Financial Update
Report to the Board of Trustees
May 2, 2014

I. 2013-14 Operating Budget Update

The table below shows projected variances from the approved 2013-14 operating budget.

Queen's University 2013-14 Operating Budget (000,000's)	Approved Budget 2013-14	Projected Actuals 2013-14	Variance
REVENUE			
Student Fees	$ 233.5	$ 230.8	$ (2.7)
Government Grants	$ 199.7	$ 199.0	$ (0.7)
Unrestricted Donations	$ 1.8	$ 5.2	$ 3.4
Other Income	$ 5.7	$ 6.0	$ 0.3
Research Overhead	$ 4.0	$ 4.0	$ -
Investment Income (Note 1)	$ 11.8	$ 12.2	$ 0.4
Total Operating Revenue	**$ 456.5**	**$ 457.2**	**$ 0.7**
EXPENSE			
Faculties and Schools Allocation	$ 264.1	$ 259.5	$ (4.6)
Shared Services Allocation	$ 165.9	$ 167.1	$ 1.2
Infrastructure Renewal	$ 2.8	$ 2.8	$ -
Contingency	$ 1.5	$ 1.5	$ -
Total Allocations	**$ 434.3**	**$ 430.9**	**$ (3.4)**
Flow Through Expenses, net of recoveries	$ 9.8	$ 10.3	$ 0.5
Indirect Costs of Research to External Entities	$ 1.8	$ 1.5	$ (0.3)
Total Operating Expenditures	**$ 445.9**	**$ 442.7**	**$ (3.2)**
Net Surplus before Capital Expenditures	**$ 10.5**	**$ 14.5**	**$ 4.0**
Transfer to Capital Budget	$ 13.8	$ 13.8	$ -
Unit Expenses greater than Budget Allocation	$ 6.0	$ 3.0	$ (3.0)
Net Budget Surplus (Deficit)	**$ (9.3)**	**$ (2.3)**	**$ 7.0**
Draw down/(Contribution) Employee Future Benefit or Cash Reserves*	$ 3.3	$ (0.7)	$ (4.0)
Draw down of Unit Carryforward balances**	$ 6.0	$ 3.0	$ (3.0)
Net Surplus (Deficit)	**$ 0.0**	**$ (0.0)**	**$ (0.0)**

**The drawdown of cash reserves is for one-time only expenditures*

***Projection based on budget load combined with the decline in tuition and grant revenues flowing to the faculties*

Note 1: *Income from the PIF is estimated to be $16.6M. Only the budgetted amount of $4.2M is reflected here. The $12.4M variance will be used to pay down the previously accumulated operating deficit or to support in year revenue variances if required.*

The following table shows the detailed breakdown of the Shared Service Allocations and projections shown on Page 1:

Queen's University at Kingston

2013-14 Shared Services Budget Allocations (000,000's)

	Approved Budget 2013-14	Projected Actuals 2013-14	Variance
Shared Services			
Principal's Office	$ 1.7	$ 1.7	$ -
Secretariat	$ 0.8	$ 0.8	$ -
Communications	$ 1.6	$ 1.6	$ -
Vice-Principal (Research)	$ 5.3	$ 5.3	$ -
Vice-Principal (Advancement)	$ 12.8	$ 12.8	$ -
Vice-Principal (Finance & Admin)	$ 6.6	$ 6.6	$ -
Provost & Vice-Principal (Academic)	$ 4.8	$ 4.8	$ -
Student Affairs	$ 11.3	$ 11.3	$ -
Library(operations & acquisitions)	$ 25.3	$ 25.3	$ -
Occupancy Costs(net of Shared Service Space Costs)	$ 27.4	$ 27.8	$ 0.4
Environmental Health & Safety	$ 1.3	$ 1.4	$ 0.1
ITS	$ 13.1	$ 13.1	$ -
Human Resources	$ 5.7	$ 5.8	$ 0.1
Graduate Studies	$ 1.8	$ 1.8	$ -
University Wide Benefits & Pension Benefit Guarantee Fund	$ 8.1	$ 8.5	$ 0.4
Need Based & UG Merit Student Assistance	$ 16.2	$ 16.2	$ -
Graduate Students Assistance	$ 13.4	$ 13.4	$ -
University Wide	$ 7.3	$ 7.5	$ 0.2
Faculty Bridge Programs (QNS, QRC, FRP)	$ 1.3	$ 1.3	$ -
Total Shared Services	**$ 165.8**	**$ 167.0**	**$ 1.2**

The following table shows the Capital Allocations from the Operating Budget.

