Annual Financial Report

# Queen's University at Kingston

April 30, 2024

# QUEEN'S UNIVERSITY AT KINGSTON
# ANNUAL FINANCIAL REPORT
# APRIL 30, 2024

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Along with other universities in Ontario, Queen’s is experiencing financial pressure due to the ongoing impact of the provincial 10 percent tuition cut in 2019 and subsequent tuition freeze for Ontario students, which was recently announced to be in place for another three years. This, together with no continuing provincial funding for domestic enrolment growth, has been exacerbated by a decline in international student enrolment. This limited ability to increase revenues has necessitated expenditure reduction and rationalization to manage inflationary increases, and the university has launched a number of initiatives to return to a balanced budget. These cost saving measures are being implemented in conjunction with the Queen’s Renew Program which seeks to ensure that professional services are operating effectively to support the university’s academic mission of excellence in research and teaching.

At the same time, the 2023-24 fiscal year was marked by strong investment returns within several of the University’s investment funds, including the Pooled Endowment Fund (PEF), Pooled Investment Fund (PIF), and Short-Term Funds. Combined, these returns were the primary driver of an overall surplus of $76.2 million. Without the strong investment returns from the PIF, the University’s operating fund would have incurred a deficit.

Queen’s cannot rely on PIF investment income (cash that is not required for the next three years) to fund annual operating costs because of the volatility in investment returns. Portfolio losses have been reported in two of the last five years. Instead, during positive return years, the university relies on PIF returns in excess of the budgeted $5.2 million to fund strategic priorities such as investment in new or improved campus infrastructure. For example, Queen’s was able to partner with our undergraduate and graduate students to complete a major renovation of the John Deutsch University Centre, creating a fully accessible, vibrant, and sustainable home for students. Similarly, these funds enabled the University to acquire a neighbouring secondary school and will support the renovations needed to utilize it for strategic academic priorities.

Despite sustained financial pressures, the university received a positive assessment from both Morningstar DBRS and S&P Global who left Queen’s credit rating unchanged this year at AA and AA+, respectively. These ratings are the result of our strong market position, stable student demand, and the University’s solid academic profile, but also came with the expectation that Queen’s leadership will continue to take meaningful proactive measures to balance our operating budgets now and well into the future. There will be challenges ahead, but as Principal Patrick Deane recently remarked, “With the support of the Queen’s community, we will emerge as a stronger and more resilient institution.”

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, 2024 is shown in Table 1 below. The University completed the year with an overall surplus of $76.2 million, driven primarily by positive investment returns.

University internal reporting is 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 majority of the University's discretionary funds are held within the Operating Fund. As demonstrated in Table 2, without the strong investment returns from the Pooled Investment Fund (PIF), the Operating Fund would have incurred a deficit in 2024. PIF investment income varies considerably with financial market conditions and accordingly, only $5.2 million in investment income is budgeted annually to support operations. Investment returns in excess of the budgeted amount are deposited into a capital reserve to support capital investment and strategic priorities of the University.

Table 1

| YEAR ENDED APRIL 30 (Millions of dollars) | | 2024 | | 2023 |
|---|---|---|---|---|
| **Consolidated Statement of Operations** | | | | |
| Revenue | $ | 1,205.0 | $ | 1,125.8 |
| Expenses | | 1,128.8 | | 1,110.2 |
| Excess of revenues over expenses | $ | 76.2 | $ | 15.6 |
| **Consolidated Statement of Financial Position** | | | | |
| Assets | $ | 3,692.4 | $ | 3,472.5 |
| Liabilities | | 1,424.9 | | 1,415.2 |
| Net assets | $ | 2,267.5 | $ | 2,057.3 |
| **Net Assets is comprised of:** | | | | |
| Endowments* | $ | 1,596.8 | $ | 1,448.2 |
| Invested in capital assets | | 262.8 | | 216.2 |
| Internally restricted | | 405.5 | | 389.6 |
| Unrestricted surplus | | 2.4 | | 3.3 |
| | $ | 2,267.5 | $ | 2,057.3 |

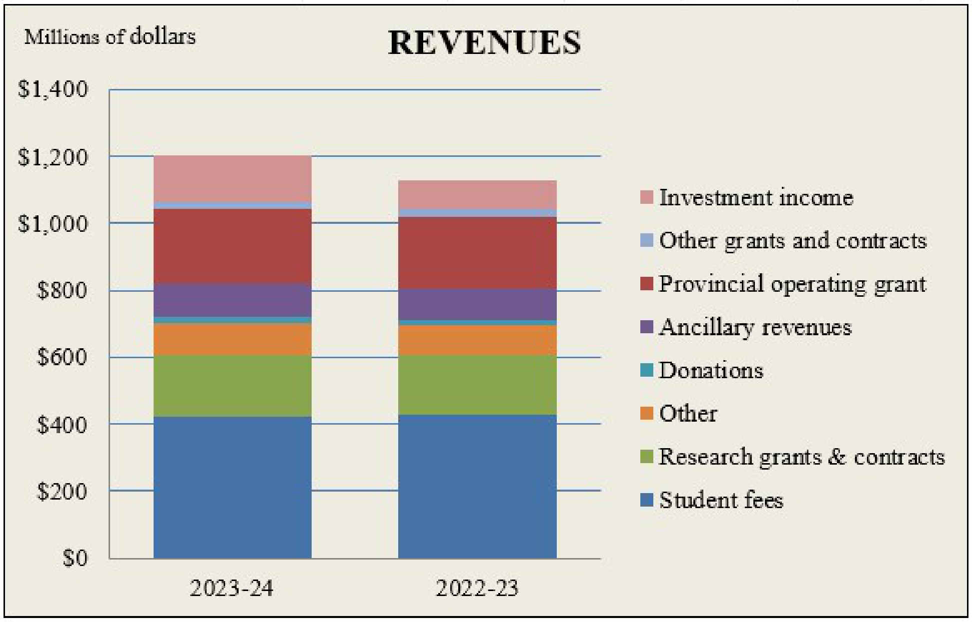
* Endowment assets are permanently restricted and cannot be used for the University's general operations.

Table 2

| OPERATING FUND FINANCIAL RESULTS YEAR ENDED APRIL 30 (Millions of dollars) | | 2024 | | 2023 |
|---|---|---|---|---|
| Revenue excluding PIF investment income in excess of budgeted amount | $ | 735.6 | $ | 715.3 |
| Expenses | | 780.6 | | 786.5 |
| **Deficiency of revenues over expenses before PIF income in excess of budgeted amount** | | (45.0) | | (71.2) |
| PIF investment income in excess of $5.2 million budgeted amount | | 65.4 | | 20.7 |
| **Excess / (deficiency) of revenues over expenses** | $ | 20.4 | $ | (50.5) |

As outlined in Table 2 above, in 2023-24 the PIF investment income exceeded the budgeted amount of $5.2 million by $65.4 million. These excess returns were deposited into capital reserves. World class academic facilities are essential to supporting the University's academic mission and the practice of deploying excess returns for this purpose is the only systemic source of operating funding available to support capital expansion and improvement of the University's academic and research facilities. Without this prudent financial management, the University would not have had the capacity to purchase 235 Frontenac Street, or plan to renovate the property in support of academic priorities. Capital reserve balances also serve as a buffer in years of investment losses.

## REVENUES




**At a glance….**
Total revenues increased by 7.2 per cent primarily due to favourable investment returns, and an increase in the provincial operating grant related to one-time funding to support Science, Technology, Engineering, and Math (STEM) program costs.

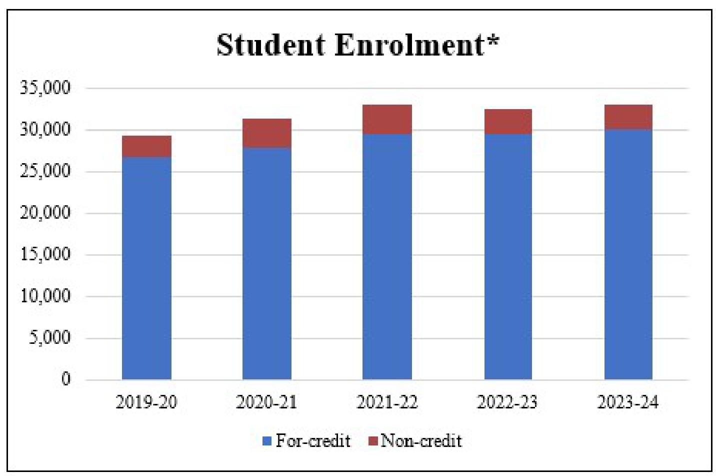
Note that revenues that are externally restricted (e.g., research grants or donations) are only recorded when the related expenditures occur and thus have no impact on the University's net financial results.

**Student fees**

Student fee revenue includes tuition fees (see following section for further details) as well as other fees related to activities such as student health, recreation, and athletics. In 2023-24, student fee revenue from all fee sources decreased by 1.3 per cent.

This is the result of year-over-year decreases in international undergraduate enrolment, domestic graduate enrolment, and professional graduate enrolment. These decreases were offset by year-over-year increases in domestic undergraduate enrolment, non-credit fee revenue, and athletic fee revenue.

The University continues to face financial challenges resulting from the tuition framework that, after a 10% decrease, has kept tuition fees for domestic funding-eligible programs flat at the 2019-20 levels. On February 27, 2024, the MCU announced the tuition framework applicable for fiscal 2024-25 which continues to restrict flexibility for the University by freezing tuition fees for domestic funding-eligible programs at 2019-20 levels for Ontario students. The province continued to provide institutions the ability to increase tuition fees for domestic out-of-province students by up to five percent. In addition, the tuition framework continues to provide for the ability to increase tuition fees by 7.5% per year (up to a maximum sector average), for three programs whose tuition fees were on average anomalous to comparator programs in the province.



