Financial Update
Report to the Board of Trustees
May 8, 2015

I: 2014-15 Operating Budget Update

The table below shows projected variances from the approved 2014-15 operating budget.

Queen's University 2014-15 Operating Budget (000,000's)

	Approved Budget 2014-15	Projected Actuals 2014-15	Variance
REVENUE			
Student Fees	$ 248.4	$ 252.6	$ 4.2
Government Grants	$ 201.9	$ 202.8	$ 0.9
Unrestricted Donations	$ 1.3	$ 1.1	$ (0.2)
Other Income	$ 7.3	$ 7.1	$ (0.2)
Research Overhead	$ 3.9	$ 3.5	$ (0.4)
Investment Income (Note 1)	$ 12.2	$ 12.9	$ 0.7
Total Operating Revenue	**$ 475.0**	**$ 480.0**	**$ 5.0**
EXPENSE			
Faculties and Schools Allocation	$ 270.9	$ 275.2	$ 4.3
Shared Services Allocation	$ 167.7	$ 168.0	$ 0.3
Infrastructure Renewal	$ 4.6	$ 4.6	$ -
Board Priorities & Compliance	$ 0.9	$ 0.9	
Contingency	$ 1.8	$ 1.8	$ -
Total Allocations	**$ 445.9**	**$ 450.5**	**$ 4.6**
Flow Through Expenses, net of recoveries	$ 11.5	$ 11.8	$ 0.3
Indirect Costs of Research to External Entities	$ 1.5	$ 1.5	$ -
University Priorities	$ 2.3	$ 2.4	$ 0.1
Total Operating Expenditures	**$ 461.3**	**$ 466.3**	**$ 5.0**
Net Surplus before Capital Expenditures	**$ 13.7**	**$ 13.7**	**$ -**
Transfer to Capital Budget	$ 13.8	$ 13.8	$ -
Unit Expenses greater/(less) than Budget Allocation	$ 7.5	$ (1.3)	$ (8.8)
Net Budget Surplus (Deficit)	**$ (7.7)**	**$ 1.1**	**$ 8.8**
Draw down/(Contribution) Cash Reserves*	$ 0.2	$ 0.2	$ -
Draw down/(Contribution) of Unit Carryforward balances	$ 7.5	$ (1.3)	$ (8.8)
Net Surplus (Deficit)	**$ -**	**$ -**	**$ -**

**The drawdown of cash reserves is for Talent Management Initiative*

Note 1: *Income from the PIF is estimated to be $18.8M. Only the budgeted amount of $4.2M is reflected here.*

The following table shows the detailed breakdown of the Shared Service Allocations and projections shown above:

Queen's University at Kingston

2014-15 Shared Services Budget Allocations (000,000's)

	Approved Budget 2014-15	Projected Actuals 2014-15	Variance
Shared Services			
Principal's Office	$ 1.6	$ 1.6	$ -
Secretariat	$ 0.9	$ 0.9	$ -
Communications	$ 1.7	$ 1.7	$ -
Vice-Principal (Research)	$ 5.5	$ 5.5	$ -
Vice-Principal (Advancement)	$ 13.0	$ 13.0	$ -
Vice-Principal (Finance & Admin)	$ 6.8	$ 6.8	$ -
Provost & Vice-Principal (Academic)	$ 3.8	$ 3.8	$ -
Student Affairs	$ 9.7	$ 9.7	$ -
Library(operations & acquisitions)	$ 25.7	$ 25.7	$ -
Occupancy Costs(net of Shared Service Space Costs)*	$ 29.3	$ 28.9	$ (0.4)
Environmental Health & Safety	$ 1.4	$ 1.4	$ -
ITS	$ 14.3	$ 14.3	$ -
Human Resources	$ 5.5	$ 5.6	$ 0.1
Graduate Studies	$ 1.8	$ 1.8	$ -
University Wide Benefits & Pension Benefit Guarantee Fund	$ 8.2	$ 8.6	$ 0.4
Need Based & UG Merit Student Assistance	$ 16.2	$ 16.2	$ -
Graduate Students Assistance	$ 13.4	$ 13.4	$ -
University Wide	$ 8.4	$ 8.6	$ 0.2
Faculty Bridge Programs (QNS, QRC, FRP)	$ 0.5	$ 0.5	$ -
Total Shared Services	**$ 167.7**	**$ 168.0**	$ 0.3

* The Occupancy Costs include $2.71M of deferred maintenance.

