Queen's
UNIVERSITY

Consolidated Financial Statements

Queen’s University at Kingston

30 April 2015

QUEEN'S UNIVERSITY AT KINGSTON
CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2015

INDEX

These consolidated financial statements report on Queen's activities over the 2014-15 fiscal year. Other documents that provide additional information on the financial situation of the university include annual budget reports, quarterly financial updates, and rating agency reports.

The university is focused on managing its resources carefully, in the face of a number of significant financial challenges including an unsustainable pension plan that carries a $285 million solvency deficit, uncertainties around the outcome of the 2015-16 government formula funding review, persistent low interest rates, and a $253 million deferred maintenance backlog.

While these remain, the university is reporting a surplus of revenues over expenses of $61.9 million for the fiscal year ended April 30, 2015. This surplus is driven largely by strong investment returns. In the Pooled Endowment Fund, where the use of funds is restricted according to the wishes of donors, a significant portion of investment returns have been reinvested to protect the capital value of the portfolio against inflation. In the Pooled Investment Fund, which contains restricted and unrestricted fund balances from research projects, trust accounts, and operating carry-forwards, investment returns provide the university with crucial flexibility to address strategic priorities including capital renewal and a reserve for future pension payments.

In addition, faculties and schools have set aside funds arising out of the surplus to support academic priorities in accordance with their multi-year plans for the prudent use of reserves. This aligns with the university's commitment to ensuring that as much revenue growth as possible remains available to support the ongoing enhancement of the university's academic mission, in accordance with the Strategic Framework.

Queen's remains one of Canada's most highly regarded universities and continues to deliver a transformative student learning experience while advancing its research prominence. Our continued success is due to the dedication and contributions of the many students, staff, faculty, alumni and others who make up our exceptional university community.

C E Davis, FCPA, FCA

Caroline E. Davis, FCPA, FCA
Vice-Principal (Finance and Administration)

THE YEAR IN REVIEW

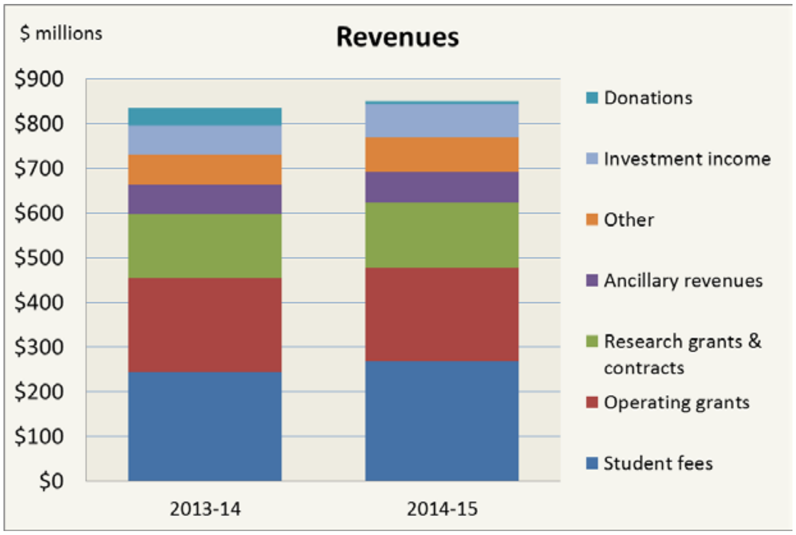
The university remains focused on managing resources to advance important strategic initiatives and priorities in the midst of significant financial challenges. An unsustainable pension plan, $253 million of deferred maintenance, and persistent low interest rates continue to dominate the financial landscape, commanding careful attention. In addition, in 2015-16 the provincial government is undertaking a formula funding review, which is focused on student outcomes and, where possible, institutional differentiation. Uncertainties around the outcomes of this review add risk and complexity to future planning. However, Queen's is well positioned to benefit from a performance-based funding formula if it is recommended.

In 2014-15 the university completed the year with a $61.9 million surplus. Strong investment returns were a driving force behind the surplus, with investment returns of 12% on the Pooled Endowment Fund and 10% on the Pooled Investment Fund.

In accordance with university policy, returns on the Pooled Endowment Fund in excess of the annual payout have been reinvested for capital appreciation purposes. Investment returns in excess of budget planning expectations in the Pooled Investment Fund provide important flexibility for future strategic priorities. Surpluses in the Research and Trust funds have been restricted for future specified expenditures. Additional information on the financial results of each fund can be found on Page 11.

YEAR ENDED APRIL 30 ($ millions)		2015		2014
Consolidated Statement of Operations				
Revenue	$	850.8	$	835.4
Expenses		788.9		789.8
Excess of revenues over expenses	$	61.9	$	45.6
Consolidated Statement of Financial Position				
Assets	$	2,185.3	$	2,004.2
Liabilities		1,028.6		955.0
Net assets	$	1,156.7	$	1,049.2
Net Assets is comprised of:				
Endowments	$	919.0	$	800.2
Internally restricted		386.3		411.0
Unrestricted		(148.6)		(162.0)
	$	1,156.7	$	1,049.2

REVENUES

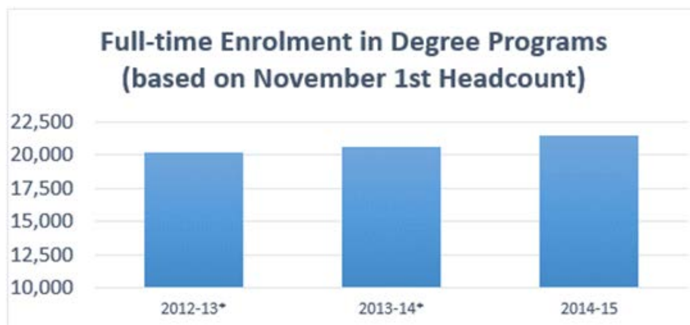


At a glance….
Revenues in 2014-15 were $850.8 million, an increase of 1.8% from the previous year.

This increase is due primarily to an increase in student fees, grants and contracts, and investment income.

