



Financial Update
Report to the Board of Trustees
December 2, 2016

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

Queen's University at Kingston
2016-17 Shared Services Budget Allocations (000,000's)

| | Approved Budget 2016-17 | Projected Actuals 2016-17 | Variance |
|---|-------------------------------|---------------------------------|-----------------|
| Shared Services | | | |
| Principal's Office | \$ 1.4 | \$ 1.4 | \$ - |
| Secretariat | \$ 1.5 | \$ 1.5 | \$ - |
| Communications | \$ 3.6 | \$ 3.6 | \$ - |
| Vice-Principal (Research) | \$ 6.0 | \$ 6.0 | \$ - |
| Vice-Principal (Advancement) | \$ 10.2 | \$ 10.2 | \$ - |
| Vice-Principal (Finance & Admin) | \$ 8.6 | \$ 8.6 | \$ - |
| Provost & Vice-Principal (Academic) | \$ 3.9 | \$ 3.9 | \$ - |
| Student Affairs | \$ 8.8 | \$ 8.8 | \$ - |
| Library(operations & acquisitions) | \$ 26.7 | \$ 26.6 | \$ (0.1) |
| Occupancy Costs (net of Shared Service Space Costs)* | \$ 30.7 | \$ 30.2 | \$ (0.5) |
| Environmental Health & Safety | \$ 1.5 | \$ 1.5 | \$ - |
| ITS | \$ 16.7 | \$ 16.7 | \$ - |
| Human Resources | \$ 5.1 | \$ 5.1 | \$ - |
| Graduate Studies | \$ 1.9 | \$ 1.9 | \$ - |
| University Wide Benefits & Pension Benefit Guarantee Fund | \$ 8.4 | \$ 8.4 | \$ - |
| Need Based & UG Merit Student Assistance | \$ 18.2 | \$ 17.5 | \$ (0.7) |
| Graduate Students Assistance | \$ 13.4 | \$ 13.4 | \$ - |
| University Wide | \$ 12.5 | \$ 12.8 | \$ 0.3 |
| Faculty Bridge Programs (QNS, QRC, FRP) | \$ 0.8 | \$ 0.8 | \$ - |
| Total Shared Services | \$ 179.9 | \$ 178.9 | \$ (1.0) |

* The Occupancy Costs include \$4.21M of deferred maintenance.

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

| | Budget 2016-17 | Projection 2016-17 |
|-------------------------------|-------------------|-----------------------|
| Grant Revenue | | |
| MAESD Facilities Renewal Fund | \$ 3,457,000 | \$ 3,457,000 |
| MAESD Graduate Capital | \$ 1,700,000 | \$ 1,700,000 |

Note: \$2.4M of the Facilities Renewal Fund Grant will be allocated to capital projects funded through the Strategic Initiatives Fund (SIF). The funding for Deferred Maintenance will be maintained through the use of capital reserves originally earmarked to fund the SIF projects.

Budget Analysis

The projected operating budget for 2016/17 remains balanced through the drawdown of carry forward reserves. The budget variances relative to the projection in the approved budget are explained below

Enrolment

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

In addition to graduate enrolment being below projections, the mix between grant eligible domestic and grant ineligible domestic has shifted relative to budget, resulting in a much higher proportion of ineligible domestic graduate students. This shift between eligible relative to ineligible has no impact on tuition revenue, but it does impact the graduate grant funding.

Overall student fees are showing a positive variance of \$7.4M, with undergraduate tuition revenue being the most significant contributor, with a positive variance of \$8.7M. The international enrolment was higher than anticipated in the Faculty of Arts and Science and the Faculty of Engineering and Applied Science, in addition there was a modest increase in domestic grant eligible enrolment. This increase in undergraduate tuition is offset by a decrease in graduate tuition of \$2.3M. Approximately \$1.7M of graduate tuition is offset by a decrease in graduate grant funding.



Research Overhead

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

Investment Income

Investment income is showing a positive variance of \$700K as a result of higher than budgeted short term investment returns.

The Pooled Investment Fund (PIF) has experienced gains in early fiscal 2016 given the volatility in the markets, the budget of \$5.2M has been used in this projection. The year-end returns include both realized and unrealized gains/losses and fluctuate with market conditions before the end of the fiscal year.

Expenditures

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Operating Budget Surplus (or Deficit)

Current projections continue to show a balanced budget

The budget approved by the Board reflects the year revenue and expenses or budget allocations. Many units planned total expenditures to be higher than the budget allocation, with the additional expenditures being funded by prior year reserves (carryforward balances).