Queen's University
2013-14 Capital Budget Allocations from Operating

	Budget 2013-14	Projected 2013-14
Grant Revenue		
MTCU Facilities Renewal Fund	$ 1,046,045	$ 1,046,045
MTCU Graduate Capital	$ 1,700,000	$ 1,700,000
Total Revenue	$ 2,746,045	$ 2,746,045
Budget Allocations		
Capital Projects Financing		
School of Kinesiology & Queen's Centre	$ 6,900,000	$ 6,900,000
QUASR	$ 3,000,000	$ 3,000,000
BISC	$ 250,000	$ 250,000
Biosciences Complex	$ 222,500	$ 222,500
Chernoff Hall	$ 900,000	$ 900,000
Electrical Substation	$ 900,000	$ 900,000
CoGeneration Facility	$ 1,064,000	$ 1,064,000
Richardson Hall & University Ave	$ 1,500,000	$ 1,500,000
Tools for Research Administration at Queen's (TRAQ)	$ 640,000	$ 640,000
Boiler #8	$ 166,526	$ 166,526
Deferred Maintenance		
MTCU Facilities Renewal Fund	$ 1,046,045	$ 1,046,045
Total Expenses	$ 16,589,071	$ 16,589,071
Budget Surplus (Deficit)	$ (13,843,026)	$ (13,843,026)
Transfer from Operating Budget	$ 13,843,026	$ 13,843,026
Surplus (Deficit)	$ -	$ -

There are no projected changes to the capital budget transfer and allocation.

Budget Analysis

The 2013-14 projected operating budget remains balanced. The budget variances are explained below.

Enrolment

Actual overall enrolment is lower than projected at both the graduate and undergraduate levels. At the graduate level, the effect on tuition revenue was partially offset by a shift, relative to projections, from domestic to international students (i.e., a greater proportion of students were paying the higher international tuition). Queen's School of Business Master's program tuition had a negative variance of $600K due to lower than planned enrolments in the Master of Finance and Master of International Business programs, as well as fewer international students in these programs, and a realignment of when tuition is recognized.

The shift in graduate enrolment from domestic to international students is responsible for a much larger decrease in the graduate accessibility grant of $974K. A positive variance of $1.1M in the Basic Operating Grant ($0.2M) , Performance Fund Grant ($0.3M), targeted grants ($0.4M) & Research Infrastructure grant ($0.2M) are offsetting the $2M decline in the Undergraduate and Graduate Accessibility grants for a total negative grant variance of $0.7M.

Undergraduate tuition revenue is lower than budgeted by $1.9M. Enrolments in Arts and Science, the Bader International Study Centre and Engineering and Applied Science are lower than planned. The decline in these areas is partially offset by higher than planned enrolments in the Queen's School of Business. Non-credit tuition revenue shows a negative variance of $400K because of the inability to achieve international client revenue targets and the cancellation of two open enrolment courses. A positive variance of $400K in Athletics fees is also offsetting the decline in tuition revenues.

Unrestricted Donations

A significant unrestricted bequest has been received in addition to other unrestricted donations. Advancement is forecasting unrestricted donation revenues of $5.2M which is $3.4M over budget.

Other Income

Other income has a positive variance of $300K resulting from higher than budgeted miscellaneous athletics revenues, which are offset by a decline in Health Fee revenues as a result of lower than budgeted enrolments.

Research Overhead

Research overhead revenues are on budget.

Investment Income

Investment income is showing a positive variance of $400K as a result of higher than budgeted short-term investment returns. The operating budget currently assumes revenue from the Pooled Investment Fund (PIF) of $4.2M, but the latest projections suggest the revenue may exceed $16.6M. Prudence dictates that we include only the budgeted amount of $4.2M in the updated projections and use the surplus income to eliminate the cumulative operating fund deficit from previous years.

The cumulative Operating Fund Deficit as of April 30, 2013 was $8.1 million.

Expenditures

Under the new budget model all tuition and grant revenues are attributed directly to the Faculties and Schools, which means lower than projected tuition and grant revenues have a direct effect on Faculty and School allocations.

Shared Services are showing higher than projected expenditures of $1.2M. This is entirely a result of higher non-discretionary costs, including medical and hazardous waste collection (up by $100K), increased costs of University memberships ($200K), and increased centrally supported benefits costs ($500K). Part of the $500K increase was treated as a University-wide benefit cost and part as a Human Resource cost; these two costs are differently attributed to Faculties and Schools. Utility costs are also non-discretionary, and these are being projected to rise because of colder than expected winter season. This appears in the budget model as an increase in occupancy costs of $400K.

