Consolidated Financial Statements

Queen's University at Kingston

April 30, 2020

QUEEN'S UNIVERSITY AT KINGSTON
CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2020

INDEX

The global pandemic that resulted in provincial and national emergency measures required focused leadership with a rapid response to the uncertainties and challenges that emerged during the last few weeks of the 2019-20 fiscal year. The Queen’s community responded swiftly; academic programming transitioned to remote delivery, students in residence returned home, and most employees shifted to working from home. Despite the significant market volatility in the spring, the University posted a surplus for the year ended April 30, 2020. The University's reserves provide important financial flexibility to mitigate against existing financial pressures, and emerging pressures emanating from COVID-19.

The University Pension Plan Ontario (UPP) was established on January 1, 2020, with the appointment of a Board as the legal administrator that will serve pension plan members and retirees of Queen's University, University of Guelph and University of Toronto. It will over time serve other Ontario universities who wish to join. This is a significant milestone towards providing a financially sustainable defined benefit pension plan for our employees. Effective July 1, 2021 the UPP will replace the pension plans in place at the three founding universities. Financial market volatility related to the pandemic led to a decrease in the Queen's Pension Plan (QPP) assets, resulting in a $30 million pension liability for the year ended April 30, 2020.

In April 2020, a new $125 million bullet debenture was issued. The proceeds will be used to fund major capital projects which include a new 334 bed student residence building on the main campus that will target Leadership in Energy and Environmental Design (“LEED”) Gold certification as well as the renovation of the St. Mary’s of the Lake property to enable the relocation of several main campus administrative units to the renovated site.

The full extent of the impact of COVID-19 on the University’s operations and financial results is uncertain and difficult to assess. The University may experience weakness in international enrolment, a key revenue driver, if the virus and international travel restrictions persist. To safeguard our student population and our community, we have reduced occupancy levels in our residences which will negatively impact our ancillary revenues. Lastly, our steadfast commitment to a high-quality academic experience for students will result in increased costs associated with remote learning and examinations.

The operating surpluses of the current and past few fiscal years, have provided financial flexibility and allowed the University to make limited investments in capital infrastructure and research to advance our academic mission. Nevertheless, in addition to the emerging pressures noted above, the University continues to face ongoing and significant costs associated with the upkeep of our aging facilities. Deferred maintenance costs are estimated at more than $344 million over the next five years, and with annual expenditures of just over $15 million, this liability will continue to grow.

As we look ahead, while the challenges faced by the University caused by the global pandemic present uncertainty and could have a significant impact on our financial results, our sound financial position has put us in a position to manage these challenges in the near term. The health and wellness of our community remains a cornerstone of planning for the next year, while continuing to focus on the longer term, looking at new opportunities and at emerging from this crisis whole and ready to adapt to any new challenges. The Queen’s spirit will endure.

Donna Janiec, CPA, CA
Vice-Principal (Finance and Administration)

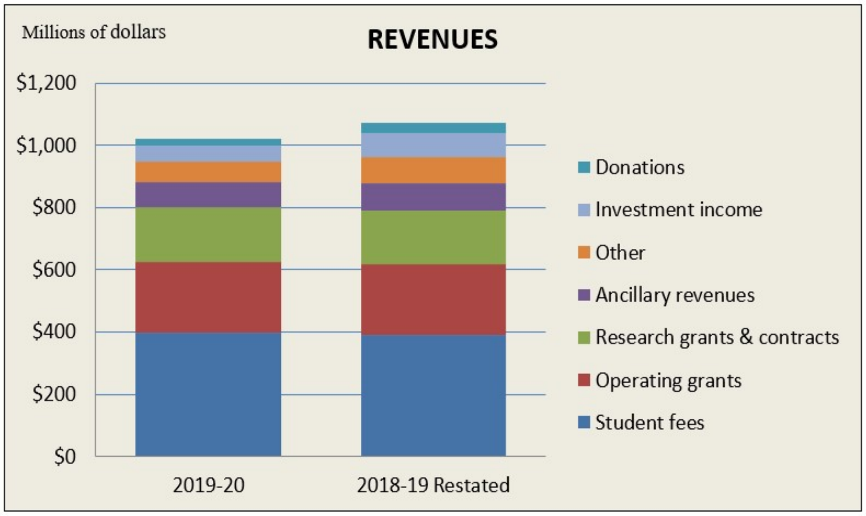
THE YEAR IN REVIEW

In 2019-20 the University completed the year in a stable financial position with a surplus of $35.7 million, driven primarily by significant one-time utilities savings, salary savings from faculty and administrative vacancies and efforts across the University to constrain costs.

YEAR ENDED APRIL 30 (Millions of dollars)		2020		2019 Restated*
Consolidated Statement of Operations				
Revenue	$	1,018.7	$	1,070.4
Expenses		983.0		965.2
Excess of revenues over expenses	$	35.7	$	105.2
Consolidated Statement of Financial Position				
Assets	$	3,007.0	$	2,812.7
Liabilities		1,389.3		1,156.1
Net assets	$	1,617.7	$	1,656.6
Net Assets is comprised of:				
Endowments	$	1,141.3	$	1,152.6
Invested in capital assets		209.8		221.5
Internally restricted		279.6		293.8
Unrestricted deficiency		(13.0)		(11.3)
	$	1,617.7	$	1,656.6

*Refer to Note 3b of the consolidated financial statements for further details

REVENUES



At a glance….
Total revenues decreased by 5 per cent due largely to unfavourable investment returns and a decrease in donations related to donated artwork. Going forward, changes in accounting standards require donated artwork to be capitalized (refer to Note 3b of the financial statements for additional information). The decreased ancillary revenues are associated with the early closure of the residence buildings due to the COVID-19 pandemic. The majority of operating grants are from the Ministry of Colleges and Universities (MCU). There are no significant changes in the operating grants from the prior year.

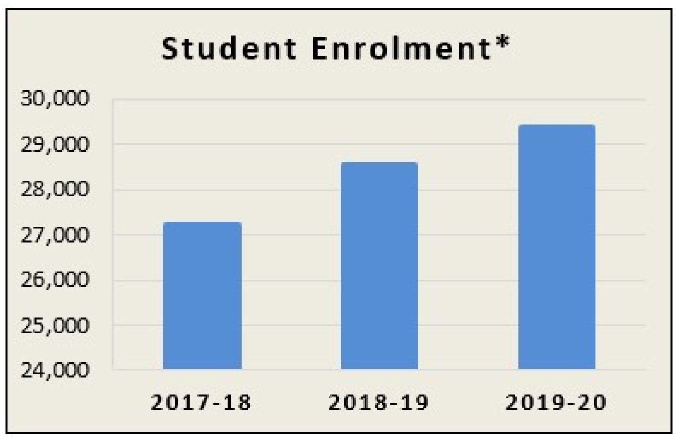
Note that all revenues that are externally restricted (e.g. research grants or donations) are only recorded when the related expenditures occur and thus have no impact on the operating surplus.

Student fees

Student fee revenue includes tuition fees as well as other fees related to activities such as student health, recreation, and athletics. In 2019-20, student fee revenue from all fee sources increased by 1 per cent. Student fee revenue increases driven by enrolment increases, domestic/international student mix, and Board of Trustee approved fee increases were offset by the reduction of all domestic eligible funded program fees as mandated by the new tuition policy framework announced by the provincial government in January 2019.

This tuition policy framework required provincially legislated institutions to decrease tuition for all domestic eligible funded programs by 10% for the 2019-20 fiscal year and these fees must be held flat for the 2020-21 fiscal year.

Student enrolment for the past three years is displayed in the chart to the right.