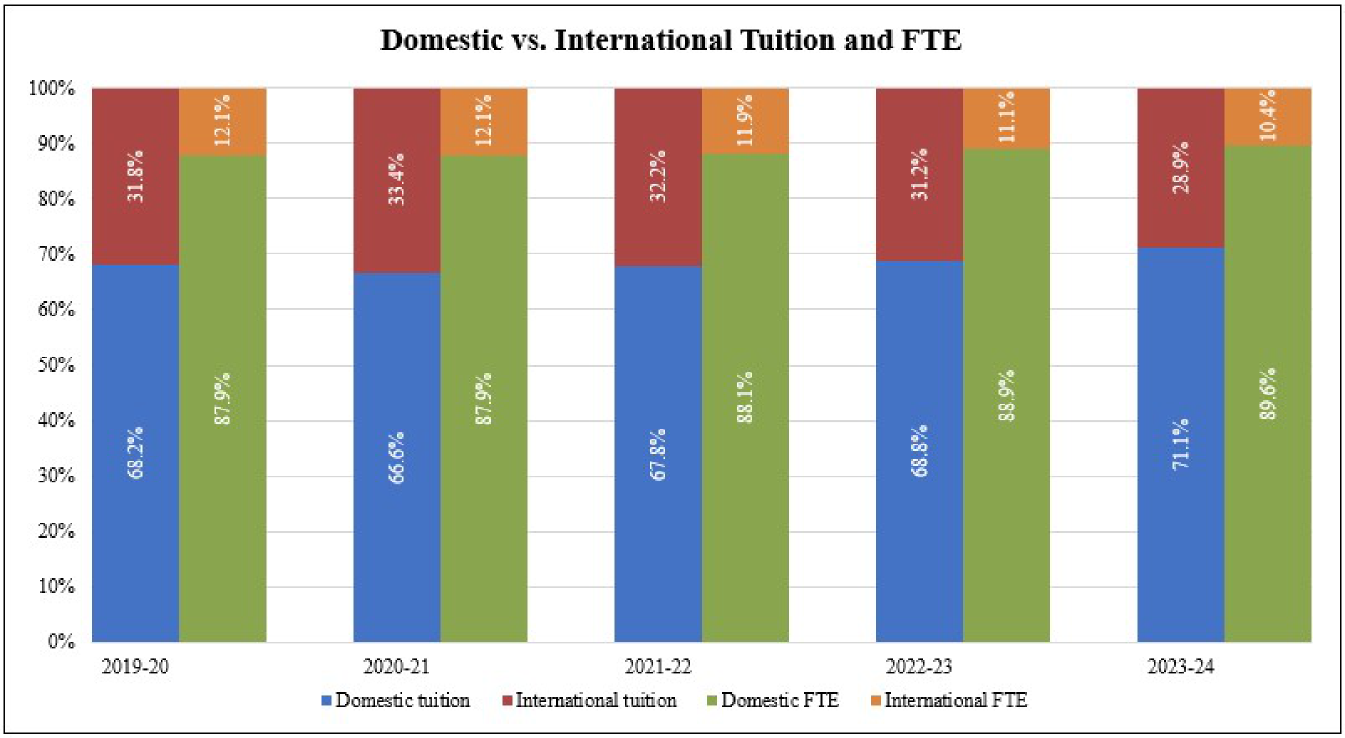

**Full-time equivalency (FTE); figures include exchange students.*

Student enrolment for the past five years is displayed in the chart above. Enrolment in for-credit courses increased by 1.9 per cent from 29,529 in 2023 to 30,093 in 2024 and enrolment for non-credit courses decreased by 3.8 per cent from 2,989 in 2023 to 2,875 in 2024.

**For-Credit Tuition fees**

For-credit tuition fees are fees charged on academic courses towards a degree program. For-credit tuition revenue decreased by $8.0 million (2.2%) to $364.5 million in 2023-24. International student enrolment declines contributed to decreased international for-credit tuition revenue of $10.9 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 $2.9 million.

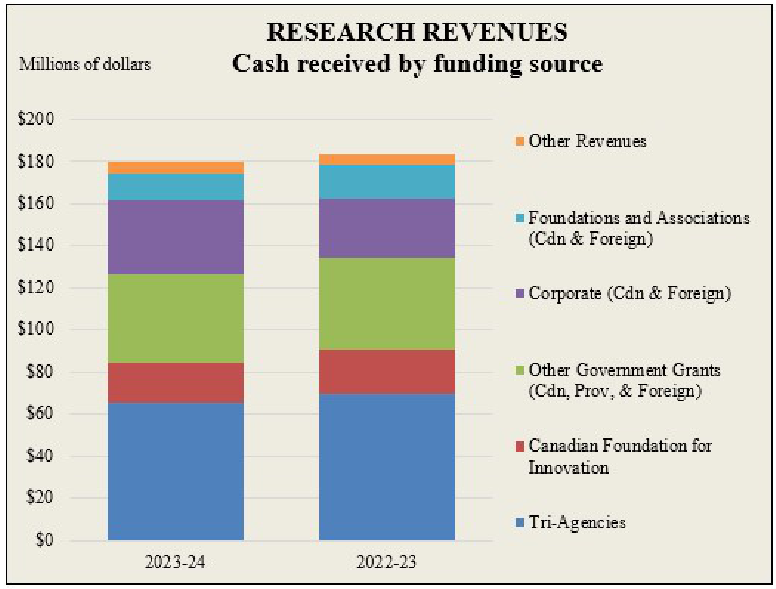
In 2023-24, domestic enrolment increased by 2.7% and international enrolment decreased by 4.6%. International students now account for approximately 10.4% of the total student population and 28.9% of tuition revenue.



**Research grants and contracts**

Research grants and contracts are received from a variety of sources with the largest contributions coming from the 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, 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.




| | Thousands of dollars 2023-24 | Thousands of dollars 2022-23 |
|---|---|---|
| Cash received by funding source | $ 179,882 | $ 183,355 |
| Adjustment to deferral for future year spending | (4,684) | (127) |
| Research revenue as reported in research fund | $ 184,565 | $ 183,482 |

**Ancillary revenues**

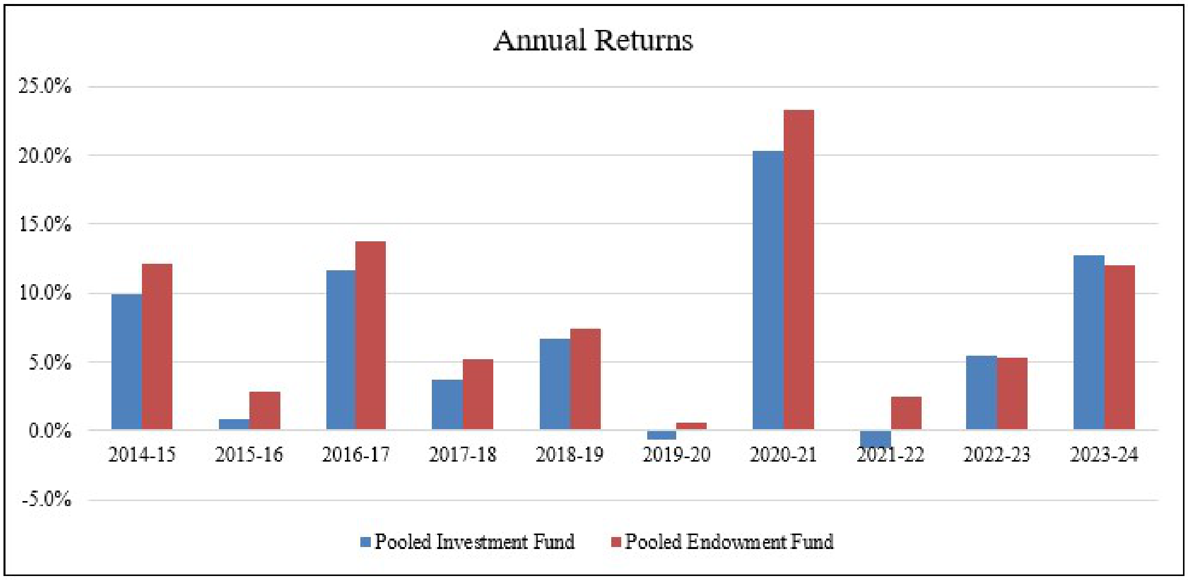
Ancillary operations include business units that provide goods and services to the University community. These units are expected to cover their full operating costs and may also defray general operating expenditures. The table to the right provides a breakdown of revenues in the Ancillary fund by ancillary operations. Ancillary revenue increased in 2023-24 due to the residence fee increase approved for 2023-24 combined with an increase in conference accommodation revenue.

| SALES BY ANCILLARY OPERATION | Thousands of dollars 2023-24 | Thousands of dollars 2022-23 |
|---|---|---|
| Housing and hospitality | $ 101,490 | $ 97,281 |
| Parking | 3,832 | 3,794 |
| | 105,322 | 101,075 |
| Less: Internal sales | (5,776) | (5,163) |
| | $ 99,546 | $ 95,912 |

**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. Investment income for 2023-24 increased from $84.4 million in 2022-23 to $141.6 million. 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 $61 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.

