

Consolidated Financial Statements

Queen's University at Kingston

April 30, 2021

**QUEEN'S UNIVERSITY AT KINGSTON
CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2021**

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The 2020-21 fiscal year was unparalleled, requiring most of the Queen's community to learn and work remotely for the entire year due to the COVID-19 pandemic. Associated financial uncertainties related to the pandemic's impact on the economy, investment markets, and University revenue required expenditures to be managed carefully and strategically with a view to long-term sustainability. Many discretionary expenditures were delayed because of financial uncertainty and losses experienced by ancillary operations. At the same time, over the last year the University undertook its single largest investment in teaching technology in the last decade to protect and enhance the academic experience for our students.

Most of the \$144.8 million surplus reported in the April 30, 2021 financial statements is driven by investment income. On the heels of the considerable coronavirus-driven market volatility and decline in early 2020, investment performance rebounded significantly this past fiscal year. As evidenced by the significant downturn in the market in the spring of 2020 investment income can be extremely volatile and the strong returns experienced in 2021 will serve to protect against the impact of future investment losses should there be another market downturn.

Surpluses in the trust and endowment fund are driven by returns in the Pooled Endowment Fund and have been reinvested to protect the capital of the portfolio against inflation, while planned surpluses in the capital fund support past and future strategic capital construction on campus. Operating fund reserves provide units across the institution with the ability to deal with unexpected events such as the pandemic of the past year, while managing inflation of expenditures amid the significant budget impact of a tuition freeze and static grant funding. As stated above, favorable returns provide capacity to counter losses in years of poor investment returns.

Despite the unprecedented challenges of the last year, the University made significant progress on a number of important initiatives. Queen's participated in the Times Higher Education Impact Rankings for the first time this past year and placed first in Canada and fifth in the World in advancing the United Nations' Sustainable Development Goals - a remarkable achievement. Aligned with our sustainability goals, new capital builds will be LEED Gold, with geothermal heating and cooling included in two new projects. In addition, after many years of noting that the Queen's Pension Plan (QPP) was financially unsustainable, effective July 1, 2021 the QPP was merged with the pension plans of the University of Toronto and University of Guelph to form the University Pension Plan Ontario (UPP). This is a significant accomplishment, providing secure defined benefit pensions for our employees, with shared governance. Of particular significance, after more than a year of consultation with the community, the Principal released a new strategy with an impactful vision: *"The Queen's community—our people—will solve the world's most significant and urgent challenges with their intellectual curiosity, passion to achieve, and commitment to collaborate."* As a community, we will rise to this challenge.

I would like to express my gratitude to the entire Queen's community for responding to the challenges of the past year and a half with flexibility, compassion, courage, dedication and resilience.



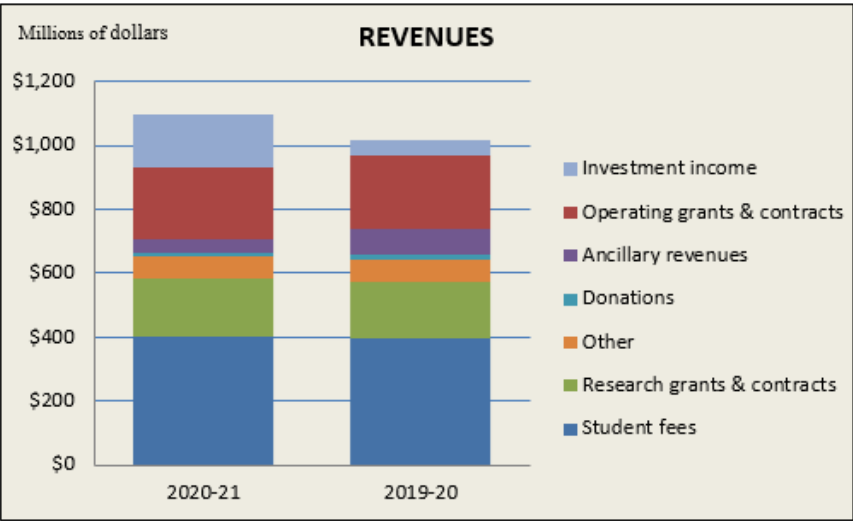
Donna Janiec, CPA, CA
Vice-Principal (Finance & Administration)

THE YEAR IN REVIEW

In 2020-21 the University completed the year with a surplus of \$144.8 million, driven primarily by favourable investment returns, a concentrated effort to constrain costs across the University due to uncertainties associated with the global pandemic, and decreased costs associated with reduced campus operations.

YEAR ENDED APRIL 30	2021	2020
(Millions of dollars)		
Consolidated Statement of Operations		
Revenue	\$ 1,095.3	\$ 1,018.7
Expenses	950.5	983.0
Excess of revenues over expenses	<u>\$ 144.8</u>	<u>\$ 35.7</u>
Consolidated Statement of Financial Position		
Assets	\$ 3,393.0	\$ 3,007.0
Liabilities	1,402.6	1,389.3
Net assets	<u>\$ 1,990.4</u>	<u>\$ 1,617.7</u>
Net Assets is comprised of:		
Endowments	\$ 1,393.7	\$ 1,141.3
Invested in capital assets	197.6	209.8
Internally restricted	410.6	279.6
Unrestricted deficiency	(11.5)	(13.0)
	<u>\$ 1,990.4</u>	<u>\$ 1,617.7</u>

REVENUES



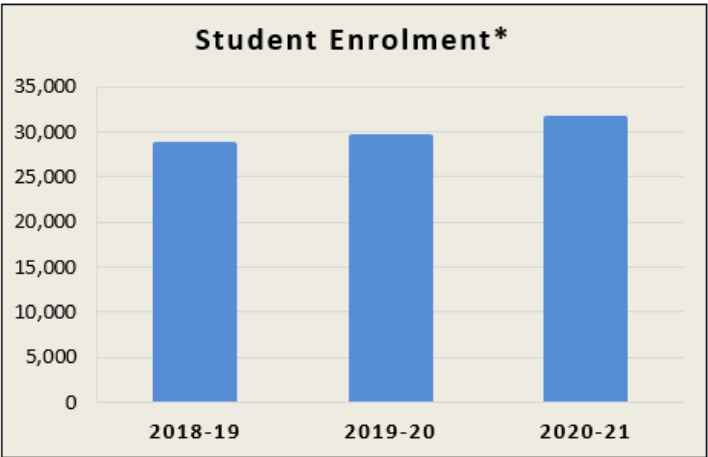
At a glance....
Total revenues increased by 7.5 per cent due largely to favourable investment returns. The decrease in ancillary and other revenues is associated with the reduced occupancy in residence buildings and the disruption of services on campus, respectively, due to the COVID-19 pandemic. The majority of operating grants are from the Ministry of Colleges and Universities (MCU).

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

Student fees

Student fee revenue includes tuition fees as well as other fees related to activities such as student health, recreation, and athletics. In 2020-21, student fee revenue from all fee sources increased by 1.6 per cent. Student fee revenue increases driven by domestic enrolment increases were offset by the reduction of international student enrolment and non-credit enrolment due to the COVID-19 pandemic.

The University continues to face financial challenges resulting from the tuition framework that, after a 10% decrease, has kept tuition fees for domestic funding-eligible programs flat at the 2019-20 levels. On April 30, 2021, the Ministry announced the tuition framework for 2021-22 which continues the tuition freeze for students from the province of Ontario.



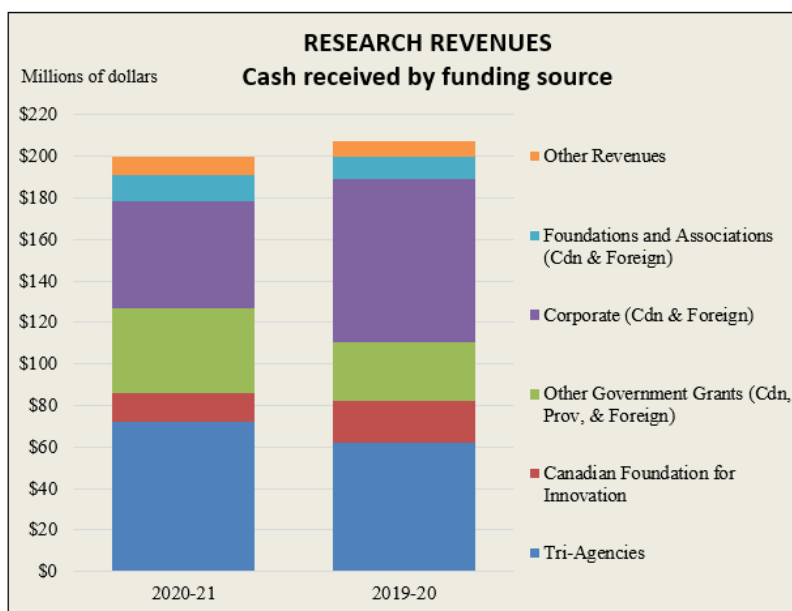
Student enrolment for the past three years is displayed in the chart to the right.