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

Queen's University 2014-15 Capital Budget Allocations from Operating	Budget 2014-15	Projected 2014-15
Grant Revenue		
MTCU Facilities Renewal Fund	$ 1,085,500	$ 1,085,500
MTCU Graduate Capital	$ 1,700,000	$ 1,700,000
Total Revenue	$ 2,785,500	$ 2,785,500
Budget Allocations		
<u>Capital Projects Financing</u>		
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/Deferred Maintenance	$ 1,500,000	$ 1,500,000
Tools for Research Administration at Queen's (TRAQ)	$ 640,000	$ 640,000
Boiler #8	$ 166,526	$ 166,526
<u>Deferred Maintenance</u>	$ 1,085,500	$ 1,085,500
MTCU Facilities Renewal Fund		
Total Expenses	$ 16,628,526	$ 16,628,526
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 projected operating budget for 2014-15 remains balanced. The budget variances relative to the projection in the approved budget are explained below.

Enrolment
Enrolment data shows that we are modestly above target against our overall enrolment projections at the undergraduate level and equally modestly below target at the graduate level.

Graduate tuition fee revenue has decreased by $0.4M because of a $1.3M loss in revenues related to research stream master's and PhD enrolments offset by an increase of $0.9M related to higher than planned international enrolments in the MBA and MFin programs. Graduate accessibility grant funding has decreased by $1.1M because we did not achieve our domestic graduate enrolment targets.

Undergraduate tuition revenue is showing a positive variance of $4.5M. Most of this is a result of higher than planned enrolments in Arts and Science, Queen's School of Business and Engineering. The remainder comes from an additional $0.7M in non-tuition student fees, which is a direct result of the increase in undergraduate enrolment. This increase is offset by a decrease in non-credit tuition of $0.6M because of lower enrolment in the Queen's Executive Development Centre programs in the School of Business.

The higher than planned undergraduate enrolment is producing a positive variance of $1.0M on the Undergraduate Accessibility grant. The Basic Operating Grant decreased slightly because of an increase in the International Student Recovery, which is a result of higher than budgeted international enrolment. The targeted program funding increased by $1.0M as a result of a higher than budgeted enrolment in the advanced track nursing program and international medical graduate program, and an increase in the Special Accessibility grant funding relating to unexpected top-up and additional funding relating to interpreter support.

Unrestricted Donations
Donation revenue is difficult to forecast, but based on current donations received and historical trends, Advancement is forecasting that unrestricted donation revenues will be $1.1M which is $200K under budget.

Other Income
Other income has a negative variance arising from a decline in flow-through revenues, primarily related to health fees.

Research Overhead
Research Overhead revenues are difficult to project because they are linked to expenditures in research projects, which are somewhat unpredictable but current projections suggest we are $400K lower than budgeted.

Investment Income
Investment income is showing a positive variance of $700K 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 current year-to-date market valuations suggest the revenue may exceed $18M. Prudence dictates that we include only the budgeted amount of $4.2M in the updated

projections. The returns include both realized and unrealized gains/losses and will fluctuate with market conditions before the end of the fiscal year.

Expenditures

Under the new budget model all tuition and grant revenues are attributed directly to the Faculties and Schools, resulting in higher than projected tuition and grant revenues, which have a direct effect on Faculty and School allocations unless they are in a hold harmless position. In fact, the majority of the increase in grant and revenue flowed to faculties that were not in a hold-harmless position. Research overhead is attributed to Faculties and Schools, so the reduction in revenue from this source will also be borne by Faculties and Schools.

Shared Services are showing higher than projected net expenditures of $300K. This is the result of an increase of roughly $700K in expenses relating to legal costs for certification of Graduate TA's, unbudgeted membership costs, and a projected increase on benefit expenses relating to retirees and those employees on long-term disability. These increases are offset by a $400K projected reduction in occupancy costs which relates primarily to projected savings on utilities. This is of course weather dependent (even in April!).

Monies identified previously as "To be allocated" are now identified as University Priorities. Some examples of what these funds were spent on include upgrades to technology in classrooms, innovation, support for international marketing, and support for two projects as part of the Library and Archives Master Plan (LAMP).

Flow-through expenses net of recoveries are lower than was originally budgeted because of higher than expected ancillary overhead recoveries and lower flow-through revenues.