Student fees

Student fee revenue includes tuition fee as well as other fees related to activities such as student health, recreation, and athletics. In 2014-15, student fee revenue from all fee sources increased by 9.8%, driven primarily by a modest increase in enrolment and tuition fee increases approved by the Board in accordance with the provincial tuition fee framework. Student enrolment in degree programs for the past three years is displayed in the chart to the right.



* Restated using updated headcount calculation methodology

The university continues to operate under the four-year tuition policy framework announced by the provincial government in March 2013, restricting aggregate tuition fee increases across the institution to 3% annually.

Donations

In cash terms, donations to Queen's remained consistent year over year, but were weighted more heavily towards endowments in 2014-15. As presented in Note 12 to the audited financial statements, 2014-15 endowment contributions were $43.9 million, an increase of almost $26 million from the previous year. Externally restricted donation revenue is recorded in the year in which the related expense occurs, which impacts the amount of donation revenue reported annually. These factors explain the decrease in donation revenue of $32.5 million on the consolidated statement of operations.

Research grants and contracts

Research revenue is recorded in the research fund in the year in which the expense occurs. Unspent externally sponsored research monies are recorded on the Statement of Financial Position as deferred revenue. Research funding can only be expended on research activities.

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 detailed breakdown of revenues in the Ancillary fund as shown on page 11.

		$ thousands		
SALES BY ANCILLARY OPERATION		**2014-15**		**2013-14**
Residences and Housing	$	61,435	$	58,882
Hospitality and Conference Services		9,274		9,528
Computer Store		7,338		7,232
General Services/Other		1,667		231
Parking		2,784		2,796
		82,498		78,669
Less: Internal Sales		(13,850)		(13,009)
	$	**68,648**	**$**	**65,660**

Investment income

During the year, investments performed strongly and the Pooled Endowment Fund returned 12% for the year ending April 30, 2015. The portfolio for the Pooled Investment Fund returned 10%. Both the Pooled Endowment Fund and the Pooled Investment Fund are invested in accordance with a Board approved Statement of Investment Policies and Procedures. Due to a decline in bond yields, the market value of investments held in the university's sinking fund increased by $12.1 million. The sinking fund was established to repay the principal of bullet debentures held by the university.

All unrealized gains and losses (excluding externally endowed investments) flow through investment income, which will generate volatility in the university's Statement of Operations over the longer term.

SALARIES AND BENEFITS

	$ thousands 2014-15	2013-14
Salaries and benefits expense		
Salary and benefits	$ 400,769	$ 399,661
Non-pension employee future benefits	7,529	7,073
Pension		
Current service cost	22,254	23,166
Financing cost	(444)	4,525
Total	**$ 430,108**	**$ 434,425**
% of total expenses	55%	55%
Employee Future Benefits Liability		
Non-pension employee future benefits	81,262	74,698
Pension (surplus) / liability	30,179	(7,400)
Total	111,441	67,298

At a glance…
Salaries and benefits comprise over half of the total expenses of the university.

In 2014-15, growth in overall salaries and benefits was reduced by the departure of a subsidiary of Parteq Innovations, while strong returns in the pension plan contributed to a lower financing cost component of the pension expense.

Salary and benefit increases are influenced by collective agreement negotiations. Overall increases in salaries and benefits expenses are carefully constrained through a strong focus on managing overall staffing levels within the university. The majority of employees are covered by various collective agreements. The table below provides a summary of employee groups and the date of their associated employee contracts:

Employee Group	Unit / Association	Contract effective until
Academic Assistants	USW 2010-01	August 2016
Allied Health Care Professionals (Family Health Team)	OPSEU 452	June 2015 – negotiations will begin in the fall
General Support Staff	USW 2010	December 2018
Graduate Teaching Assistants and Teaching Fellows	PSAC 901, Unit 1	April 2017
Kingston Heating & Maintenance Workers	CUPE 229	June 2018
Kingston Technicians	CUPE 254	June 2018
Library Technicians	CUPE 1302	June 2018
Post-Doctoral Fellows	PSAC 901, Unit 2	June 2016
Queen's University Faculty Association	QUFA	April 2019
Registered Nurses and Nurse Practitioners (Family Health Team)	ONA 67	March 2014 – negotiations will begin in the fall

The Revised Pension Plan of Queen's University

Currently, government regulations require the university to fund both going concern and solvency deficits. Effective September 1, 2015 these going concern payments are $20.7 million annually. The actuarial valuation of the pension plan completed as of August 31, 2014 reported a solvency deficit of $285 million, funding of which will commence in September 2018 if a solution cannot be found.

The university has applied for and received Stage II solvency relief, which allows the solvency deficit to be amortized over 10 years instead of the normal 5 years. Stage II relief also provides universities with a choice to take advantage of an additional 3-year deferral of making solvency deficit payments and to amortize the solvency deficit over the remaining 7 years of Stage II relief. The university has decided to take advantage of the additional 3-year deferral and is also building a reserve in case the solvency deficit payments have to be made in future years.

Assets of the Revised Pension Plan of Queen's University are managed by external investment managers under the direction of the Pension Committee in accordance with a Board-approved Statement of Investment Policies and Procedures, and are held by an independent custodian. Low interest rates continue to create substantial pressure on the pension plan.

The table below shows the change in the funded status of the pension plan on a going concern basis for each of the last two years. The plan experienced substantial actuarial losses in 2014-15 due to changes in actuarial assumptions resulting from the 2014 valuation. As reported in the Salaries and Benefits section, favorable investment returns contributed to a lower financing cost in 2015.