Transfer of indirect cost revenues to external entities is projected to decrease. This projection is based on more up-to-date information from the Tri-council funding agencies. The total grant to Queen's has not changed, which means the Faculties and Schools are now receiving a higher allocation than was originally budgeted.

Flow-through expenses relate to expenses funded by Student Health and Athletics fees and Disability and Municipal tax grants, and are netted against ancillary overhead recoveries. These flow-through expenses are higher than was originally budgeted because of higher than expected Athletics fees revenues that are supporting the higher expenditures.

Operating Budget Surplus (or Deficit)

Current projections continue to show a balanced budget.

The budget approved by the Board reflects the in-year revenue and expenses or budget allocations. Many units are planning total expenditures that are higher than their budget allocation, with the additional expenditures being funded by prior-year reserves (carry-forwards). The approved 2013-14 operating budget showed reserves would be drawn down by $6.0M. When units presented their final budget projections, the projection was for a drawdown of $4.3M. Units are now indicating that their use of carry-forward funds will be in the range of $3.0M. This is due to salary savings and capital expenditures that are lower than budgeted, which are offsetting the decline in revenues that some faculties are experiencing.

The budgeted $3.3M drawdown of the Employee Future Benefits and Cash reserve is now projected to be a contribution to the cash reserve of $700K because of higher than budgeted investment income revenues, an increase in late payment fees and increases in both overhead revenue and unrestricted donations. This cash will be used for future strategic priorities.

It is important to note that there are a number of non-cash year end accounting adjustments for employee future benefits and derivatives that are dependent on year-end accounting valuations and are therefore not included in the Board approved operating budget. These accounting adjustments will affect the operating surplus (or deficit) per the audited financial statements.

Presentation of Operating Budget by Revenue and Expense Line

Each year when the university's financial statements are presented, actual expenditures are presented against budgets by revenue and expense line. The table below provides an overview of the operating budget presented this way.

Revenues in the following table include both revenues that are budgeted centrally, as well as those budgeted by individual faculties and units that are netted against the Faculties and Shared Services Allocation lines on Page 1.

	2014
REVENUE	
Grants and Contracts	204,047
Fees	240,430
Sales and Service	5,500
Other	11,477
Donations	1,801
Investment Income	11,967
	475,222
EXPENSES	
Salaries and benefits	328,946
Supplies and other expenses	66,724
Student Assistance	30,546
Externally Contracted Services	5,023
Travel	6,940
Utilities and Insurance	17,535
Renovations and Alterations	809
Contingency	3,665
Interfund Transfers out / (in)	22,655
Total expenses	482,842
Surplus / (deficiency)	(7,620)

The $7.6 million deficit in the table above represents the final budgets loaded by units, and is funded by the $3.3 million drawdown of Employee Future Benefit or Cash Reserves, together with a $4.3 million drawdown of unit carry forwards.

The approved budget provided for a $9.3 million deficit before drawdowns of cash reserves and carry forwards.

II: Ancillary Operations and Consolidated Entities

Overall, Ancillary Operations and Consolidated Entities are projecting increases in deficits over what was budgeted in excess of $4.75M. This is due to the budget variances outlined below.

Community Housing is now projecting a $664K loss, against a budgeted surplus of $567K. The revised outcome is primarily affected by the following factors:

1. A number of vacancies at the west end properties (in particular the An Clachan complex) - this accounts for $215K of the variance and represents just a 3% variance compared to the budgeted total revenue for the department.
2. Due to a faulty gas meter the department has been asked to pay 2 years in back utilities totalling $480K. This is currently being reviewed by Queen's legal department.
3. Capital upgrades and investments of $670K which are funded from existing capital reserves prudently built up over time:
   - The replacement of the roof at the An Clachan complex contributed to an additional $200K of costs.
   - A number of the vacant units underwent needed repairs/renovations increasing the chances of renting the units in the future. The total cost of these projects was approximately $119K.
   - The purchase of $350K of furniture to add furnished units to the offering at An Clachan ($215K) and John Orr Tower ($135K).

Vacancies within the Community Housing portfolio are a recent occurrence. Prior to the 2012-2013 budget year, there were waiting lists for both John Orr Tower and An Clachan. Interest in the near campus/core properties remains strong, with all properties fully rented as of February 1st for May 1st occupancy.