Operating Budget Surplus (or Deficit)

Current projections continue to show a balanced budget. The weather continues to be a risk as it could reduce the projected utilities savings if temperatures are colder than expected between now and month's end.

The budget approved by the Board reflects the in-year revenue and expenses or budget allocations. Many units planned total expenditures to be higher than their budget allocation, with the additional expenditures being funded by prior-year reserves (carry-forward balances). The originally approved budget projected reserves being drawn down by $7.5M, but, the revised projection is for a surplus of $1.3M. This swing in the latter part of the fiscal year relates primarily to a deferral of capital expenditures within the Faculty of Health Sciences to the next fiscal year, and some significant unexpected salary and benefit savings within the Faculty of Arts and Science. One-time cost savings within the Faculty of Engineering and Applied Science have also contributed to the projected surplus for 2014-15. A review of financial activity in trust funds, scheduled to be completed in April 2015, has resulted in balances being transferred into the operating fund, improving the in-year position in several other areas. The accumulated departmental carryforward balance as at April 2014 was in excess of $100M.

The budgeted drawdown of the cash reserve, which is explicitly matched to one-time expenses, is unchanged at $0.2M.

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 transactions will affect the operating surplus (or deficit) per the audited financial statements.

II: Ancillary Operations and Consolidated Entities

Overall the projected deficit for the Ancillary Operations and Consolidated Entities of $4.135M is showing an improvement compared with the budgeted deficit of approximately $5.160M. The significant individual variances are outlined below.

Residence is now projecting a $1.36M loss (after capital contributions and contribution to University operations) against a budgeted deficit of $2.1M. The additional revenue of $1.9M results from 168 additional spaces over the spaces budgeted and the replacement of 140 "room only" occupants with students paying for "room and board". Some savings are now expected in salaries and utilities, along with a decrease in the projected revenue from retail food sales. The Division of Student Affairs is tracking this shift in revenue split and changes to meal plans may result. The overall revenue increase is somewhat offset by an increase in externally contracted expenses related to the meal plan costs for the rooms converted to "room and board". Additional overhead expenses and contributions to University operations account for the remainder of the change in expenses which is directly related to the increase in revenue.

Community housing is now projecting a break-even position. The majority of this positive variance when compared to budget results from the additional revenue generated from rooms that were filled but were originally budgeted as vacancies. This is being helped by a reduction in tax expense arising from a tax reassessment and resultant refund, the majority of which is flowing to the University as an additional contribution.

Parking is projecting a negative variance of $147K to budget which is primarily a result of reduced sales of shuttle permits as well as the forecast of additional underground permits not materializing. Costs were greater due to higher than expected snow removal and unexpected maintenance. The business case for the Union Street and Queen's Centre underground parking garages noted that the payback would be over 40 years. The reserve deficit will continue to increase until payment of the debt servicing has completed (over 27 years), at which time the revenues will begin reducing the accumulated deficit.

Event Services is now projecting a deficit of $607K, a worsening from the original budgeted deficit of $372K. The majority of this variance relates to a decrease in revenue which resulted from the loss of a large external event that Event Services had supported over a number of years. As a result, the drawdown of reserves will be higher than planned.

The Computer Store is projecting a loss of $111K. Internal sales are still well below budget with retail sales staying steady. Departments are now going directly to manufacturers rather than purchasing from the computer store. Options to restructure the computer store were looked as part of the ancillary review, which makes recommendations on how to proceed.

The Donald Gordon Centre is projecting a surplus of $3K, fairly close to the budgeted surplus of $11K. There was concern mid-year resulting from a downturn in projected revenues because of lower than planned occupancy relating to under enrolment in the non-degree programs run by the School of

Business. However, the Donald Gordon Centre saw a slightly improved spring season which resulted in projected sales rebounding slightly.

PARTEQ is projecting a surplus of $377K, an increase over budget of $512K. License revenue from major licensees has exceeded expectations resulting in a revenue budget variance of $1.95M, which is partially offset by distributions of license revenue to inventors.

The following tables provide budget and projection details for the Ancillary Operations as well as for the Consolidated Entities. In an effort to provide more detailed information about the operating results of the ancillary operations, we have this year altered the layout of the Ancillary Operation Financial Reports. The budget information presented is the same as that presented to the Board in May 2014, but in a slightly modified format. To improve on what was previously presented, we have categorized the budget and projections to separate normalized expenditures in-year versus the drawdowns that are a result of the principal portion of payments on debt servicing, deferred maintenance allocations to reserve, and/or Contributions to University Operations.