	April 30	
CHANGE IN FUNDED STATUS OF PENSION PLAN	$ thousands	
GOING CONCERN (MARKET VALUE) BASIS	2015	2014
(Surplus) / deficit, opening balance	(7,400)	80,574
Pension expense		
Current service cost	22,254	23,166
Financing cost	(444)	4,525
	21,810	27,691
Remeasurements and other items		
Investment gains	(24,367)	(66,244)
Liability experience losses / (gains)	79,066	(11,170)
	54,699	(77,414)
Less: university contributions	(38,930)	(38,251)
Deficit / (surplus), closing balance	30,179	(7,400)

It is clear from the foregoing that the Revised Pension Plan of Queen's University is not financially sustainable, and the university is committed to examining all options to make the plan financially sustainable over the long term. During the round of collective bargaining that was completed in the summer of 2015, the university and all its unions committed to participating in the project to design and build a new jointly sponsored pension plan (JSPP) for Ontario universities. The project is being jointly sponsored by the Council of Ontario Universities (for the employers) and Ontario Confederation of University Faculty Associations (for the employees). If the project is successful the Revised Pension Plan of Queen's University would be merged with the new JSPP. One condition for success would be agreement from the Government of Ontario that the new JSPP would have a permanent exemption from solvency payments. If it is not successful, Queen's and its unions are committed to exploring merging with another JSPP that does have a solvency exemption, and failing that, to discussing and negotiating such changes as may be needed to support the financial sustainability of the pension plan.

Additional information on pension and other employee future benefits is available in Note 11 of the Financial Statements.

CAPITAL PROJECTS

In September 2014 the university celebrated the official opening of the Isabel Bader Centre for the Performing Arts (The Isabel), an 80,000 square-foot, world-class facility that creates exceptional experiences for students and audiences in Kingston. The Isabel is a cultural landmark for the university, and an example of the university's commitment to developing its campus in ways that enhance the experience of its students and forge closer ties to the Kingston community.

In December 2014, the Board of Trustees approved the Richardson Stadium revitalization project. The revitalization is the latest phase of the Fields and Stadium project, supporting athletics and recreation through the construction of Nixon, Tindall, and Miklas-McCarney fields. More than $17 million has been raised to support this project to date. The stadium will be amongst the top facilities of its kind in Ontario and will include an artificial turf field, state-of-the-art scoreboard, and bowl-style seating.

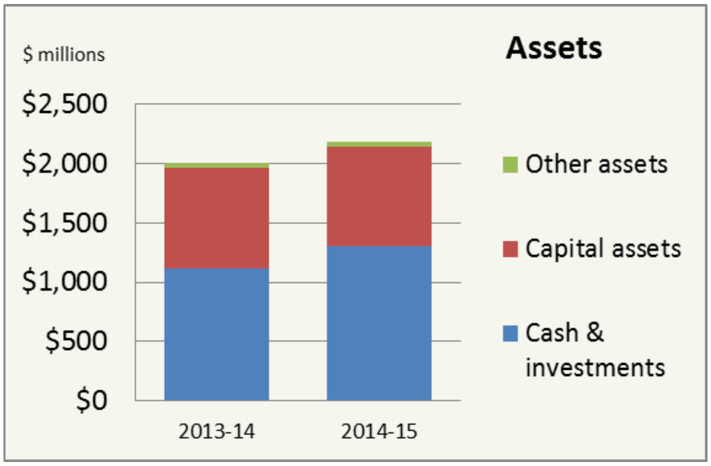
Supporting the need for current and future student living space, two new residence buildings were opened in the fall of 2015. These residences provide 550 beds for our students.

Deferred maintenance continues to be a critical issue for the university. The university receives $1.1 million of annual provincial facilities renewal funding and allocates an additional $6.3 million from its operating budget to address deferred maintenance priorities. The Ministry of Training Colleges and Universities has announced additional facilities renewal grant funding which will increase the current $1.1 million grant to $1.7 million in 2015-16. The industry standard for annual deferred maintenance funding is 1%-1.5% of current replacement value. For the university campus buildings, annual spending at 1% equates to $14 million. The university has developed, and is managing to, a 5-year deferred maintenance plan that will ensure the highest priority deferred maintenance needs are addressed.

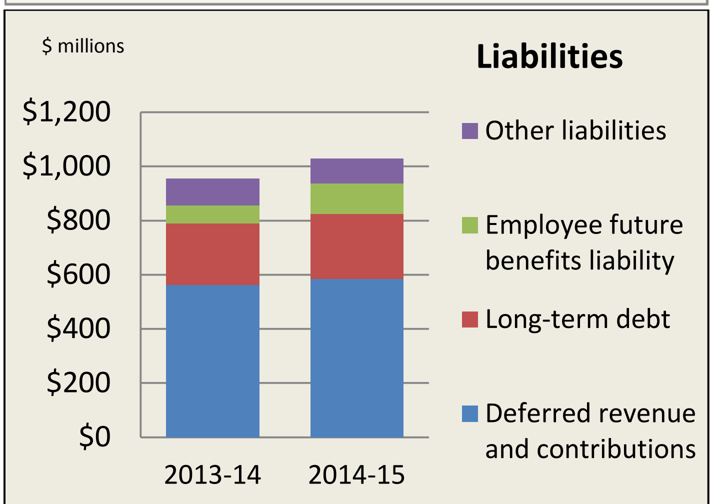
The university's capital expenditures were $54.7 million in 2014-15, as presented in the table below, with comparative information for the prior year. The bulk of the spending on building projects relates to the new residences, which open in the fall 2015, and The Isabel Bader Centre for the Performing Arts, which opened in the fall 2014.