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

Research grants and contracts

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

Research grant and contract revenues received by funder is presented in the chart to the right. This chart is presented on a cash basis before any adjustment for funds deferred for spending in future years. Cash received from other government grants, and Tri-Agencies funding sources in 2020-21 have increased over the prior year. The decrease in the corporate cash received can be attributed to the maturing of a large clinical trial.



	Thousands of dollars	
	2020-21	2019-20
Cash received by funding source	\$ 199,562	\$ 207,198
Adjustment to deferral for future year spending	17,561	30,100
Research revenue as reported in research fund	\$ 182,001	\$ 177,098

Ancillary revenues

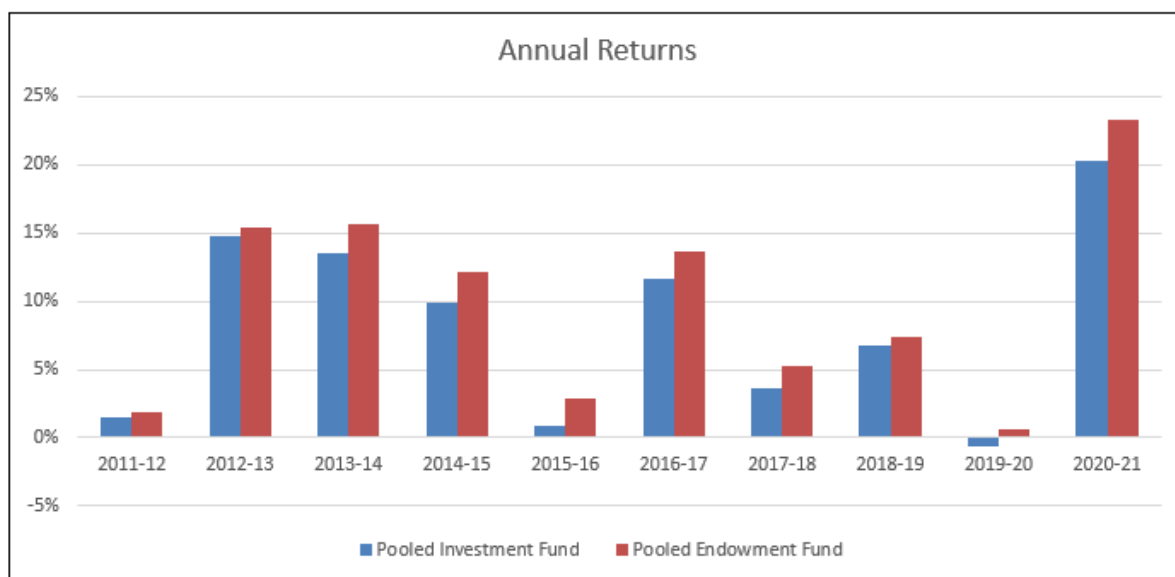
Ancillary operations include business units that provide goods and services to the University community. These units are expected to cover their full operating costs and may also defray general operating expenditures. The table to the right provides a breakdown of revenues in the Ancillary fund by ancillary operations. Ancillary revenue decreased in 2020-21 due to the COVID-19 pandemic resulting in reduced capacity in the residence buildings, reduced operations at the Donald Gordon Centre and in Event Services, and parking rebates offered to staff and community members early in the fiscal year. In the "Other" category the decrease is due to the cessation of the Queen's Executive Decision Centre operations.

	Thousands of dollars	
SALES BY ANCILLARY OPERATION	2020-21	2019-20
Housing and hospitality	\$ 35,928	\$ 82,019
Parking	1,973	3,524
Other	-	140
	37,901	85,683
Less: Internal sales	(101)	(6,278)
	\$ 37,800	\$ 79,405

Investment income

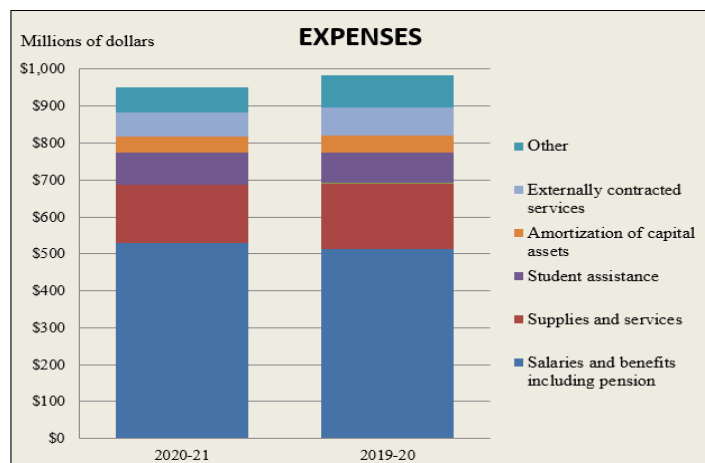
The Board of Trustees has overall responsibility for the management of investment funds at the University and has appointed an Investment Committee to help ensure its investment responsibilities are met. Over the last year the Investment Committee has devoted considerable time to enhancing the University's commitment to responsible investing as it progresses in the implementation of the recommendations of the [Climate Change Action Task Force](#). In addition, in June 2020 Queen's University became a founding signatory of the [Investing to Address Climate Change: A Charter for Canadian Universities](#). As a demonstration of our commitment to transparency, Queen's publicly shares our external investment managers' responses to our annual Environmental, Social, and Governance questionnaire. Additional information on Responsible Investing at Queen's can be found on the [Investment Services website](#).

Both the Pooled Endowment Fund and the Pooled Investment Fund are invested in accordance with Board approved Statements of Investment Policies and Procedures which establish risk and return objectives for each Fund. While the aim of these objectives is to produce steady and predictable investment returns over the medium and/or long-term, there can be considerable volatility in investment returns on an annual basis. The past two fiscal years are extreme examples of this. With markets rebounding in the wake of the pandemic-induced market crash of the fourth quarter of 2019-20 fiscal year, investment income for 2020-21 increased significantly from \$50.7 million in 2019-20 to \$161.7 million. Annual rates of return for the last ten years for the Pooled Endowment Fund and the Pooled Investment Fund are presented below.



Because business units rely heavily on the annual payout from the Pooled Endowment Fund of approximately \$47 million, the payout calculation is smoothed and mitigates the impact of any volatility in investment income from year to year. In years of strong investment returns, excess gains are re-invested in the preservation of capital to offset years where the amount made available for spending exceeds investment income.

EXPENSES



At a glance...

Total expenses decreased by 3.3 per cent in 2020-21 due to the COVID-19 pandemic. Financial uncertainties required expenditures to be managed carefully and strategically with a view of long-term sustainability. Travel restrictions resulted in a decrease in other expenses; disruption of services across campus resulted in a decrease in supplies and services; and the decrease in externally contracted services related to reduced occupancy in residence and disruption of ancillary services. Offsetting the savings was a significant investment in teaching technology.

SALARIES AND BENEFITS

	Thousands of dollars	
	2020-21	2019-20
Salaries and benefits expense		
Salaries and benefits	\$ 483,748	\$ 472,711
Non-pension employee future benefits	10,074	9,514
Pension	35,100	30,009
Total	\$ 528,922	\$ 512,234
% of total expenses	54%	53%
Employee Future Benefits Liability		
Pension (surplus) / deficit	\$ (298)	\$ 30,459
Non-pension employee future benefits liability	108,593	101,961
Total	\$ 108,295	\$ 132,420

At a glance...

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

The employment of the majority of employees is governed by various collective agreements. The adjacent table provides a summary of employee groups and the date of their associated employee contracts.

In 2020-21, salaries and benefits grew by 3.3 per cent. Growth in the year is due to negotiated salary increases, an increase in faculty that reflects the Queen's faculty renewal plan that started in 2017 to hire 200 new faculty members over five years, and an increase in staff to support program development and revenue generation across the University. Increases are offset by a decrease in salaries as a result of disrupted operations on campus resulting from the COVID-19 pandemic.

Favourable investment returns in the pension plan during the year resulted in a pension plan asset as at April 30, 2021 (on a going concern valuation basis). Non-pension employee future benefits liability increased by the annual current service costs. Additional information on pension and other employee future benefits is available in Note 12 of the financial statements and under the Financial Risk section of this report.