2014-15 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	78,091	79,490	1,399	4,525	6,130	1,605	82,616	85,620	3,004
EXPENDITURE									
Salaries & Benefits	11,030	10,784	(246)	1,600	1,609	9	12,630	12,393	(237)
External Contracts	24,379	25,483	1,104	669	267	(402)	25,048	25,750	702
Utilities	5,327	5,470	143	-	-	-	5,327	5,470	143
Repairs & Alter.	3,697	3,608	(89)	-	-	-	3,697	3,608	(89)
Interest & Bank Charges	8,109	8,190	81	114	116	2	8,223	8,306	83
Supplies & Misc.	15,151	14,453	(698)	2,253	3,751	1,498	17,404	18,204	800
Overhead	2,420	2,639	219	-	-	-	2,420	2,639	219
Total Expenditures	70,113	70,627	514	4,636	5,743	1,107	74,749	76,370	1,621
Net Surplus (Deficit) before Capital and Contributions to University Operations	7,978	8,863	885	(111)	387	498	7,867	9,250	1,383
Deferred Maintenance	3,400	3,440	76	-	-	-	3,400	3,440	76
Debt Servicing - Principal	4,304	4,304	-	-	-	-	4,304	4,304	-
Contributions to University Operations	5,323	5,641	318	-	-	-	5,323	5,641	318
SURPLUS (DEFICIT)	(5,049)	(4,522)	527	(111)	387	498	(5,160)	(4,135)	1,025

2014-15 ANCILLARY FINANCIAL REPORT (000's)

	Residence			Event Services			Community Housing			Parking		
	Budget	Projected	Variance Surplus (deficit)	Budget	Projected	Variance Surplus (deficit)	Budget	Projected	Variance Surplus (deficit)	Budget	Projected	Variance Surplus (deficit)
REVENUE	52,693	54,633	1,940	3,881	3,700	(181)	5,666	5,952	286	2,963	2,821	(142)
EXPENDITURE												
Salaries & Benefits	7,553	7,462	(91)	1,229	1,243	14	1,220	1,225	5	293	211	(82)
External Contracts	19,437	20,560	1,123	2,259	2,265	6	220	208	(12)	640	683	43
Utilities	3,669	3,569	(100)	188	179	(9)	896	1,075	179	271	302	31
Repairs & Alter.	2,608	2,588	(20)	-	-	-	816	809	(7)	60	30	(30)
Interest & Bank Charges	4,672	4,742	70	23	20	(3)	58	72	14	2,562	2,562	-
Supplies & Misc.	5,759	5,714	(45)	108	106	(2)	1,363	894	(469)	56	100	44
Overhead	1,806	2,036	230	89	81	(8)	300	296	(4)	100	99	(1)
Total Expenditures	45,504	46,671	1,167	3,896	3,894	(2)	4,873	4,579	(294)	3,982	3,987	5
Net Surplus (Deficit) before Capital and Contributions to University Operations	7,189	7,962	773	(15)	(194)	(179)	793	1,373	580	(1,019)	(1,166)	(147)
Deferred Maintenance	2,491	2,473	18	-	61	61	284	334	50	525	525	-
Debt Servicing - Principal	3,142	3,142	-	-	-	-	53	53	-	757	757	-
Contributions to University Operations	3,658	3,706	48	357	352	(5)	741	986	245	-	-	-
SURPLUS (DEFICIT)	(2,102)	(1,359)	743	(372)	(607)	(235)	(285)	-	285	(2,301)	(2,448)	(147)

2014-15 ANCILLARY BUDGET (000's) RESERVES

OPENING RESERVE	4,583	4,583	-	1,147	1,147	-	7,989	7,989	-	(4,358) *	(4,358) *	-
Addition to Maintenance Reserve	-	-	-	-	-	-	-	-	-	525	125	(400)
SURPLUS (DEFICIT) - PLANNED ALLOCATION TO (FROM) RESERVES	(2,102)	(1,359)	743	(372)	(607)	(235)	(285)	-	285	(2,301)	(2,448)	(147)
CLOSING RESERVE	2,481	3,224	743	775	540	(235)	7,704	7,989	285	(6,134)	(6,681)	(547)

* The parking reserve is net of a $5M reserve that has been set aside for deferred maintenance. The accumulated deficit, created by the debt servicing payments, is projected to be reduced to nil 8 years after the debt servicing payments are completed. The debt servicing payments have 27 years left on the amortization schedule.