	$ thousands	
CAPITAL ASSET ADDITIONS	2014-15	2013-14
Building projects and construction in progress	$ 34,519	$ 48,203
Equipment and furnishings	18,099	20,178
Other asset purchases	2,110	2,645
	$ 54,728	$ 71,026

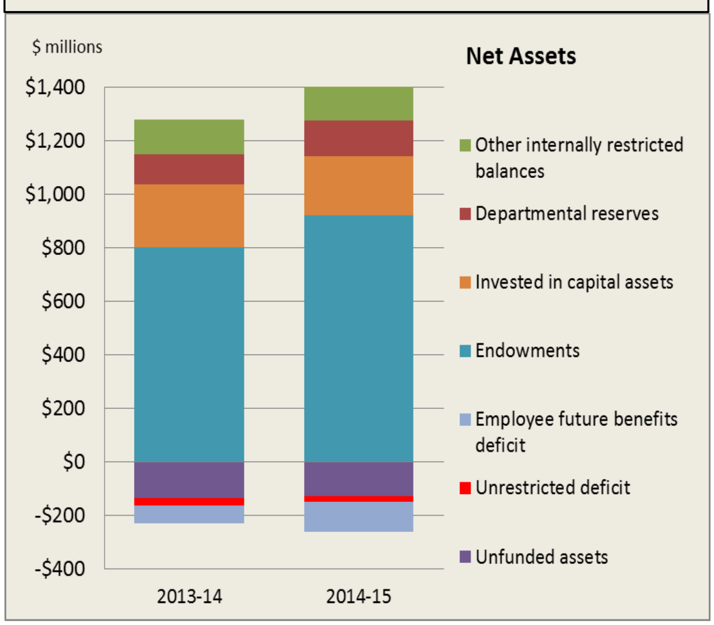
Consolidated Statement of Financial Position at a glance…



Assets of the university increased by 9% overall, due primarily to the growth in investments as a result of strong investment returns, and endowment contributions.



Liabilities of the university increased by 8% largely as a result of the increase in deferred revenue and contributions related to unspent research and capital funding, as well as employee future benefits. Further information on employee future benefits is provided in the previous Salaries and Benefits section and in Note 11 to the Financial Statements.



Net Assets of the university have increased by $107.5 million. This increase is principally a result of higher endowment balances further to strong investment returns and endowment contributions, offset by an increase in the employee future benefits deficit.

Consolidated Statement of Operations by Fund

The university's audited 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. These funds include Operating, Ancillaries, Trust, Endowments, Research, Capital and Consolidated Entities.

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

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. Transfers from Trust and Endowments are comprised primarily of transfers to the Operating fund resulting from cost recoveries.

The Consolidated Statement of Operations by Fund

The table below presents the activities of the university by fund, for the year ended April 30, 2015, and supplements the information presented in the audited financial statements. Amounts are presented in thousands of dollars.

	Operating	Ancillaries	Trust & Endowments	Research	Capital	Consolidated Entities	Total 2015
REVENUE							
Grants and contracts	209,486	-	28,651	144,986	(17,242)	277	366,158
Student fees	261,740	-	-	-	-	6,808	268,548
Sales of service and products	6,421	68,648	-	1,508	-	8,824	85,401
Amortization of deferred capital contributions	-	-	-	-	25,771	359	26,130
Other	18,609	-	-	3,322	529	1,327	23,787
Donations	5,174	-	1,049	118	1,101	(29)	7,413
Investment income	26,569	-	33,682	1,001	12,104	1	73,357
	527,999	68,648	63,382	150,935	22,263	17,567	850,794
EXPENSES							
Salaries and benefits	327,648	10,327	17,695	68,565	-	5,873	430,108
Supplies and services	80,826	5,666	9,136	50,661	(19,598)	4,696	131,387
Student assistance	29,335	-	26,301	341	-	49	56,026
Amortization of capital assets	-	-	-	-	50,318	1,510	51,828
Externally contracted services	9,646	22,931	501	18,133	(7,859)	4,395	47,747
Utilities and insurance	16,071	6,378	69	507	-	(17)	23,008
Travel and conferences	8,026	95	1,624	8,468	-	152	18,365
Renovations and alterations	1,803	5,407	570	1,355	7,626	738	17,499
Interest on long-term debt	-	-	-	-	12,885	-	12,885
Interfund transfers out / (in)	11,698	15,006	7,000	(3,423)	(30,281)	-	-
	485,053	65,810	62,896	144,607	13,091	17,396	788,853
Excess / (deficiency) of revenues over expenses	**42,946**	**2,838**	**486**	**6,328**	**9,172**	**171**	**61,941**
Transfer (to) / from internally restricted net assets	(42,637)	2,652	(486)	(6,328)	(3,015)	1,323	(48,491)
Increase / (decrease) in unrestricted surplus	309	5,490	-	-	6,157	1,494	13,450
Unrestricted surplus, beginning of year	578	(5,490)	-	-	(134,594)	(22,544)	(162,050)
Unrestricted surplus, end of year	887	-	-	-	(128,437)	(21,050)	(148,600)

Note: some numbers may not add due to rounding

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 62% of consolidated revenue in 2014-15.

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	
2014-15 Operating Fund	Actual	Budget	Variance
Revenue	527,999	488,970	39,029
Less: expenditures	(485,053)	(496,635)	11,582
Surplus / (deficit)	42,946	(7,665)	50,611
Transfer (to) / from internally restricted net assets	(42,637)	7,665	(50,302)
Increase in unrestricted surplus	309	-	309

For 2014-15, the university was projecting a budgeted deficit of $7.7 million before drawdowns of reserves, but several factors, including favorable investment returns, higher fee revenue, and pension expense less than budgeted cash contributions due to actuarial adjustments for financial statement purposes contributed to an operating fund surplus of $42.9 million. The surplus will provide important flexibility for future strategic priorities including capital renewal and a reserve for future pension payments. Within our faculties, funds have been set aside in departmental reserves in accordance with multi-year plans for the prudent use of reserves in support of academic priorities.

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. The most significant challenge for the university continues to be an unsustainable pension plan, while a $253 million deferred maintenance backlog, persistent low interest rates, and uncertainties around the outcome of the 2015-16 government formula funding review also continue to dominate the financial landscape and require careful attention.

In May 2015, the Board of Trustees approved the 2015-16 operating budget, which is balanced after an $11.7 million draw-down of reserves.

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, 2015 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.

Mercer Human Resource Consulting Limited has been retained by the university in order to provide an estimate of the university's pension and other employee future benefit liabilities. Administration has provided the valuation actuary with the information necessary for the completion of the university's report and retains ultimate responsibility for the determination and estimation of the pension and other employee future benefit liabilities reported.