Employee Group	Unit / Association	Contract effective until
Academic Assistants	USW 2010-01	August 2023
Allied Health Care Professionals (Family Health Team)	OPSEU 452	June 2022
General Support Staff	USW 2010	December 2021
Graduate Teaching Assistants and Teaching Fellows	PSAC 901, Unit 1	April 2021
Kingston Heating & Maintenance Workers	CUPE 229	June 2021
Kingston Technicians	CUPE 254	June 2021
Library Technicians	CUPE 1302	June 2021
Post-Doctoral Fellows	PSAC 901, Unit 2	June 2023
Queen's University Faculty Association	QUFA	April 2022
Registered Nurses and Nurse Practitioners (Family Health Team)	ONA 67	March 2021

CAPITAL PROJECTS

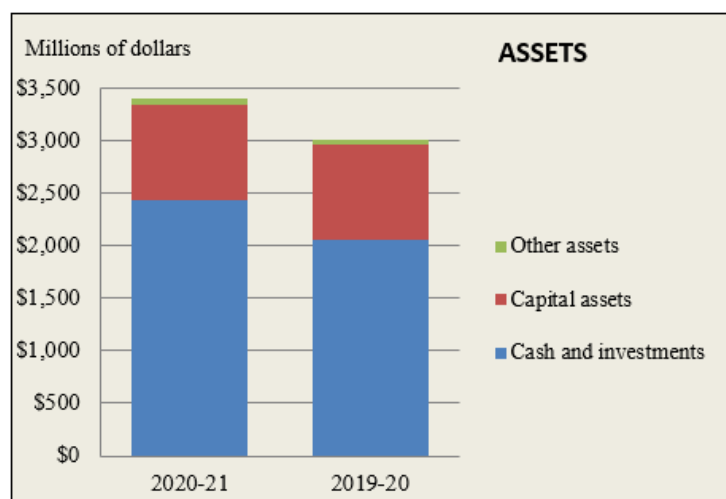
In the 2020-21 fiscal year the University continued with the construction of two significant projects: the renovation of 355 King Street (the property formerly known as St. Mary's of the Lake) and the construction of a new residence building. The Board of Trustees approved the renovation of 355 King Street property at a total cost of \$24.5 million which will enable the relocation of several main campus administrative units to this location.

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

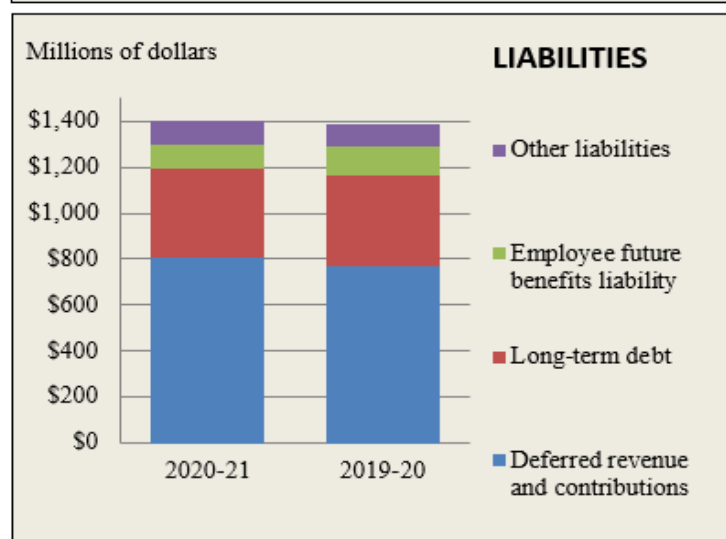
The University's capital expenditures of \$37.2 million in 2020-21 are presented in the table below, with comparative information for the prior year. The bulk of the spending on building projects and construction in progress relates to 355 King Street (\$5.1 million) and the new residence building (\$12.9 million).

		Thousands of dollars	
CAPITAL ASSET ADDITIONS		2020-21	2019-20
Building projects and construction in progress	\$	23,291	\$ 10,509
Equipment and furnishings		13,237	14,952
Other asset purchases		660	791
	\$	37,188	\$ 26,252

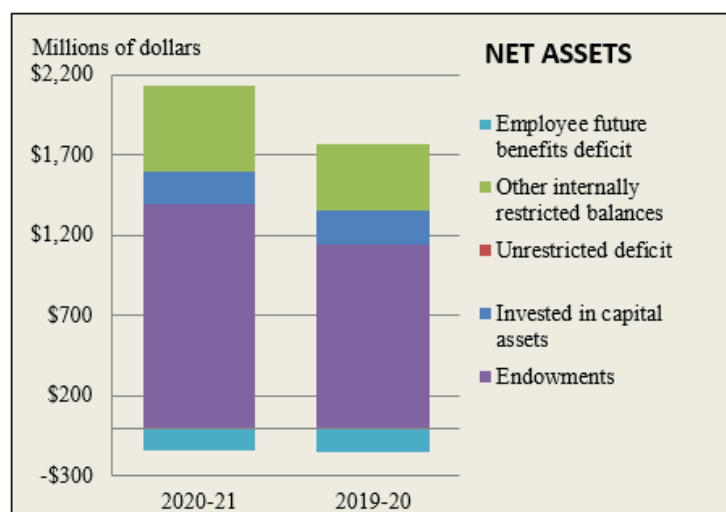
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT A GLANCE



Assets of the University increased by \$386 million or 13 per cent overall, due primarily to growth in the University's cash and investments due to favourable investment returns.



Liabilities of the University increased by 1 per cent. The increase in deferred revenue and contributions relates to unspent research and trust funds. The increase has been offset by a decrease in the Employee Future Benefits liability due to strong investment returns in the pension plan. Further information on Employee Future Benefits is provided in the previous Salaries and Benefits section and in Note 12 to the financial statements.



Net assets increased by \$373 million in 2020-21. This increase is comprised primarily by growth in endowments (\$252.4 million) driven by investment returns. The increase in the other internally restricted balances (\$107 million) is driven by an increase in the capital reserves. The decrease in the employee future benefits deficit (\$24.1 million) is driven by favourable pension plan investment returns. Refer to Note 14 of the financial statements for information on the commitments associated with these reserves.

CONSOLIDATED STATEMENT OF OPERATIONS BY FUND

The University's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations, described in Note 2 to the financial statements. Under these accounting standards, the financial results of the University are presented on a consolidated basis, in a single column, and present an overall accounting of the financial stewardship of the institution as a whole.

University budgets and internal reporting are prepared using the concepts of fund accounting. Under fund accounting, activities of the institution are segregated by fund to enhance accountability and control of funds. The University maintains the following funds:

Operating includes teaching and administrative activities at the University. Operating fund revenue includes government operating grants, student fees, and unrestricted investment income. For information on the performance of the Operating fund, please refer to the Performance of the Operating Fund section.

Ancillaries includes business units that provide goods and services to the University community and cover their full operating costs, including indirect costs, and may also contribute to general operating expenditures.

Trust and Endowments capture funds received within the University that are restricted for a particular purpose. Each external donation received for a specific purpose is usually supported by an agreement between the University and the donor, recorded in its own fund, and managed according to the terms and conditions of the donation. The capital of endowment donations is maintained in perpetuity. Investment of endowment capital generates revenue in the form of investment income, which is available for spending.

Research captures activity on campus related to research. The University continues to be one of Canada's leading research-intensive universities. Funding for research is received from a number of sources including the federal government, the provincial government, and various not-for-profit organizations.

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

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

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

THE CONSOLIDATED STATEMENT OF OPERATIONS BY FUND

April 30, 2021

(Thousands of dollars)

The table below presents the activities of the University by fund, for the year ended April 30, 2021, and supplements the information presented in the financial statements.

	Operating	Ancillaries	Trust and Endowment	Research	Capital	Consolidated Entities	Total 2021
REVENUES							
Grants and contracts	229,577	-	23,196	179,316	(2,247)	-	429,842
Student fees	402,294	-	-	-	-	468	402,762
Investment income	99,064	-	69,307	-	(6,832)	178	161,717
Sales of service and products	4,930	37,800	-	-	-	2,802	45,532
Amortization of deferred capital contributions	-	-	-	-	25,179	293	25,472
Other	15,530	-	-	2,685	108	-	18,323
Donations	1,563	-	9,971	-	110	-	11,644
	752,958	37,800	102,474	182,001	16,318	3,741	1,095,292
EXPENSES							
Salaries and benefits	431,750	9,805	19,758	62,575	-	5,034	528,922
Supplies and services	97,751	2,390	7,600	64,063	(13,825)	165	158,144
Student assistance	40,621	-	29,611	15,757	-	-	85,989
Externally contracted services	11,792	12,383	1,587	39,918	-	51	65,731
Amortization of capital assets	-	-	-	-	43,625	1,754	45,379
Renovations and alterations	12,778	6,572	637	453	8,114	(397)	28,157
Utilities, taxes and insurance	13,361	4,370	117	248	-	757	18,853
Interest on long-term debt	-	-	-	-	17,239	146	17,385
Travel and conferences	908	15	237	767	-	8	1,935
Interfund transfers out / (in)	53,171	22,851	1,722	(6,650)	(71,094)	-	-
	662,132	58,386	61,269	177,131	(15,941)	7,518	950,495
Excess / (deficiency) of revenues over expenses	90,826	(20,586)	41,205	4,870	32,259	(3,777)	144,797
Transfer to net assets invested in capital assets	-	-	-	-	18,446	1,461	19,907
Transfer (to) / from internally restricted net assets	(86,288)	20,586	(41,205)	(4,870)	(50,705)	(720)	(163,202)
Net change in unrestricted surplus / (deficit)	4,538	-	-	-	-	(3,036)	1,502
Unrestricted deficit, beginning of year	(4,370)	-	-	-	-	(8,618)	(12,988)
Unrestricted surplus / (deficit), end of year	168	-	-	-	-	(11,654)	(11,486)

FINANCIAL RISK

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

A financially unsustainable pension plan

As the Queen's Pension Plan (QPP) was not financially sustainable, Queen's, the University of Toronto and University of Guelph worked together to design and build a Jointly Sponsored Pension Plan (JSPP), the University Pension Plan Ontario (UPP), which was formally established on January 1, 2020. The assets and liabilities of the QPP were transferred to the UPP on July 1, 2021, when the UPP started accruing benefits and liabilities. Like other successful JSPPs plan governance, costs and risks will be shared equally between employers and plan members.