2014-15 ANCILLARY FINANCIAL REPORT (000's)

	Creative Design			Computer Store			Donald Gordon Centre			Stuart St. Underground Parking		
	Budget	Projected	Variance Surplus (deficit)	Budget	Projected	Variance Surplus (deficit)	Budget	Projected	Variance Surplus (deficit)	Budget	Projected	Variance Surplus (deficit)
REVENUE	220	278	58	7,500	6,993	(507)	4,184	4,065	(119)	984	1,048	64
EXPENDITURE												
Salaries & Benefits	-	-	-	660	568	(92)	-	-	-	75	75	-
External Contracts	30	30	-	-	-	-	1,750	1,693	(57)	43	44	1
Utilities	-	-	-	-	-	-	250	292	42	53	53	-
Repairs & Alter.	-	-	-	-	-	-	185	143	(42)	28	38	10
Interest & Bank Charges	-	-	-	-	-	-	595	595	-	199	199	-
Supplies & Misc.	17	73	56	6,796	6,490	(306)	1,012	1,040	28	40	36	(4)
Overhead	8	10	2	44	46	2	73	71	(2)	-	-	-
Total Expenditures	55	113	58	7,500	7,104	(396)	3,865	3,834	(31)	438	445	7
Net Surplus (Deficit) before Capital and Contributions to University Operations	165	165	-	-	(111)	(111)	319	231	(88)	546	603	57
Deferred Maintenance	-	-	-	-	-	-	80	-	(80)	20	47	27
Debt Servicing - Principal	-	-	-	-	-	-	228	228	-	124	124	-
Contributions to University Operations	165	165	-	-	-	-	-	-	-	402	432	30
SURPLUS (DEFICIT)	-	-	-	-	(111)	(111)	11	3	(8)	-	-	-
		-										

2014-15 ANCILLARY BUDGET (000's) RESERVES

OPENING RESERVE	-	-	-	(456)	(456)	-	(5,630)	(5,630)	-	-	-	-
Addition to Maintenance Reserve	-	-	-	-	-	-	-	-	-	-	-	-
SURPLUS (DEFICIT) - PLANNED ALLOCATION TO (FROM) RESERVES	-	-	-	-	(111)	(111)	11	3	(8)	-	-	-
CLOSING RESERVE	-	-	-	(456)	(567)	(111)	(5,619)	(5,627)	(8)	-	-	-

2014-15 Consolidated Entities Financial Report (000's)						
	PARTEQ Consolidated			QCED Inc.		
	Budget	**Projected**	**Variance** Surplus (deficit)	**Budget**	**Projected**	**Variance** Surplus (deficit)
REVENUE	3,726	5,683	1,957	799	447	(352)
EXPENDITURE						
Salaries & Benefits	1,406	1,416	10	194	193	(1)
External Contracts	146	63	(83)	523	204	(319)
Utilities	-	-	-	-	-	-
Repairs & Alter.	-	-	-	-	-	-
Interest & Bank Charges	114	116	2	-	-	-
Supplies & Misc.	2,195	3,711	1,516	58	40	(18)
Deferred Maintenance	-	-	-	-	-	-
Total Expenditures	3,861	5,306	1,445	775	437	(338)
SURPLUS (DEFICIT)	(135)	377	512	24	10	(14)

Note: The Bader International Study Centre is a consolidated entity but under the New Budget model its academic operations are now included as a faculty in the operating budget.

III: Pension Plan

The University is required to file its August 31, 2014 pension plan valuation by August 2015.

The final August 31, 2014 valuation results reflect an increase in the going concern deficit to $175.6 million on a smoothed basis ($126 million at August 31, 2011). The increased going concern payments, which commence on September 1, 2015, are built into the 2015-16 to 2017-18 budget plans.

The solvency deficit has decreased to $285 million at August 31, 2014 from $332 million at August 31, 2011.

The University applied for and received Stage II solvency relief. Stage II relief allows the solvency deficit to be amortized over 10 years instead of 5, and provides universities with a further choice to 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 has decided to take advantage of the additional 3 years of solvency relief.

The 2015-16 Operating Budget, which will be presented to the Board for approval at the May 2015 meeting, provides details on how the university is budgeting for the additional pension special payments over the next three years.

