Rating Report
Queen's University

DBRS Morningstar
May 19, 2022

Contents

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Ratings

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

Rating Update

On May 10, 2022, DBRS Limited (DBRS Morningstar) 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, resilient student demand, and effective management practices, which have translated into positive operating results and a strong balance sheet despite the ongoing Coronavirus Disease (COVID-19) pandemic. The credit profile is further supported by the University's advancement capabilities, resulting in one of the largest endowments among DBRS Morningstar-rated public universities and will provide the University with additional flexibility to withstand a challenging operating environment.

With cost management (capital and other expense deferrals, hiring delays, etc.), Queen's is projecting an operating fund deficit of $23.1 million in F2022, which is an improvement over the previously budgeted deficit of $40.1 million. Although softness in international enrolment weighed on total revenue, Queen's noted that better-than-anticipated investment returns could provide an offset.

While many activities have now resumed on campus, DBRS Morningstar believes the University's expectations for softer international enrolment growth could potentially weigh on its financial performance through the near to medium term. DBRS Morningstar draws comfort from the University's significant financial flexibility to respond to near-term pressures without jeopardizing its long-term outlook. Queen's continues to benefit from (1) strong ongoing demand, (2) prudent management, (3) a robust balance of expendable resources, and (4) a responsive budget model that allows faculties and shared service units to respond to changing financial circumstances.

The University intends to present the 2022–23 operating budget for the approval of the Board of Trustees in May 2022. In line with the expectations stated in DBRS Morningstar's prior report, considerable uncertainty persists around student mobility, led by varied travel and visa rules across countries, ongoing or potential surges in coronavirus cases, and the emergence of new viral variants.

As at April 30, 2021, total debt was $388.5 million, or $12,680 per full-time equivalent (FTE). In the absence of material new borrowing, DBRS Morningstar expects the debt-per-FTE ratio will decline to less than $11,300 by 2024–25 as existing debt amortizes.

DBRS Morningstar expects the University's ratings to remain stable through the medium term, based on its strong financial ratios, stable academic profile, and demonstrated ability to withstand short-term operating pressures. A negative rating action could result from a significant and sustained deterioration in operating results leading to considerable balance sheet deterioration.

Financial Information

	For the year ended April 30				
	2021	**2020**	**2019**	**2018**	**2017**
Consolidated operating result (DBRS Morningstar-adjusted, $ millions)	144.8	35.7	105.2	74.9	88.6
Surplus (deficit) to revenue (5-year rolling average; %)	8.8	7.1	7.8	6.9	5.9
Debt per FTE ($)	12,680	13,905	9,912	10,536	11,032
Expendable resources to debt (times)	2.0	1.6	2.2	1.8	1.7
Interest coverage ratio (times)	10.0	4.1	9.7	6.8	7.7

Issuer Description

Established in 1841, Queen’s is located in Kingston, Ontario, a census metropolitan area of more than 174,000 residents, located between Toronto and Montréal. The University has a long history of academic excellence and a comprehensive program offering, with student enrolment of more than 30,000 FTEs.

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 (in the 200 to 300 range globally) for a mid-sized Canadian university. The strength of the University’s academic profile results in consistently strong student demand. Queen’s has among the highest admissions standards in Canada.

2. Financial flexibility

Queen’s has one of the strongest balance sheets among DBRS Morningstar-rated universities, which provides considerable financial flexibility. The University’s balance sheet has remained consistently strong over the past many years, with one of the strongest liquidity position (as measured by expendable resources) among DBRS Morningstar-rated universities. As of April 30, 2021, DBRS Morningstar estimates expendable resources were roughly two times (x) the University’s total debt.

3. Financial management practices

The University has a multiyear planning process and its decentralized, activity-based budget model 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 expenses, and set aside reserves. This has contributed to the University's positive results and consistently robust reserve balances in recent years.

4. Fundraising and endowment

The University has a well-established fundraising program and a large alumni base, which are instrumental in its donation and endowment campaigns. Queen's endowment is among the largest in Canada and provides significant funding for student aid and other university priorities.

Challenges

1. Constrained policy environment and limited control of revenue

Canadian universities have limited control over tuition fees and government grants, which are their main revenue sources. The Province of Ontario (Ontario or the Province; rated AA (low) with a Stable trend by DBRS Morningstar) imposed a 10% reduction on tuition fees for domestic students in regulated programs for 2019–20 and has effectively frozen domestic enrolment and operating grants. In March 2022, the Province announced that the tuition freeze will be extended throughout the 2022–23 academic year. This 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. Canadian universities' expense bases are largely fixed and growing in the forms 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 increased benefits costs—have outpaced provincially controlled revenue growth for many universities. The fixed nature of the expense base tends to slow the pace at which universities can respond to a significant exogenous shock to revenue, such as the coronavirus pandemic.

