,276	37,811	38,647	35,132
- Annual change	3.7%	12.4%	1.3%	14.8%	12.7%

Payout ratio: Long-term target of 4.0%, based on formula of 70% of prior year's payout plus inflation and 30% on the most recent calendar year's ending market value.
1 FTE excludes teaching assistants and sessional lecturers.

Rating History

	Current	2018	2017	2016	2015	2014
Issuer Rating	AA	AA	AA	AA	AA	AA
Senior Unsecured Debt	AA	AA	AA	AA	AA	AA

Previous Report

- Queen's University: Rating Report, April 24, 2018.

Related Research

- DBRS Canadian University Peer Comparison Table, February 15, 2019.
- Rating Public Universities: Business and Financial Risk Assessments, February 15, 2019.
- "Ontario Tuition Cut: Credit Negative for DBRS-Rated Universities," January 17, 2019.
- *Rating Public Universities* (May 2018).

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrs.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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