IV: Capital

The table below provides an overview of Board approved capital projects with related information on funding. In May 2014, the Board of Trustees approved a revised Major Capital Projects Approval Policy (Built Environment) http://www.queensu.ca/secretariat/policies/board/mcpapolicy.html. Board approval is required for projects in excess of $2.5 million, with the continued requirement for a business case identifying impact on operations, strategic alignment, risks etc., as well as full project funding.

As of February 28, 2015			Cash Flow Impact				Additional Funding		Notes:
	Approved Budget	Total Projected Costs	Expenditures to Feb '15	Funding to Feb '15	Debt to Feb '15	Cash surplus (shortfall) Feb '15	External Grants / Donations/ Debt	Annual Operating Budget Impact	
Projects in Process:									
Isabel Bader Performing Arts Centre	80,500	80,500	77,863	74,197		(3,665)	6,303		1
Reactor Materials Testing Laboratory	18,355	18,355	14,320	14,222		(98)	4,133		2
David C. Smith House and Brant House	70,000	63,000	34,000	-	30,000	(4,000)	33,000		3
TRAQ	3,460	3,460	1,724	2,170		446		640	
Ellis Hall - Innovative Learning renovation	2,270	2,090	2,076	2,270		195	-		
Innovation Park - Micro / Nano Facility	2,000	1,855	1,848	1,643		(205)	357		4
Richardson Stadium	20,270	20,270	306	2,231		1,925	18,039		5
Victoria Hall - Building Envelope Repairs	4,500	4,500	-	-		-	4,500		6
John Orr Tower - Window / Door Replacement	2,800	2,800	-	-		-	2,800		7
Total Approved Projects in Process	**204,155**	**196,830**	**132,136**	**96,734**	**30,000**	**(5,402)**	**69,131**	**640**	
Projects Completed:									
Queen's Centre Underground Parking	12,235	12,235	12,235		12,235	-	-		
School of Kinesiology and Queen's Centre Phase 1	169,000	168,257	168,231	36,554	78,329	(53,348)	25,760	6,900	8
Goodes Hall Expansion	40,000	39,880	39,824	25,846		(13,978)	14,328		9
Stuart Street Underground Parking	7,500	7,500	7,500	943		(6,557)	6,557		10
West Campus Fields	3,122	3,030	3,030	2,808		(222)	222		11
Mackintosh-Corry Food Services	1,345	1,752	1,752	1,231		(520)	520		12
Waldron Tower	2,500	2,210	2,143	1,434		(709)	1,066		12
Medical Building	76,846	76,444	74,935	74,730		(205)	1,714		13
Nixon Field	2,300	2,398	2,398	2,368		(30)	35		11
Jean Royce - Food Services	2,204	1,585	1,573	886		(686)	1,318		12
JDUC - Sidewalk café	1,515	1,430	1,423	629		(794)	886		12
Total Approved Completed Projects	**318,567**	**316,721**	**315,042**	**147,429**	**90,564**	**(77,049)**	**52,408**	**6,900**	

Notes on Funding Sources:

1 Federal grant and donations
2 Research funding
3 Housing and Hospitality Services- external debt
4 Research funding, CMC Microsystems and Innovation Park grant
5 Donations and University contribution
6 Housing and Hospitality Services- external debt
7 Community Housing reserves
8 Provincial grant and donations
9 Donations and $12M internal loan to Queen's School of Business
10 Parking Revenue - funding shared 50/50 with Kingston General Hospital
11 Donation pledges
12 Housing and Hospitality Services Internal Loan
13 Donations and the Faculty of Health Science has committed to fund any shortfall

The table below provides information on projects where the Board approved planning funds to investigate potential capital projects.

Planned Projects- budget approved ($000's)	Planning funds approved to Feb '15	Expenditures to Feb '15	Funding to Feb '15	Net Cash Position
Teaching Space Complex	620	634	620	(14)
Engineering Building	300	312	6,100	5,788
Total	920	946	6,720	5,774

Deferred Maintenance

A Facilities Condition Audit was conducted in 2010 for most Ontario Universities so that the data could be stored in a common database. The data is updated annually to provide for inflationary increases and also offset by the deferred maintenance projects via a data management service provided by facility auditing company, VFA. The deferred maintenance for campus buildings and residences is $223.6 million as shown the table below.

Facilities Condition Audit	
Deferred Maintenance	
Campus buildings	165,900
Residences	57,700
	223,600

In addition, there is an estimated $30M of campus infrastructure (underground systems) deferred maintenance based on a 2006 audit. In 2015, Physical Plant Services (PPS) will refresh the underground infrastructure audit. It is expected that the estimate will increase.