3. Pension and post-employment benefit liabilities

The funding status of pension plans is sensitive to changing market conditions, which can result in balance-sheet volatility and give rise to large special payments. Although transition to the University Pension Plan Ontario (UPP) eliminates solvency contribution requirements and is generally viewed as positive for the operating budget, the University remains responsible for servicing any past liability. The University's latest actuarial valuation (as at July 1, 2021) using UPP assumptions points to a $132 million past service surplus. Queen's also has a large unfunded obligation for non-pension post-employment benefits of $108.6 million as at April 30, 2021.

4. Deferred maintenance

The University has considerable deferred maintenance needs, currently estimated at $513 million, which equates to a facilities condition index (FCI) of 0.22. An FCI greater than 0.15 signals that capital assets/stock are in poor condition. Aside from the age of the buildings, Queen's FCI is also influenced by the large quantity of buildings—including a number of small ones—and, as a result, refurbishing or decommissioning one building does not greatly influence the overall FCI as it may for other institutions with a limited number of larger buildings. Deferred maintenance funding has continued to rise in recent years.

Operating Performance

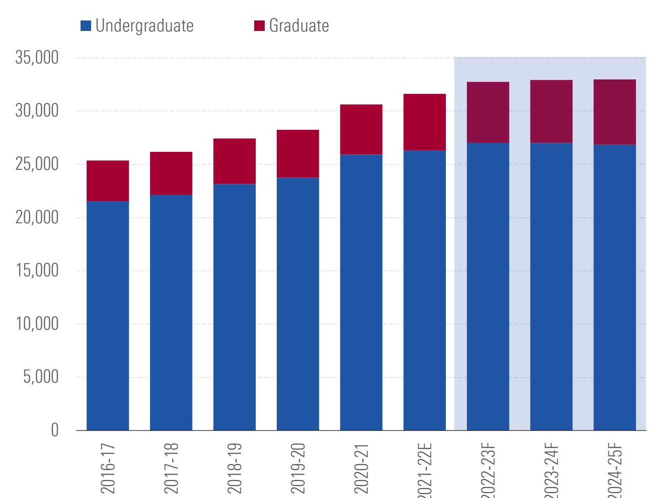
2021–22 Interim Results and Budget Variance

On an operating basis, Queen's is projecting a deficit of $23.1 million as lower-than-budgeted international tuition revenues weigh on overall revenues. The projected deficit includes a $3.8 million contribution toward the University's pension reserve. The University plans to bridge any shortfalls through the use of prior year carryforwards and contingencies.

This deficit is an improvement over the previously budgeted deficit of $40.1 million as a result of better-than-anticipated investment income and rigorous cost control. Queen's noted that there is room for further outperformance in investment income, which was $34.7 million over budget as at December 31, 2021.

In 2021–22, Queen's estimated operating revenue will be 3.5% lower than the approved budget estimate. Relative to the budget, the University reported a decline in the intake of international undergraduate students as well as lower retention of primarily international undergraduate students across several programs in 2021–22. The higher domestic enrolment will mitigate some of this negative variance in international enrolment. Although graduate enrolment is forecast to increase, Queen's is projecting graduate student revenue to be lower, largely because of the decline in fees arising from cancellation of some in-person sessions during the year. DBRS Morningstar noted in its prior report that the University will be able to support growth in enrolment with the opening of a new student residence expected in fall 2022.

Exhibit 1 Enrolment (FTEs)



E = estimate; F = forecast.
Source: Queen's and DBRS Morningstar.

Provincial operating grants are forecast to be higher by up to 0.6% relative to actual F2021 grant levels. In F2022, the University received $0.2 million in one-time provincial funding for the expansion of nursing enrolment.

Queen's expects hiring delays, capital project deferrals, and other cost savings (related to residences, travel, events and conferences, etc.) will offset some of the revenue loss from softer enrolment growth in the 2021–22 year. For 2021–22, the University anticipates operating expenses will decrease by 3.5% mainly led by lower spending allocations to faculties and schools.

Ancillaries are forecast to experience another year of operating pressures as the pandemic continues to have a notable impact on events and other services. The University is projecting an ancillary deficit of $3.1 million in 2021–22.