**Investment income in the operating fund**

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

**PIF:** holds cash balances not expected to be required for more than three years.

At April 30 the balances in these two funds were as follows:

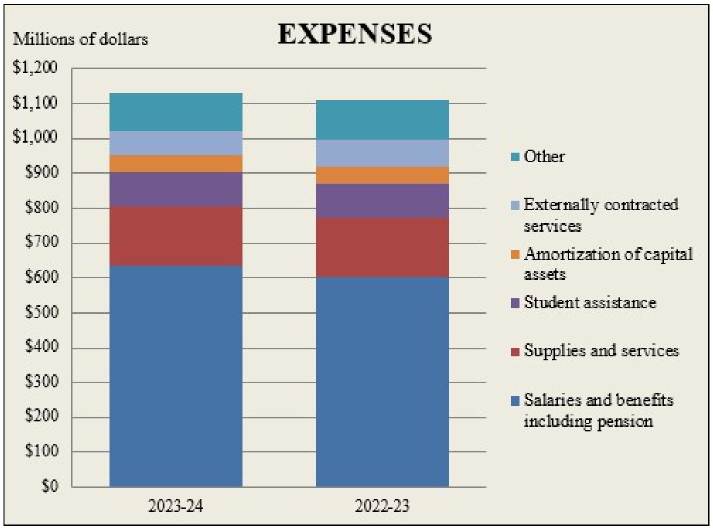
| | Thousands of dollars 2023-24 | 2022-23 |
|---|---|---|
| Cash | $ 189,044 | $ 96,842 |
| Short-term investments | 290,695 | 208,002 |
| STF (including cash) | 479,739 | 304,844 |
| PIF | 433,672 | 563,092 |
| | $ 913,411 | $ 867,936 |

Balances in the STF and PIF are funded primarily by deferred revenue, internally restricted net assets, and unrestricted net assets.

In accordance with the Board of Trustee approved SIPP, the STF is invested in cash, money market and fixed income investments. Accordingly, investment income earned on the STF is less volatile and incorporated into budgeted revenues in the Operating Budget. In accordance with the University's Cash Management Framework funds were transferred from the PIF to the STF in 2023-24 to support the University's projected three-year cash flow requirements. With higher interest rates and additional funds in the STF, approximately $17.5 million in investment income was earned on the STF for the year ended April 30, 2024. 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 35% in Equities and 65% in Fixed Income and Absolute Return Strategies. Investment income on the PIF varies considerably with financial market conditions and accordingly, only $5.2 million in investment income is budgeted annually to support operations. PIF investment returns in excess of $5.2 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 $70.6 million in investment income was earned on the PIF for the year ended April 30, 2024, therefore the excess of $65.4 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.

## EXPENSES




**At a glance…**
Total expenses increased by 1.7 per cent in 2023-24, driven mainly by an increase in expenses related to salaries and benefits, offset by decreases in externally contracted services in research and lower utilities and renovation costs.

## SALARIES AND BENEFITS

| | Thousands of dollars 2023-24 | 2022-23 |
|---|---|---|
| **Salaries and benefits expense** | | |
| Salaries and benefits | $ 579,194 | $ 550,932 |
| Non-pension employee future benefits | 13,319 | 11,714 |
| Pension | 41,870 | 38,551 |
| Total | $ 634,383 | $ 601,197 |
| % of total expenses | 56% | 54% |
| **Employee Future Benefits Liability** | | |
| Non-pension employee future benefits liability | $ 128,797 | $ 124,287 |

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

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

In 2023-24, salaries and benefits grew by 5.5 per cent. Growth in the year is due to negotiated salary increases.

The non-pension employee future benefits liability increased due to the annual current services cost increase and higher rate for claims, offset by a reduction in the liability due to a higher discount rate. Additional information on the employee future benefits liability is available in Note 12 of the financial statements.

| Employee Group | Unit / Association | Contract effective until |
|---|---|---|
| Academic Assistants | USW 2010-01 | July 2026 |
| Allied Health Care Professionals (Family Health Team) | OPSEU 452 | June 2025 |
| General Support Staff | USW 2010 | December 2024 |
| Graduate Teaching Assistants and Teaching Fellows | PSAC 901, Unit 1 | April 2024 |
| Kingston Heating & Maintenance Workers | CUPE 229 | June 2024 |
| Kingston Technicians | CUPE 254 | June 2024 |
| Library Technicians | CUPE 1302 | June 2024 |
| Post-Doctoral Fellows | PSAC 901, Unit 2 | June 2023 |
| Queen’s University Faculty Association | QUFA | June 2025 |
| Registered Nurses and Nurse Practitioners (Family Health Team) | ONA 67 | March 2025 |

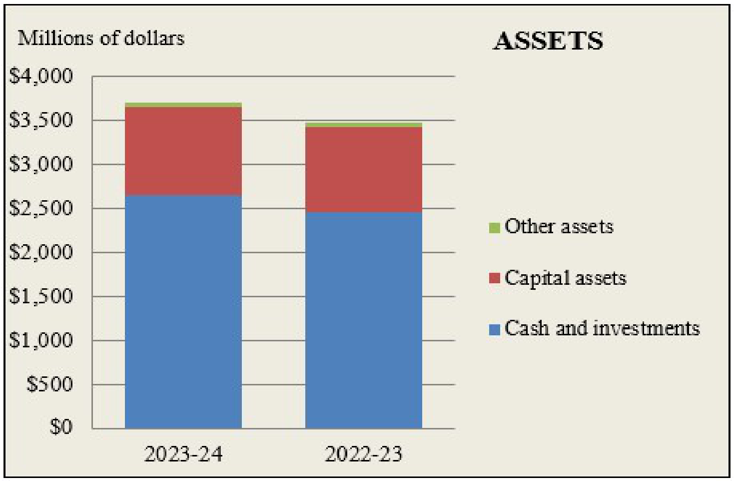
## CAPITAL PROJECTS

In the 2023-24 fiscal year the University continued with the construction of two significant projects, the revitalization of the John Deutsch University Centre (JDUC Revitalization) and Agnes Reimagined. The Board of Trustees approved the JDUC Revitalization at a total cost of $85.6 million to create an important hub that accommodates social, recreational and cultural activities for students, faculty, staff and visitors. It is being funded mainly through student fee levies and University contributions. Agnes Reimagined was approved at a total cost of $100 million funded by the generosity of donors. The vision of the project is to mobilize the transformative power of art to create a more equitable, inclusive and sustainable world.

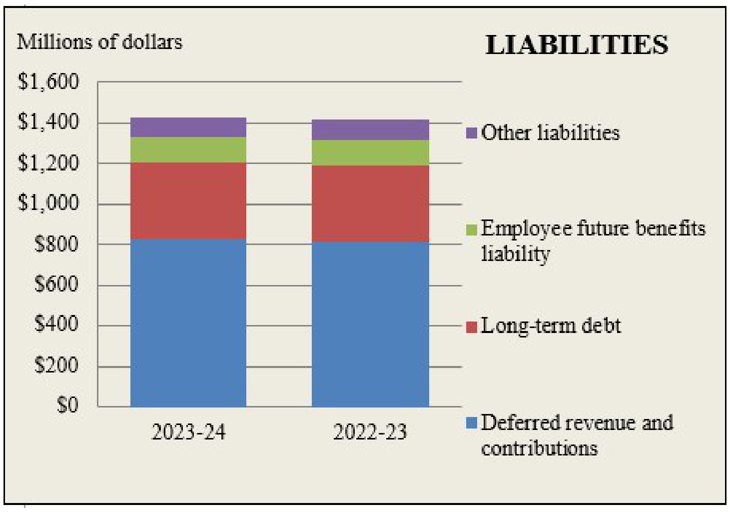
The University's capital expenditures of $89.9 million in 2023-24 are presented in the table below, with comparative information for the prior year. The bulk of the spending on building projects and construction in progress in 2023-24 relates to the JDUC Revitalization ($43.7 million).

| | Thousands of dollars | |
|---|---|---|
| **CAPITAL ASSET ADDITIONS** | 2023-24 | 2022-23 |
| Building projects and construction in progress | $ 67,460 | $ 39,487 |
| Equipment and furnishings | 15,136 | 15,320 |
| Other asset purchases | 7,352 | 8,819 |
| | $ 89,948 | $ 63,626 |

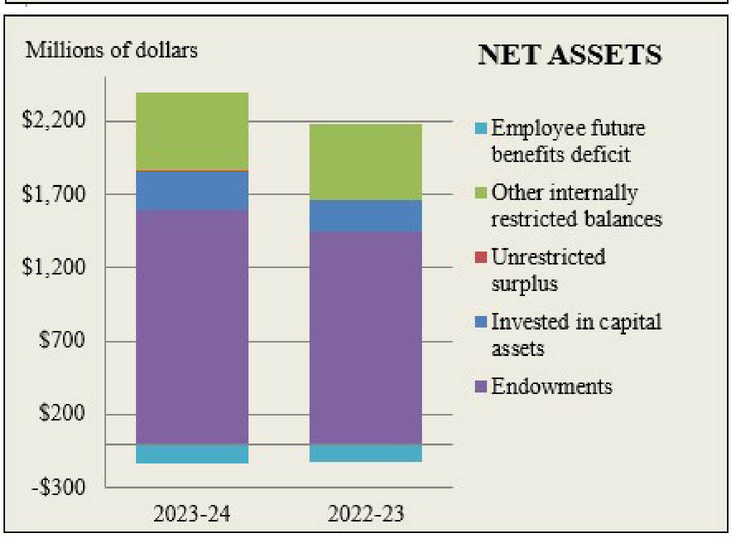
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT A GLANCE




Assets of the University increased by $220 million or 6 per cent overall, due primarily to growth in the University's cash and investments due to favourable investment returns.




Liabilities of the University increased by less than 1 per cent. The increase in deferred revenue and contributions is due to an increase in externally restricted unspent trust and endowments and an increase in unspent capital funds. The Employee Future Benefits liability increased due to the annual current services cost increase and higher rate for claims, offset by a higher discount rate. Further information on Employee Future Benefits is provided in the previous Salaries and Benefits section and in Note 12 to the financial statements.




Net assets increased by $246 million in 2023-24. This increase is comprised primarily by growth in endowments ($149 million) driven by contributions to the endowment and investment returns, an increase in the invested in capital assts and the surplus reported in the Consolidated Statement of Operations. More information on net assets is presented on the following page.