Vacancies are due in some part to a larger than average number of students vacating upon the end of their lease period. A limited exit poll reveals that the most common reasons for leaving An Clachan were graduation/completion of thesis/moving to another school and cost of rent. Community Housing is currently developing a secondary poll to gain more information and verify results.

The above mentioned renovations and addition of furnished units significantly reduced the number of vacancies. Additional strategies to address vacancies include new rental term options and customer loyalty programs for longer-term tenants, as well as the addition of two community assistants who provide programming and guidance for international students and families. The department has also developed a marketing plan that engages a number of campus partners with constituents who may be interested in these properties, including professional schools, international departments and graduate studies coordinators. An Clachan marketing will also focus on international students and families looking for a more residential experience.

A soft student rental market accompanied by a recent aggressive rental increase strategy undertaken by the university to increase revenue has generated a need to review rent levels for parity to market. For example, John Orr Tower rates, at one time considered moderately priced accommodation for single graduate students, are now considered to be at the upper end of like rentals.

The Donald Gordon Centre's profit is expected to be about $192K lower than budget due to lower than expected enrolments in some QSB programs.

PARTEQ/Green Centre is projecting a deficit of $3.27M, a negative variance of $3.35M from budget. Revenues are lower than budget due to an unexpected termination in grant funding of $1.0M and a net decrease in licensing revenue of $0.7M. Salary and benefit costs exceeded budget by $724K due to severance pay expenses further to a restructuring at PARTEQ, and other expenses are higher than budgeted due primarily to a $1.0M write off of investments in spin-off companies due to an impairment in value. Effective May 1, 2014, PARTEQ will no longer control GreenCentre Canada, and as a result, the financial statements of GreenCentre Canada will no longer be consolidated into PARTEQ's financial statements. As part of this consolidation, GreenCentre Canada was responsible for $577K of the $3.27M deficit.

The Parking deficit of $2M is a result of debt servicing (principal and interest) payments related to the Union Street and Queen's Centre underground parking garages (the costs of which are amortized over 30 years), and aligns closely to the budgeted deficit.

These results do not include the operations Bader International Study Centre (BISC) as this unit has been scoped into the New Budget Model. The consolidated financial results for BISC will be included in the Queen's university audited financial statements. Given the operations of BISC are broader than the components that flow through the budget model, the need to incorporate more comprehensive quarterly updates on this entity will be further considered in 2014-15.

The following tables provide budget and projection details for the Ancillary Operations as well as the Consolidated Entities.

2013-14 ANCILLARY & CONSOLIDATED ENTITIES FINANCIAL REPORT (000's)									
	TOTAL ANCILLARY			**TOTAL CONSOLIDATED ENTITIES**			**TOTAL ANCILLARY & CONSOLIDATED ENTITIES**		
	Budget	**Actual**	**Variance** Surplus (deficit)	**Budget**	**Actual**	**Variance** Surplus (deficit)	**Budget**	**Actual**	**Variance** Surplus (deficit)
REVENUE	78,347	78,781	434	11,551	10,482	(1,069)	89,898	89,263	(635)
EXPENDITURE									
Salaries & Benefits	10,472	9,796	676	4,870	5,601	(731)	15,342	15,397	(55)
External Contracts	24,871	25,492	(621)	1,105	1,481	(376)	25,976	26,973	(997)
Utilities	6,013	6,514	(501)	-	-	-	6,013	6,514	(501)
Repairs & Alter.	6,255	6,459	(204)	-	-	-	6,255	6,459	(204)
Debt Servicing	12,023	12,064	(41)	109	105	4	12,132	12,169	(37)
Supplies & Misc.	12,961	13,924	(963)	5,363	6,539	(1,176)	18,324	20,463	(2,139)
Deferred Maintenance	665	587	78	-	-	-	665	587	78
Total Exp excl Overhead	73,260	74,836	(1,576)	11,447	13,726	(2,279)	84,707	88,562	(3,855)
Overhead	3,705	3,845	(140)	-	-	-	3,705	3,845	(140)
Additional Contributions	2,096	2,215	(119)	-	-	-	2,096	2,215	(119)
Total Expenditures	79,061	80,896	(1,835)	11,447	13,726	(2,279)	90,508	94,622	(4,114)
SURPLUS (DEFICIT)	(714)	(2,115)	(1,401)	104	(3,244)	(3,348)	(610)	(5,359)	(4,749)

2013-14 ANCILLARY FINANCIAL REPORT (000's)