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, 2015 have been reported on by KPMG LLP, Chartered Professional Accountants, the auditors appointed by the Board of Trustees. The independent auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the consolidated financial statements.

Daniel R. Woolf

C. Davis, FCPA, FCA

Principal and Vice-Chancellor
October 2, 2015

Vice-Principal (Finance and Administration)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Queen's University at Kingston, which comprise the consolidated statement of financial position as at April 30, 2015, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Queen's University at Kingston as at April 30, 2015, and its consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
October 2, 2015
Kingston, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at April 30
(Thousands of dollars)

		2015		2014
ASSETS				
Current				
Cash	$	95,959	$	84,010
Accounts receivable (note 3)		33,314		36,972
Loans receivable (note 4)		658		918
Prepaid expenses		2,765		3,508
Investments (note 5)		23,808		3,026
Total current assets		156,504		128,434
Loans receivable (note 4)		3,676		3,663
Investments (note 5)		1,183,665		1,031,084
Capital assets (note 6)		841,432		840,972
	$	2,185,277	$	2,004,153
LIABILITIES AND NET ASSETS				
Current				
Accounts payable and accrued liabilities (note 7)	$	91,436	$	99,140
Current portion of long-term debt (note 10)		1,954		3,449
Deferred revenue and contributions (note 8)		210,446		188,203
Total current liabilities		303,836		290,792
Deferred capital contributions (note 9)		373,919		375,658
Long-term debt (note 10)		239,400		221,234
Employee future benefits liability (note 11)		111,441		67,298
		1,028,596		954,982
Net Assets				
Endowments (note 12)		918,978		800,238
Internally restricted (note 13)		386,303		410,983
Unrestricted deficiency		(148,600)		(162,050)
		1,156,681		1,049,171
	$	2,185,277	$	2,004,153

See accompanying notes to consolidated financial statements.

Commitments and contingencies (note 18)

Approved by the Board of Trustees

Barbara Palk
Trustee

Mary Wilson Trider
Trustee

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended April 30
(Thousands of dollars)

		2015		2014
REVENUES				
Grants and contracts	$	366,158	$	357,285
Student fees		268,548		244,534
Sales of service and products		85,401		81,149
Amortization of deferred capital contributions (note 9)		26,130		24,797
Other		23,787		22,791
Donations		7,413		39,896
Investment income (note 5)		73,357		64,958
		850,794		835,410
EXPENSES				
Salaries and benefits		430,108		434,425
Supplies and services		131,387		133,887
Student assistance		56,026		55,396
Amortization of capital assets		51,828		52,201
Externally contracted services		47,747		45,590
Utilities and insurance		23,008		23,828
Travel and conferences		18,365		18,338
Renovations and alterations		17,499		13,596
Interest on long-term debt		12,885		12,562
		788,853		789,823
Excess of revenues over expenses	$	61,941	$	45,587

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended April 30
(Thousands of dollars)

	Endowments	Internally Restricted	Unrestricted	**Total 2015**	**Total 2014**
Net assets (deficiency), beginning of year	$ 800,238	$ 410,983	$ (162,050)	$ 1,049,171	$ 849,383
Excess of revenues over expenses	-	-	61,941	61,941	45,587
Employee future benefits remeasurements and other items (note 11)	-	-	(55,792)	(55,792)	77,349
Change in internally restricted net assets	-	(23,590)	23,590	-	-
Endowment contributions (note 12)	43,867	-	-	43,867	18,000
Excess of investment earnings over endowment spending (note 12)	73,783	-	(16,289)	57,494	58,852
Departmental contributions and other transfers (note 12)	1,090	(1,090)	-	-	-
Net assets (deficiency), end of year	$ 918,978	$ 386,303	$ (148,600)	$ 1,156,681	$ 1,049,171

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended April 30
(Thousands of dollars)

	2015	2014
OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 61,941	$ 45,587
Non-cash items:		
Amortization of deferred capital contributions	(26,130)	(24,797)
Amortization of capital assets	51,828	52,201
Change in employee future benefits liability	(11,649)	(5,370)
Net change in non-cash working capital (note 14)	18,940	9,876
Cash provided by operating activities	94,930	77,497
INVESTING ACTIVITIES:		
Net change in loans receivable	247	86
Net change in investments	(173,363)	(98,217)
Purchases (net of disposals) of capital assets	(52,288)	(71,026)
Investment gain reported as direct increase in net assets	57,494	58,852
Cash used in investing activities	(167,910)	(110,305)
FINANCING ACTIVITIES:		
Issuance of long-term debt	20,000	10,000
Repayment of long-term debt	(3,329)	(6,391)
Contributions received for capital purposes	24,391	48,412
Contributions and transfers reported as direct increase in net assets	43,867	18,000
Cash provided by financing activities	84,929	70,021
Net increase in cash	11,949	37,213
Cash, beginning of year	84,010	46,797
Cash, end of year	$ 95,959	$ 84,010

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, exempt from payment of income tax.

The university controls PARTEQInnovations, the Bader International Study Centre, the U.S. Foundation for Queen's University at Kingston, QCED Inc., and Queen's University Pooled Trust Fund. Accordingly, these financial statements consolidate the accounts of these organizations.

PARTEQ Innovations is incorporated by letters patent as a corporation without share capital under the Ontario Corporations Act. PARTEQ Innovations, the not-for-profit technology transfer office of Queen's University at Kingston, 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 Innovations is exempt from income tax under section 149 of the Income Tax Act.

The Bader International Study Centre was established in 1993 to enhance Queen's University at Kingston'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 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 Queen's University at Kingston 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.

QCED Inc. (Queen's Centre for Enterprise Development) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated 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 consolidated 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.

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.

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 and accounts payable are recorded at fair value upon initial recognition, which represents costs, 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

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.

Amortization is provided on a straight line basis over the estimated useful life of the asset as follows:

Asset	Useful Life
Buildings	40 years
Cogeneration facility	20 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.

(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 disabled employees.

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, 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 preserved as capital protection on externally restricted endowments are recognized as direct increases in net assets in the year in which they are received. Income preserved as capital protection on internally restricted endowments is 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) Works of art

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.