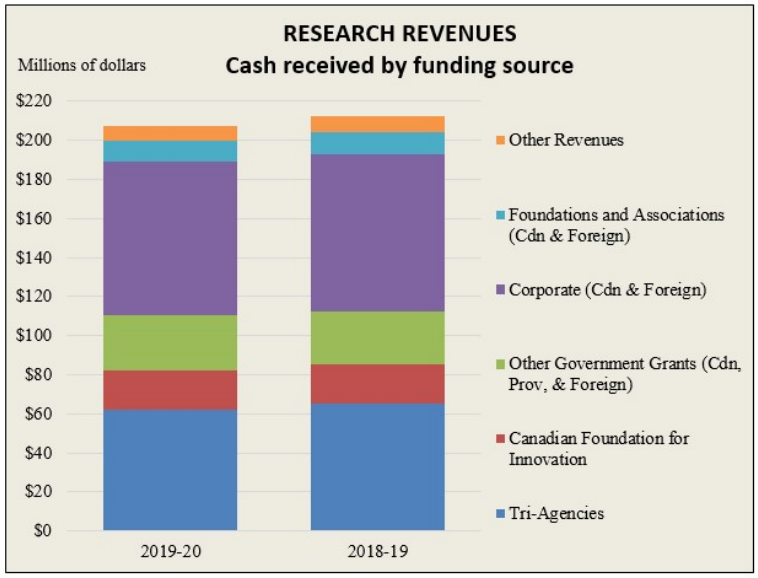


**Figures include non-credit and exchange students.*

Research grants and contracts

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

Research grant and contract revenues received by funder is presented in the chart to the right. This chart is presented on a cash basis before any adjustment for funds deferred for spending in future years. Cash received from corporate, other government grants, and Tri-Agencies funding sources in 2019-20 remained consistent with the prior year.



	Thousands of dollars 2019-20	2018-19
Cash received by funding source	$ 207,198	$ 212,069
Adjustment to deferral for future year spending	30,100	33,753
Research revenue as reported in research fund	$ 177,098	$ 178,316

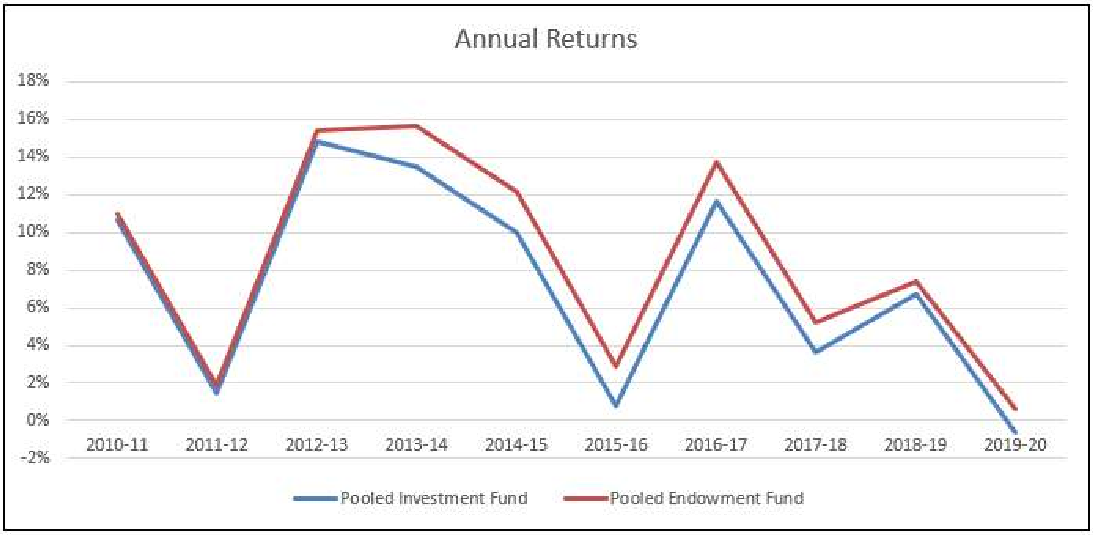
Ancillary revenues

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 decreased in 2019-20 due to the COVID-19 pandemic resulting in the early closing of the residence buildings, parking rebates offered to staff and community members, and in the "Other" category event cancellations and cancellation of many enrichment studies programs.

SALES BY ANCILLARY OPERATION	Thousands of dollars 2019-20	2018-19
Housing and hospitality	$ 82,019	$ 88,577
Parking	3,524	3,598
Other	140	1,324
	85,683	93,499
Less: Internal sales	(6,278)	(6,902)
	$ 79,405	$ 86,597

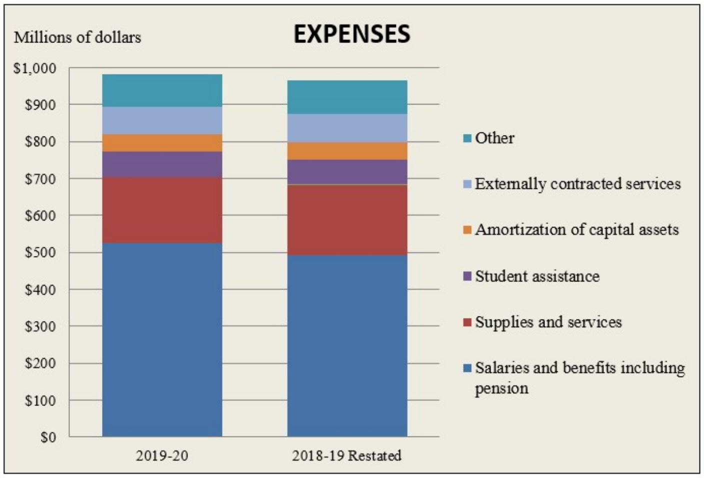
Investment income

Both the Pooled Endowment Fund and the Pooled Investment Fund are invested in accordance with Board approved Statements of Investment Policies and Procedures which establish risk and return objectives for each Fund. While the aim of these objectives is to produce steady and predictable investment returns over the medium and/or long-term, there is considerable volatility in investment returns on an annual basis. Volatility was especially high in the fourth quarter of 2019-20 fiscal year as a result of COVID-19 propelled market volatility. Although markets had rebounded sharply prior to fiscal year end, investment income for 2019-20 decreased significantly from $75.1 million in 2018-19 to $50.7 million. Annual rates of return for the last ten years for the Pooled Endowment Fund and the Pooled Investment Fund are presented below.



Because business units rely heavily on the annual payout from the Pooled Endowment Fund of approximately $40 million, the payout calculation is smoothed and mitigates the impact of any volatility in investment income from year to year. In years of strong investment returns, excess gains are re-invested in the preservation of capital to offset years where the amount made available for spending exceeds investment income.

EXPENSES



At a glance…
Total expenses increased by 1.9 per cent in 2019-20, driven by an increase in expenses related to salaries and benefits which is offset by a decrease in other, relating to a one-time utilities rebate, and a decrease in supplies and services related to donated artwork. Going forward, changes in accounting standards require donated artwork to be capitalized (refer to Note 3b of the financial statements for additional information).

SALARIES AND BENEFITS

	Thousands of dollars 2019-20	2018-19 Restated
Salaries and benefits expense		
Salaries and benefits	$ 486,832	$ 454,230
Non-pension employee future benefits	9,514	9,746
Pension	30,009	29,272
Total	$ 526,355	$ 493,248
% of total expenses	54%	51%
Employee Future Benefits Liability		
Pension deficit / (surplus)	$ 30,459	$ (20,950)
Non-pension employee future benefits liability	101,961	95,768
Total	$ 132,420	$ 74,818

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.

In 2019-20, salaries and benefits grew by 6.7 per cent. Growth in the year is due to negotiated salary increases as well as an increase in staff as faculties and schools continue to support program development and revenue generation across the University, and reflects Queen's faculty renewal plan that started in 2017 to hire 200 new faculty members over five years.

Lower investment returns in the pension plan during the year decreased the pension plan asset as at April 30, 2020 (on a going concern valuation basis). Non-pension employee future benefits liability increased by the annual current service costs. Additional information on pension and other employee future benefits is available in Note 13 of the financial statements.