During the year, a new actuarial valuation of the QPP was completed as of August 31, 2020 and reported a solvency deficit of \$440 million and a going concern deficit of \$265 million. The University will not be required to make solvency payments based on this new valuation as the UPP is granted permanent relief from solvency funding requirements. Strong investment returns through to the end of the 2021 fiscal year along with the adoption of UPP actuarial assumptions drove the funded status of the QPP (on a going concern basis) to a net surplus position, as reported below.

The table below shows the change in the funded status of the plan on a going concern basis for each of the last two years. Due to the pending transition to the UPP, the accrued benefit asset at April 30, 2021 has been limited to the present value of the expected future defined benefit employer current services costs for the current number of active employees for the period of May 1, 2021 to June 30, 2021, after which the service accrual is scheduled to commence under the UPP. The remaining surplus will be transferred to the UPP and will mitigate potential liabilities associated with the University's obligation to fund past service liabilities. The University remains responsible to fund the pension obligation (determined based on UPP's actuarial assumptions) for past service that exceeds the transferred assets to the UPP over a period of 15 years. The pension obligation may fluctuate in the future based on changes to the UPP's actuarial assumptions and for changes in experience in future periods for the first 10 years after the transition date, after which the responsibility becomes gradually shared over time with employees and other plan participants.

In 2020-21, the difference between the actual and expected return resulted in the plan experiencing a gain of \$138.0 million due to favourable investment returns.

CHANGE IN FUNDED STATUS OF PENSION PLAN GOING CONCERN (MARKET VALUE) BASIS	Thousands of dollars	
	2020-21	2019-20
Deficit / (surplus), opening balance	\$ 30,459	\$ (20,950)
Pension benefit plan expense		
Current service cost	33,394	31,182
Finance costs / (income)	1,706	(1,173)
	35,100	30,009
Remeasurements and other items		
Investment (gains) / losses	(138,013)	66,775
Liability experience (gains) / losses	(12,545)	3,770
Valuation allowance	134,075	-
	(16,483)	70,545
Less: university contributions	(49,374)	(49,145)
(Surplus) / deficit, closing balance	\$ (298)	\$ 30,459

Additional information on pension and other employee future benefits is available in Note 12 of the financial statements.

Deferred maintenance

Maintaining the University's space to appropriate standards puts significant pressure on university budgets.

The University continues to recognize the importance of addressing deferred maintenance (DM) as a strategic priority and has increased operating budget funding from \$4.2 million in 2013-14 to \$9.3 million in 2020-21. Total DM funding (including Provincial and Residences contributions) is \$18.4 million in 2020-21, which is approximately 0.8% of a \$2.2 billion campus replacement value. The industry standard is 1% to 1.5%. The university will continue to prioritize addressing its DM backlog as funding allocations are increased and significant building renewals occur. The planned JDUC revitalization, to commence May 2022, will remove \$14 million of deferred maintenance.

The current DM balance is \$494 million which reflects changes in methodology to achieve alignment across the post-secondary sector. The most significant change was the inclusion of a 30% soft cost factor, reflecting a greater reality of actual costs. Queen's last completed a full DM audit in 2016 and in 2020 moved to auditing 20% of the campus annually.

Reliance on grant support and tuition revenue

The University relies heavily on tuition and grant support to fund its operations, both of which are controlled largely by the provincial government. The Ministry of Colleges and Universities (MCU) has progressed in consultation with the sector to transition to the Strategic Mandate Agreement (SMA) 3. The third round of the SMA commenced in fiscal 2020-21 and incorporates outcome-based metrics with performance-based funding to be linked to these metrics. The performance-based envelope will increase from 25% of the system-wide government grant in 2020-21 to 60% by 2024-25 by shifting funding from the enrolment envelope into the performance-based envelope.

In response to the COVID-19 pandemic, MCU deferred the deadline for signing the Strategic Mandate Agreement 3 (SMA3) while institutions focused resources on addressing the COVID-19 outbreak. In addition, on August 17, 2020, the ministry communicated their decision to decouple the performance-based funding from the performance metrics for two years (2020-21 and 2021-22). The Ministry will continue to engage in an annual evaluation process with each institution; however, the outcome of these evaluations will not affect the distribution of the performance-based funding envelope. The Ministry committed to working with the sector to discuss when the performance-based funding and the SMA3 metrics will be re-coupled. Queen's University signed its SMA3 agreement with the Ministry on August 31, 2020.

In 2019-20, the Ministry of Colleges and Universities (MCU) mandated a 10% cut in domestic tuition for funding eligible programs, and a freeze in tuition for these programs at the 2019-20 levels for fiscal 2020-21. On April 30, 2021, a new framework was announced for fiscal 2021-22. The new framework continues the freeze on tuition for domestic funding-eligible programs, but only for students from the province of Ontario. The framework permits increasing tuition for domestic out-of-province students by up to three percent. Due to the timing of the announcement, the Board approved a 0% increase for 2021-22 for all domestic funding-eligible programs with no differentiation between in-province and out-of-province students. Tuition fees may be adjusted if permitted by the tuition framework beyond 2021-22.

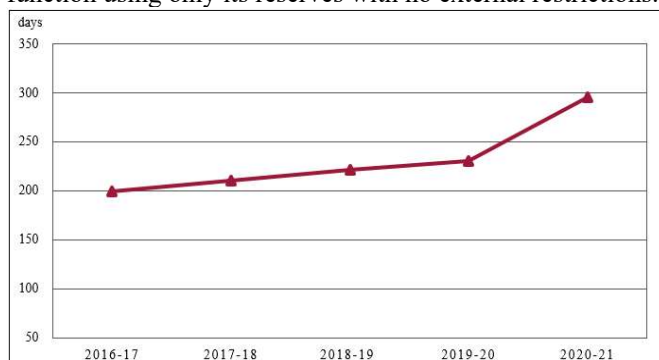
FINANCIAL HEALTH

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

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

Primary Reserve Ratio

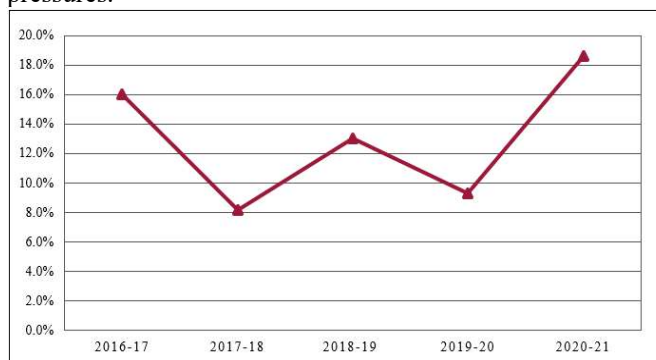
The primary reserve ratio helps to determine whether the University's resources are sufficient and flexible enough to support the mission. It summarizes the financial health and flexibility by indicating how long the University could function using only its reserves with no external restrictions.



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

Net Operating Revenues Ratio

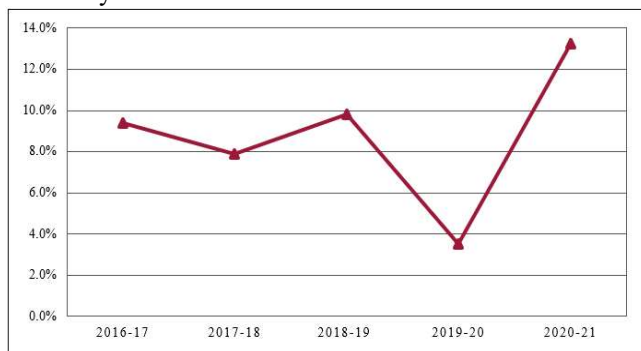
The net operating revenues ratio is a measure of financial performance. Positive cash flow from operations indicates a strengthening position, and, conversely, structural negative cash flows are almost always an indication of financial pressures.