	Residence			Event Services			Community Housing			Parking		
	Budget	**Actual**	**Variance** Surplus (deficit)	**Budget**	**Actual**	**Variance** Surplus (deficit)	**Budget**	**Actual**	**Variance** Surplus (deficit)	**Budget**	**Actual**	**Variance** Surplus (deficit)
REVENUE	51,119	51,745	625	5,758	5,589	(169)	6,237	6,023	(214)	2,842	2,994	152
EXPENDITURE												
Salaries & Benefits	7,067	6,506	561	1,147	1,124	23	1,170	1,108	62	346	323	23
External Contracts	18,612	19,235	(623)	3,662	3,597	65	175	197	(22)	565	713	(148)
Utilities	3,435	3,513	(78)	179	178	1	1,832	2,280	(448)	240	240	0
Repairs & Alter.	4,673	4,600	73	-	30	(30)	1,323	1,568	(245)	56	50	6
Debt Servicing	7,446	7,481	(35)	-	6	(6)	111	112	(1)	3,319	3,319	0
Supplies & Misc.	5,554	5,466	88	119	102	17	189	577	(388)	29	57	(28)
Deferred Maintenance	-	-	-	-	-	-	-	-	-	525	567	(42)
Total Exp excl Overhead	46,788	46,801	(13)	5,106	5,037	70	4,801	5,842	(1,041)	5,081	5,269	(188)
Overhead	2,241	2,438	(197)	383	376	7	838	815	23	99	97	2
Additional Contributions	2,049	2,171	(122)	15	14	1	31	30	1	-	-	-
Total Expenditures	51,079	51,410	(331)	5,504	5,427	78	5,670	6,687	(1,017)	5,180	5,366	(186)
SURPLUS (DEFICIT)	41	335	294	253	162	(91)	567	(664)	(1,231)	(2,338)	(2,372)	(34)

2013-14 ANCILLARY FINANCIAL REPORT (000's)

	Marketing & Communications			Computer Store			Donald Gordon Centre			Stuart St. Underground Parking		
	Budget	Actual	Variance Surplus (deficit)	Budget	Actual	Variance Surplus (deficit)	Budget	Actual	Variance Surplus (deficit)	Budget	Actual	Variance Surplus (deficit)
REVENUE	351	171	(180)	6,600	7,275	675	4,366	3,970	(396)	1,073	1,015	(59)
EXPENDITURE												
Salaries & Benefits	-	-	-	630	656	(26)	-	-	-	113	80	33
External Contracts	73	30	43	-	-	-	1,743	1,687	56	42	33	9
Utilities	-	-	-	-	-	-	260	244	16	66	58	7
Repairs & Alter.	-	-	-	-	-	-	175	186	(11)	28	26	2
Debt Servicing	-	-	-	-	-	-	823	823	(0)	323	323	-
Supplies & Misc.	46	7	39	5,915	6,625	(711)	1,070	1,054	16	39	36	3
Deferred Maintenance	-	-	-	-	-	-	120	-	120	20	20	-
Total Exp excl Overhead	119	37	82	6,545	7,281	(736)	4,191	3,994	197	629	575	54
Overhead	12	6	6	56	44	12	76	69	7	-	-	-
Additional Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	131	43	88	6,600	7,324	(724)	4,267	4,063	204	629	575	54
SURPLUS (DEFICIT)	220	128	(92)	-	(49)	(49)	99	(93)	(192)	444	439	(5)

	2013-14 Consolidated Entities Financial Report (000's)					
	PARTEQ Consolidated			QCED Inc.		
	Budget	Actual	Variance Surplus (deficit)	Budget	Actual	Variance Surplus (deficit)
REVENUE	10,676	9,151	(1,525)	875	1,331	456
EXPENDITURE						
Salaries & Benefits	4,685	5,409	(724)	185	192	(7)
External Contracts	529	455	74	576	1,026	(450)
Utilities	-	-	-	-	-	-
Repairs & Alter.	-	-	-	-	-	-
Debt Servicing	109	105	4	-	-	-
Supplies & Misc.	5,276	6,453	(1,177)	87	86	1
Deferred Maintenance	-	-	-	-	-	-
Total Expenditures	10,599	12,422	(1,823)	847	1,304	(457)
SURPLUS (DEFICIT)	77	(3,271)	(3,348)	28	27	(1)

III: Pension Plan

A pension plan valuation was completed as of August 31, 2013 and resulted in a going concern deficit of $108M and a solvency deficit of $292M.