The University receives annual provincial funding for deferred maintenance under the Ministry of Training Colleges and Universities (MTCU) Facilities Renewal Program. The amount of this funding was cut in 2010-11, which has reduced Queen’s allocation from $1.7M a few years ago to $1.1M annually. The recent provincial budget committed to an increase in this funding over the period 2015-16 to 2019-20, however there are no details on how this will be implemented.

Queen’s also commits annual operating budget funds for deferred maintenance. The 2014-15 operating budget allocation is $6.3M, which includes a one-time allocation of $2.1M from the University Fund. The industry standard for annual deferred maintenance funding is 1%-1.5% of Current Replacement Value (CRV). For the university campus buildings the annual number at 1% would be $14M. The table below shows Queen’s projected deferred maintenance expenditures in 2014-15. For the MTCU funded program, there is a list of pre-approved projects (roofs in the current year) and the expenditures are subject to external audit.

Over the past year PPS has developed a detailed five-year deferred maintenance plan which allows for engineering design work ahead of the fiscal year for prioritized projects, with the flexibility to adjust plans based on available funding. There are also contingency funds to deal with unanticipated issues.

Deferred Maintenance 2014-15: ($000's)

Funding Source:	Available funds May 1, 2014	Spend and Committed to Feb 28, 2015
Operating Budget / University Fund	6,310	5,717
MTCU: Facilities Renewal Program*	1,085	1,085
Total:	**7,395**	**6,802**

* Annual Funding based on Ontario MTCU - System Share for 2014-15

V: Investment Funds

Market volatility can have a significant impact on investment holdings and financial planning. Although the university has largely recovered from the 2008 decline in the financial markets, its investment holdings remain susceptible to further volatility.

The University has two investment portfolios, the Pooled Endowment Fund and the Pooled Investment Fund, which are now over $1 billion.

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 ("payout") fund scholarships, academic chairs, book funds, lectureships, as well as a diverse range of university programs, in accordance with donor wishes.

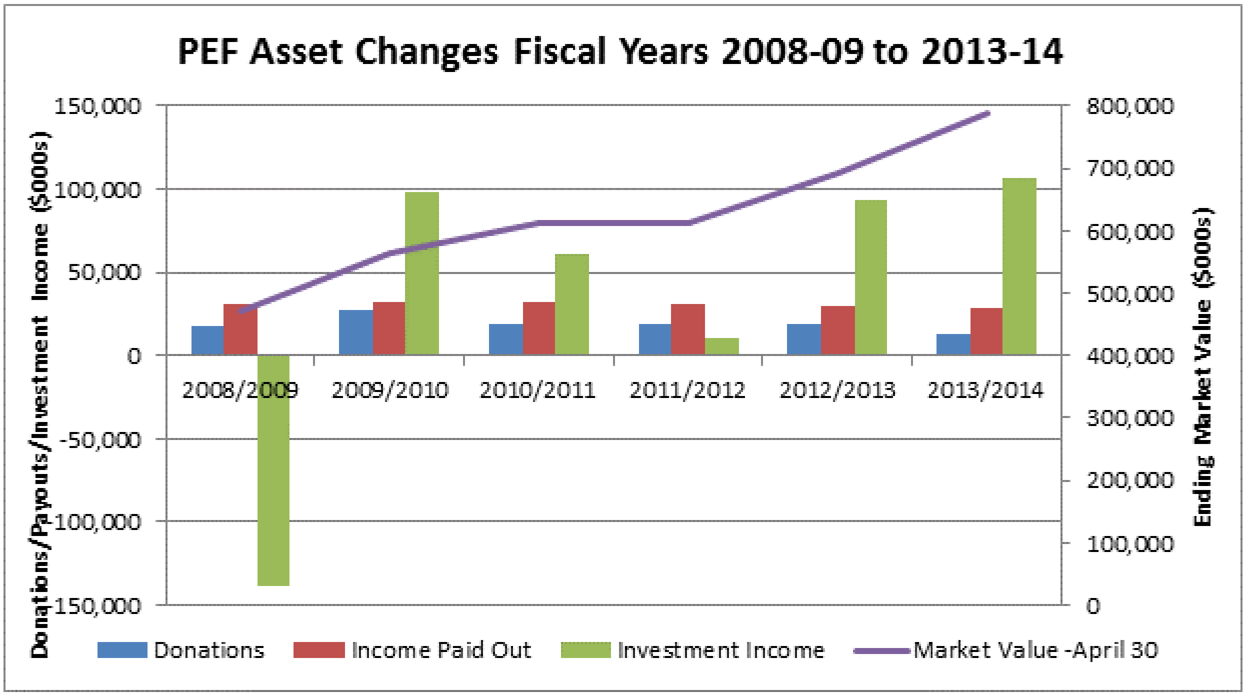
The Pooled Investment Fund ("PIF") is made up of reserve funds and unspent balances. In the past, spending from the PIF was based on a percentage of mean assets, even in periods when returns have been weak. As the PIF's primary objective is to preserve the nominal capital of the fund, the decision was made to limit the operating budget 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, 2013	Market Value April 30, 2014	Market Value Dec 31, 2014	Market Value Feb 28, 2015
Pooled Investment Fund (PIF)	156,463	177,054	183,960	193,917
Pooled Endowment Fund (PEF)	694,010	787,474	852,109	901,971
Total	**850,473**	**964,528**	**1,036,069**	**1,095,888**