Effective July 1, 2021, Dr. Wanda Costen assumed the role of Dean of the Smith School of Business. Dr. Costen was previously the Dean of the School of Business at MacEwan University in Edmonton, and has extensive experience as an academic and in management roles across the private and public sectors. The board also appointed Dr. Nancy Ross as the new Vice Principal (Research), effective August 1, 2021. Dr. Ross was earlier the Associate Vice-Principal (Research and Innovation) at McGill University in Montréal, and is considered an expert in population health with extensive experience in spearheading various research initiatives and programs. The University reappointed the deans of the Faculty of Engineering and Applied Science and the Faculty of Arts and Science for a second term, effective July 1, 2022.

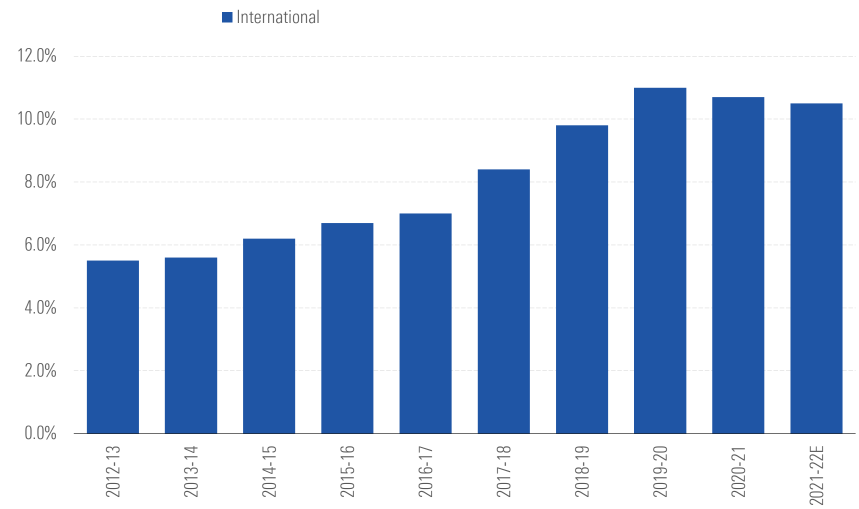
2022–23 Budget and Medium-Term Outlook

Queen’s has a decentralized, activity-based budget model that has supported its historically strong operating results. 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 budget conservatively, resulting in modest surpluses/reserve accumulations, which has contributed to the University’s positive results and rising reserve balances in recent years.

The University is currently reviewing budget processes to better align resource allocation with its evolving strategic priorities. The University intends to present the 2022–23 operating budget for approval to the Board of Trustees in May 2022. In line with expectations stated in DBRS Morningstar's prior report, considerable uncertainty persists around student mobility, led by varied travel and visa rules across countries, ongoing or potential coronavirus waves, and the emergence of new variants. Notwithstanding, Queen's benefits from a relatively strong balance sheet and a large pool of internal reserves, which provide flexibility to endure a difficult operating environment without the need to make drastic cuts that could affect its core academic mission.

On an aggregate basis, Queen's forecasts FTE enrolments to increase by roughly 4.3% over the medium term. While medium-term projections indicate enrolment will increase, the University anticipates a more robust growth in graduate enrolment (+15.1%) over undergraduate enrolment (+2.0%).

Exhibit 2 International Students (As a Share of Total Headcount)



E = estimate.
Source: Queen's and DBRS Morningstar.

While overall enrolment will likely remain strong, Queen's anticipates some revenue loss because of softer growth in international enrolment. However, the University remains confident that faculty carryforwards will be sufficient to cover any resulting weakness in revenues with minimal other pandemic-related impacts as activity on campus resumes. Ongoing student demand and higher overall enrolment projections reaffirm DBRS Morningstar's view of the University's reputation as one of the strongest among Ontario universities.

The Ontario government recently announced (March 2022) an extended tuition freeze for domestic students for the upcoming academic year, with increases of up to 5% permitted for out-of-province students. DBRS Morningstar understands that this extension will continue to generally weigh on domestic tuition revenues for all universities in Ontario. Similar to prior years, Queen's may increase tuition rates for international students by an average 5% annually.

Provincial operating grants will likely remain stable through the medium term, though the allocation of operating grants will continue to shift from an enrolment-based approach to a performance-based approach. The recent Strategic Mandate Agreement (SMA3) covers the 2020–21 to 2024–25 fiscal years. SMA3 includes a set of 10 performance metrics, with funding consequences for not meeting the negotiated performance targets. However, provincial funding has been decoupled from negotiated performance targets until 2023–24. The University estimates there will likely be shifts in some targets;

however, these will be implemented following discussions with and approval from the provincial government, and are unlikely to materially alter operating grant levels.