## NET ASSETS

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

| | Thousands of dollars | |
|---|---|---|
| | 2023-24 | 2022-23 |
| Endowment | $ 1,596,766 | $ 1,448,191 |
| Invested in capital assets | 262,822 | 216,194 |
| Internally restricted net assets | | |
| Operating contingencies | 108,550 | 125,806 |
| Strategic initiatives reserve | 31,918 | 10,912 |
| Unspent research funds | 82,923 | 75,167 |
| Internally financed capital projects | (83,527) | (46,326) |
| Sinking funds | 121,020 | 122,183 |
| Capital reserves | 211,606 | 164,187 |
| Employee future benefits | (66,985) | (62,306) |
| | 405,505 | 389,623 |
| Unrestricted net assets | 2,359 | 3,313 |
| | **$ 2,267,452** | **$ 2,057,321** |

**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 2024 because of endowment contributions and strong investment returns. Details are presented in Note 13 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. ICA balances have grown in 2024 due largely to funds invested in the construction of the JDUC. These costs will be funded in future years through student levies.

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

- *Operating contingencies* are unspent operating budget allocations and provide flexibility to bridge to a point of guaranteed funding relief or to invest in one-time only strategic expenditures. During the year, $17 million in Faculty capital reserves were collapsed back into operating contingencies to help address financial pressures. Without this transfer of funds, operating contingencies would have declined by $34 million rather than $17 million.
- *Strategic initiatives reserves* represent funds set aside to support strategic priorities such as matching funding for grants and implementing academic and administrative priorities, including efficiency related initiatives.
- *Unspent research funds* are operating funds committed to support current and future research projects.
- *Internally financed capital projects* is in a negative (deficit) balance. This balance represents the cumulative internal funds spent on capital projects for which funding has not been allocated. Payment plans exist to fund all existing balances.
- *Sinking funds* are investments committed to servicing the university's future debenture payments.
- *Capital reserves* are operating funds committed to support deferred maintenance, capital projects planned or in progress, other future commitments and serves as a buffer in years of investment losses.
- *Employee future benefits* is in a negative (deficit) balance. This balance represents the deficit associated with employee future benefit plans. The deficit of $128.8 million is offset by a reserve of $61.8 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 Duncan McArthur Hall | 25,000 | - | - | - | (25,000) | - |
| Deferred maintenance | 11,798 | - | - | - | (11,798) | - |
| Other capital transfers | 917 | 422 | - | - | (1,339) | - |
| Loan repayments for capital projects built in prior years (including interest) | 16,930 | 17,032 | - | - | (33,962) | - |
| Departmental transfers | 12,811 | - | 1,648 | (14,459) | - | - |
| Overhead and indirect costs of research | (15,265) | 10,184 | - | 5,081 | - | - |
| Interfund transfers out/(in) | 52,191 | 27,638 | 1,648 | (9,378) | (72,099) | - |

## THE CONSOLIDATED STATEMENT OF OPERATIONS BY FUND

April 30, 2024
(Thousands of dollars)

The table below presents the activities of the University by fund, for the year ended April 30, 2024, and supplements the information presented in the financial statements.

| | Operating | Ancillaries | Trust and Endowment | Research | Capital | Consolidated Entities | Total 2024 |
|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | |
| Student fees | $ 424,261 | $ - | $ - | $ - | $ - | $ - | $ 424,261 |
| Provincial operating grant | 222,622 | - | - | - | - | - | 222,622 |
| Other grants and contracts | 21,127 | - | 22,134 | 180,171 | (1,121) | - | 222,311 |
| Investment income | 89,006 | - | 58,301 | 2,211 | (6,733) | (1,201) | 141,584 |
| Sales of service and products | 11,546 | 99,546 | - | - | - | 4,678 | 115,770 |
| Other | 29,572 | - | - | 2,183 | 246 | (6) | 31,995 |
| Amortization of deferred capital contributions | - | - | - | - | 25,528 | 293 | 25,821 |
| Donations | 2,888 | - | 19,045 | - | (1,259) | - | 20,674 |
| | 801,022 | 99,546 | 99,480 | 184,565 | 16,661 | 3,764 | 1,205,038 |
| **EXPENSES** | | | | | | | |
| Salaries and benefits | 518,489 | 11,199 | 27,186 | 70,434 | - | 7,075 | 634,383 |
| Supplies and services | 120,664 | 4,450 | 12,514 | 61,330 | (21,040) | (5,407) | 172,511 |
| Student assistance | 38,635 | - | 35,455 | 21,369 | - | - | 95,459 |
| Externally contracted services | 11,495 | 31,876 | 2,066 | 21,716 | - | 37 | 67,190 |
| Amortization of capital assets | - | - | - | - | 48,933 | 2,088 | 51,021 |
| Renovations and alterations | 7,543 | 15,198 | 530 | 720 | 16,342 | 316 | 40,649 |
| Utilities, taxes and insurance | 19,939 | 5,808 | 164 | 347 | - | 382 | 26,640 |
| Travel and conferences | 11,629 | 49 | 1,983 | 10,271 | - | 62 | 23,994 |
| Interest on long-term debt | - | - | - | - | 16,851 | 112 | 16,963 |
| Interfund transfers out / (in) | 52,191 | 27,638 | 1,648 | (9,378) | (72,099) | - | - |
| | 780,585 | 96,218 | 81,546 | 176,809 | (11,013) | 4,665 | 1,128,810 |
| **Excess / (deficiency) of revenues over expenses** | **20,437** | **3,328** | **17,934** | **7,756** | **27,674** | **(901)** | **76,228** |
| Transfer from net assets invested in capital assets | - | - | - | - | 23,405 | 1,795 | 25,200 |
| Transfer to internally restricted net assets | (20,122) | (3,328) | (17,934) | (7,756) | (51,079) | (2,163) | (102,382) |
| Net change in unrestricted surplus / (deficit) | 315 | - | - | - | - | (1,269) | (954) |
| Unrestricted surplus, beginning of year | 206 | - | - | - | - | 3,107 | 3,313 |
| Unrestricted surplus, end of year | 521 | - | - | - | - | 1,838 | 2,359 |

## FINANCIAL RISK

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

**Deferred maintenance**

Maintaining the University's space to appropriate standards puts significant pressure on university budgets. The current deferred maintenance (DM) balance is $562 million.

The University continues to recognize the importance of addressing DM as a strategic priority and has increased operating budget funding from $4.2 million in 2013-14 to $11.6 million in 2023-24. Total DM funding (including Provincial and Residences contributions) is $27.6 million in 2023-24, which is approximately 0.81% of a $3.4 billion campus replacement value. The industry standard is 1.5%. The university will continue to prioritize addressing its DM backlog as funding allocations are increased and significant building renewals occur. The John Deutsch University Centre revitalization, that commenced in Summer 2022, removes $14 million of deferred maintenance.

**Reliance on grant support and tuition revenue**

The University relies heavily on tuition and grant support to fund its operations, both of which are controlled largely by the provincial government. The Strategic Mandate Agreement (SMA3) is a corridor system that combines undergraduate and graduate enrolment ensuring that grant revenue in the enrolment envelope will not reduce if enrolment remains above the lower band of +/- 3% of the enrolment midpoint. Queen's is currently above the mid-point of the corridor based on a rolling five-year average. Any growth above the mid-point does not result in additional provincial grant. On February 26, 2024, the Ministry announced one-time funding to support the costs of delivering science, technology, engineering and mathematics (STEM) programs at publicly assisted colleges and universities that have demonstrated consistent domestic enrollment growth over funded enrollment levels. Institutions were eligible for this funding if they had 'unfunded' enrolment (5-year average assessed enrolments over the corridor midpoint) and deliver STEM programming. On March 7, 2024, the Ministry communicated Queen's portion of the STEM funding to be $10.7M for 2023-24. While the provincial government has committed to limited additional sustainability grant funding in 2024-25, 2025-26 and 2026-27, it is one-time only and thus cannot be relied on for ongoing operating expenditures.

In 2019-20, the MCU mandated a 10% cut in domestic tuition for funding eligible programs, and a freeze in tuition for these programs at the 2019-20 levels for fiscals 2020-21, 2021-22, 2022-23 and 2023-24. On February 27, 2024, the provincial government confirmed the tuition freeze would be extended for 2024-25, 2025-26 and 2026-27. This framework continues to restrict flexibility for the University by freezing tuition fees for domestic funding-eligible programs at 2019-20 levels for Ontario students. The framework provides institutions the ability to increase tuition fees for domestic out-of-province students by up to five percent. In addition, the tuition framework continues to provide for the ability to increase tuition fees by up to 7.5% per year (to a defined maximum amount by program) for three programs whose tuition fees were on average anomalous to comparator programs in the province.

These provincial policies place all Ontario universities in a difficult financial situation as there is very limited flexibility to meet annual compensation and other inflationary expenditure increases.

## FINANCIAL HEALTH

On April 1, 2023 the MCU's University Financial Accountability Framework (the "framework") became effective. This framework outlines specific metrics that will be used by MCU 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.

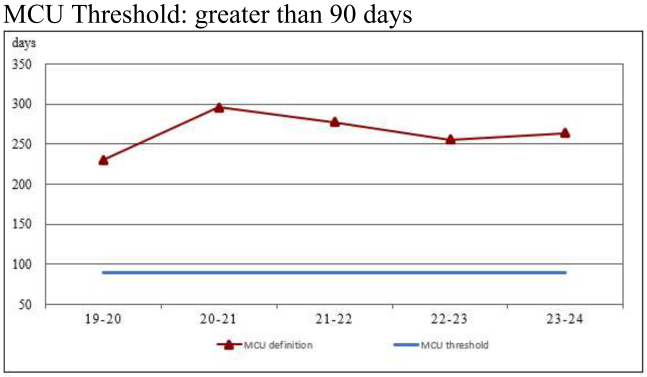
The metrics and related descriptions are presented below, together with the thresholds universities must meet to avoid additional MCU financial monitoring requirements. The University's fiscal 2024 combined risk score across all metrics, which remains subject to verification and confirmation by MCU, 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.