Employee Group	Unit / Association	Contract effective until
Academic Assistants	USW 2010-01	August 2020
Allied Health Care Professionals (Family Health Team)	OPSEU 452	June 2022
General Support Staff	USW 2010	December 2021
Graduate Teaching Assistants and Teaching Fellows	PSAC 901, Unit 1	April 2021
Kingston Heating & Maintenance Workers	CUPE 229	June 2021
Kingston Technicians	CUPE 254	June 2021
Library Technicians	CUPE 1302	June 2021
Post-Doctoral Fellows	PSAC 901, Unit 2	June 2020
Queen's University Faculty Association	QUFA	April 2022
Registered Nurses and Nurse Practitioners (Family Health Team)	ONA 67	March 2021

CAPITAL PROJECTS

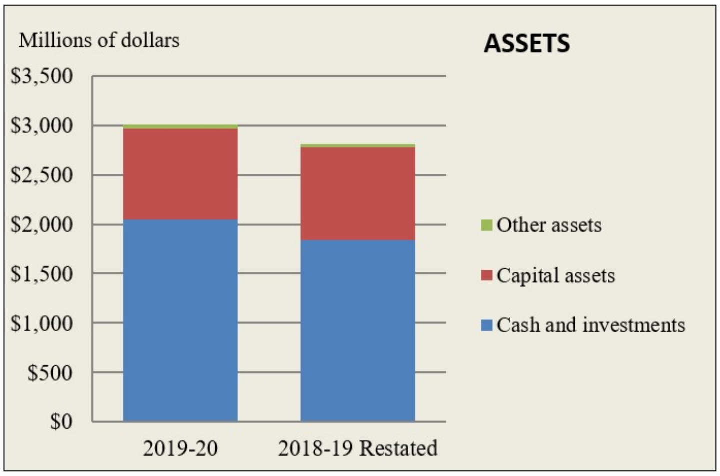
During the year, the University launched two significant projects, the renovation of the property formally known as St. Mary's of the Lake and the construction of a new residence building. The Board of Trustees approved the renovation of St. Mary's of the Lake property at a total cost of $24.5 million which will enable the relocation of several main campus administrative units to this location.

The Board of Trustees approved the construction of a new residence building on Albert Street at a total cost of $57.5 million. The new residence building will target Leadership in Energy and Environmental Design ("LEED") Gold certification and will provide 334 beds to support the current and future need for student living space.

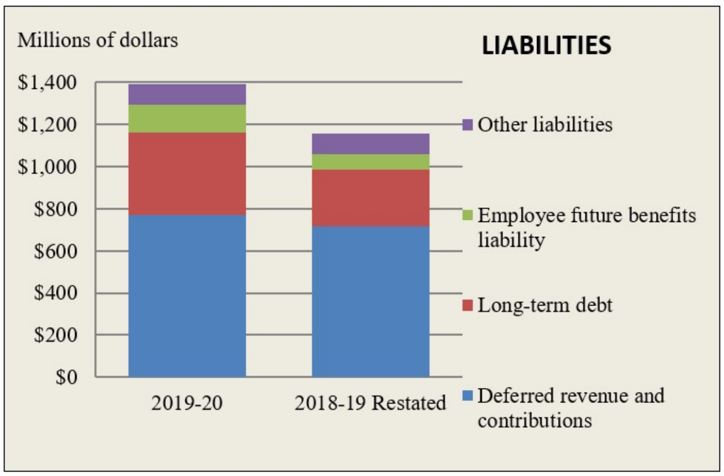
The University's capital expenditures of $26.3 million in 2019-20 are presented in the table below, with comparative information for the prior year. As expected with the completion of Mitchell Hall and the revitalization of campus biomedical research facilities in the prior year capital spending has decreased in 2019-20. The bulk of the spending on building projects and construction in progress relates to the continued planning work of the John Deutsch University Centre and the on-going construction work to the Ingenuity Lab, the new residence building, and classroom renovations. The Ingenuity Lab is a section of the Mitchell Hall building which will be used to enhance innovation programming at Queen's and strengthen the University's position in world-leading research.

		Thousands of dollars		
CAPITAL ASSET ADDITIONS		2019-20		2018-19
Building projects and construction in progress	$	10,509	$	62,936
Equipment and furnishings		14,952		12,920
Other asset purchases		791		831
	$	26,252	$	76,687

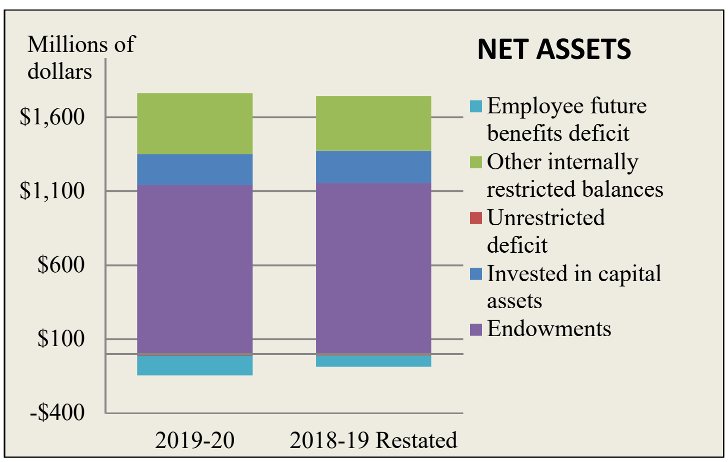
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT A GLANCE



Assets of the University increased by $192 million or 7 per cent overall, due primarily to growth in the University's cash and investments due to the issuance of a $125 million debenture in April 2020. The proceeds will be used to support capital priorities in future years.



Liabilities of the University increased by 20 per cent. The significant increase relates to the new debenture of $125 million obtained in 2019-20 and an increase in deferred revenue and contributions as well as an increase in employee future benefits liability. The increase in deferred revenue is due largely to an increase in unspent externally restricted research and trust funds. The increase in employee future benefits is due primarily to weaker investment returns in the pension plan. Further information on employee future benefits is provided in the previous Salaries and Benefits section and in Note 13 to the financial statements.



Net assets decreased by $39 million in 2019-20. This decrease is comprised primarily by an increase in the employee future benefits deficit ($57.6M), a decrease in amount invested in capital assets ($11.7M) and a decrease in endowments ($11.3M) as the actual rate of return was lower than the spending allocation in the year. The decreases are offset by an increase in other internally restricted balances. Refer to Note 15 of the financial statements for information on the commitments associated with these reserves.

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 such as the Cancer Society and the Heart and Stroke Foundation.

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

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

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

THE CONSOLIDATED STATEMENT OF OPERATIONS BY FUND

April 30, 2020
(Thousands of dollars)

The table below presents the activities of the University by fund, for the year ended April 30, 2020, and supplements the information presented in the financial statements.

	Operating	Ancillaries	Trust and Endowment	Research	Capital	Consolidated Entities	Total 2020
REVENUES							
Grants and contracts	229,281	-	15,986	174,408	(11,915)	-	407,760
Student fees	392,281	-	-	-	-	4,272	396,553
Sales of service and products	13,614	79,405	-	-	225	3,252	96,496
Investment income	11,079	-	22,075	1,747	15,581	232	50,714
Amortization of deferred capital contributions	-	-	-	-	25,178	293	25,471
Other	21,248	-	-	943	341	25	22,557
Donations	2,626	-	15,881	-	697	-	19,204
	670,129	79,405	53,942	177,098	30,107	8,074	1,018,755
EXPENSES							
Salaries and benefits	418,916	11,153	18,760	71,834	-	5,692	526,355
Supplies and services	124,061	4,470	9,783	65,504	(15,743)	(9,827)	178,248
Externally contracted services	13,661	27,220	1,551	33,741	-	55	76,228
Student assistance	40,558	-	27,526	416	-	-	68,500
Amortization of capital assets	-	-	-	-	44,450	1,701	46,151
Renovations and alterations	9,891	9,182	429	767	17,285	(110)	37,444
Travel and conferences	10,532	245	1,655	8,561	-	107	21,100
Utilities, taxes and insurance	8,739	5,196	133	128	-	858	15,054
Interest on long-term debt	-	-	-	-	13,806	157	13,963
Interfund transfers out / (in)	28,323	23,195	1,219	(13,791)	(38,946)	-	-
	654,681	80,661	61,056	167,160	20,852	(1,367)	983,043
Excess / (deficiency) of revenues over expenses	**15,448**	**(1,256)**	**(7,114)**	**9,938**	**9,255**	**9,441**	**35,712**
Transfer to net assets invested in capital assets	-	-	-	-	(19,272)	(1,408)	(20,680)
Transfer (to) / from internally restricted net assets	(20,438)	1,256	7,114	(9,938)	10,017	(4,760)	(16,749)
Net change in unrestricted surplus / (deficit)	(4,990)	-	-	-	-	3,273	(1,717)
Unrestricted surplus / (deficit), beginning of year (restated)	620	-	-	-	-	(11,891)	(11,271)
Unrestricted deficit, end of year	(4,370)	-	-	-	-	(8,618)	(12,988)

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:

A financially unsustainable pension plan

The actuarial valuation of the pension plan completed as of August 31, 2017 reported a solvency deficit of $313 million. The University applied for and received Stage II solvency relief in 2014-15, which provided for a three-year deferral of making solvency deficit payments until 2018-19. Partial funding of the solvency deficit commenced in September 2018 under the new regulation issued at the end of October 2016, which provides additional partial solvency relief for those in Stage II relief with a valuation date on or before December 31, 2018.