Collective agreements with some key employee groups are underway or due to expire over the next few months, presenting some uncertainty to the University's operating outlook. Nevertheless, Queen's expects compensation growth to remain in line with the provincially legislated limits on salary increments.

Queen's placed second in Canada and seventh globally in the Times Higher Education 2022 Impact Rankings. In recent years, the University has implemented several initiatives with a focus on environmental, social, and governance considerations. Some of key initiatives include the following:

- Climate Change Action Task Force recommendations will guide the University's intention to align with Canada's net zero goals. By 2030, Queen's will reduce carbon emissions on its investment portfolio by 25% compared with the global equities benchmark.
- Major capital projects in progress are targeting the Leadership in Energy and Environmental Design (LEED) Gold Standard, which focuses on the use of sustainable/green resources and materials. The University has also reduced its carbon footprint by meeting its goal of a 35% reduction in emissions between 2008 and 2020.
- The significant commitment to enhancing and formalizing the University's approach to responsible investing relating to its endowment and operational investment assets. DBRS Morningstar notes that Queen's has recently made the decision to become a signatory to the United Nations Principles for Responsible Investment (UNPRI), which has received the approval of the board of trustees. The majority of the University's portfolio is managed by external managers, who are signatories to the UNPRI.
- The launch of the Institute of Sustainable Finance, housed at the Smith School of Business, which provides a collaborative platform to bring together academia, private sector, and governments with a focus on increasing Canada's sustainable finance. The Institute aims to bridge any gaps in relevant data, expertise, and business-oriented solutions for sustainable finance.

2020–21 Operating Results

The University reported a surplus of $144.8 million, or 13.2% of revenue, for the year ended April 30, 2021. This marks an increase compared with the modest surplus of $35.7 million in the prior year. The F2021 surplus was largely driven by sizable gains on investments, along with higher tuition revenues.

In 2020–21, total revenue was $1.1 billion, an increase of 7.5% compared with the previous year. Growth in student fees (+1.6%), strong investment income (+218.9%), and higher revenues from other grants and contracts (+11.6%) were sufficient to offset declines in other revenue categories, namely ancillary operations, donations, and government operating grants. The pandemic led to reduced occupancy in residences, event cancellations, and lower athletic and recreational activities on the campus, which together resulted in a negative effect on ancillary revenues.

Tuition and other student fees were modestly higher (+1.6%) because of the combination of growth in overall enrolment (8.5%) and higher international tuition revenue.

Other grants and contracts were higher (+11.6%) and are primarily related to research activities at the University. 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 decreased by 3.3% to $950.5 million, mainly reflecting lower spending related to supplies and services (-11.3%), amortization (-1.7%), and other expenses (-28.9%; includes renovations and alterations and externally contracted services, among other things). These decreases offset the rise in salaries and benefits (+3.3%); student aid (+4.1%); utilities, taxes, and insurance (+25.2%); and interest expenses (+24.5%).

Capital Plan

Queen's is developing a formal, integrated capital improvement plan, which it expects to complete in fall 2022. The University's current capital approval policy requires the senior leadership team's approval for projects estimated to cost between $2.5 million and $5.0 million, and board approval for those estimated to cost more than $5.0 million.

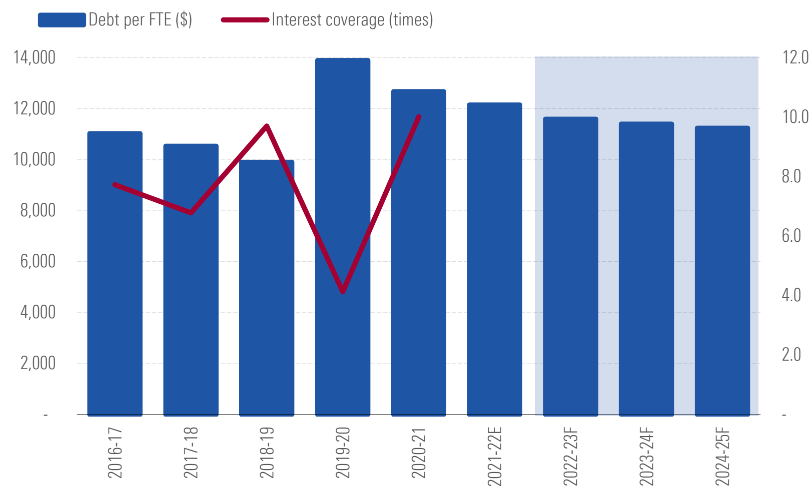
Major capital projects approved or currently underway include the following:

- **John Deutsch University Centre (the JDUC):** Revitalization of one of the central hubs of student activity, which houses social, recreational, and cultural groups. The intention is to improve the student experience with a more inclusive and accessible space. Scheduled to be completed by summer 2024, the project is largely funded by the student body through a student union levy, philanthropic support, and University reserves.
- **355 King Street West facility renovation:** The project aims to maximize the use of existing assets and increase academic capacity on the main campus. The project will be funded by existing debt proceeds, with completion expected by summer 2022.
- **Albert Street Residence (targets to be LEED compliant):** Construction of a student residence building on the main campus to open ahead of the 2022–23 academic year. Queen's has a residence guarantee for first-year students. In the absence of new residence facilities, the University's enrolment growth would be constrained. Construction will be funded through the use of existing debt, with Housing and Ancillary Services responsible for annual principal and interest payments.
- **Duncan McArthur Hall expansion (targets to be LEED compliant):** Improvements to the Duncan McArthur Hall to support an adaptable learning environment for students. The project will be funded through existing debt, capital reserves, and an internal loan to the Faculty of Education ($6.0 million). It will likely be completed in two phases by late 2024.

Debt and Liquidity

As at April 30, 2021, the University's total debt was $388.5 million. On a per FTE basis, the debt burden decreased to $12,680 (from $13,905 per FTE in the prior year) supported by enrolment growth and debt amortization.

Exhibit 3 Debt-per-FTE and Interest Coverage



Source: Queen's and DBRS Morningstar.

At April 30, 2021, the University's long-term debt comprised four series of long-dated debentures with maturities between 2032 and 2060, and an amortizing bank loan maturing in 2030. Interest coverage improved to 10.0x in 2020–21 (up from 4.1x in the prior year) as a stronger surplus position for the year bolstered operating cash flows.

Queen's has established a voluntary sinking fund to accumulate funds to repay the $340.0 million in debentures. As at April 30, 2021, the sinking fund had a balance of $119.7 million. The sinking fund is not explicitly required by the bonds' indenture and is not held by a trustee. As such, DBRS Morningstar presents debt on a gross basis with the sinking fund assets included in DBRS Morningstar's measure of expendable resources.

DBRS Morningstar assesses financial flexibility using expendable resources, which include unrestricted net assets, most internally restricted net assets, and internally restricted endowments. On April 30, 2021, the University's expendable resources totalled $769.2 million, up from $620.2 million in the year prior. The ratio of expendable resources-to-debt was a strong 198.0%.

Debt Outlook

Queen's does not anticipate any new external borrowing through the near term. Incorporating sound enrolment growth and in the absence of material new issuance, debt per FTE is expected to be approximately $12,155 at April 30, 2022, and decline to less than $11,300 by F2025.
The University has considerable balance sheet flexibility to fund capital needs internally, if needed.

Pension and Employee Future Benefits

Effective July 1, 2021, the assets and liabilities of the Queen’s Pension Plan were transferred to the UPP.

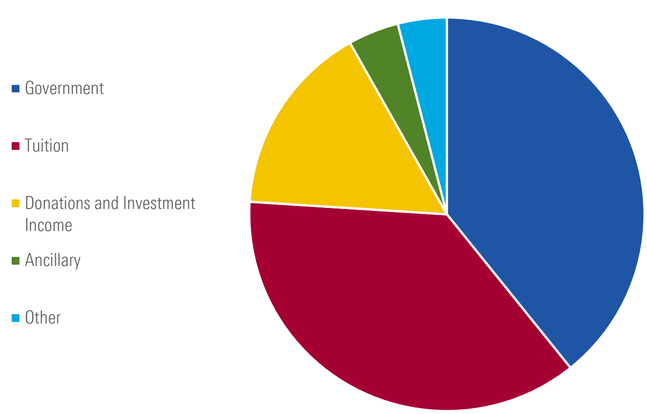
Based on the latest actuarial valuation (as at July 1, 2021) using UPP assumptions, Queen's has a past service surplus of $132 million that can be applied to future past service deficits. For the first 10 years, participating universities are responsible for funding shortfalls under existing/pre-UPP plans through special payments, gradually shifting to a more balanced sharing approach thereafter. With an estimated transfer of $3.8 million in F2022, Queen's will continue to make contributions to its pension reserve for any future needs.

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 92% of total revenues in 2020–21. This is comparable with other DBRS Morningstar-rated universities.