Definition: Cash flow from operating activities divided by total revenues

Net Income / Loss Ratio

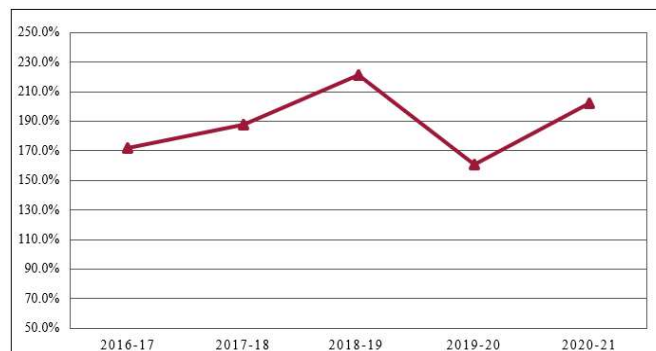
The net income / loss ratio measures the percentage of revenues that contribute to net assets. The objective of this ratio is to track trends in an institution's net earnings. An increase in this ratio indicates greater future financial flexibility.



Definition: Net income or loss divided by total revenues

Viability Ratio

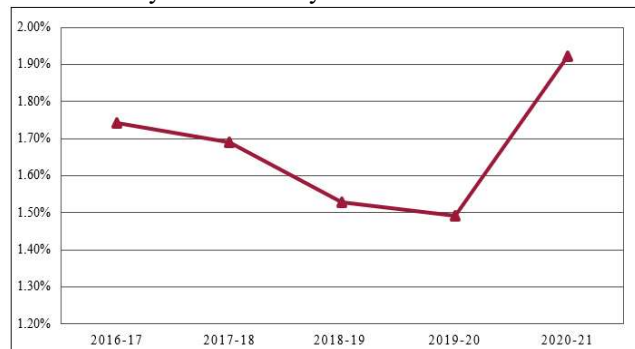
The viability ratio provides an indication of the funds on hand to settle the University's long-term debt obligations at a point in time. This ratio provides assistance in evaluating debt affordability.



Definition: Expendable net assets divided by long-term debt

Interest Burden Ratio

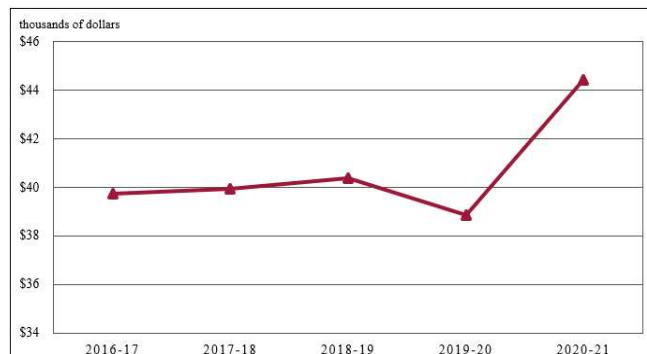
The interest burden ratio is an indicator of debt affordability. It indicates the percentage of total expenses used to cover the cost of servicing the University's debt. The University is well below the suggested maximum of 5 to 7 per cent established by the University sector.



Definition: Interest expense divided by total expenses excluding amortization

Endowment per Student FTE

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



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

PERFORMANCE OF THE OPERATING FUND

The Board of Trustees approves the operating fund budget and monitors the performance of the operating fund throughout the year. The operating fund represented 69 per cent of consolidated revenue in 2020-21.

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.

2020-21 Operating Fund	Thousands of dollars		
	Actual	Budget	Variance
Revenue	752,958	696,795	56,163
Less: expenditures	(662,132)	(720,704)	58,572
Surplus / (deficit)	90,826	(23,909)	114,735
Transfer to internally restricted net assets	(86,288)	23,909	(110,197)
Decrease in unrestricted surplus	4,538	-	4,538
Operating surplus - beginning of year	(4,370)		
Operating surplus - end of year	168		

The positive variance in operating revenue in fiscal 2021 is due to a significant increase in investment income which was offset by shortfalls in student fees as a result of the pandemic. Investment returns can be volatile from year to year and favorable returns provide capacity to counter losses in years of poor investment returns.

On the expense side units deferred planned hiring and delayed renovations and other discretionary expenses because of the financial uncertainties associated with the pandemic. These factors as well as lower supplies and services expenses related to COVID-19 disruption of on campus operations and savings from travel and conferences because of the COVID-19 restrictions contributed to lower than budgeted expenditures.

Overall, the operating fund reported a surplus of \$90.8 million, or 13 per cent of budgeted revenue. The surplus along with existing reserves will provide important financial flexibility to support the University's Vision under its newly approved strategic framework and provide capacity to counter volatility of investment returns in future years.

The University remains focused on managing its resources responsibly in order to protect and advance its academic mission and strategic priorities in the midst of significant financial challenges. In May 2021, the Board of Trustees approved the 2021-22 operating budget, which is balanced after a \$40.1 million drawdown 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, 2021 and the results of its operations for the year then ended.

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

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

The consolidated financial statements for the year ended April 30, 2021 have been reported on by KPMG LLP, Chartered Professional Accountants, the independent auditors appointed by the Board of Trustees. The independent auditors' report outlines the scope of their audit and their opinion on the consolidated financial statements.



Dr. Patrick Deane
Principal and Vice-Chancellor



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

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statement of financial position as at April 30, 2021
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Queen's University at Kingston as at April 30, 2021, and its results of consolidated operations, its consolidated changes in net assets, and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Queen's University at Kingston's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Queen's University at Kingston's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Queen's University at Kingston to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group of Queen's University at Kingston to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at April 30, 2021

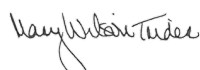
(Thousands of dollars)

	2021	2020
ASSETS		
Current		
Cash	\$ 165,607	\$ 142,513
Accounts receivable (note 3)	43,993	38,410
Loans receivable (note 4)	375	177
Prepaid expenses	4,138	4,926
Investments (note 5)	214,732	240,542
Total current assets	428,845	426,568
Loans receivable (note 4)	1,952	2,328
Investments (note 5)	2,058,396	1,666,524
Capital assets (note 6)	903,862	911,600
Collections (note 7)	1	1
	\$ 3,393,056	\$ 3,007,021
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (note 8)	\$ 102,280	\$ 95,252
Current portion of long-term debt (note 11)	4,209	4,083
Deferred revenue and contributions (note 9)	382,375	337,214
Total current liabilities	488,864	436,549
Deferred capital contributions (note 10)	424,318	434,964
Long-term debt (note 11)	381,145	385,354
Employee future benefits liability (note 12)	108,295	132,420
	1,402,622	1,389,287
Net Assets		
Endowments (note 13)	1,393,708	1,141,352
Invested in capital assets	197,579	209,819
Internally restricted (note 14)	410,633	279,551
Unrestricted deficit	(11,486)	(12,988)
	1,990,434	1,617,734
	\$ 3,393,056	\$ 3,007,021

Commitments and contingencies (note 19)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Trustees:



Mary Wilson Trider
Chair, Board of Trustees



David Allgood
Chair, Audit and Risk Committee

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended April 30, 2021

(Thousands of dollars)

	2021	2020
REVENUES		
Grants and contracts	\$ 429,842	\$ 407,760
Student fees	402,762	396,553
Investment income (note 5)	161,717	50,714
Sales of service and products	45,532	96,496
Amortization of deferred capital contributions (note 10)	25,472	25,471
Other	18,323	22,557
Donations	11,644	19,204
	1,095,292	1,018,755
EXPENSES		
Salaries and benefits	528,922	512,234
Supplies and services	158,144	178,248
Student assistance	85,989	82,621
Externally contracted services	65,731	76,228
Amortization of capital assets	45,379	46,151
Renovations and alterations	28,157	37,444
Utilities, taxes and insurance	18,853	15,054
Interest on long-term debt	17,385	13,963
Travel and conferences	1,935	21,100
	950,495	983,043
Excess of revenues over expenses	\$ 144,797	\$ 35,712

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended April 30, 2021

(Thousands of dollars)

	Endowments	Invested in capital assets	Internally restricted	Unrestricted	Total 2021	Total 2020
Net assets / (deficit), beginning of year	\$ 1,141,352	\$ 209,819	\$ 279,551	\$ (12,988)	\$ 1,617,734	\$ 1,656,623
(Deficiency) / excess of revenues over expenses	-	(19,907)	-	164,704	144,797	35,712
Employee future benefits remeasurements and other items (note 12)	-	-	-	16,172	16,172	(70,247)
Change in net assets invested in capital assets	-	7,667	-	(7,667)	-	-
Change in internally restricted net assets	-	-	131,616	(131,616)	-	-
Endowment contributions (note 13)	34,878	-	-	-	34,878	25,373
Excess / (deficiency) of investment earnings over endowment spending (note 13)	211,179	-	-	(40,091)	171,088	(34,911)
Departmental transfers and other contributions (note 13)	6,299	-	(534)	-	5,765	5,184
Net assets / (deficit), end of year	\$ 1,393,708	\$ 197,579	\$ 410,633	\$ (11,486)	\$ 1,990,434	\$ 1,617,734

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended April 30, 2021

(Thousands of dollars)