Effective September 1, 2018, special payments are $19 million annually, consisting of going concern payments of $3.4 million and solvency payments of $15.6 million.

In 2018 new regulations were issued, which are in force for all valuations filed after May 1, 2018. Queen's next valuation is required as of August 31, 2020, at which time the new funding rules will apply.

To develop a sustainable pension plan and to mitigate the financial risk, Queen's has been working with the University of Toronto and University of Guelph to design and build a Jointly Sponsored Pension Plan (JSPP), the University Pension Plan Ontario (UPP). Like other successful JSPPs plan governance, costs and risks will be shared equally between employers and plan members. JSPPs are not subject to solvency funding requirements. Once established the UPP will be open to other Ontario universities. Significant progress was made again in the past year, with the establishment of the University Pension Plan on January 1, 2020. There is still significant work to be done to move towards planned implementation on July 1, 2021, with this remaining a priority for the University.

The table below shows the change in the funded status of the plan on a going concern basis for each of the last two years. The deterioration of the going concern (market value) surplus of $21 million to a deficit of $30.5 million has been driven by weak investment returns as a result of the COVID-19 propelled market volatility. These substantial losses demonstrate that investment returns, which are subject to considerable volatility, are a significant contributor to the annual improvement or deterioration of the financial position of the plan annually.

In determining the long-term financial viability of the plan, the University continues to focus not on the point-in-time measurement of the pension plan asset or liability, but rather on the need to achieve a pension plan design that is sustainable for the long-term.

CHANGE IN FUNDED STATUS OF PENSION PLAN GOING CONCERN (MARKET VALUE) BASIS	Thousands of dollars 2019-20	 2018-19
Surplus, opening balance	$ (20,950)	$ (8,669)
Pension benefit plan expense		
Current service cost	31,182	29,758
Finance income	(1,173)	(486)
	30,009	29,272
Remeasurements and other items		
Investment losses / (gains)	66,775	(2,899)
Liability experience losses	3,770	2,232
	70,545	(667)
Less: university contributions	(49,145)	(40,886)
Deficit / (surplus), closing balance	$ 30,459	$ (20,950)

Additional information on pension and other employee future benefits is available in Note 13 of the financial statements.

Deferred maintenance

Maintaining the University's space to appropriate standards puts significant pressure on university budgets. Based on a Facilities Condition Audit, completed in December 2016, deferred maintenance costs for the next five years are estimated to be $344.6 million. Within this amount, there are $52.3 million of requirements that would only be done during a major renovation (replace electrical wiring, heating systems, ductwork, etc.). The industry standard for annual deferred maintenance funding is 1 to 1.5 per cent of the current replacement value. For the University academic and residence buildings, the annual number at 1 per cent would be $20 million.

Annual budget allocations to deferred maintenance have been increasing over the last several years (from $6.3 million in 2014-15 to $16 million in 2019-20), and the University manages these funds within a five-year deferred maintenance plan that ensures the highest priority deferred maintenance needs are addressed. Significant repairs completed during the 2019-20 fiscal year include washroom renovations at Jean Royce Hall and McLaughlin Hall, window replacement projects at McLaughlin Hall and Sir John A. Macdonald Hall and roofing projects at multiple buildings on campus.

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 Ministry of Colleges and Universities (MCU) has progressed in consultation with the sector to transition to the Strategic Mandate Agreement (SMA) 3. The third round of the SMA process will begin in fiscal 2020-21 and incorporates outcome-based metrics with performance-based funding linked to these metrics. In addition, the performance-based envelope will increase from 25% of the system-wide government grant to 60% by 2024-25.

As a result of the COVID-19 pandemic, the MCU committed to providing flexibility during this time. On April 8th, 2020, the MCU deferred the deadline for signing the Strategic Mandate Agreement 3 (SMA3) while institutions focus resources on addressing the COVID-19 outbreak. In addition, on August 17th, 2020 the ministry communicated their decision to delay the activation of the performance-based funding by two years (2020-21 and 2021-22). The ministry will use the SMA3 Annual Evaluation process to determine readiness to proceed with activation for the remaining years of the SMA3. Queen's University signed its SMA3 agreement with the Ministry on August 31, 2020.

In January 2019, the Ministry of Colleges and Universities (MCU) announced the tuition framework that applied a 10% cut in domestic tuition for funding-eligible programs in 2019-20, and a freeze in tuition for these programs at the 2019-20 levels for fiscal 2020-21. The Ministry has not yet released any information about the new tuition framework for 2021-22 onward.

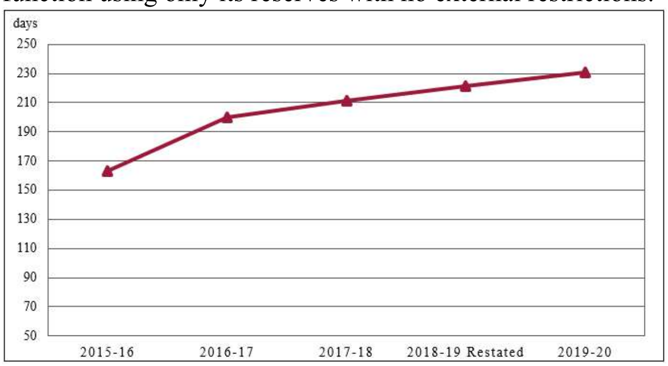
FINANCIAL HEALTH

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

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

Primary Reserve Ratio

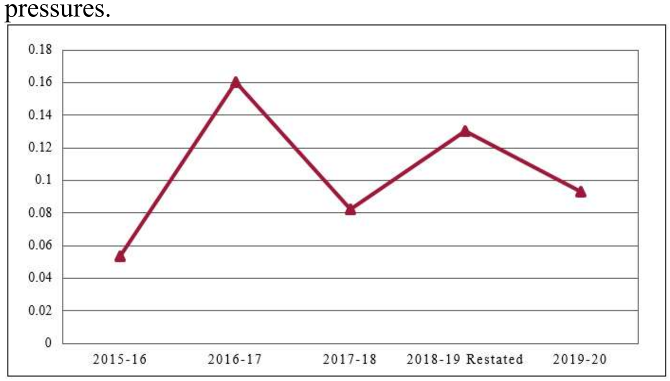
The primary reserve ratio helps to determine whether the University's resources are sufficient and flexible enough to support the mission. It summarizes the financial health and flexibility by indicating how long the University could function using only its reserves with no external restrictions.



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

Net Operating Revenues Ratio

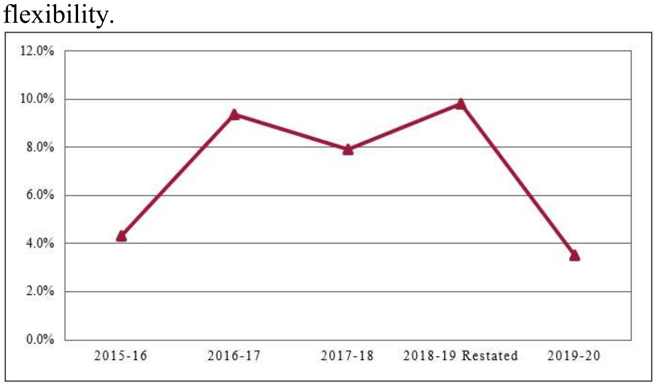
The net operating revenues ratio is a measure of financial performance. Positive cash flow from operations indicates a strengthening position, and, conversely, structural negative cash flows are almost always an indication of financial pressures.