Contributions of collection items are recorded as revenue and expensed, at fair market value, at the date of contribution. Artwork purchases are expensed as acquired. During the year ended April 30, 2015, the university's collection increased by 105 pieces of artwork with a total appraised value of $427. The collection is fully insured through a fine arts policy, with a market value of $139,645 at April 30, 2015.

(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 these consolidated 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.

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

3. ACCOUNTS RECEIVABLE

Accounts receivable is comprised primarily of balances receivable for research projects and trade accounts receivable, including tuition.

Since pledges are not legally enforceable, they are recorded as revenue on a cash basis and accordingly are not recognized as assets in the consolidated financial statements. The total amount of pledges outstanding and the expected year of collection are as follows:

Fiscal year		
2016	$	27,519
2017		13,780
2018		8,334
2019		3,821
2020		3,137
Subsequent years		8,289
Outstanding pledges at April 30	$	64,880

Included in the outstanding pledges is $285 (2014 - $357) in cash surrender value on life insurance policies that are owned by the university.

4. LOANS RECEIVABLE

Loans receivable is comprised of an amount receivable regarding relocation loans to employees in the amount of $350 (2014 - $550), microcomputer loans to employees in the amount of $737 (2014 - $660) and a loan to the Kingston General Hospital / Queen’s Parking Commission in the amount of $3,247 (2014 - $3,371).

5. INVESTMENTS AND INVESTMENT INCOME

Fair value details of investments are as follows:

		2015		2014
Current				
Short-term	$	23,808	$	3,026
Non-Current				
Pooled Endowment Fund		904,274		786,544
Pooled Investment Fund		192,423		176,968
Other		86,968		67,572
		1,183,665		1,031,084
Total investments	$	1,207,473	$	1,034,110

The limited partnership investments are included in the Pooled Endowment Fund.

Derivative financial instruments, as disclosed in Note 15 are included in non-current investments.

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

Uncalled commitments

As at April 30, 2015, a portion of the university's investment portfolio is invested in private funds managed by third-party managers. 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, 2015, the university had uncalled commitments of approximately $17,162 (2014 - $14,533), 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.

Investment income is comprised of the following:

	2015	2014
Realized income on investments	$ 39,903	$ 40,120
Unrealized gains on investments	35,935	27,995
Interest income	983	975
	76,821	69,090
Investment management fees and transaction costs	(3,464)	(4,132)
Investment income	$ 73,357	$ 64,958

6. CAPITAL ASSETS

Capital assets consist of the following:

	2015			2014		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	$ 84,709	$ -	$ 84,709	$ 85,759	$ -	$ 85,759
Buildings	1,014,523	357,457	657,066	933,643	335,125	598,518
Leasehold improvements	7,476	6,155	1,321	7,476	5,594	1,882
Equipment and furnishings	182,751	143,601	39,150	175,318	134,387	40,931
Cogeneration facility	14,573	6,278	8,295	14,555	5,547	9,008
Library acquisitions	137,423	132,460	4,963	140,882	135,259	5,623
Software	31,366	29,004	2,362	31,250	22,730	8,520
Construction in process	43,566	-	43,566	90,731	-	90,731
	$ 1,516,387	$ 674,955	$ 841,432	$ 1,479,614	$ 638,642	$ 840,972

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities is comprised primarily of trade accounts payable, government remittances, payroll related accruals, a demand loan facility 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 $11,015 (2014 - $8,666).

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

8. DEFERRED REVENUE AND CONTRIBUTIONS

		2015		2014
Research funds	$	92,827	$	78,175
Student fees		22,991		20,703
Other		4,898		3,745
Trust funds		67,492		68,056
Capital funds		17,794		13,267
Gift annuities		4,444		4,257
	$	210,446	$	188,203

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

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

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

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

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

Under the gift annuity program, a donor may 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.

9. 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:

		2015		2014
Balance, beginning of year	$	375,658	$	352,043
Amortization of deferred capital contributions		(26,130)		(24,797)
Contributions received for capital purposes		24,391		48,412
	$	373,919	$	375,658

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

10. LONG-TERM DEBT

(a) Long term debt consists of the following:

	Maturity in Fiscal Year Ending	Interest Rate	2015 Principal Outstanding	2014 Principal Outstanding
Debentures				
Amortizing unsecured bank loan maturing November 1, 2030 (note 18(g))	2031	3.18%	$ 30,000	$ 10,000
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
Senior unsecured amortizing debenture maturing July 2, 2014	2015	3.16%	-	3,216
			245,000	228,216
Mortgages				
Canada Mortgage and Housing Corporation	2017	5.38%	373	605
Unamortized transaction costs/bond discount			(4,019)	(4,138)
			241,354	224,683
Less current portion			(1,954)	(3,449)
			$ 239,400	$ 221,234

Certain assets have been pledged as collateral for mortgages.

The university has established sinking funds to provide funds to repay both the Series A senior unsecured debenture maturing on November 19, 2032 and the Senior unsecured debentures maturing in April and June 2040. At April 30, 2015 the value of the sinking funds is $66,732 (2014 - $49,071).

The university has in place an interest rate swap agreement for 27 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%.

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

(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		
2016	$	1,954
2017		3,752
2018		3,737
2019		3,853
2020		3,972
Thereafter		224,086
	$	241,354

11. EMPLOYEE FUTURE BENEFITS

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 disabled employees.

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%, 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 $21,810 (2014 - $27,691) and non-pension retirement and post-employment benefit expenses of $7,529 (2014 – $7,073).

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 5.8% (2014 – 6.0%).

The discount rate used in the actuarial measurement of the benefit plans expense was 6.0% (2014 – 6.0%).