	2021	2020
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 144,797	\$ 35,712
Non-cash items:		
Amortization of deferred capital contributions	(25,472)	(25,471)
Amortization of capital assets	45,379	46,151
Employee future benefits	(7,953)	(12,646)
Net change in non-cash working capital (note 15)	47,394	50,958
Cash provided by operating activities	204,145	94,704
INVESTING ACTIVITIES:		
Net change in loans receivable	178	267
Net change in investments	(366,062)	(224,965)
Purchases (net of disposals) of capital assets	(37,641)	(26,521)
Investment gain / (loss) reported as a direct increase / (decrease) in net assets	171,088	(34,911)
Cash used in investing activities	(232,437)	(286,130)
FINANCING ACTIVITIES:		
Issuance of long-term debt	-	125,000
Repayment of long-term debt	(4,083)	(3,961)
Contributions received for capital purposes	14,826	21,168
Contributions reported as direct increase in net assets	40,643	30,557
Cash provided by financing activities	51,386	172,764
Net increase / (decrease) in cash	23,094	(18,662)
Cash, beginning of year	142,513	161,175
Cash, end of year	\$ 165,607	\$ 142,513

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

1. AUTHORITY

Queen's University at Kingston ("the University") operates under the authority of the Royal Charter of 1841 and subsequent federal and provincial statutes. The mission of the University includes post-secondary and graduate education, research and community service. The University is a registered charity and is therefore, under section 149 of the Income Tax Act (Canada), exempt from payment of income tax.

The University controls PARTEQ Innovations, the Bader International Study Centre, the U.S. Foundation for Queen's University at Kingston, QCED Inc., Queen's University Pooled Trust Fund, Queen's Prison Law Clinic and Elentra Corporation.

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

The Bader International Study Centre was established in 1993 to enhance the University's role in international education and research through the establishment of a meeting place for students, scholars, and professionals from around the world. The Bader International Study Centre operates in East Sussex, England and is incorporated under the laws of the United Kingdom as a Company Limited by Guarantee. It is registered as a charity with the United Kingdom Charity Commissioners and is therefore exempt from tax to the extent that income or gains are applied exclusively to charitable purposes.

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

Elentra Corporation (Elentra) was incorporated under the Canada Business Corporations Act on December 22, 2020 and began operations on February 1, 2021. The University wholly controls Elentra and has a majority ownership. Elentra was formed for the purposes of commercializing an integrated teaching and learning platform and to license its use to other institutions that can benefit from being able to understand exactly where, when and how those institutions are teaching their curriculum.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of presentation

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

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

(b) Accounting estimates

The preparation of the financial statements requires administration to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the year. These estimates are reviewed annually and as adjustments become necessary they are recognized in the financial statements in the period in which they become known. Significant areas requiring the use of management estimates relate to the assumptions used in the valuation of financial instruments, the valuation of 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.

(c) Financial instruments

i. Investments

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

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

ii. Derivative and other financial instruments

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

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

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

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

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

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

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

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

Capital assets and intangible assets are assessed at each statement of financial position date for full or partial impairment. Refer to Note 6 for current year assessments.

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

The estimated useful lives of assets are as follows:

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

(e) Employee future benefit plans

The University has a defined contribution pension plan, which has a defined benefit component that provides a minimum level of pension benefits. The University also provides other retirement and post-employment benefits such as medical, dental and life insurance to eligible employees. Post-employment benefits are benefits provided to employees on long-term disability.

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

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

(f) Revenue recognition

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

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

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

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

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

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

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

(g) Collections

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

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

(h) Translation of foreign currency

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

(i) **Contributed services**

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

(j) **Agency obligations**

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

3. ACCOUNTS RECEIVABLE

Accounts receivable is comprised primarily of balances receivable for research projects and trade accounts receivable, including tuition net of an allowance for doubtful accounts of \$3,964 (2020 - \$3,280).

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

Fiscal year		
2022	\$	23,159
2023		19,813
2024		43,482
2025		22,160
2026		4,946
Thereafter		349
	\$	113,909

4. LOANS RECEIVABLE

Loans receivable is comprised of a loan to the Kingston Health Sciences Centre / Queen's Parking Commission (the "Parking Commission") in the amount of \$2,327 (2020 - \$2,505). The loan to the Parking Commission bears interest at 6 per cent per annum and matures in October 2030.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

5. INVESTMENTS AND INVESTMENT INCOME

(a) Investments

Fair value details of investments are as follows:

	2021	2020
Current		
Short-term	\$ 214,732	\$ 240,542
Non-current		
Pooled Endowment Fund	1,377,897	1,131,147
Pooled Investment Fund	545,403	392,865
Other	135,096	142,512
	2,058,396	1,666,524
Total investments	\$ 2,273,128	\$ 1,907,066

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

(b) Uncalled commitments

As at April 30, 2021, a portion of the University's investment portfolio is invested in private funds managed by third-party managers ("the manager"). These private funds typically take the form of limited partnerships managed by a General Partner. The legal terms and conditions of these private investment funds, which cover various areas of private equity investments and real estate and infrastructure investments, require that investors initially make an unfunded commitment and then remit funds over time (cumulatively up to a maximum of the total committed amount) in response to a series of capital calls issued to the investors by the manager. As at April 30, 2021, the University had uncalled commitments of approximately \$20,458 (2020 - \$79,671), which will be funded using funds within the investment portfolio. The capital committed is called by the manager over a pre-defined investment period, which varies by fund.

(c) Investment income

Investment income is comprised of the following:

	2021	2020
Realized income on investments	\$ 87,127	\$ 57,797
Unrealized gains / (losses) on investments	82,471	(1,837)
	169,598	55,960
Investment management fees and transaction costs	(7,881)	(5,246)
Investment income	\$ 161,717	\$ 50,714

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

6. CAPITAL ASSETS

Capital assets consist of the following:

	2021			2020		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 84,158	\$ -	\$ 84,158	\$ 84,158	\$ -	\$ 84,158
Buildings and its components	1,274,598	520,475	754,123	1,273,502	491,229	782,273
Leasehold improvements	12,683	9,180	3,503	12,683	8,489	4,194
Equipment and furnishings	171,532	142,412	29,120	172,678	142,999	29,679
Library acquisitions	102,456	100,905	1,551	109,565	107,809	1,756
Software	31,366	31,366	-	31,366	31,366	-
Construction in process	31,407	-	31,407	9,540	-	9,540
	\$ 1,708,200	\$ 804,338	\$ 903,862	\$ 1,693,492	\$ 781,892	\$ 911,600

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

7. COLLECTIONS

The University's purchased artwork and rare and historical books as part of its collections are expended and included in supplies and services in the statement of operations. The total amount expended on artwork for the year was \$nil (2020 - \$nil) and the total amount expended on rare and historical books for the year was \$22 (2020 - \$nil). The artwork and book collections are insured through a fine arts policy for a total value of \$243,832 (2020 - \$242,009).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities is comprised primarily of trade accounts payable, government remittances and payroll related accruals. The University's government remittances payable at the end of the year were current and amounted to \$13,561 (2020 - \$14,289).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

9. DEFERRED REVENUE AND CONTRIBUTIONS

	2021	2020
Research funds	\$ 227,635	\$ 198,157
Trust funds	87,328	78,990
Student fees	40,711	34,000
Capital funds	7,387	5,984
Other	17,343	18,173
Gift annuities	1,971	1,910
	\$ 382,375	\$ 337,214

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

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

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

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

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

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

10. DEFERRED CAPITAL CONTRIBUTIONS

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

	2021	2020
Balance, beginning of year	\$ 434,964	\$ 439,267
Amortization of deferred capital contributions	(25,472)	(25,471)
Contributions received for capital purposes	14,826	21,168
	\$ 424,318	\$ 434,964

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

11. LONG-TERM DEBT

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

			2021	2020
	Maturity in Fiscal Year Ending	Interest Rate	Principal Outstanding	Principal Outstanding
Amortizing unsecured bank loan maturing November 1, 2030	2031	Variable	\$ 48,468	\$ 52,727
Series A senior unsecured bullet debenture maturing on November 19, 2032	2033	6.10%	90,000	90,000
Senior unsecured bullet debenture maturing April 1, 2040	2040	5.09%	75,000	75,000
Senior unsecured bullet debenture maturing June 1, 2040	2041	5.10%	50,000	50,000
Series B senior unsecured bullet debenture maturing April 27, 2060	2060	2.89%	125,000	125,000
			388,468	392,727
Unamortized transaction costs/bond discount			(3,114)	(3,290)
			385,354	389,437
Less current portion			(4,209)	(4,083)
			\$ 381,145	\$ 385,354

The University has established sinking funds to provide funds to repay the Series A senior unsecured debenture maturing on November 19, 2032, the senior unsecured debentures maturing on April 1, 2040 and June 1, 2040 and the Series B senior unsecured debenture maturing on April 27, 2060. At April 30, 2021 the value of the sinking funds is \$119,659 (2020 - \$122,668).