Definition: Cash flow from operating activities divided by total revenues

Net Income / Loss Ratio

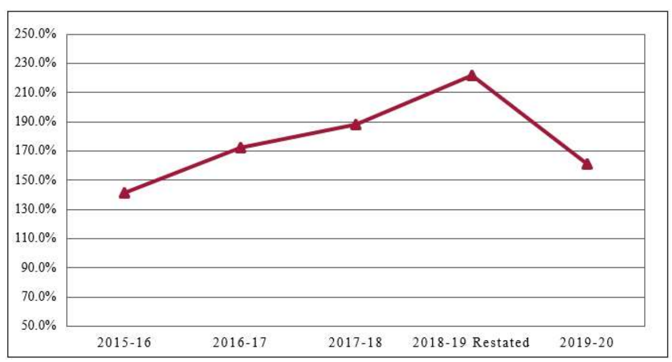
The net income / loss ratio measures the percentage of revenues that contribute to net assets. The objective of this ratio is to track trends in an institution's net earnings. An increase in this ratio indicates greater future financial flexibility.



Definition: Net income or loss divided by total revenues

Viability Ratio

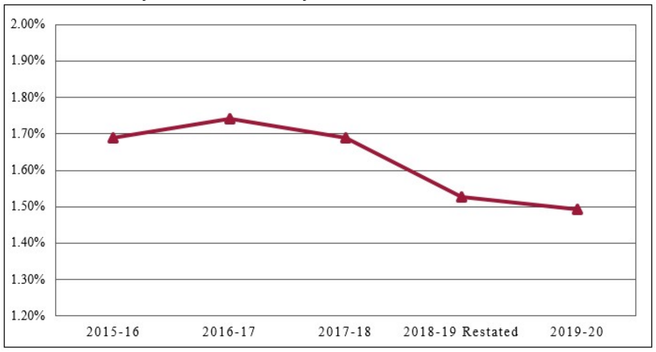
The viability ratio provides an indication of the funds on hand to settle the University's long-term debt obligations at a point in time. This ratio provides assistance in evaluating debt affordability



Definition: Expendable net assets divided by long-term debt

Interest Burden Ratio

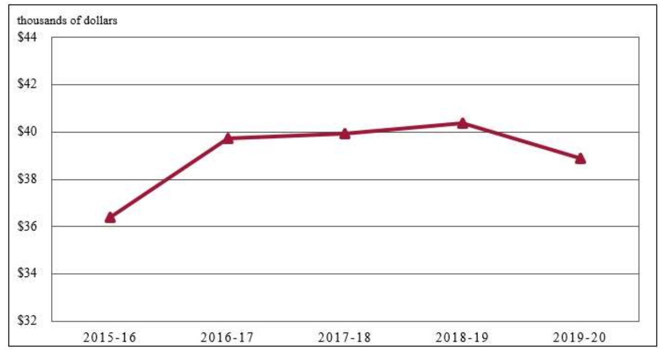
The interest burden ratio is an indicator of debt affordability. It indicates the percentage of total expenses used to cover the cost of servicing the University's debt. The University is well below the suggested maximum of 5 to 7 per cent established by the University sector.



Definition: Interest expense divided by total expenses excluding amortization

Endowment per Student FTE

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



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

PERFORMANCE OF THE OPERATING FUND

The Board of Trustees approves the operating fund budget and monitors the performance of the operating fund throughout the year. The operating fund represented 66 per cent of consolidated revenue in 2019-20.

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 may include drawdowns of cash reserves to balance.

	Thousands of dollars		
2019-20 Operating Fund	Actual	Budget	Variance
Revenue	670,129	669,744	385
Less: expenditures	(654,681)	(687,568)	32,887
Surplus / (deficit)	15,448	(17,824)	33,272
Transfer to internally restricted net assets	(20,438)	17,824	(38,262)
Decrease in unrestricted surplus	(4,990)	-	(4,990)
Operating surplus - beginning of year	620		
Operating deficit - end of year	(4,370)		

For 2019-20, the University budgeted a deficit of $17.8 million before drawdowns of reserves. Lower salary costs due to vacancies and delays in hiring, adjustments to pension and other post-employment benefit program costs required for audited financial statements (which make actual expenses lower than budgeted cash contributions), and a utilities rebate received during the year contributed to an operating surplus of $15.4 million, or 1.6% of budgeted revenue. The surplus along with existing reserves will provide important financial flexibility to mitigate against existing financial pressures, and emerging pressures emanating from COVID-19.

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. Additionally, during the final months of the 2019-20 fiscal year, the University found itself grappling with the impacts of the COVID-19 crisis. The total effects of the pandemic are still not fully understood. Nevertheless, on-going physical distancing requirements and other public health requirements will impact University operations. We remain steadfast in our commitment to the health and safety of our community.

Given the fluidity of the situation and the initial uncertainty of the impact on operations, the Board approved the 2020-21 budget that was developed in detail prior to COVID-19. The 2020-21 operating budget is balanced after a $24 million drawdown of reserves. The University will have more information on enrolments and other budget impacts later in the summer and will bring forward a revised budget for Board approval at the September meeting if changes are significant. Preliminary indications are that a revised budget will not be required.

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, 2020 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, 2020 have been reported on by KPMG LLP, Chartered Professional Accountants, the independent auditors appointed by the Board of Trustees. The independent auditors' report outlines the scope of their audit and their opinion on the consolidated financial statements.

Dr. Patrick Deane
Principal and Vice-Chancellor

Donna Janiec, CPA, CA
Vice-Principal (Finance and Administration)

INDEPENDENT AUDITORS' REPORT

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

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

- the consolidated statement of financial position as at April 30, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Queen's University at Kingston as at April 30, 2020, and its results of consolidated operations, its consolidated changes in net assets, and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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

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

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

Emphasis of Matter - Comparative Information
We draw attention to Note 3b to the financial statements which explains that certain comparative information presented as at and for the year ended April 30, 2019 has been restated.

Note 3b to the financial statements explains the change in accounting policy and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect to this matter.

Other Information
Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in Queen's University at Kingston's 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 Queen's University at Kingston's annual report as at the date of this auditors' report.

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

We have nothing to report in this regard.

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

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

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

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Queen's University at Kingston's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Queen's University at Kingston's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Queen's University at Kingston to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group of Queen's University at Kingston to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
September 25, 2020
Kingston, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at April 30, 2020
(Thousands of dollars)

		2020		2019 Restated (note 3b)
ASSETS				
Current				
Cash	$	142,513	$	161,175
Accounts receivable (note 4)		38,410		31,192
Loans receivable (note 5)		177		267
Prepaid expenses		4,926		4,279
Investments (note 6)		240,542		160,170
Total current assets		426,568		357,083
Loans receivable (note 5)		2,328		2,504
Investments (note 6)		1,666,524		1,521,931
Capital assets (note 7)		911,600		931,230
Collections (note 8)		1		-
	$	3,007,021	$	2,812,748
LIABILITIES AND NET ASSETS				
Current				
Accounts payable and accrued liabilities (note 9)	$	95,252	$	96,346
Current portion of long-term debt (note 12)		4,083		3,961
Deferred revenue and contributions (note 10)		337,214		277,297
Total current liabilities		436,549		377,604
Deferred capital contributions (note 11)		434,964		439,267
Long-term debt (note 12)		385,354		264,436
Employee future benefits liability (note 13)		132,420		74,818
		1,389,287		1,156,125
Net Assets				
Endowments (note 14)		1,141,352		1,152,622
Invested in capital assets		209,819		221,515
Internally restricted (note 15)		279,551		293,757
Unrestricted deficit		(12,988)		(11,271)
		1,617,734		1,656,623
	$	3,007,021	$	2,812,748

See accompanying notes to consolidated financial statements.