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

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

	2015			2014		
	Pension benefit plan	Other benefit plans	Total	Pension benefit plan	Other benefit plans	Total
Accrued benefit liability						
Accrued benefit obligation	$ (1,864,142)	$ (81,262)	$ (1,945,404)	$ (1,702,670)	$ (74,698)	$ (1,777,368)
Fair value of plan assets	1,833,963	-	1,833,963	1,710,070	-	1,710,070
Accrued benefit (liability) / asset	$ (30,179)	$ (81,262)	$ (111,441)	$ 7,400	$ (74,698)	$ (67,298)
Benefit plan expense						
Current service cost	$ 22,254	$ 3,047	$ 25,301	$ 23,166	$ 2,906	$ 26,072
Finance costs	(444)	4,482	4,038	4,525	4,167	8,692
Net benefit cost	$ 21,810	$ 7,529	$ 29,339	$ 27,691	$ 7,073	$ 34,764
Remeasurements and other items						
Investment gains	$ (24,367)	$ -	$ (24,367)	$ (66,244)	$ -	$ (66,244)
Actuarial (gain) / loss on accrued benefit obligation	79,066	1,093	80,159	(11,170)	65	(11,105)
Net remeasurements and other items	$ 54,699	$ 1,093	$ 55,792	$ (77,414)	$ 65	$ (77,349)

Details of annual contributions and benefits paid are as follows:

	2015		2014	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Employer contributions	38,930	2,058	38,251	1,883
Employee contributions	24,830	-	23,317	-
Benefits paid	92,919	2,058	91,274	1,883

The most recent actuarial valuation of the pension plan was performed as of August 31, 2014, and the results have been extrapolated to April 30, 2015. Based on this valuation, annual special going concern employer contributions of $20,716 are required, commencing September 1, 2015. The date of the next required valuation is August 31, 2017.

The most recent actuarial valuation of non-pension retirement benefits was performed as of January 31, 2013 and results have been extrapolated to April 30, 2015. The date of the next required valuation is January 31, 2016.

The most recent actuarial valuation of post-employment benefits was performed as of April 30, 2015.

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, beginning in fiscal 2019.

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

12. ENDOWMENTS

Contributions restricted for endowments consist of externally restricted donations received by the university and contributions internally restricted by the Board of Trustees, in exercising its discretion. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors or the Board of Trustees. The university ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose 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:

	2015	2014
Endowments, beginning of year	$ 800,238	$ 710,251
Endowment contributions	43,867	18,000
Surplus of investment earnings over endowment spending on:		
Externally restricted endowments	57,494	58,852
Internally restricted endowments	16,289	18,519
Internal transfers to (from) endowments		
Departmental contributions and other transfers	1,090	(5,384)
	$ 918,978	$ 800,238

In 2015, investment earnings, net of fees, of $104,320 (2014 – $105,578) were earned on endowments. An amount of $30,537 (2014 - $28,207) was made available for spending.

An amount of $23,832 (2014 – $21,697) was made available for spending on externally restricted endowments and recorded as investment income. The difference between the amount available for spending and the investment earnings was recorded as a direct increase to endowments.

An amount of $6,705 (2014 - $6,510) was made available for spending on internally restricted endowments. Investment earnings were recorded as investment income and the difference between the amount available for spending and the investment earnings was transferred between endowments and unrestricted net assets.

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

13. INTERNALLY RESTRICTED NET ASSETS

Details of year-end balances are as follows:

	2015	2014
Departmental carryforward funds	$ 134,072	$ 111,955
Ancillary enterprises - major repairs and renovations	5,709	8,361
Unspent special purpose funds	4,650	20,634
Unspent research funds	30,345	24,020
Insurance reserve	980	980
Investment in capital assets	222,122	236,492
Sinking funds	66,732	49,071
Other capital reserves	28,786	22,420
Employee future benefits		
Pension and other benefit plans	(111,441)	(67,298)
Reserve	4,348	4,348
	$ 386,303	$ 410,983

In order to encourage judicious expenditure of funds, the university's policy permits faculties, libraries, and administrative units to carry forward unexpended budget allocations and unrestricted donations to the succeeding years.

Some ancillary enterprises, primarily residences, establish annual budget allocations to fund periodic major repairs and alterations.

Unspent research funds are primarily overheads or internally funded research grants.

Departments are permitted to carry forward special purpose funds with no external restrictions.

Funds are internally restricted to protect the university from losses not covered by insurance.

Investment in capital assets represents the net amount of capital assets funded using internal unrestricted resources.

Sinking funds have been established to fund the principal repayments of the bullet debentures held by the university.

Other capital reserves represent amounts set aside to complete 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.

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

14. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	2015	2014
Net change in non-cash working capital:		
Accounts receivable	$ 3,658	$ 5,159
Prepaid expenses	743	1,766
Accounts payable and accrued liabilities	(7,704)	14,465
Deferred revenue and contributions	22,243	(11,514)
	$ 18,940	$ 9,876

15. FINANCIAL INSTRUMENTS

a) Fair value

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

The fair value of investments is disclosed in Note 5.

Derivative financial instruments

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

	2015		2014	
	Notional value	Fair value	Notional Value	Fair value
US Dollar	$ 140,956	$ 2,727	$ 224,765	$ 420
Other	70,163	749	107,422	(77)
	$ 211,119	$ 3,476	$ 332,187	$ 343

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 $3,476 (2014 - $1,228) in investments (Note 5) and $nil (2014 - $885) in accounts payable and accrued liabilities. 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.

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

b) Financial risk

The primary risk exposures for investments are foreign currency, interest rate volatility, and market and credit risk. The university, through the work of its Investment Committee, has formal policies and procedures in place governing 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.

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 consolidated financial statements.

The university has entered into forward foreign exchange contracts to minimize exchange rate fluctuations and to mitigate any uncertainty for future financial results.

16. ONTARIO STUDENT OPPORTUNITY TRUST FUND (OSOTF) AND ONTARIO TRUST FOR STUDENT SUPPORT (OTSS)

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

Externally restricted endowments, as described in Note 12, include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support matching programs to award student aid as a result of raising an equal amount of endowed donations.