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

(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	
2022	\$ 4,209
2023	4,338
2024	4,471
2025	4,608
2026	4,749
Thereafter	362,979
	\$ 385,354

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

12. EMPLOYEE FUTURE BENEFITS LIABILITY

The University has a defined contribution pension plan, which has a defined benefit guarantee that provides a minimum level of pension benefits. The University also provides other retirement and post-employment benefits such as medical, dental and life insurance to eligible employees. Post-employment benefits are benefits provided to employees on long-term disability.

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

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

Salaries and benefits expense for the year includes pension benefit expenses of \$35,100 (2020 - \$30,009) and non-pension retirement and post-employment benefit expenses of \$10,074 (2020 - \$9,514).

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

The discount rate used in the actuarial measurement of the employee future benefit plans obligation was 5.6 per cent (2020 - 5.6 per cent).

The discount rate used in the actuarial measurement of the benefit plans expense was 5.6 per cent (2020 - 5.6 per cent).

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

The assets and liabilities of the Queen's Pension Plan ("QPP") will be transferred to the UPP as at July 1, 2021, the effective date of the commencement of accrual of the benefits and contributions under the UPP. In December 2019, the Board of Trustees approved a plan amendment to the QPP to allow for the planned July 1, 2021 transfer of assets and liabilities into the UPP and the subsequent termination of the QPP.

An updated valuation for the pension plan using the going concern assumptions of the UPP was performed as of August 31, 2020 and results have been extrapolated to April 30, 2021 as shown in the table below.

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

The most recent actuarial valuation of post-employment benefits was performed as of April 30, 2021.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

	2021			2020		
	Pension benefit plan	Other benefit plans	Total	Pension benefit plan	Other benefit plans	Total
Accrued benefit liability						
Accrued benefit obligation	\$ (2,353,560)	\$ (108,593)	\$ (2,462,153)	\$ (2,138,510)	\$ (101,961)	\$ (2,240,471)
Fair value of plan assets	2,487,933	-	2,487,933	2,108,051	-	2,108,051
Valuation allowance	(134,075)	-	(134,075)	-	-	-
Accrued benefit asset / (liability)	\$ 298	\$ (108,593)	\$ (108,295)	\$ (30,459)	\$ (101,961)	\$ (132,420)
Benefit plan expense						
Current service cost	\$ 33,394	\$ 4,364	\$ 37,758	\$ 31,182	\$ 4,151	\$ 35,333
Finance (income) / costs	1,706	5,710	7,416	(1,173)	5,363	4,190
Net benefit cost	\$ 35,100	\$ 10,074	\$ 45,174	\$ 30,009	\$ 9,514	\$ 39,523
Remeasurements and other items						
Difference between actual and expected return	\$ (138,013)	\$ -	\$ (138,013)	\$ 66,775	\$ -	\$ 66,775
Actuarial (gain) / loss on accrued benefit obligation	(12,545)	311	(12,234)	3,770	(298)	3,472
Valuation allowance	134,075	-	134,075	-	-	-
Net remeasurements and other items (gains) / losses	\$ (16,483)	\$ 311	\$ (16,172)	\$ 70,545	\$ (298)	\$ 70,247

Details of annual contributions and benefits paid are as follows:

	2021		2020	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Employer contributions	49,374	3,753	49,145	3,023
Employee contributions	30,457	-	29,240	-
Benefits paid	118,287	3,753	118,304	3,023

The University is required to fund the pension obligation (determined based on the UPP's actuarial assumptions) that exceeds the transferred assets as at July 1, 2021, to the UPP over a period of 15 years. The pension obligation for past service may also fluctuate in the future based on changes to the UPP's actuarial assumptions and for changes in experience in future periods, which would continue to be the responsibility of the University to fund for the first 10 years, after which the responsibility for such changes becomes gradually shared over time with employees and other plan participants.

The accrued benefit asset of \$134,373 on April 30, 2021 (determined based on the UPP's actuarial assumptions) is considered a past service asset (PSA). As at April 30, 2021, the University determined the expected future benefit as the present value of expected future defined benefit employer current service costs for the current number of active employees for the period from May 1, 2021 to June 30, 2021, when service accrual is scheduled to commence under the UPP. Therefore, the University has established a valuation allowance to limit the carrying value of the accrued benefit asset at April 30, 2021 to \$298.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

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. During the year, the University continued to make solvency payments based on the August 31, 2017 actuarial valuation which is the First Subsequent Report following stage 2. Solvency payments are not required under jointly sponsored pension plans, and therefore will no longer be required once the University transitions to the UPP.

13. ENDOWMENTS

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

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

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

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

	2021			2020		
	External	Internal	Total	External	Internal	Total
Investment income on endowments	\$ 209,860	\$ 48,967	\$ 258,827	\$ 984	\$ 641	\$ 1,625
Less: available for spending	(38,772)	(8,876)	(47,648)	(35,895)	(8,656)	(44,551)
(Deficiency) / Excess of investment earnings over endowment spending	171,088	40,091	211,179	(34,911)	(8,015)	(42,926)
Endowment contributions	34,878	-	34,878	25,373	-	25,373
Departmental transfers and other contributions	5,855	444	6,299	5,484	799	6,283
Net increase in net assets	211,821	40,535	252,356	(4,054)	(7,216)	(11,270)
Net assets, beginning of year	920,129	221,223	1,141,352	924,183	228,439	1,152,622
Net assets, end of year	\$1,131,950	\$ 261,758	\$ 1,393,708	\$ 920,129	\$ 221,223	\$ 1,141,352

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

14. INTERNALLY RESTRICTED NET ASSETS

Details of year-end balances are as follows:

	2021	2020
Operating contingencies	\$ 170,185	\$ 173,228
Unspent research funds	64,598	59,729
Internally financed capital projects	(86,166)	(100,909)
Sinking funds	119,659	122,668
Capital reserves	197,623	109,497
Employee future benefits		
Pension and other benefit plans deficit	(108,295)	(132,420)
Pension reserve	53,029	47,758
	\$ 410,633	\$ 279,551

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

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

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

Sinking funds have been established to fund the principal repayments of the bullet debentures held by the University, as disclosed in Note 11.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

15. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	2021	2020
Net change in non-cash working capital:		
Accounts receivable	\$ (5,583)	\$ (7,218)
Prepaid expenses	788	(647)
Accounts payable and accrued liabilities	7,028	(1,094)
Deferred revenue and contributions	45,161	59,917
	\$ 47,394	\$ 50,958

16. FINANCIAL INSTRUMENTS

(a) Fair value

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

The fair value of investments are disclosed in Note 5.

Derivative financial instruments

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

	2021		2020	
	Notional value	Fair value	Notional value	Fair value
US Dollar	\$ 325,745	\$ 5,355	\$ 259,626	\$ 3,013
Other	124,055	5,095	85,439	(4,463)
	\$ 449,800	\$ 10,450	\$ 345,065	\$ (1,450)

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 \$10,450 (2020 - \$(1,450)) in investments (Note 5). The change in the fair value of the foreign currency contracts is accounted for consistent with investment returns in the consolidated statements of operations and statement of changes in net assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

(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 financial instruments are foreign currency, interest rate, market and credit risks. The University's Statement of Investment Policies and Procedures (SIP&P) governs the asset mix among equity, fixed income and alternative investments, requiring diversification within categories, and setting limits on the size of exposure to individual investments and counterparties.

Foreign currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The University has entered into forward foreign exchange contracts to minimize exchange rate fluctuations and to mitigate any uncertainty for future financial results.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The University is subject to interest rate risk with respect to its floating rate debt. The University mitigates this risk by entering into interest rate swap agreements for its floating rate debt that fixes the interest rate over the term of the debt.

Market risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Management mitigates this risk through diversification of its investment portfolio as stipulated in the University's SIP&P.

Credit risk is the risk of financial loss to the University if a counterparty to a financial instrument fails to meet its contractual obligation. The University is exposed to credit risk with respect to its accounts receivable and investments. The University assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts (Note 3). The University's investments must adhere to minimum quality standard ratings as stipulated in the SIP&P.

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

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

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

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

Externally restricted endowments, as described in Note 13, include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund (OSOTF) and Ontario Trust for Student Support (OTSS) matching programs to award student aid as a result of raising an equal amount of endowed donations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

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

	2021	2020
Endowment Funds:		
Opening balance	\$ 68,526	\$ 68,531
Transfer to expendable funds	345	(5)
Endowment capital	\$ 68,871	\$ 68,526
Expendable Funds:		
Opening balance	\$ 428	\$ 428
Investment income	4,640	4,411
Bursaries awarded	(4,295)	(4,416)
Transfer from endowment funds	(345)	5
Expendable funds available for awards	\$ 428	\$ 428
Number of bursaries awarded	1,313	1,421

The market value of the OSOTF phase 1 endowment fund at April 30, 2021 is \$131,648 (2020 - \$111,340).