The 2013-14 budget includes the required going concern payments of $14.4 million which commenced on September 1, 2012. The University is currently in stage I solvency relief, and will apply for Stage II solvency relief in 2014-15, which coincides with when the university will file the next pension plan valuation with regulators (as of August 31, 2014). Stage II relief allows the solvency deficit to be amortized over 10 years instead of 5. Recent changes to the Pension Benefits Act in Ontario provide universities with a further choice to amortize the solvency deficit over the 10 year period, or take advantage of an additional 3 year extension to pension solvency relief and amortize the solvency deficit over the remaining 7 years of Stage II relief. The university continues to review measures to make the pension plan financially sustainable, including options that might lead to permanent solvency relief.

IV: Capital Budget

The table below provides an overview of capital projects on campus with related information on funding. New capital projects are not approved without a full business case and committed funding.

As of March 31, 2014		Cash Flow Impact				Additional Funding		Notes:
	Approved Budget	Expenditures to Mar '14	Funding to Mar '14	Debt to Mar '14	Cash surplus (shortfall) Mar '14	External Grants / Donations/ Debt	Annual Operating Budget Impact	
Projects in Process:								
New Electrical Substation	9,700	7,993	1,547		(6,446)		900	
Isabel Bader Performing Arts Centre	80,500	67,453	71,528		4,076	8,972		1
Reactor Materials Testing Laboratory	17,495	12,035	8,001		(4,034)	9,494		2
New Residence Buildings	70,000	8,635	-	10,000	1,365	60,000		3
TRAQ	3,460	1,080	1,530		450		640	
Ellis Hall - Innovative Learning renovation	2,270	1,435	2,270		835	-		
Jean Royce - Food Services	2,204	1,571	485		(1,087)	1,719		4
JDUC - Sidewalk café	1,515	1,412	359		(1,053)	1,156		4
Innovation Park - Micro / Nano Facility	2,000	22	62		40	1,938		5
Total Approved Projects in Process	**189,144**	**101,636**	**85,782**	**10,000**	**(5,854)**	**83,280**	**1,540**	
Projects Completed:								
Queen's Centre Underground Parking	12,235	12,235		12,235	-			
School of Kinesiology and Queen's Centre Phase 1	169,000	168,378	33,066	81,545	(53,767)	54,389	6,900	
Goodes Hall Expansion	40,000	40,000	24,081		(15,919)	15,919		6
Stuart Street Underground Parking	7,500	7,376	699		(6,677)	6,677		7
West Campus Fields	3,122	3,030	3,063		33	59		8
Mackintosh-Corry Food Services	1,345	1,752	988		(764)	764		9
Waldron Tower	2,500	2,143	935		(1,208)	1,208		10
Medical Building	76,846	74,898	74,350		(548)	2,496		11
Nixon Field	2,300	2,393	2,308		(86)	86		12
Total Approved Completed Projects	**314,848**	**312,205**	**139,488**	**93,780**	**(78,936)**	**81,598**	**6,900**	

Notes on Funding Sources:

1. Federal grant and donations
2. Research funding
3. Funded by external debt
4. Housing and Hospitality Services budget
5. Research funding, CMC Microsystems and Innovation Park grant
6. Donation and $12M in funding from Queen's School of Business
7. Parking Revenue - funding shared 50/50 with Kingston General Hospital
8. Donation pledges
9. Food Services – Ancillary Operation
10. Residence revenues and reserves
11. Donations and the Faculty of Health Science has committed to fund any shortfall
12. Donations

The table below provides information on planned capital projects.

Planned Projects- budget approved ($000's)	Planning funds approved to Mar '14	Expenditures to Mar '14	Funding to Mar '14	Net Cash Position
Teaching Space Complex	620	634	620	(14)
Engineering Building	300	312	4,582	4,270
Total	920	946	5,202	4,256

Deferred Maintenance:

A Facilities Condition Audit was conducted in 2010 to provide an update on the status of the deferred maintenance. The results of that audit and the deferred maintenance changes since 2010 report $213M of deferred maintenance broken down as follows:

Facilities Condition Audit Deferred Maintenance		
	$000's	
Campus		164,000
Residences		48,787
		212,787

In addition, there is an estimated $30M of campus infrastructure (underground systems) deferred maintenance. The audit broke down the Campus deferred maintenance into priorities, with Priority 1 as issues that must be dealt with within 1 year amounting to $1.1M and Priority 2 as issues that must be dealt within 1-2 years amounting to $38.9M.