MCU Threshold: greater than 90 days




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

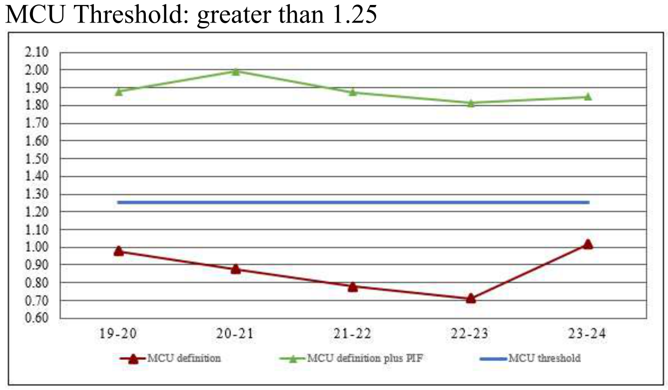
**Working Capital Ratio**

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.

On the University's Statement of Financial Position deferred revenues (unspent research and expendable donations) are included in current liabilities. A portion of these funds has been invested in long-term liquid investments (Pooled Investment Fund (PIF)) because the cash is not expected to be required in the next three years. Accordingly, the PIF forms part of the University's working capital and is available to service current financial obligations should the need arise.

The University's working capital ratio, as defined by MCU, is presented below. A modified version including the Pooled Investment Fund balance has also been included for information to provide readers with full information about the University's financial resources to service current liabilities.

MCU Threshold: greater than 1.25



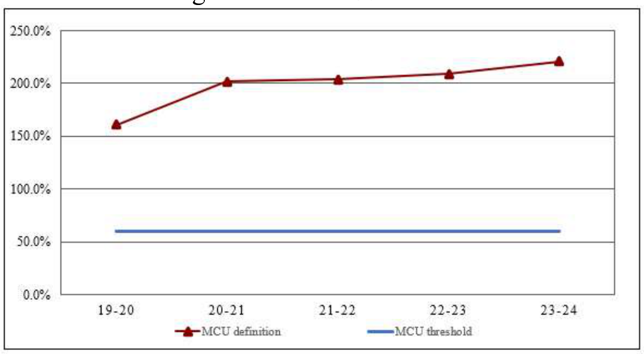

Definition: Current assets divided by current liabilities

## 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.

MCU Threshold: greater than 60%

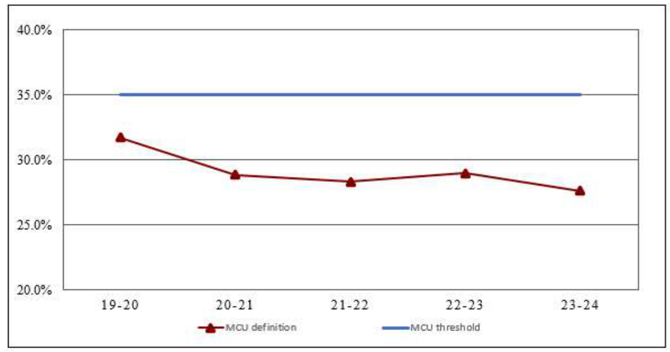



Definition: Expendable net assets divided by long-term debt

**Debt Ratio**

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

MCU Threshold: less than 35%

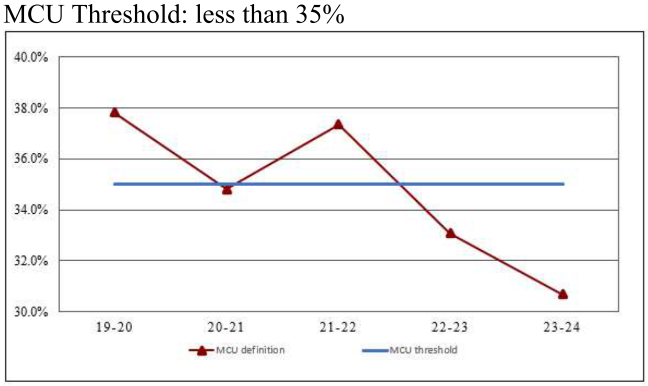



Definition: Total liabilities (less deferred capital contributions), divided by total assets

**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.

MCU Threshold: less than 35%

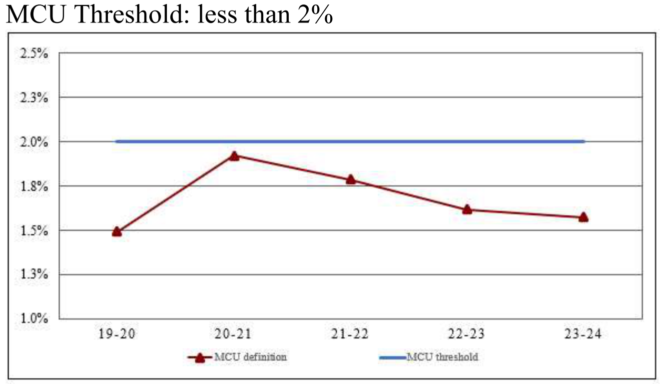



Definition: Total revenues divided by long-term debt

**Interest Burden Ratio**

The interest burden ratio is an indicator of debt affordability. It indicates the percentage of total expenses used to cover the cost of servicing the University's debt.

MCU Threshold: less than 2%



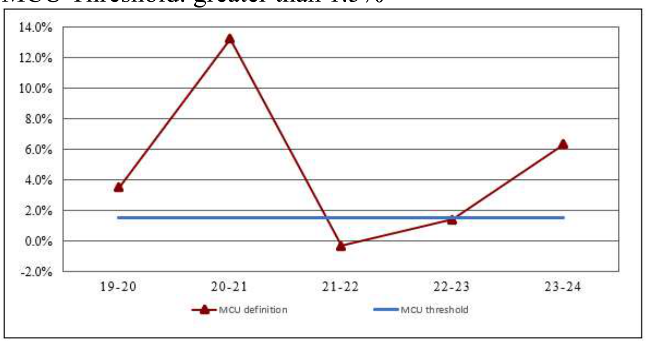

Definition: Interest expense divided by total expenses excluding amortization

## 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.

MCU Threshold: greater than 1.5%

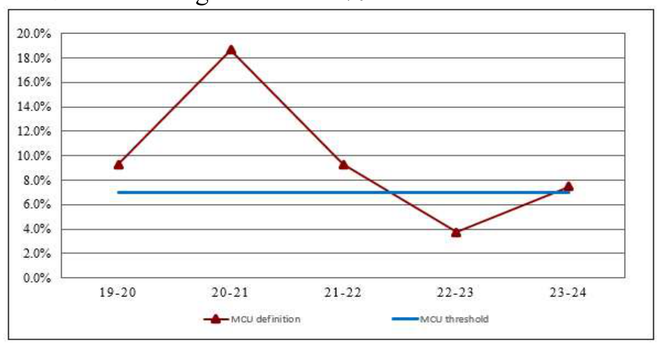



Definition: Surplus (deficit) divided by total revenues

**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.

MCU 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 66 per cent of consolidated revenue in 2023-24.

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

| | Thousands of dollars | | |
|---|---|---|---|
| 2023-24 Operating Fund | Actual | Budget | Variance |
| Revenue | $ 801,022 | $ 708,859 | $ 92,163 |
| Less: expenditures | (780,585) | (771,686) | (8,899) |
| Surplus/(deficit) | 20,437 | (62,827) | 83,264 |
| Transfer PIF income in excess of $5.2 million budgeted amount to capital reserve | (65,421) | - | 65,421 |
| Other transfers from internally restricted net assets | 45,299 | 62,827 | 17,528 |
| Total transfer to internally restricted net assets | (20,122) | (62,827) | 82,949 |
| Increase in unrestricted surplus | 315 | - | 315 |
| Unrestricted operating surplus - beginning of year | 206 | | |
| Unrestricted operating surplus - end of year | 521 | | |

The positive variance in operating revenue in fiscal 2024 is due primarily to a significant increase in investment income ($69.2 million), and an increase in operational provincial grants resulting from one-time funding to support STEM program costs ($10.7 million). The positive variance was offset by shortfalls in student fees.

On the expense side the higher than budgeted expenses are primarily due to capital transfers to fund The Duncan McArthur Hall renovation offset by lower unit expenditures given the fiscal constraints, primarily in planned one-time renovation expenditures, and lower utilities expenses from lower gas consumption from a milder winter and lower carbon tax payments as a result of changes in compliance requirements.

Overall, the operating fund reported a surplus of $20.4 million or 2.9 per cent of budgeted revenue. The transfer to internally restricted net assets is comprised primarily of the transfer of PIF income in excess of budget to the capital reserve ($65.4 million), offset by the use of capital reserves to fund the Duncan McArthur renovation project ($25 million) and the use by the Faculty of Arts and Science of its capital reserves to fund operations ($17 million).

The University remains focused on managing its resources responsibly in order to protect and advance its academic mission and strategic priorities in the midst of significant financial challenges. In May 2024, the Board of Trustees approved the 2024-25 operating budget, with a deficit of $35.7 million covered by a drawdown of reserves. The provincially mandated tuition reduction and freeze, and fixed government grant introduced challenges to our ability to generate revenue growth after 2019-20. These challenges were exacerbated by the inflationary pressures on costs and difficulties recruiting international students. As restrictions continue to be imposed on the ability of the university to generate increased revenue, the University is taking a multi-faceted approach by critically assessing the efficient and effective use of resources to reduce costs and mitigate the inflationary pressures that have become prevalent in recent years. Several efforts are underway to mitigate the financial pressures through a combination of the short-term use of reserves, and reduction of costs with the implementation of voluntary retirement and voluntary exit plans, as well as improving efficiencies and effectiveness of services in support of the academic mission through the Queen’s Renew Program. We are also introducing measures to help optimize the ability to hit the targets under the new international student intake cap regime. We have prioritized early offers and have put in place incentives for students through a credit on tuition for incoming students, housing guarantees for international incoming fist-year undergraduate students, and support to incoming international students through BorderPass, to streamline the immigration process for all newcomers and international students. Additionally, there will be cuts to budget allocations for all units, requiring further reductions in annual expenditures as all units will need to balance their budgets in the upcoming 2025-26 budget cycle. Funds from these budget reductions will be held for subventions and strategic investments, where funds are needed to ensure the University’s academic and research missions are not compromised.