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 2013-14 fiscal year was approximately $787 million. Since then, the PEF has continued to grow amidst a positive market environment. The market value as of February 28, 2015 was $902 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 ending market value, there is a significant smoothing effect and the full impact of market movements is not felt immediately. In 2013-14, the University completed a thorough review of its spending policy, and in March 2014 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 2014-15 PEF payout to unitholders is approximately $26.7 million, of which $3.4 million is included in investment income in the operating budget as it is from the unrestricted endowment. The remainder of the payout supports donor directed priorities such as student assistance and academic chairs as previously noted.

The 2015-16 PEF payout to unitholders is expected to be approximately $29.8 million.

VI: Debt and Liquidity

Debt
Balances at February 28, 2015:

Debt Portfolio

Issue	$ Millions	Rate	Maturity
BNY Series A Senior unsecured debenture	$ 90.0	6.100%	2032
CMHC Residences loans	$ 0.4	5.375%	2016
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)*	$ 30.0	3.180%	2030
Total	$ 245.4		

* A further $40M will be drawn on this facility in 2015-16

Sinking Fund
The University has a voluntary sinking fund set up for the sole purpose of paying off the principal amounts of its outstanding non-amortizing debt when it falls due. As of February 28, 2015, in accordance with the Debt Management Policy, a total amount of $49.1 million has been invested in fixed income investments which will have a value of $118.8 million at maturity. This represents 55.2% of the $215 million in non-amortizing debt that the University has outstanding.

The ratios in the Board approved Debt Management Policy are as follows:

1) Viability Ratio:	**2) Debt Burden Ratio:**
Unrestricted Net Assets	Annual Interest Cost + Annual Debt Principal
+ Internally Restricted Net Assets	Total Operating Expenses
+ Internally Restricted Endowments	- Amortization of Capital Assets
Total University External Debt	+ Annual Debt Principal

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

Board Debt Management Policy		**Apr. 30, 2013**	**Apr. 30, 2014**
Viability Ratio (1)	≥ .1.25x	1.80	1.97
Debt Burden Ratio (2)	≤ 3.25%	2.60%	2.59%

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

Cash Flow
The University administration has been developing a cash management forecasting model to better track the University's cash inflows and outflows. The expectation is that this tool will allow the University to better manage its short-term investment portfolio and to optimize interest income through increased confidence in the timing of the University's sources and uses of cash. The cash forecasting model will continue to evolve over time as it becomes more robust, and its forecasting ability becomes more refined.

The graph below shows the projected short-term investment and external debt balances for the current and following fiscal year. University cash balances are cyclical in nature with higher balances in the fall months due to tuition and residence fee receipts, and lower balances experienced during the late spring and early summer months. In the fall, the University administration invested its cash balances in bank demand deposits, bank term deposits and guaranteed investment certificates maturing between one month and 1 year, and with a short-term bond fund with a targeted maturity of 3 years (fully redeemable at any time). These investments were made taking into account the projected cash flow needs of the University with the aim of matching assets and liabilities as much as possible. In compliance with the University's investment policy on short-term investments, no more than $60 million has been deposited with any one of the five major Schedule I Canadian banks. The investment of a portion of the University's cash balances into longer-dated maturities allows the University to earn higher interest income than could otherwise be earned in a demand deposit account.