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

(for the year ended March 31)	OSOTF II	OTSS	2021 Total	2020 Total
Endowment Funds:				
Opening balance	\$ 12,435	\$ 35,275	\$ 47,710	\$ 46,638
Donations received	-	523	523	822
Transfer from expendable funds	65	321	386	250
Endowment capital	\$ 12,500	\$ 36,119	\$ 48,619	\$ 47,710
Expendable Funds:				
Opening balance	\$ 99	\$ 97	\$ 196	\$ 158
Investment income	737	1,491	2,228	2,186
Bursaries awarded	(601)	(1,432)	(2,033)	(1,909)
Transfer to endowment funds	(65)	(321)	(386)	(250)
Expendable funds available for awards	\$ 170	\$ (165)	\$ 5	\$ 185
Number of bursaries awarded	110	544	654	702

The market value of the OSOTF phase 2 endowment fund at March 31, 2021 was \$74,501 (2020 - \$58,609).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

18. RELATED ENTITIES

This section addresses disclosure requirements regarding the university's relationships with related entities. The relationships include economic interest, significant influence, joint control or control when accounted for using the equity method.

(a) Investment in Parking Commission

The University entered into a joint venture with Kingston Health Sciences Centre (KHSC) for the construction and operation of an underground parking garage managed and governed by a joint Parking Commission established by the parties and including an equal number of commission members appointed by both parties. The University's proportionate share of the joint venture is 50 per cent and KHSC's proportionate share is 50 per cent. In fiscal 2011 the Parking Commission embarked on a significant restoration project with the University's share of these capital expenditures being \$3,750 (2020 - \$3,750). The University's share of the capital expenditures will be repaid by the Parking Commission over a 20 year period ending in fiscal 2031. The University's proportionate share of the Parking Commission's assets, liabilities and operations have been included in the financial statements. The University's proportionate share of the excess of revenues over expenses for the current fiscal year is \$315 (2020 - \$730).

(b) Investment in Cogeneration Facility

The University entered into a joint venture with KHSC for the construction and operation of a cogeneration facility governed by a management board consisting of representatives of the University and KHSC. The purpose of the facility is to produce electricity and steam. The University's proportionate share of the joint venture is 60 per cent and KHSC's proportionate share is 40 per cent. The University's capital investment in the joint venture is repaid from the operating fund over a twenty-five year period ending April 30, 2031. The University's proportionate share of the cogeneration facility's assets, liabilities and operations have been included in the financial statements. The University's proportionate share of the deficiency of revenues over expenses for the current fiscal year is \$1,242 (2020 - \$1,207).

(c) Investment in Elentra

As disclosed in Note 2(a), the University accounts for its investment in Elentra using the equity method. The University's proportionate share of the shareholders' equity at April 30, 2021, Elentra's first year of operation is \$6,138.

	2021
Total assets	\$ 7,686
Total liabilities	(549)
Shareholders' equity	\$ 7,137
Gross profit	\$ 286
Expenses	(649)
Net loss	\$ (363)
Cash flows from operating activities	\$ (208)
Cash flows from investing activities	(6,000)
Cash flows from financing activities	7,500
Net increase in cash	\$ 1,292

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

(d) McGill-Queen's University Press

The University has significant influence in McGill-Queen's University Press (the "Press"). The Press was incorporated by letters patent as a corporation without share capital under Part II of the Canada Corporations Act. The objective of the Press is to stimulate scholarship, research and debate through the publication of materials for scholars and the community at large. The Press is exempt from income tax under section 149 of the Income Tax Act. The University is responsible for / entitled to, a 50 per cent share of any deficit / surplus accumulated by the Press. The University's proportionate share of the Press' assets, liabilities and operations have not been included in the financial statements. The University's proportionate share of the accumulated deficit at April 30, 2020 was \$157 (2019 - \$105).

	2020		2019	
Total assets	\$	2,713	\$	2,148
Total liabilities		3,027		2,358
Total fund balances	\$	(314)	\$	(210)
Revenues	\$	4,784	\$	4,041
Expenses		4,888		4,749
Deficiency of revenues over expenses	\$	(104)	\$	(708)

(e) SNOLAB Institute at Queen's University

The SNOLAB Institute at Queen's University (SNOLAB) was created to perform research in particle astrophysics and succeeds the Sudbury Neutrino Observatory Institute which was decommissioned in 2007. This is a joint venture of the University and four other Canadian universities. The University's proportionate share (20 per cent) of the joint venture's assets, liabilities and operations have been included in the financial statements (see also Note 19(c)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

(f) Tri-universities Meson Facility

The University is a member, with thirteen other universities, of a joint venture called the Tri-universities Meson Facility (TRIUMF), Canada's national laboratory for particle and nuclear physics located on the University of British Columbia (UBC) campus. TRIUMF is an unincorporated registered charity and each university has an undivided 1 / 14 interest in its assets, liabilities and obligations. The land and buildings it occupies are owned by UBC. The facilities and its operations are funded by federal government grants and the University has made no direct financial contribution to date. TRIUMF's net assets are not contemplated to be and are not readily realizable by the University. The University's interest in the assets, liabilities and results of operations are not included in the financial statements (see also Note 19(d)).

The following financial information at March 31, 2021 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.

	2021		2020	
Total assets	\$	54,446	\$	54,749
Total liabilities		8,956		9,496
Total fund balances	\$	45,490	\$	45,253
Revenues	\$	89,092	\$	85,605
Expenses		88,856		85,834
Excess / (deficiency) of revenues over expenses	\$	236	\$	(229)

19. COMMITMENTS AND CONTINGENCIES

(a) Litigation

The nature of the University's activities are such that there may be litigation pending or in prospect at any time. With respect to claims at April 30, 2021, administration believes that the University has valid defenses and that appropriate insurance coverage is in place wherever it is possible to do so. In the event any claims are successful, administration believes that such claims are not expected to have a material effect on the University's financial position. Accordingly, no provision has been made in the financial statements.

(b) Insurance

The University is a member of the Canadian University Reciprocal Insurance Exchange (CURIE). CURIE insures general liability, university property and errors and omissions. Annual premiums paid by the University are determined by the CURIE Board, on the advice of the actuary. There is a provision under the agreement for assessments to all member universities if these premiums are not sufficient to cover losses. As of December 31, 2020, the date of the latest financial statements available, CURIE had a surplus of \$99,449 (2019 - \$90,185).

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(c) SNOLAB - Asset retirement obligation

As stipulated within the Constitution for SNOLAB, this joint-venture research project's assets and liabilities are to be divided among the member institutions. The agreements also indicate decommissioning costs for the former Sudbury Neutrino Observatory as well as SNOLAB facility expansions are the responsibility of member institutions based on their proportionate share.

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 2022. No accrual has been made in the financial statements.

(d) TRIUMF - Asset retirement obligation

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

(e) Capital commitments

As of April 30, 2021 the estimated cost to complete construction in process for the extension of facilities is approximately \$62,285 (2020 - \$2,602). These costs will be financed by a combination of debt, gifts, grants, and allocations from operations.

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

Fiscal year	
2022	\$ 3,828
2023	2,977
2024	3,054
2025	1,950
2026	1,649
Total thereafter	2,322
	<u>\$ 15,780</u>

(f) Other

In addition to the capital commitments disclosed in Note 19(e), the University has issued letters of credit of \$1,711 (2020 - \$2,780) primarily for capital construction.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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

(g) Pension obligations

After the transition to the UPP, the University remains responsible to fund any net pension obligations (determined based on the UPP's actuarial assumptions) related to service costs up to the transition date of July 1, 2021. Based on information available at April 30, 2021 the University will not have a pension obligation on transition to the plan. However, the pension obligation for past service may fluctuate in the future based on changes to the UPP's actuarial assumptions and for changes in experience in future periods, which would continue to be the responsibility of the University to fund for the first 10 years, after which the responsibility for such changes becomes gradually shared over time with the other participants of the UPP.

20. COMPARATIVE FIGURES

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

21. COVID-19

The University's financial results throughout fiscal 2021 incorporates the financial impact of COVID-19 which was declared by the World Health Organization to be a global pandemic in March 2020. The travel restrictions and stay-at-home requirements remained throughout fiscal 2021 which resulted in reduced operations of the University's residences and event services and moved learning to an online platform. The loss in ancillary revenues has been partially mitigated by a reduction in expenditures.

The extent of the ongoing adverse effects on the University's business and financial and operational performance remains uncertain and difficult to assess. As at April 30, 2021, the University did not have significant adjustments to reflect the possible future impact of COVID-19. Management has assessed the going concern assumptions and believes there are no issues given the University has a strong working capital base and access to enough liquid resources to see through operations in the coming year. Given the outcome and timeframe to a full recovery from the current pandemic is highly unpredictable, it remains impracticable to estimate and disclose its financial effect on future operations at this time.

The University is currently planning for a resumption of in-person teaching and research in the fall of 2021 to coincide with the anticipated roll out of the Province's reopening plan. The University remains flexible to adapt to developing public health guidelines.