## COMMITMENT TO CLIMATE ACTION – 2024 UPDATE

Climate change is one of the defining challenges facing humanity and universities have a responsibility to act constructively to address this challenge. At Queen's, we share a desire to promote environmental responsibility and a healthy future for our planet. The University is a member of several global networks including the University Climate Change Coalition (UC3) and a signatory of the United Nations' Race to Zero campaign, to amplify our impact as we advance sustainability and the United Nations Sustainable Development Goals (SDGs).

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. Most future construction post 2024 will prioritize geothermal and low carbon technologies, including geo-exchange systems for the Agnes Revitalization and the new CASTLE lab. All new construction targets LEED Good certification, underscoring Queen's commitment to sustainable building practices.

In April 2024, Queen's published its second Responsible Investing Annual Report, which reflects its carbon reduction strategy across Queen's $2.0 billion portfolio of assets in its Pooled Endowment Fund and Pooled Investment Fund. The university continues to make progress in fulfilling its responsible investing commitments stemming from the work of the Climate Change Action Task Force. In the past year, the university advanced a key component of its responsible investing strategy by approving a new Queen's Climate Action Allocation investment that aims to accelerate the global transition to a net-zero economy. In keeping with its pledge as a United Nations-supported Principles for Responsible Investment (UNPRI) signatory, Queen's is currently reviewing its Responsible Investing Policy through a UNPRI lens and its inaugural UNPRI assessment report will be published later this year, further enhancing its sector-leading level of transparency.

In 2024, and for the fourth straight year, Queen's maintained its position in the top 10 of the Times Higher Education (THE) Impact Rankings, ranking eighth worldwide and second in North America out of over 2,100 institutions. As the sole Canadian university in this tier, these remarkable results underline the university's ongoing commitment to climate action and sustainable practices. Queen's has released its third 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, a Principal's Advisory Council on UN SDGs collaborated to develop a framework for the university, identifying priorities and recommending strategic actions to inspire decisive collaboration and action in tackling climate change and advancing sustainability.

## STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

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

The administration has prepared the accompanying consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Chartered Professional Accountants of Canada. In order to achieve the objective of fair presentation in all material respects, the use of reasonable estimates and judgments were employed. The administration believes the consolidated financial statements present fairly the University's financial position as at April 30, 2024 and the results of its operations for the year then ended.

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

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

The consolidated financial statements for the year ended April 30, 2024 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 | Donna Janiec, FCPA, FCA |
| Principal and Vice-Chancellor | Vice-Principal (Finance & Administration) |

**KPMG LLP**
863 Princess Street, Suite 400
Kingston, ON  K7L 5N4
Canada
Telephone 613 549 1550
Fax 613 549 6349

# 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, 2024
- 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, 2024, 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 report.

We are independent of the Entity in accordance with the applicable independence standards, and we have fulfilled our other ethical responsibilities in accordance with these standards.

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

## *Other Information*

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

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

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

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

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

We have nothing to report in this regard.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

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

In preparing the financial statements, management is responsible for assessing 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 these financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group of the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

October 1, 2024

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at April 30, 2024
(Thousands of dollars)

| | | 2024 | | 2023 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current | | | | |
| Cash | $ | 189,044 | $ | 96,842 |
| Accounts receivable (note 3) | | 46,576 | | 52,375 |
| Loans receivable (note 4) | | 224 | | 211 |
| Prepaid expenses | | 4,295 | | 4,659 |
| Investments (note 5) | | 290,695 | | 208,002 |
| Total current assets | | 530,834 | | 362,089 |
| Loans receivable (note 4) | | 1,630 | | 1,729 |
| Investments (note 5) | | 2,159,408 | | 2,147,060 |
| Capital assets (note 6) | | 1,000,522 | | 961,595 |
| Collections (note 7) | | 1 | | 1 |
| | $ | 3,692,395 | $ | 3,472,474 |
| **LIABILITIES AND NET ASSETS** | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities (note 8) | $ | 90,024 | $ | 98,037 |
| Current portion of long-term debt (note 11) | | 4,894 | | 4,471 |
| Deferred revenue and contributions (note 9) | | 426,979 | | 407,432 |
| Total current liabilities | | 521,897 | | 509,940 |
| Deferred capital contributions (note 10) | | 404,569 | | 408,590 |
| Long-term debt (note 11) | | 369,680 | | 372,336 |
| Employee future benefits liability (note 12) | | 128,797 | | 124,287 |
| | | 1,424,943 | | 1,415,153 |
| **Net Assets** | | | | |
| Endowments (note 13) | | 1,596,766 | | 1,448,191 |
| Invested in capital assets | | 262,822 | | 216,194 |
| Internally restricted (note 14) | | 405,505 | | 389,623 |
| Unrestricted surplus | | 2,359 | | 3,313 |
| | | 2,267,452 | | 2,057,321 |
| | $ | 3,692,395 | $ | 3,472,474 |

Commitments and contingencies (note 19)

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, 2024
(Thousands of dollars)

| | 2024 | 2023 |
|---|---|---|
| **REVENUES** | | |
| Student fees | $ 424,261 | $ 429,723 |
| Provincial operating grant | 222,622 | 211,221 |
| Other grants and contracts | 222,311 | 219,892 |
| Investment income (note 5) | 141,584 | 84,392 |
| Sales of service and products | 115,770 | 115,955 |
| Other | 31,995 | 23,197 |
| Amortization of deferred capital contributions (note 10) | 25,821 | 25,332 |
| Donations | 20,674 | 16,070 |
| | 1,205,038 | 1,125,782 |
| **EXPENSES** | | |
| Salaries and benefits | 634,383 | 601,197 |
| Supplies and services | 172,511 | 172,088 |
| Student assistance | 95,459 | 95,084 |
| Externally contracted services | 67,190 | 76,807 |
| Amortization of capital assets | 51,021 | 51,500 |
| Renovations and alterations | 40,649 | 45,586 |
| Utilities, taxes and insurance | 26,640 | 30,655 |
| Travel and conferences | 23,994 | 20,140 |
| Interest on long-term debt | 16,963 | 17,121 |
| | 1,128,810 | 1,110,178 |
| Excess of revenues over expenses | $ 76,228 | $ 15,604 |

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended April 30, 2024
(Thousands of dollars)

| | Endowments | Invested in capital assets | Internally restricted | Unrestricted | **Total 2024** | **Total 2023** |
|---|---|---|---|---|---|---|
| Net assets, beginning of year | $ 1,448,191 | $ 216,194 | $ 389,623 | $ 3,313 | $ 2,057,321 | $ 2,012,438 |
| (Deficiency) / excess of revenues over expenses | - | (25,200) | - | 101,428 | 76,228 | 15,604 |
| Employee future benefits remeasurements and other items (note 12) | - | - | - | 4,534 | 4,534 | (9,894) |
| Change in net assets invested in capital assets | - | 71,828 | - | (71,828) | - | - |
| Change in internally restricted net assets | - | - | 16,374 | (16,374) | - | - |
| Endowment contributions (note 13) | 33,944 | - | - | - | 33,944 | 24,363 |
| Excess / (deficiency) of investment earnings over endowment spending (note 13) | 105,346 | - | - | (18,714) | 86,632 | 7,816 |
| Departmental transfers and other contributions (note 13) | 9,285 | - | (492) | - | 8,793 | 6,994 |
| Net assets, end of year | $ 1,596,766 | $ 262,822 | $ 405,505 | $ 2,359 | $ 2,267,452 | $ 2,057,321 |

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended April 30, 2024
(Thousands of dollars)

| | 2024 | 2023 |
|---|---|---|
| **OPERATING ACTIVITIES:** | | |
| Excess of revenues over expenses | $ 76,228 | $ 15,604 |
| Add / (deduct) non-cash items: | | |
| Amortization of deferred capital contributions | (25,821) | (25,332) |
| Amortization of capital assets | 51,021 | 51,500 |
| Unrealized gain on investments (note 5c) | (38,275) | (28,121) |
| Employee future benefits | 9,044 | 8,042 |
| Net change in non-cash working capital (note 15) | 17,697 | 20,460 |
| Cash provided by operating activities | 89,894 | 42,153 |
| **INVESTING ACTIVITIES:** | | |
| Net change in loans receivable | 86 | 200 |
| Net change in investments | (56,766) | (56,942) |
| Purchases (net of disposals) of capital assets | (89,948) | (63,626) |
| Net change in investments reported as a direct increase / (decrease) in net assets | 86,632 | 7,816 |
| Cash used in investing activities | (59,996) | (112,552) |
| **FINANCING ACTIVITIES:** | | |
| Proceeds from long-term debt | 2,507 | - |
| Repayment of long-term debt | (4,740) | (4,338) |
| Contributions received for capital purposes | 21,800 | 22,037 |
| Contributions reported as direct increase in net assets | 42,737 | 31,357 |
| Cash provided by financing activities | 62,304 | 49,056 |
| Net increase / (decrease) in cash | 92,202 | (21,343) |
| Cash, beginning of year | 96,842 | 118,185 |
| Cash, end of year | $ 189,044 | $ 96,842 |

See accompanying notes to consolidated financial statements.

## 1. AUTHORITY

Queen's University at Kingston ("the University") operates under the authority of the Royal Charter of 184l 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). The University no longer controls Queen's Prison Law Clinic ("QPLC").