Commitments and contingencies (note 20)

Approved on behalf of the Board of Trustees:

Mary Wilson Trider
Chair, Board of Trustees

David Allgood
Chair, Audit and Risk Committee

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended April 30, 2020
(Thousands of dollars)

		2020		2019 Restated (note 3b)
REVENUES				
Grants and contracts	$	407,760	$	418,728
Student fees		396,553		391,372
Sales of service and products		96,496		100,578
Investment income (note 6)		50,714		75,100
Amortization of deferred capital contributions (note 11)		25,471		24,760
Other		22,557		28,134
Donations		19,204		31,769
		1,018,755		1,070,441
EXPENSES				
Salaries and benefits		526,355		493,248
Supplies and services		178,248		189,516
Externally contracted services		76,228		78,593
Student assistance		68,500		66,130
Amortization of capital assets		46,151		46,931
Renovations and alterations		37,444		31,426
Travel and conferences		21,100		21,539
Utilities, taxes and insurance		15,054		23,818
Interest on long-term debt		13,963		14,032
		983,043		965,233
Excess of revenues over expenses	$	35,712	$	105,208

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended April 30, 2020
(Thousands of dollars)

	Endowments	Invested in capital assets	Internally restricted	Unrestricted	**Total 2020**	**Total 2019**
Net assets / (deficit), beginning of year	$ 1,152,622	$ 221,112	$ 293,306	$ (10,417)	$ 1,656,623	$ 1,477,196
Accounting policy change (note 3b)	-	403	451	(854)	-	-
Net assets / (deficit), beginning of year restated	1,152,622	221,515	293,757	(11,271)	1,656,623	1,477,196
(Deficiency) / excess of revenues over expenses	-	(20,680)	-	56,392	35,712	105,208
Employee future benefits remeasurements and other items (note 13)	-	-	-	(70,247)	(70,247)	14,568
Change in net assets invested in capital assets	-	8,984	-	(8,984)	-	-
Change in internally restricted net assets	-	-	(13,107)	13,107	-	-
Endowment contributions (note 14)	25,373	-	-	-	25,373	25,533
(Deficiency) / excess of investment earnings over endowment spending (note 14)	(42,926)	-	-	8,015	(34,911)	29,538
Departmental transfers and other contributions (note 14)	6,283	-	(1,099)	-	5,184	4,580
Net assets / (deficit), end of year	$ 1,141,352	$ 209,819	$ 279,551	$ (12,988)	$ 1,617,734	$ 1,656,623

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended April 30, 2020
(Thousands of dollars)

		2020		2019 Restated (note 3b)
OPERATING ACTIVITIES:				
Excess of revenues over expenses	$	35,712	$	105,208
Non-cash items:				
Amortization of deferred capital contributions		(25,471)		(24,760)
Amortization of capital assets		46,151		46,931
Employee future benefits		(12,646)		(5,234)
Net change in non-cash working capital (note 16)		50,958		17,409
Cash provided by operating activities		94,704		139,554
INVESTING ACTIVITIES:				
Net change in loans receivable		267		311
Net change in investments		(224,965)		(140,317)
Purchases (net of disposals) of capital assets		(26,521)		(74,280)
Investment (loss) / gain reported as direct (decrease) / increase in net assets		(34,911)		29,538
Cash used in investing activities		(286,130)		(184,748)
FINANCING ACTIVITIES:				
Issuance of long-term debt		125,000		-
Repayment of long-term debt		(3,961)		(3,842)
Contributions received for capital purposes		21,168		38,131
Contributions reported as direct increase in net assets		30,557		30,113
Cash provided by financing activities		172,764		64,402
Net (decease) / increase in cash		(18,662)		19,208
Cash, beginning of year		161,175		141,967
Cash, end of year	$	142,513	$	161,175

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 PARTEQ Innovations, the Bader International Study Centre, the U.S. Foundation for Queen's University at Kingston, QCED Inc., Queen's University Pooled Trust Fund, and Queen's Prison Law Clinic. Accordingly, these financial statements consolidate the accounts of these organizations.

PARTEQ Innovations (PARTEQ) is incorporated by letters patent as a corporation without share capital under the Ontario Corporations Act. PARTEQ works with researchers and the business and venture capital communities to bring the benefits of scientific discovery to the public while returning proceeds to inventors and the University. PARTEQ is exempt from income tax under section 149 of the Income Tax Act (Canada).

The Bader International Study Centre 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. The Bader International Study Centre operates in East Sussex, England and is incorporated under the laws of the United Kingdom as a Company Limited by Guarantee. It is registered as a charity with the United Kingdom Charity Commissioners and is therefore exempt from tax to the extent that income or gains are applied exclusively to charitable purposes.

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

Queen's Centre for Enterprise Development (QCED Inc.) was incorporated under the Canada Business Corporation Act on February 2, 2001 and began operations on June 1, 2001. QCED Inc. is a wholly owned subsidiary of the University. QCED Inc. was formed for the purposes of building on the knowledge base of Queen's School of Business to develop and deliver knowledge to small and medium-sized enterprises to foster success in this sector. QCED Inc. also supports academic research activities within the University and within this sector.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements ("the financial statements") have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies of the University are described below.

(a) 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 pension and other employee future benefits, the carrying value of capital assets, and the valuation of accounts receivable. Actual results could differ from those estimates.

(b) Financial instruments

i. Investments

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

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

ii. Derivative and other financial instruments

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

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

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

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

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

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

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

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

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

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

The estimated useful lives of assets are as follows:

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

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

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

(d) Employee future benefit plans

The University has a defined contribution pension plan, which has a defined benefit component that provides a minimum level of pension benefits. The University also 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 University accrues its obligations and the related costs for funded employee future benefit plans based on the latest going concern funding valuation. The actuarial valuation is performed at least every three years. In the years between valuations, pension plan results are prepared based on extrapolations of the latest available funding valuation results. The University has elected to accrue its obligations and related costs for unfunded plans on a basis consistent with funded plans. Assets of the employee future benefit plans are valued using fair values at the date of the consolidated balance sheet.

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

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) Agency obligations

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

3. CHANGE IN ACCOUNTING POLICY

(a) Adoption of handbook sections 4433, 4434 and 4441

The University has adopted *Section 4433, Tangible capital assets held by not-for-profits organizations, Section 4434 Intangible assets held by not-for-profit organizations* and *Section 4441, Collections held by not-for-profit organizations,* which are effective for financial statements for fiscal years beginning on or after January 1, 2019. The amendments including the transitional provisions are as follows:

i. Section 4433, Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the CPA Canada Handbook (the "Handbook"). In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense and, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components. This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at May 1, 2019.

ii. Section 4434, Intangible assets held by not-for-profit organizations, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expense should the net carrying value be higher than the asset's fair value or replacement cost. This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at May 1, 2019.

iii. Section 4441, Collections held by not-for-profit organizations, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

The implementation of Sections 4433 and 4434 has been applied prospectively and has no impact on the current year opening net assets. The transitional provisions of Sections 4433 and 4434 have been applied retrospectively and has no impact on the current year opening net assets. The implementation of Section 4441 has been applied retrospectively and had a nominal impact of $1, and as such, the prior year figures have not been restated.

(b) Joint ventures

In addition to the new handbook sections mentioned above, the University has changed its accounting policy for reporting its interests in joint ventures as it relates to the Kingston Health Sciences Centre / Queen’s Parking Commission from the equity method to the proportionate consolidation method. The operating activities of the Joint Venture align with the ancillary operating activities of the University and this treatment better represents the benefits and risks the University is responsible for.

This change in accounting policy has been accounted for retrospectively, and the comparative statements for the year ended April 30, 2019 have been restated. The effect of the change on the year ended April 30, 2019 is shown below. There was no impact on total opening net assets.

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

		Previous accounting policy		Impact of the change in accounting policy		New accounting policy
Statement of Financial Position:						
Assets	$	2,810,480	$	2,268	$	2,812,748
Liabilities		1,153,857		2,268		1,156,125
Net Assets	$	1,656,623	$	-	$	1,656,623
Statement of Operations:						
Total Revenues	$	1,069,753	$	688	$	1,070,441
Total Expenses		964,545		688		965,233
Excess of revenues over expenses		105,208		-		105,208
Statement of Cash Flows:						
Operating Activities		139,575		(21)		139,554
Investing Activities		(184,769)		21		(184,748)
Financing Activities		64,402		-		64,402
Increase/Decrease	$	19,208	$	-	$	19,208

4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised primarily of balances receivable for research projects and trade accounts receivable, including tuition net of an allowance for doubtful accounts of $3,280 (2019 - $3,410).

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		
2021	$	20,393
2022		12,371
2023		10,489
2024		9,021
2025		5,158
Thereafter		4,178
	$	61,610

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

5. LOANS RECEIVABLE

Loans receivable is comprised of an amount receivable regarding relocation loans to employees in the amount of $nil (2019 - $100) and a loan to the Kingston Health Sciences Centre / Queen's Parking Commission (the "Parking Commission") in the amount of $2,505 (2019 - $2,671). The loan to the Parking Commission bears interest at 6 per cent per annum and matures in October 2030.