The University receives a small amount of annual provincial funding for deferred maintenance under the Facilities Renewal Program. The allocation to this funding envelope was cut in 2010-11, which, along with Queen's declining system share, has reduced Queen's allocation from $1.8M a few years ago to $1.1M annually.

Queen's also allocates annual operating budget funds for required maintenance. The operating budget allocation is $4.2M of which $1.5M is being used annually to fund two completed capital projects, University Avenue and Richardson Hall, leaving $2.7M for deferred maintenance projects. In 2013-14, the university allocated a one-time additional $1.4M towards deferred maintenance. The industry standard for annual deferred maintenance funding is 1%-1.5% of Current Replacement Value (CRV). For the university the annual number at 1% would be $14M. The table below shows Queen's projected deferred maintenance expenditures in 2013-14. For the government funded program, there is a list of pre-approved projects and the expenditures are subject to external audit.

Deferred Maintenance and R&A Funding 2013-14:

Funding Source:	Available funds May 1, 2013	Spending to March 31, 2014	Notes
Operating Budget	4,110	2,945	1
MTCU: Facilities Renewal Program - 2013-14	1,086	1,085	2
Total:	**5,196**	**4,030**	

Notes:
1. The remaining Operating Budget funds have all been allocated to pre-approved projects.
2. Annual Funding based on Ontario MTCU - System Share.

V: Investment Funds

The decline in the financial markets in late 2008 and early 2009 had a substantial impact on University investments. Since then, markets have broadly recovered, although they have been susceptible to further. Market volatility can have a significant impact on investment holdings and financial planning.

The University has two investment portfolios, the Pooled Endowment Fund and the Pooled Investment Fund.

The Pooled Endowment Fund ("PEF") is an investment pool composed of funds that have been designated for University Endowment accounts. Donations received by the University are invested in the PEF and each year certain amounts are withdrawn according to the spending policy. These annual withdrawals fund scholarships, academic chairs, book funds, lectureships, as well as a diverse range of university programs.

The Pooled Investment Fund ("PIF") is made up of reserve funds and unspent balances. In August 2011 the Investment and Finance Committees agreed to withdraw all sinking fund balances held within the PIF, resulting in the withdrawal of over $19M, accounting for some of the reduced market value in the table below. The sinking fund balances have been invested separately.

In the past, spending from the PIF has been based on a percentage of mean assets, even in periods when returns have been weak. As such, the PIF is currently below the book value of cash contributions. Due to the PIF's primary objective to preserve the nominal capital of the fund, the decision was made to limit the reliance on income from the PIF. Thus commencing in 2012-13, budgeted income from the PIF was reduced to $4.2M.

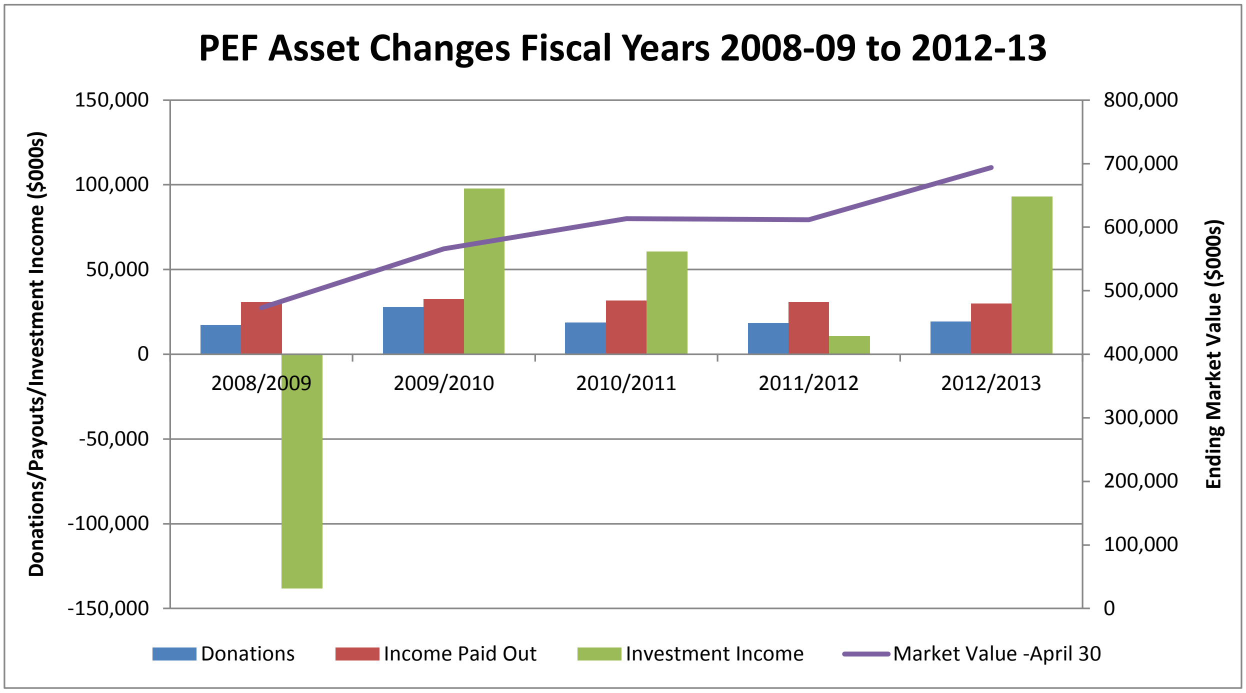
Investment Fund balances are shown in the table below:

Investment Portfolios (000's)

	Market Value April 30, 2010	Market Value April 30, 2011	Market Value April 30, 2012	Market Value April 30, 2013	Market Value March 31, 2014
Pooled Investment Fund (PIF)	148,797	196,185	168,436	156,463	174,709
Pooled Endowment Fund (PEF)	565,852	613,440	611,732	694,010	*777,711
Total	**714,649**	**809,625**	**780,168**	**850,473**	**952,420**

*Market value is reduced by pro-rated year end payout for the PEF

As shown in the graph below, the Endowment market value has recovered strongly since fiscal 2008-09. The market value of the PEF for the end of the 2012-13 fiscal year was approximately $694 million. Since then, the PEF has continued to grow amidst a positive market environment. The market value as of March 31, 2014 is roughly $778 million.



The PEF income payout is approved annually by the Investment Committee of the Board of Trustees and is based on a hybrid formula, which is meant to preserve capital for inflationary increases while producing a substantial level of income to support current operations. As the formula is weighted 70% on the previous year's payout adjusted for inflation, and 30% on the most recent calendar year's market value, there is a significant smoothing effect and the full impact of market movements is not felt immediately. The University recently completed a thorough review of its spending policy, and in March the Board approved a two-year adjustment to the PEF payout for 2014-15 and 2015-16 that implements a long-term payout target of 3.7%, as well as adding upper and lower bands.

The 2013-14 projected PEF payouts are shown in the table below:

2013-14 Income from the Pooled Endowment Fund (000's)

General Operating Budget	3,260
Trust	20,303
Research	832
Total	**24,395**

VI: Debt and Liquidity

Debt
Balances at March 31, 2014:

Debt Portfolio

Issue	$ Millions	Rate	Maturity
Series A Senior unsecured debenture	$ 90.0	6.100%	2032
CMHC Residences loans	$ 0.6	5.375%	2016
Infrastructure Ontario 5 year amortizing	$ 3.2	3.160%	2014
Infrastructure Ontario Senior unsecured debenture	$ 75.0	5.090%	2040
Infrastructure Ontario Senior unsecured debenture	$ 50.0	5.100%	2040
Bank of Montreal (floating rate amortizing loan & interest rate swap)	$ 10.0	3.180%	2030
Total	$ 228.8		

In October 2013 the Board approved a revised Debt Management Policy that revised the guidelines regarding the optimal amount of debt through the monitoring of University-wide ratios. The ratios in the policy are as follows:

Board Debt Management Policy		Apr. 30, 2012	Apr. 30, 2013
Viability Ratio (1)	≥ 1.25x	1.62	1.80
Debt Burden Ratio (2)	≤ 3.25%	2.63%	2.59%

1) Viability Ratio:

$$\frac{\text{Unrestricted Net Assets} + \text{Internally Restricted Net Assets}^{*} + \text{Internally Restricted Endowments}}{\text{Total University External Debt}}$$

2) Debt Burden Ratio:

$$\frac{\text{Annual Interest Cost} + \text{Annual Debt Principal}}{\text{Total Operating Expenses} - \text{Amortization of Capital Assets} + \text{Annual Debt Principal}}$$

* Excluding liabilities associated with employee future benefits and including deferred contributions.

The University is within the established parameters of both the Viability Ratio and the Debt Burden Ratio.

Cash Flow:
Because tuition payments are received in September, there is always significant cash on hand in the fall and the beginning of the winter term. Cash-on-hand and short-term investments at March 31, 2014 was $68 million.