The university has recorded the following amounts under phase 1 of the program:

(for the year ended April 30)	2015	2014
Endowment Funds:		
Opening balance	$ 69,733	$ 70,262
Transfer to expendable funds	(229)	(529)
Endowment capital	$ 69,504	$ 69,733
Expendable Funds:		
Opening balance	$ 428	$ 428
Investment income	3,128	2,971
Bursaries awarded	(3,357)	(3,500)
Transfer from endowment funds	229	529
Expendable funds available for awards	$ 428	$ 428
Number of bursaries awarded	1,083	1,117

The market value of the OSOTF phase 1 endowment fund at April 30, 2015 is $102,526 (2014 - $95,041).

(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 2 of the program:

(for the year ended March 31)	OSOTF II	OTSS	2015 Total	2014 Total
Endowment Funds:				
Opening balance	$ 12,245	$ 26,776	$ 39,021	$ 38,004
Donations received	-	1,088	1,088	904
Transfer from expendable funds	20	69	89	113
Endowment capital	$ 12,265	$ 27,933	$ 40,198	$ 39,021
Expendable Funds:				
Opening balance	$ 222	$ 139	$ 361	$ 366
Internal transfers to expendable funds	-	15	15	(6)
Investment income	470	1,035	1,505	1,398
Bursaries awarded	(483)	(890)	(1,373)	(1,284)
Transfer to endowment funds	(20)	(69)	(89)	(113)
Expendable funds available for awards	$ 189	$ 230	$ 419	$ 361
Number of bursaries awarded	180	400	580	572

The market value of the OSOTF phase 2 endowment fund at March 31, 2015 was $50,366 (2014 - $44,820).

17. RELATED ENTITIES

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

(a) Investment in Parking Commission

Queen's University at Kingston entered into a joint venture with Kingston General Hospital (KGH) 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. In fiscal 2011 the Parking Commission embarked on a significant restoration project. The project has been completed, with the university's share of these capital expenditures being $3,750 (2014 - $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 share of the Parking Commission's excess of revenues over expenses of $495 (2014 - $464) is reported in the Consolidated Statement of Operations. The investment in the Parking Commission is accounted for using the equity method.

(b) Investment in Cogeneration Facility

Queen's University at Kingston entered into a joint venture with KGH for the construction and operation of a cogeneration facility governed by a management board consisting of representatives of the university and KGH. The purpose of the facility is to produce electricity and steam. The university's proportionate share of the joint venture is 60% and Kingston General Hospital's proportionate share is 40%. 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 these consolidated financial statements. The university's proportionate share of the excess / (deficiency) of revenues over expenses for the current fiscal year is $(166) (2014 - $245).

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

(c) McGill-Queen's University Press

Queen's University at Kingston has significant influence in McGill-Queen's University Press. McGill-Queen's University 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% share of any deficit / surplus accumulated by McGill-Queen's University Press. The university's proportionate share of the Press' assets, liabilities and operations have not been included in these consolidated financial statements. The university's proportionate share of the accumulated surplus at April 30, 2014 was $175 (2013 - $276).

		2014		2013
Total assets	$	2,630	$	2,679
Total liabilities		2,281		2,126
Total fund balance	$	349	$	553
Revenues	$	3,882	$	4,047
Expenses		4,085		3,799
Excess / (deficiency) of revenues over expenses	$	(203)	$	248

(d) SNOLAB Institute

The SNOLAB Institute at Queen's University 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%) of the joint venture's assets, liabilities and operations have been included in these consolidated financial statements (see also Note 18(f)).

(e) Tri-universities Meson Facility

The university is a member, with eleven 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 / 12 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 these financial statements (see also Note 18(c)).

The following financial information at March 31, 2015 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.

		2015		2014
Total assets	$	26,369	$	25,501
Total liabilities		6,257		7,868
Total fund balances	$	20,112	$	17,633
Revenues	$	69,133	$	81,032
Expenses		66,654		82,195
Excess / (deficiency) of revenues over expenses	$	2,479	$	(1,163)

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

18. 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, 2015, 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 accrued in these 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, 2014, the date of the latest financial statements available, CURIE had a surplus of $74,231 (2013 - $71,331).

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) TRIUMF – Asset retirement obligation

The members of the TRIUMF joint venture and the Canadian Nuclear Safety Commission ("CNSC") approved a decommissioning plan which requires all members to be severally responsible for their share of the decommissioning costs, as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions of decommissioning the facilities, TRIUMF has complied with federal legislation by putting in place a decommissioning plan, including a funding plan. This decommissioning plan does not require any payments from the joint venture partners. All decommissioning costs are expensed in the period in which the costs are incurred.

(d) Capital commitments

As of April 30, 2015 the estimated cost to complete construction in process for the extension of facilities is approximately $19,729 (2014 - $45,396). These costs will be financed by a combination of external debt, gifts, grants, ancillary income, and allocations from operations.

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

Fiscal year	
2016	$ 2,512
2017	1,161
2018	615
2019	502
2020	312
Thereafter	246
	$ 5,348

(e) Bank loan guarantees

The university has a program under which it guarantees bank loans to faculty and staff members to assist in the purchase or refinancing of their homes. The university holds mortgages as collateral security against such guarantees. At April 30, 2015, the amount of loans guaranteed was $175 (2014 - $147). The university's estimated exposure under these guarantees is not material.

(f) SNOLAB - Asset retirement obligation

As stipulated within the Constitution for the SNOLAB Institute at Queen's University, 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 2020. No accrual has been made in these financial statements.

(g) Long-term debt

During the 2013 fiscal year, the university entered into a loan agreement to finance capital construction costs. The total available under this loan is $70,000 and is to be borrowed through a series of drawdowns occurring between July 2013 and November 2015. Subsequent to April 30, 2015, the university made a third draw of $30,000 on the loan.

(h) Other

In addition to the capital commitments disclosed in Note 18(d) and the pension special payments disclosed in Note 11, the university has issued letters of credit of $3,596 primarily for capital construction, and has guaranteed an operating line of credit of $1,000 for PARTEQ Innovations.

19. COMPARATIVE FIGURES

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