Provincial government funding remains one of the primary sources of revenue for universities across the country, although its relative importance remains under pressure in most provinces because of strained provincial finances and competing priorities. Over time, this has led to a gradual shift in the relative shares of revenue provided by operating grants, which have declined, and tuition fees, which have increased.

Exhibit 4 Revenue Breakdown (2020–21)



Source: Queen's and DBRS Morningstar.

Government Funding (Provincial and Federal, 39.2%)

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

The Province and universities signed the new SMA3 that establishes performance-based funding targets for the 2020–21 to 2024–25 fiscal years. This is a change from the previous enrolment-oriented funding model. SMA3 includes a set of 10 performance metrics, with funding consequences for not meeting the negotiated performance targets. In light of pandemic-led operating pressures and the need for funding stability, SMA3 funding remains decoupled from performance targets for the time being.

Research and capital grants are another 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. Since the declaration of the pandemic in March 2020, the federal and provincial governments announced additional financial supports for students and modest temporary funding to many Ontario universities to offset initial pandemic-related costs.

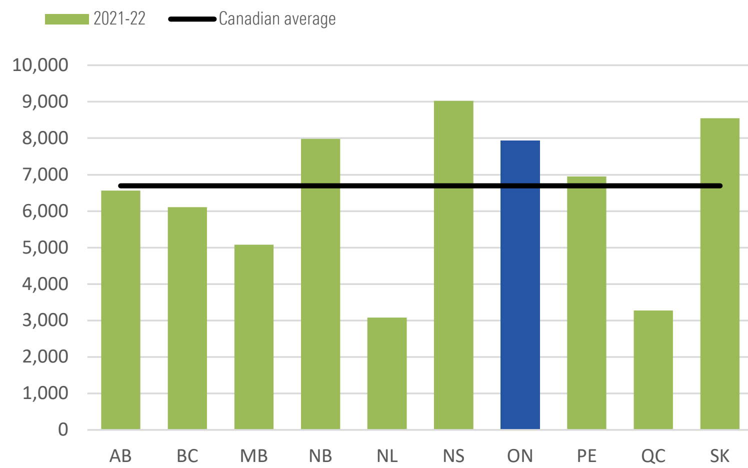
Research revenue is recognized as deferred contributions on the Statement of Financial Position until spent on research or related capital, at which time it is recognized as income. The majority of research funding at Queen's comes from federal sources, including the Tri-Councils and the Canada Foundation for Innovation; industry; and various not-for-profit organizations, such as the Cancer Society and the Heart and Stroke Foundation.

Student Fees (36.8%)

On January 17, 2019, the Province announced a revised tuition fee framework for regulated domestic programs at Ontario universities and colleges. The framework required Ontario universities to reduce tuition fees for domestic funding (eligible programs by 10% in 2019–20) and to maintain tuition fees for eligible programs at that level for the 2020–21 academic year. The tuition freeze was extended through the 2021–22 academic year. Although the tuition freeze continues into the 2022–23 academic year, universities are allowed to increase fees up to 5% for out-of-province students.

International student fees are not regulated by the Province.

Exhibit 5 Average Undergraduate Tuition Fees ($)



Source: Statistics Canada.

Donations and Investment Income (15.8%)

Donations and investment income recognized as revenue on the statement of operations have represented approximately 10% of total revenues over the last five years 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. The endowment's earnings that 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 2020–21, Queen's received $11.6 million in expendable donations and a further $34.9 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.

As at April 30, 2021, the market value of Queen's endowment funds totalled $1.4 billion, or $45,492 per FTE. This is the highest level of endowments per FTE among DBRS Morningstar-rated universities. The endowments support the University's operating budget and provide ongoing support for student assistance programs.

Environmental, Social, and Governance Factors

There were no environmental, social, or governance factors that had a significant or relevant effect on the credit analysis of Queen's as outlined below:

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis:	Y/N**	Extent of the Effect on the ESG Factor on the Credit Analysis: None (N), Relevant (R) or Significant (S)*
Environmental	**Overall:**	**N**	**N**
Emissions, Effluents, and Waste	Do we consider the costs or risks result, or could result in changes to an issuer's financial, operational, and/or reputational standing?		
Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs?		
Resource and Energy Management	Does the scarcity of sourcing key resources hinder the production or operations of the issuer, resulting in lower productivity and therefore revenues?		
Land Impact and Biodiversity	Is there a financial risk to the issuer for failing to effectively manage land conversion, rehabilitation, land impact, or biodiversity activities?		
Climate and Weather Risks	Will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N
Social	**Overall:**	**N**	**N**
Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N
Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts that could result in a material financial or operational impact?	N	N
	Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	N	N
	Human Capital and Human Rights:	**N**	**N**
Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?		
Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could result, in financial penalties or client attrition to the issuer?		
Occupational Health and Safety	Would the failure to address workplace hazards have a negative financial impact on the issuer?		
Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?		
Governance	**Overall:**	**N**	**N**
Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
	Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
Bribery, Corruption, and Business Ethics	**Bribery, Corruption, and Political Risks:**	**N**	**N**
	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
	Corporate / Transaction Governance:	**N**	**N**
Institutional Strength, Governance, and Transparency	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?		
	Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?		
	Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?		
	Institutional Strength, Governance, and Transparency:		
	Consolidated ESG Criteria Output:	**N**	**N**

* A **Relevant Effect** means that the impact of the applicable ESG risk factor has not changed the rating or the trend on the Issuer.
A **Significant Effect** means that the impact of the applicable ESG risk factor has changed the rating or trend on the Issuer.

Statement of Operations (Adjusted)

($ thousands)	For the year ended April 30				
	2021	**2020**	**2019**	**2018**	**2017**
Revenues					
Student fees	402,762	396,553	391,372	354,021	318,600
Government grants for operations	207,862	208,916	207,665	208,065	200,914
Other grants and contracts	221,980	198,844	211,063	177,282	181,860
Sales of service and products (ancillary operations)	45,532	96,496	100,578	95,614	95,011
Investment income	161,717	50,714	75,100	47,087	79,188
Donations	11,644	19,204	31,769	15,260	23,188
Amortization of deferred capital contributions	25,472	25,471	24,760	23,902	25,065
Other revenue	18,323	22,557	28,134	26,485	20,861
Total Revenues	**1,095,292**	**1,018,755**	**1,070,441**	**947,716**	**944,687**
Expenses					
Salaries and benefits	528,922	526,355	493,248	464,591	451,251
Supplies and services	158,144	178,248	189,516	150,629	140,027
Student aid	85,989	68,500	66,130	63,957	60,562
Amortization	45,379	46,151	46,931	44,547	45,746
Utilities, taxes and insurance	18,853	15,054	23,818	23,375	22,954
Interest	17,385	13,963	14,032	13,995	14,111
Other expense	95,823	134,772	131,558	111,708	121,409
Total Expenses	**950,495**	**983,043**	**965,233**	**872,802**	**856,060**
Operating Surplus (Deficit), Before Adjustments	**144,797**	**35,712**	**105,208**	**74,914**	**88,627**
Nonrecurring revenue (expenses)	–	–	–	–	–
Consolidated Operating Surplus (Deficit), As Reported	**144,797**	**35,712**	**105,208**	**74,914**	**88,627**
Capital expenditures	37,641	26,521	74,280	101,270	48,738

1 Revenue and expense exclude the donation of major artworks ($58.6 million).

Statement of Financial Position (Adjusted)

($ thousands)	As at April 30				
Assets	**2021**	**2020**	**2019**	**2018**	**2017**
Cash	165,607	142,513	161,175	141,967	149,254
Receivables	46,320	40,915	33,963	40,197	32,593
Deferred and prepaid expenses	7,252	8,216	7,734	7,196	8,923
Short-term investments	214,732	240,542	160,170	113,575	94,468
Long-term investments	2,058,396	1,666,524	1,521,931	1,429,033	1,367,333
Capital assets	903,862	911,600	931,230	900,669	843,946
Other assets	1	1	–	–	–
Total Assets	**3,396,170**	**3,010,311**	**2,816,203**	**2,632,637**	**2,496,517**
Liabilities and Net Assets					
Liabilities					
Payables, accrued liabilities and deferred revenue	484,655	432,466	373,643	359,076	355,923
Deferred capital contributions	424,318	434,964	439,267	425,896	384,905
Employee future benefit obligations	108,295	132,420	74,818	94,620	35,590
Debt	388,468	392,727	271,852	275,849	279,721
Total Liabilities	**1,405,736**	**1,392,577**	**1,159,580**	**1,155,441**	**1,056,139**
Net Assets					
Unrestricted Net Assets[1]	(11,486)	(12,988)	(11,271)	(9,534)	(114,023)
Internally Restricted Net Assets	410,633	279,551	293,757	198,198	328,554
Endowment – internally restricted	261,758	221,223	228,439	221,048	218,313
Endowment – externally restricted	1,131,950	920,129	924,183	864,438	828,218
Equity in capital assets	197,579	209,819	221,515	203,046	179,316
Total net assets	**1,990,434**	**1,617,734**	**1,656,623**	**1,477,196**	**1,440,378**
Total Liabilities and Net Assets	**3,396,170**	**3,010,311**	**2,816,203**	**2,632,637**	**2,496,517**
Contingencies and Commitments					
Capital commitments	62,285	2,602	4,856	33,085	64,272
Letters of credit	1,711	2,780	2,620	2,023	3,290
Other	–	–	–	–	–
	63,996	**5,382**	**7,476**	**35,108**	**67,562**