6. INVESTMENTS AND INVESTMENT INCOME

(a) Investments
Fair value details of investments are as follows:

		2020		2019
Current				
Short-term	$	240,542	$	160,170
Non-current				
Pooled Endowment Fund		1,131,147		1,136,802
Pooled Investment Fund		392,865		261,707
Other		142,512		123,422
		1,666,524		1,521,931
Total investments	$	1,907,066	$	1,682,101

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

(b) Uncalled commitments
As at April 30, 2020, 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, 2020, the University had uncalled commitments of approximately $79,671 (2019 - $26,596), 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.

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

(c) Investment income

Investment income is comprised of the following:

	2020	2019
Realized income on investments	$ 57,797	$ 62,043
Unrealized (losses) / gains on investments	(1,837)	17,961
	55,960	80,004
Investment management fees and transaction costs	(5,246)	(4,904)
Investment income	$ 50,714	$ 75,100

7. CAPITAL ASSETS

Capital assets consist of the following:

	2020			2019		
	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	1,273,502	491,229	782,273	1,256,215	462,058	794,157
Leasehold improvements	12,683	8,489	4,194	12,698	7,798	4,900
Equipment and furnishings	172,678	142,999	29,679	182,175	152,046	30,129
Library acquisitions	109,565	107,809	1,756	116,573	114,530	2,043
Software	31,366	31,366	-	31,366	31,366	-
Construction in process	9,540	-	9,540	15,843	-	15,843
	$ 1,693,492	$ 781,892	$ 911,600	$ 1,699,028	$ 767,798	$ 931,230

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

8. COLLECTIONS

The University's purchased artwork and rare and historical books as part of its collections are expended and included in supplies and services in the statement of operations. The total amount expended on artwork for the year was $nil (2019 - $nil) and the total amount expended on rare and historical books for the year was $nil (2019 - $429). The artwork and book collections are insured through a fine arts policy for a total value of $242,009 (2019 - $233,954).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities is comprised primarily of trade accounts payable, government remittances, payroll related accruals and the present value of future annuity payments. The University’s government remittances payable at the end of the year were current and amounted to $14,289 (2019 - $10,970).

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

10. DEFERRED REVENUE AND CONTRIBUTIONS

	2020	2019
Research funds	$ 198,157	$ 163,521
Trust funds	78,990	64,815
Student fees	34,000	32,049
Capital funds	5,984	6,052
Other	18,173	8,385
Gift annuities	1,910	2,475
	$ 337,214	$ 277,297

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

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

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

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

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

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

11. DEFERRED CAPITAL CONTRIBUTIONS

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

	2020	2019
Balance, beginning of year	$ 439,267	$ 425,896
Amortization of deferred capital contributions	(25,471)	(24,760)
Contributions received for capital purposes	21,168	38,131
	$ 434,964	$ 439,267

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

12. LONG-TERM DEBT

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

	Maturity in Fiscal Year Ending	Interest Rate	2020 Principal Outstanding	2019 Principal Outstanding
Amortizing unsecured bank loan maturing November 1, 2030	2031	Variable	$ 52,727	$ 56,852
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	-
			392,727	271,852
Unamortized transaction costs/bond discount			(3,290)	(3,455)
			389,437	268,397
Less current portion			(4,083)	(3,961)
			$ 385,354	$ 264,436

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 in April and June 2040 and the Series B senior unsecured debenture maturing on April 27, 2060. At April 30, 2020 the value of the sinking funds is $122,668 (2019 - $102,951).

The University has in place an interest rate swap agreement for 17 years which expires in fiscal 2031. Under the terms of the agreement, the University agrees to receive a floating interest rate on its amortizing unsecured bank loan maturing November 1, 2030, while paying an effective rate of 3.18 per cent.

(b) Long-term debt repayments

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

Fiscal year	
2021	$ 4,083
2022	4,209
2023	4,338
2024	4,471
2025	4,608
Thereafter	367,728
	$ 389,437

13. EMPLOYEE FUTURE BENEFITS LIABILITY

The University has a defined contribution pension plan, which has a defined benefit guarantee that provides a minimum level of pension benefits. The University also 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.

At retirement, pension plan members can elect to take a pension payable from the fund that secures the benefit payments promised by the University sponsored pension plan. Following retirement, this pension payout is indexed based on excess interest over 6.0 per cent, and pensions are guaranteed not to reduce.

The assets of the pension plan are managed by a number of external investment managers, are held by an independent custodian, and are completely separate and apart from the assets of the University.

Salaries and benefits expense for the year includes pension benefit expenses of $30,009 (2019 - $29,272) and non-pension retirement and post-employment benefit expenses of $9,514 (2019 – $9,746).

The University measures its accrued benefit obligations and fair value of pension plan assets at April 30 each year.

The discount rate used in the actuarial measurement of the employee future benefit plans obligation was 5.6 per cent (2019 – 5.6 per cent).

The discount rate used in the actuarial measurement of the benefit plans expense was 5.6 per cent (2019 – 5.6 per cent).

Information about the University's benefit plans at April 30 is as follows:

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

	2020			2019		
	Pension benefit plan	Other benefit plans	Total	Pension benefit plan	Other benefit plans	Total
Accrued benefit liability						
Accrued benefit obligation	$ (2,138,510)	$ (101,961)	$ (2,240,471)	$ (2,141,428)	$ (95,768)	$ (2,237,196)
Fair value of plan assets	2,108,051	-	2,108,051	2,162,378	-	2,162,378
Accrued benefit asset / (liability)	$ (30,459)	$ (101,961)	$ (132,420)	$ 20,950	$ (95,768)	$ (74,818)
Benefit plan expense						
Current service cost	$ 31,182	$ 4,151	$ 35,333	$ 29,758	$ 3,961	$ 33,719
Finance (income) / costs	(1,173)	5,363	4,190	(486)	5,785	5,299
Net benefit cost	$ 30,009	$ 9,514	$ 39,523	$ 29,272	$ 9,746	$ 39,018
Remeasurements and other items						
Difference between actual and expected return	$ 66,775	$ -	$ 66,775	$ (2,899)	$ -	$ (2,899)
Actuarial (gain) / loss on accrued benefit obligation	3,770	(298)	3,472	2,232	(13,901)	(11,669)
Net remeasurements and other items (gains) / losses	$ 70,545	$ (298)	$ 70,247	$ (667)	$ (13,901)	$ (14,568)

Details of annual contributions and benefits paid are as follows:

	2020		2019	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Employer contributions	49,145	3,023	40,886	3,366
Employee contributions	29,240	-	28,867	-
Benefits paid	118,304	3,023	111,203	3,366

The most recent actuarial valuation of the pension plan was performed as of August 31, 2017, and the results have been extrapolated to April 30, 2020. The date of the next required valuation is August 31, 2020.

The most recent actuarial valuation of non-pension retirement benefits was performed as of December 31, 2018 and results have been extrapolated to April 30, 2020. The date of the next required valuation is December 31, 2021.

The most recent actuarial valuation of post-employment benefits was performed as of April 30, 2020.

Regulations governing provincially regulated pension plans establish certain solvency requirements that assume that the plans are wound up on the valuation date. During the 2015 fiscal year, the University applied and qualified for stage two of the public sector pension plan temporary solvency funding relief program. Under this program the University has elected to defer solvency deficit payments for three years and pay down the solvency deficit over the following seven years. Payments began in fiscal 2019.