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.

QPLC was incorporated without share capital under the laws of the Province of Ontario on November 24, 2014 through supplementary letters patent. It was originally incorporated on February 23, 2000 under the name Correctional Law Project. QPLC was established to provide equal access to quality legal services for inmates incarcerated in the federal penitentiaries in the Kingston area. QPLC revised it's bylaws and as a result, the University no longer has a controlling interest.

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. During the year, 12591146 Canada Inc. sold its assets and its operations are now inactive.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

### (a) Basis of presentation

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

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

### (b) Accounting estimates

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

### (c) Financial instruments

#### i. Investments

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

1) Short-term notes and treasury bills maturing within one year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.
2) Bonds and equities are valued at year-end quoted market prices using closing prices. Where quoted prices are not available, estimated fair values are calculated using comparable securities, 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.

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 administration’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 its components | 15 to 40 years |
| Equipment and furnishings | 5 years |
| Intangible assets | 5 years |
| Library acquisitions | 5 years |
| Leasehold improvements | Term of lease |

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

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

**(e) Employee future benefit plans**

**i. Pension plan**

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

**ii. Employee benefits plans**

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

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

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

**(f) Revenue recognition**

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

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

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

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

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

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

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

**(g) Collections**

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

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

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

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

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

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

## 3. ACCOUNTS RECEIVABLE

Accounts receivable is comprised primarily of balances receivable for research projects and trade accounts receivable, including tuition net of an allowance for doubtful accounts of $3,987 (2023 - $3,736).

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 | | |
|---|---|---|
| 2025 | $ | 30,870 |
| 2026 | | 26,148 |
| 2027 | | 19,281 |
| 2028 | | 11,443 |
| 2029 | | 9,720 |
| Thereafter | | 46,775 |
| | $ | 144,237 |

## 4. LOANS RECEIVABLE

Loans receivable is primarily comprised of a loan to the Kingston Health Sciences Centre ("KHSC") / Queen’s Parking Commission (the "Parking Commission") in the amount of $1,729 (2023 - $1,940). The loan to the Parking Commission bears interest at 6 per cent per annum and matures in October 2030.

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

## 5. INVESTMENTS AND INVESTMENT INCOME

**(a) Investments**

Fair value details of investments are as follows:

| | 2024 | 2023 |
|---|---|---|
| **Current** | | |
| Short-term: | | |
| Short-term notes and treasury bills | $ 108,626 | $ 160,520 |
| Bonds | 182,069 | 47,482 |
| **Total current** | 290,695 | 208,002 |
| **Non-current** | | |
| Pooled Endowment Fund: | | |
| Bonds | 315,598 | 264,678 |
| Equities | 984,836 | 896,031 |
| Infrastructure | 138,045 | 158,766 |
| Private equities | 82,424 | 63,436 |
| Real estate | 78,112 | 74,213 |
| Total Pooled Endowment Fund | 1,599,015 | 1,457,124 |
| Pooled Investment Fund: | | |
| Bonds | 149,299 | 193,777 |
| Equities | 284,373 | 369,315 |
| Total Pooled Investment Fund | 433,672 | 563,092 |
| Sinking Fund: | | |
| Bonds | 121,483 | 122,755 |
| Total Sinking Fund | 121,483 | 122,755 |
| Other | 5,238 | 4,089 |
| **Total non-current** | 2,159,408 | 2,147,060 |
| **Total investments** | $ 2,450,103 | $ 2,355,062 |

Derivative financial instruments, as disclosed in Note 16 are included in non-current investments.

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

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

**(b) Uncalled commitments**

As at April 30, 2024, 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, 2024, the University had uncalled commitments of approximately $158,678 (2023 - $164,485), 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 is comprised of the following:

| | 2024 | 2023 |
|---|---|---|
| Realized income on investments | $ 109,768 | $ 64,196 |
| Unrealized gains on investments | 38,275 | 28,121 |
| | 148,043 | 92,317 |
| Investment management fees and transaction costs | (6,459) | (7,925) |
| Investment income | $ 141,584 | $ 84,392 |

## 6. CAPITAL ASSETS

Capital assets consist of the following:

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Land | $ 84,158 | $ - | $ 84,158 | $ 84,158 | $ - | $ 84,158 |
| Buildings and its components | 1,402,653 | 615,984 | 786,669 | 1,378,662 | 583,877 | 794,785 |
| Leasehold improvements | 12,683 | 10,948 | 1,735 | 12,683 | 10,426 | 2,257 |
| Equipment and furnishings | 154,380 | 124,500 | 29,880 | 159,727 | 130,257 | 29,470 |
| Library acquisitions | 91,683 | 79,933 | 11,750 | 94,053 | 85,909 | 8,144 |
| Intangible assets | 31,366 | 31,366 | - | 31,366 | 31,366 | - |
| Construction in process | 86,330 | - | 86,330 | 42,781 | - | 42,781 |
| | $ 1,863,253 | $ 862,731 | $ 1,000,522 | $ 1,803,430 | $ 841,835 | $ 961,595 |

## 7. 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 $106 (2023 - $46) and the total amount expended on rare and historical books for the year was $385 (2023 - $459). The artwork and book collections are insured through a fine arts policy for a total value of $273,765 (2023 - $270,475).

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

### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities is comprised primarily of trade accounts payable, government remittances and payroll related accruals. The University's government remittances payable at the end of the year were current and amounted to $16,753 (2023 - $15,965).

### 9. DEFERRED REVENUE AND CONTRIBUTIONS

| | 2024 | 2023 |
|---|---|---|
| Research funds | $ 215,989 | $ 229,273 |
| Trust funds | 131,327 | 111,821 |
| Student fees | 36,255 | 34,437 |
| Capital funds | 25,796 | 10,242 |
| Other | 16,438 | 20,318 |
| Gift annuities | 1,174 | 1,341 |
| | $ 426,979 | $ 407,432 |

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

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

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

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

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

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

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

## 10. 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:

| | 2024 | 2023 |
|---|---|---|
| Balance, beginning of year | $ 408,590 | $ 411,885 |
| Amortization of deferred capital contributions | (25,821) | (25,332) |
| Contributions received for capital purposes | 21,800 | 22,037 |
| | $ 404,569 | $ 408,590 |

## 11. LONG-TERM DEBT

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

| | Maturity in Fiscal Year Ending | Interest Rate | 2024 Principal Outstanding | 2023 Principal Outstanding |
|---|---|---|---|---|
| Amortizing unsecured bank loan maturing November 1, 2030 | 2031 | Variable | $ 34,849 | $ 39,533 |
| Series A senior unsecured bullet debenture maturing on November 19, 2032 | 2033 | 6.10% | 90,000 | 90,000 |
| Senior unsecured bullet debenture maturing April 1, 2040 | 2040 | 5.09% | 75,000 | 75,000 |
| Senior unsecured bullet debenture maturing June 1, 2040 | 2041 | 5.10% | 50,000 | 50,000 |
| Series B senior unsecured bullet debenture maturing April 27, 2060 | 2060 | 2.89% | 125,000 | 125,000 |
| Other | | | 2,238 | - |
| | | | 377,087 | 379,533 |
| Unamortized transaction costs/bond discount | | | (2,513) | (2,726) |
| | | | 374,574 | 376,807 |
| Less current portion | | | (4,894) | (4,471) |
| | | | $ 369,680 | $ 372,336 |

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, 2024 the value of the sinking funds is $121,483 (2023 - $122,755).

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

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

Other debt is non-interest bearing with amortization periods ranging from three to ten years and matures in 2030.

**(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 | | |
|---|---|---|
| 2025 | $ | 4,894 |
| 2026 | | 5,024 |
| 2027 | | 5,151 |
| 2028 | | 5,288 |
| 2029 | | 5,441 |
| Thereafter | | 348,776 |
| | $ | 374,574 |

## 12. EMPLOYEE FUTURE BENEFITS LIABILITY

**(a) Pension plan**

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

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

Any post-conversion pension surplus or deficit of the UPP is a joint responsibility of the members and employers and may affect future contribution rates for members and employers. Contribution rates are determined by the UPP's Joint Sponsors (representing employees and employers). The University does not recognize any share of the UPP's post-conversion pension surplus or deficit as insufficient information is available to identify the University's share of the underlying pension assets and liabilities. The most recent UPP actuarial valuation filed with pension regulators as at January 1, 2023 indicated an actuarial surplus on a going concern basis of $379,642.

Contributions made to the UPP during the year amounted to $41,780 (2023 - $38,759). 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 19(g) for additional information.

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

**(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 Feb 1, 2022 and results have been extrapolated to April 30, 2024. The date of the next required valuation is February 1, 2025.

The most recent actuarial valuation of post-employment benefits was performed as of April 30, 2024.

The discount rate used in the actuarial measurement of the employee future benefit plans obligation was 5.2 per cent (2023 – 4.9 per cent).

The discount rate used in the actuarial measurement of the benefit plans expense was 4.9 per cent (2023 – 5.0 per cent).

Salaries and benefits expense for the year includes non-pension retirement and post-employment benefit expenses of $13,319 (2023 – $11,714).