1 Previously, the University included internal capital project financing in the unrestricted deficit. These amounts are now reflected in internally restricted net assets.

Calculation of Free Cash Flow (Adjusted)

($ thousands)	For the year ended April 30				
	2021	**2020**	**2019**	**2018**	**2017**
Consolidated operating balance, adjusted	144,797	35,712	105,208	74,914	88,627
Amortization	45,379	46,151	46,931	44,547	45,746
Other noncash adjustments[1]	(33,425)	(38,117)	(29,994)	(38,498)	(39,437)
Cash Flow From Operations	**156,751**	**43,746**	**122,145**	**80,963**	**94,936**
Change in working capital and other	47,394	50,958	17,409	(3,228)	56,347
Operating Cash Flow After Working Capital	**204,145**	**94,704**	**139,554**	**77,735**	**151,283**
Net capital expenditures[2]	(22,815)	(5,353)	(36,149)	(36,377)	(9,874)
Free Cash Flow	**181,330**	**89,351**	**103,405**	**41,358**	**141,409**

1 Includes unrealized gains and losses on investments (excluding the externally restricted endowments).

2 Gross capital expenditures less contributions restricted for capital purposes.

Summary Statistics (Adjusted)

	For the year ended April 30				
	2021	**2020**	**2019**	**2018**	**2017**
Total Enrolment (FTEs)	**30,637**	**28,244**	**27,425**	**26,181**	**25,355**
Undergraduate (%)	85	84	84	85	85
Graduate (%)	15	16	16	15	15
Annual change (%)	8.5	3.0	4.8	3.3	3.0
Enrolment (FTE)					
Domestic (%)	89.3	89.0	90.2	91.6	93.0
International (%)	10.7	11.0	9.8	8.4	7.0
Total Staff (FTE)[1]	**4,890**	**5,443**	**4,601**	**4,399**	**4,207**
Faculty	1,870	1,546	1,800	1,698	1,608
Operating Results					
Surplus (deficit; $ millions)	144.8	35.7	105.2	74.9	88.6
- As % of revenues	13.2	3.5	9.8	7.9	9.4
- As % of revenues (five-year rolling average)	8.8	7.1	7.8	6.9	5.9
Revenue Mix					
Government (%)	39.2	40.0	39.1	40.7	40.5
Student fees (%)	36.8	38.9	36.6	37.4	33.7
Ancillary (%)	4.2	9.5	9.4	10.1	10.1
Donations and investment income (%)	15.8	6.9	10.0	6.6	10.8
Other (%)	4.0	4.7	4.9	5.3	4.9
Debt and Liquidity					
Total debt ($ millions)	388.5	392.7	271.9	275.8	279.7
- Per FTE student ($)	12,680	13,905	9,912	10,536	11,032
Interest costs as share of total expense (%)	1.8	1.4	1.5	1.6	1.6
Interest coverage ratio (x)	10.0	4.1	9.7	6.8	7.7
Expendable resources ($ millions)	769.2	620.2	585.7	504.3	468.4
As a share of debt (%)	198	157.9	215.5	182.8	167
Endowments					
Total market value ($ millions)	1,393.7	1,141.4	1,152.6	1,085.5	1,046.5
Per FTE student ($)	45,492	40,410	42,027	41,461	41,276
Annual change (%)	22.1	(1.0)	6.2	3.7	12.4

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

Issuer	Debt	Current	2021	2020	2019	2018	2017
Queen's University	Issuer Rating	AA	AA	AA	AA	AA	AA
Queen's University	Senior Unsecured Debt	AA	AA	AA	AA	AA	AA

Related Research

- *Rating Public Universities*, May 5, 2021.
- DBRS Canadian University Peer Comparison Table, April 8, 2022.
- Rating Public Universities: Business and Financial Risk Assessments, April 8, 2022.

Previous Report

- Queen's University: Rating Report, May 14, 2021.

Note:
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.dbrsmorningstar.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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