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

14. ENDOWMENTS

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

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

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

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

	2020			2019		
	External	Internal	Total	External	Internal	Total
Investment income on endowments	$ 984	$ 641	$ 1,625	$ 63,196	$ 15,259	$ 78,455
Less: available for spending	(35,895)	(8,656)	(44,551)	(33,658)	(8,494)	(42,152)
(Deficiency) / Excess of investment earnings over endowment spending	(34,911)	(8,015)	(42,926)	29,538	6,765	36,303
Endowment contributions	25,373	-	25,373	25,533	-	25,533
Departmental transfers and other contributions	5,484	799	6,283	4,674	626	5,300
Net increase in net assets	(4,054)	(7,216)	(11,270)	59,745	7,391	67,136
Net assets, beginning of year	924,183	228,439	1,152,622	864,438	221,048	1,085,486
Net assets, end of year	$ 920,129	$ 221,223	$ 1,141,352	$ 924,183	$ 228,439	$ 1,152,622

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

15. INTERNALLY RESTRICTED NET ASSETS

Details of year-end balances are as follows:

	2020	2019
Operating contingencies	$ 173,228	$ 185,224
Unspent research funds	59,729	49,792
Internally financed capital projects	(100,909)	(115,449)
Sinking funds	122,668	102,951
Capital reserves	109,497	104,826
Employee future benefits		
Pension and other benefit plans deficit	(132,420)	(74,818)
Pension reserve	47,758	41,231
	$ 279,551	$ 293,757

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

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

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

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

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

Employee future benefit balances represent the deficit associated with the pension and other benefit plans, offset by associated internally restricted reserve balances set aside to fund future pension related commitments.

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

16. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	2020	2019
Net change in non-cash working capital:		
Accounts receivable	$ (7,218)	$ 5,923
Prepaid expenses	(647)	(693)
Accounts payable and accrued liabilities	(1,094)	(21,403)
Deferred revenue and contributions	59,917	33,582
	$ 50,958	$ 17,409

17. FINANCIAL INSTRUMENTS

(a) Fair value

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

The fair value of investments are disclosed in Note 6.

Derivative financial instruments

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

	2020		2019	
	Notional value	Fair value	Notional value	Fair value
US Dollar	$ 259,626	$ 3,013	$ 176,218	$ (1,596)
Other	85,439	(4,463)	76,918	(396)
	$ 345,065	$ (1,450)	$ 253,136	$ (1,992)

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 $(1,450) (2019 - $(1,992)) in investments (Note 6). The change in the fair value of the foreign currency contracts is accounted for consistent with investment returns in the consolidated statements of operations and statement of changes in net assets.

(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 assess, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts (Note 4). The University's investments must adhere to minimum quality standard ratings as stipulated in the SIP&P.

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

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

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

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

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

(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:

	2020	2019
Endowment Funds:		
Opening balance	$ 68,531	$ 68,744
Transfer to expendable funds	(5)	(213)
Endowment capital	$ 68,526	$ 68,531
Expendable Funds:		
Opening balance	$ 428	$ 428
Investment income	4,411	4,093
Bursaries awarded	(4,416)	(4,306)
Transfer from endowment funds	5	213
Expendable funds available for awards	$ 428	$ 428
Number of bursaries awarded	1,421	1,504

The market value of the OSOTF phase 1 endowment fund at April 30, 2020 is $111,340 (2019 - $115,044).

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

(for the year ended March 31)	OSOTF II	OTSS	2020 Total	2019 Total
Endowment Funds:				
Opening balance	$ 12,384	$ 34,254	$ 46,638	$ 45,491
Donations received	-	822	822	909
Transfer from expendable funds	51	199	250	237
Endowment capital	$ 12,435	$ 35,275	$ 47,710	$ 46,637
Expendable Funds:				
Opening balance	$ 51	$ 107	$ 158	$ 350
Internal Transfers to expendable funds	-	-	-	20
Investment income	691	1,495	2,186	2,609
Bursaries awarded	(592)	(1,317)	(1,909)	(1,964)
Transfer to endowment funds	(51)	(199)	(250)	(237)
Expendable funds available for awards	$ 99	$ 86	$ 185	$ 778
Number of bursaries awarded	191	511	702	745

The market value of the OSOTF phase 2 endowment fund at March 31, 2020 was $58,609 (2019 - $62,452).

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

19. RELATED ENTITIES

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

(a) Investment in Parking Commission

The University entered into a joint venture with Kingston Health Sciences Centre (KHSC) for the construction and operation of an underground parking garage managed and governed by a joint Parking Commission established by the parties and including an equal number of commission members appointed by both parties. The University's proportionate share of the joint venture is 50 per cent and KHSC's proportionate share is 50 per cent. In fiscal 2011 the Parking Commission embarked on a significant restoration project with the University's share of these capital expenditures being $3,750 (2019 - $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 $730 (2019 - $635).

(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 $1,207 (2019 - $1,695).

(c) 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) / surplus at April 30, 2019 was $(105) (2018 - $249).

	2019	2018
Total assets	$ 2,148	$ 2,777
Total liabilities	2,358	2,279
Total fund balances	$ (210)	$ 498
Revenues	$ 4,041	$ 4,684
Expenses	4,749	4,804
Deficiency of revenues over expenses	$ (708)	$ (120)

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

(d) SNOLAB Institute at Queen's University

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

(e) Tri-universities Meson Facility

The University is a member, with thirteen other universities, of a joint venture called the Tri-universities Meson Facility (TRIUMF), Canada's national laboratory for particle and nuclear physics located on the University of British Columbia (UBC) campus. TRIUMF is an unincorporated registered charity and each university has an undivided 1 / 14 interest in its assets, liabilities and obligations. 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's net assets are not contemplated to be and are not readily realizable by the University. The University's interest in the assets, liabilities and results of operations are not included in the financial statements (see also Note 20(d)).

The following financial information at March 31, 2020 for TRIUMF 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 and related decommissioning costs (if any) are expensed in the period in which the costs are incurred.

	2020	2019
Total assets	$ 54,749	$ 54,766
Total liabilities	9,496	9,283
Total fund balances	$ 45,253	$ 45,483
Revenues	$ 85,605	$ 87,264
Expenses	85,834	82,832
(Deficiency) / excess of revenues over expenses	$ (229)	$ 4,432

20. COMMITMENTS AND CONTINGENCIES

(a) Litigation

The nature of the University's activities are such that there may be litigation pending or in prospect at any time. With respect to claims at April 30, 2020, 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, 2019, the date of the latest financial statements available, CURIE had a surplus of $90,185 (2018 - $79,338).

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

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.

(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.

There are no immediate plans for decommissioning of the facilities or a reasonable estimate of when such decommissioning may occur. Currently, new experiments are being developed using the facility and decommissioning is not expected to occur sooner than fiscal 2021. No accrual has been made in the financial statements.

(d) TRIUMF - Asset retirement obligation

The joint venture partners of the TRIUMF joint venture and the Canadian Nuclear Safety Commission (CNSC) approved a decommissioning plan which requires all partners 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 joint venture partners. All decommissioning costs are expensed in the period in which the costs are incurred.

(e) Capital commitments

As of April 30, 2020 the estimated cost to complete construction in process for the extension of facilities is approximately $2,602 (2019 - $4,856). These costs will be financed by a combination of gifts, grants, and allocations from operations.

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

Fiscal year		
2021	$	3,386
2022		2,843
2023		2,415
2024		2,393
2025		1,613
Total thereafter		3,443
	$	16,093

(f) Other

In addition to the capital commitments disclosed in Note 20(e), the University has issued letters of credit of $2,780 primarily for capital construction.

21. COMPARATIVE FIGURES

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

22. COVID-19

In March 2020, the World Health Organization declared the spread of coronavirus (COVID-19) to constitute a global pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus including travel restrictions in and out of and within Canada, barring gathering of people and requirements to stay at home. These restrictions impacted the operations of the University and resulted in the closure of physical premises of all post-secondary institutions. The impact of COVID-19 also adversely impacted global commercial activity and contributed to the significant volatility in certain equity and debt markets. This led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue.

The extent of such adverse effects on the University’s business and financial and operational performance is uncertain and difficult to assess. The financial impacts will depend on future developments, including the duration, spread and severity of the outbreak, physical distancing requirements, the duration and geographic scope of related travel advisories and restrictions, and the extent of disruptions to businesses globally and its related impact on the economy.

As at April 30, 2020, the University did not have significant adjustments to reflect the possible future impact of COVID-19. Investments are recorded at fair value which included the impact on financial markets as at year end and extra emphasis was put on the collectability of receivables and other estimates within the financial statements as at April 30, 2020. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect of the pandemic on the University is not known at this time. These impacts could include the use of accumulated net assets to sustain operations. Management has assessed the going concern assumptions and believes there are no issues given the University has a strong working capital base and access to enough liquid resources to see through operations in the coming year. Given the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect on future operations at this time.