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

| | 2024 | 2023 |
|---|---|---|
| **Accrued benefit liability** | | |
| Accrued benefit obligation | $ (128,797) | $ (124,287) |
| **Accrued benefit liability** | $ (128,797) | $ (124,287) |
| **Benefit plan expense** | | |
| Current service cost | $ 7,235 | $ 6,418 |
| Finance costs | 6,084 | 5,296 |
| **Net benefit cost** | $ 13,319 | $ 11,714 |
| **Remeasurements and other items** | | |
| Actuarial (gain) / loss on accrued benefit obligation | (4,534) | 9,894 |
| **Net remeasurements and other items (gains) / losses** | $ (4,534) | $ 9,894 |

## 13. ENDOWMENTS

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

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

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

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:

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | External | Internal | Total | External | Internal | Total |
| Investment income on endowments | $ 136,546 | $ 29,634 | $ 166,180 | $ 55,226 | $ 12,100 | $ 67,326 |
| Less: available for spending | (49,914) | (10,920) | (60,834) | (47,410) | (10,372) | (57,782) |
| Excess of investment earnings over endowment spending | 86,632 | 18,714 | 105,346 | 7,816 | 1,728 | 9,544 |
| Endowment contributions | 33,944 | - | 33,944 | 24,363 | - | 24,363 |
| Departmental transfers and other contributions | 8,993 | 292 | 9,285 | 6,994 | 264 | 7,258 |
| Net increase in net assets | 129,569 | 19,006 | 148,575 | 39,173 | 1,992 | 41,165 |
| Net assets, beginning of year | 1,188,199 | 259,992 | 1,448,191 | 1,149,026 | 258,000 | 1,407,026 |
| Net assets, end of year | $1,317,768 | $ 278,998 | $ 1,596,766 | $1,188,199 | $ 259,992 | $ 1,448,191 |

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

## 14. INTERNALLY RESTRICTED NET ASSETS

Details of year-end balances are as follows:

| | 2024 | 2023 |
|---|---|---|
| Operating contingencies | $ 108,550 | $ 125,806 |
| Strategic initiatives reserve | 31,918 | 10,912 |
| Unspent research funds | 82,923 | 75,167 |
| Internally financed capital projects | (83,527) | (46,326) |
| Sinking funds | 121,020 | 122,183 |
| Capital reserves | 211,606 | 164,187 |
| Employee future benefits | | |
| Employee future benefits deficit | (128,797) | (124,287) |
| Pension reserve | 61,812 | 61,981 |
| | $ 405,505 | $ 389,623 |

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.

Strategic initiatives reserves represent funds set aside to support strategic priorities such as matching funding for grants and implementing academic and administrative priorities, including 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 11.

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

Employee future benefit balances represent the deficit associated with the employee future benefit plans, offset by associated internally restricted reserve balances set aside to fund potential future pension commitments related to past service obligations (see Note 19(g)).

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

## 15. NET CHANGE IN NON-CASH WORKING CAPITAL

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

| | 2024 | 2023 |
|---|---|---|
| Net change in non-cash working capital: | | |
| Accounts receivable | $ 5,799 | $ 912 |
| Prepaid expenses | 364 | (475) |
| Accounts payable and accrued liabilities | (8,013) | (14,825) |
| Deferred revenue and contributions | 19,547 | 34,848 |
| | $ 17,697 | $ 20,460 |

## 16. 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 5.

Derivative financial instruments

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

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Notional value | Fair value | Notional value | Fair value |
| US Dollar | $ 465,544 | $ (4,054) | $ 428,421 | $ (223) |
| Other | 150,379 | 1,382 | 130,149 | (2,920) |
| | $ 615,923 | $ (2,672) | $ 558,570 | $ (3,143) |

Fair value is determined based on quoted market prices. The calculation of fair value is based upon market conditions at a specific point in time and may not be reflective of future fair values. The fair value of the foreign currency contracts is reported as $(2,672) (2023 - $(3,143)) in investments (Note 5). 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.

**(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.

## 17. ONTARIO STUDENT OPPORTUNITY TRUST FUND AND ONTARIO TRUST FOR STUDENT SUPPORT

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

Externally restricted endowments, as described in Note 13, 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.

(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:

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Endowment: | | | | |
| Opening balance | $ | 68,198 | $ | 68,198 |
| Endowment capital | $ | 68,198 | $ | 68,198 |
| Expendable: | | | | |
| Opening balance | $ | 74 | $ | 1,577 |
| Investment income | | 5,082 | | 5,244 |
| Bursaries awarded | | (5,010) | | (6,747) |
| Expendable funds available for awards | $ | 146 | $ | 74 |
| Number of bursaries awarded | | 1,204 | | 1,667 |

The market value of the OSOTF phase 1 endowment fund at April 30, 2024 is $135,513 (2023 - $130,548).

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

| (for the year ended March 31) | | OSOTF II | | OTSS | | 2024 Total | | 2023 Total |
|---|---|---|---|---|---|---|---|---|
| Endowment: | | | | | | | | |
| Opening balance | $ | 12,595 | $ | 38,587 | $ | 51,182 | $ | 50,691 |
| Transfer from expendable funds | | 115 | | 429 | | 544 | | 491 |
| Endowment capital | $ | 12,710 | $ | 39,016 | $ | 51,726 | $ | 51,182 |
| Expendable: | | | | | | | | |
| Opening balance | $ | 115 | $ | 222 | $ | 337 | $ | 35 |
| Investment income | | 719 | | 2,370 | | 3,089 | | 3,024 |
| Bursaries awarded | | (528) | | (1,531) | | (2,059) | | (2,231) |
| Transfer to endowment funds | | (115) | | (429) | | (544) | | (491) |
| Expendable funds available for awards | $ | 191 | $ | 632 | $ | 823 | $ | 337 |
| Number of bursaries awarded | | 549 | | 599 | | 1,148 | | 1,109 |

The market value of the OSOTF phase 2 endowment fund at March 31, 2024 was $83,992 (2023 - $76,349).

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

## 18. 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 (2023 - $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 $945 (2023 - $784).

**(b) Investment in Cogeneration Facility**
The University entered into a joint venture with KHSC for the construction and operation of a cogeneration facility governed by a management board consisting of representatives of the University and KHSC. The purpose of the facility is to produce electricity and steam. The University's proportionate share of the joint venture is 60 per cent and KHSC's proportionate share is 40 per cent. The University's capital investment in the joint venture is repaid from the operating fund over a twenty-five year period ending April 30, 2031. The University's proportionate share of the cogeneration facility's assets, liabilities and operations have been included in the financial statements. The University's proportionate share of the deficiency of revenues over expenses for the current fiscal year is $1,235 (2023 - $1,295).

**(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' (deficit) / equity at April 30, 2024 is $(4,582) (2023 - $(14)). The amount due to Queen's consists of a demand promissory note that bears a variable interest rate per annum. The interest rate at April 30, 2024 was 7.2 per cent.

| | 2024 (unaudited) | 2023 (unaudited) |
|---|---|---|
| Total assets | $ 179 | $ 5,707 |
| Due to Queen's University | 4,761 | 5,723 |
| Shareholders' equity | $ (4,582) | $ (16) |
| Revenue | $ 616 | $ 1,906 |
| Expenses | 5,182 | 6,387 |
| Net loss | $ (4,566) | $ (4,481) |
| Cash flows from operating activities | $ (5,234) | $ (2,842) |
| Cash flows from investing activities | 4,976 | 31 |
| Cash flows from financing activities | 336 | 2,719 |
| Net increase / (decrease) in cash | $ 78 | $ (92) |

(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, 2023 was $843 (2022 - $431).

| | 2023 | 2022 |
|---|---|---|
| Total assets | $ 3,464 | $ 2,881 |
| Total liabilities | 5,149 | 3,744 |
| Total fund balances | $ (1,685) | $ (863) |
| Revenues | $ 4,833 | $ 4,438 |
| Expenses | 5,655 | 4,748 |
| Deficiency of revenues over expenses | $ (822) | $ (310) |

**(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 19(c)).

(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 19(d)).

The following financial information at March 31, 2024 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.

| | 2024 (draft) | 2023 |
|---|---|---|
| Total assets | $ 58,076 | $ 53,755 |
| Total liabilities | 11,156 | 11,266 |
| Total fund balances | $ 46,920 | $ 42,489 |
| Revenues | $ 108,789 | $ 101,155 |
| Expenses | 104,358 | 99,356 |
| Excess of revenues over expenses | $ 4,431 | $ 1,799 |

## 19. 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, 2024, administration believes that the University has valid defenses and that appropriate insurance coverage is in place wherever it is possible to do so. In the event any claims are successful, administration believes that such claims are not expected to have a material effect on the University's financial position. Accordingly, no provision has been made in the financial statements.

**(b) Insurance**

The University is a member of the Canadian University Reciprocal Insurance Exchange (CURIE). CURIE insures general liability, university property and errors and omissions. Annual premiums paid by the University are determined by the CURIE Board, on the advice of the actuary. There is a provision under the agreement for assessments to all member universities if these premiums are not sufficient to cover losses. As of December 31, 2023, the date of the latest financial statements available, CURIE had a surplus of $107,548 (2022 - $99,851; restated).

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.

(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, 2024 the estimated cost to complete construction in process for the extension of facilities is approximately $41,883 (2023 - $78,730). These costs will be financed by a combination of debt, gifts, grants, and allocations from operations.

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

| Fiscal year | |
|---|---|
| 2025 | $ 3,209 |
| 2026 | 2,580 |
| 2027 | 2,134 |
| 2028 | 1,067 |
| 2029 | 512 |
| Total thereafter | 913 |
| | $ 10,415 |

**(f) Other**

In addition to the capital commitments disclosed in Note 19(e), the University has issued letters of credit of $2,285 (2023 - $2,285) primarily for capital construction.

**(g) Pension obligations**

As stated in Note 12(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, 2023, the UPP had a pension surplus and as such the University does not have a pre-conversion pension obligation at this time. The pension obligation for pre-conversion service may fluctuate in the future based on changes to the UPP's actuarial assumptions and for changes in experience in future periods. The pre-conversion pension obligation would continue to be the responsibility of the University to fund for the first 10 years starting July 1, 2021, after which the responsibility for such changes becomes gradually shared over the next ten years with the other participants of the UPP. The pre-conversion net pension surplus determined as at January 1, 2023 is not recorded in the University's consolidated financial statements as the expected future benefit will be recognized under the UPP.

## 20. COMPARATIVE FIGURES

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