The originally approved budget projected reserves being drawn down by \$1.1M but current projections indicate an improvement, with an estimated drawdown of \$1.2M. The majority of the swing results from an increase to the faculty allocation of \$4.3M. The net increase to Faculties and Schools is the result of higher than anticipated enrolment at the undergraduate international level in the Faculty of Arts and Science and the Faculty of Engineering and Applied Sciences.

s (\$2.4M). In



II: Ancillary Operations and Consolidated Entities

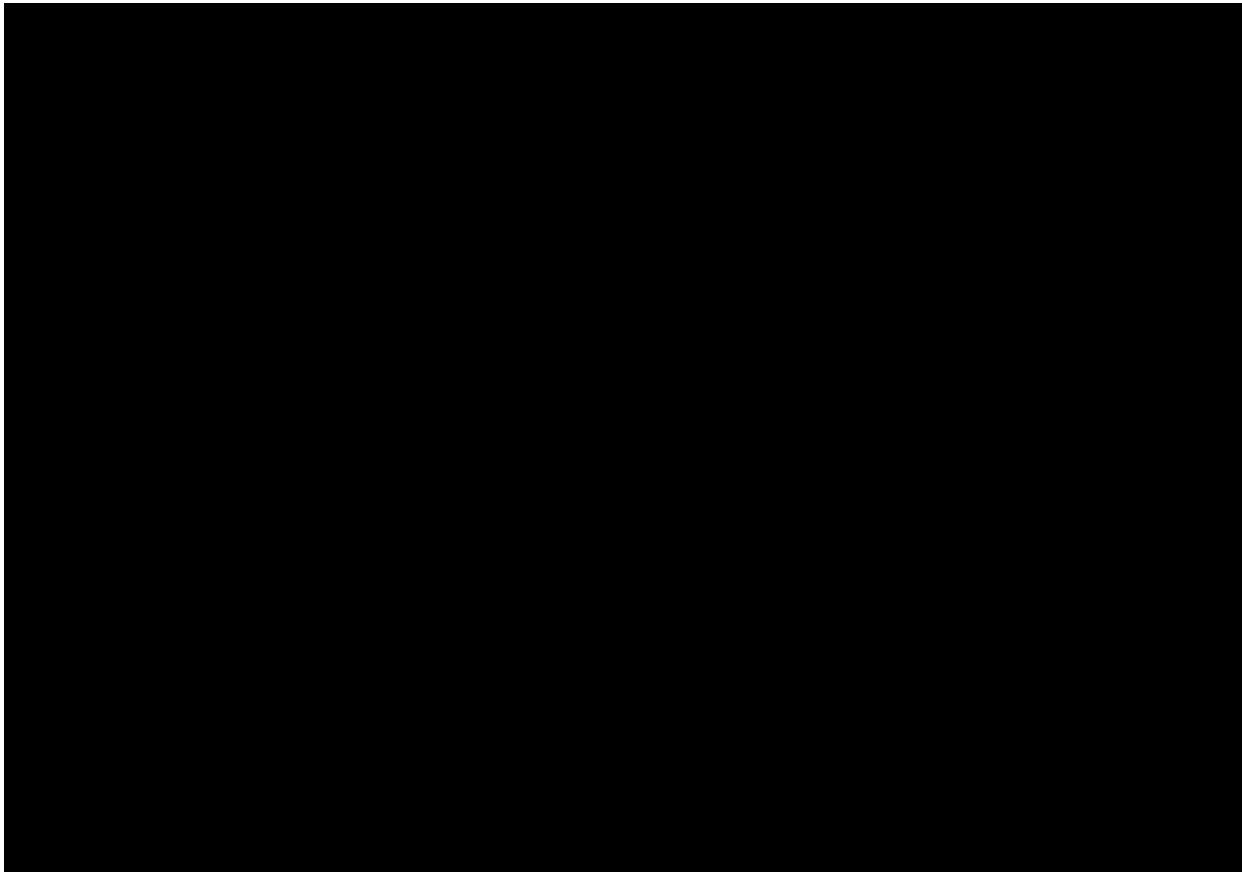
Overall the projected deficit for the Ancillary Operations and Consolidated Entities has decreased to a \$4.6M loss compared with the budgeted deficit of approximately \$5M. The significant individual variances are outlined below.

Residence continues to project a \$2.3M deficit, however BT 1q1q10792 re W* n BT /TT0 1 Tf 11.04 0 0 11.04 76.584



QCED is projecting a \$143K deficit versus the budgeted deficit of \$95K, a worsening of approximately \$48K. This is due to lower than expected sales revenue. The decrease in sales is partially offset by lower cost of goods sold and a decrease in expenditures as a result.

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

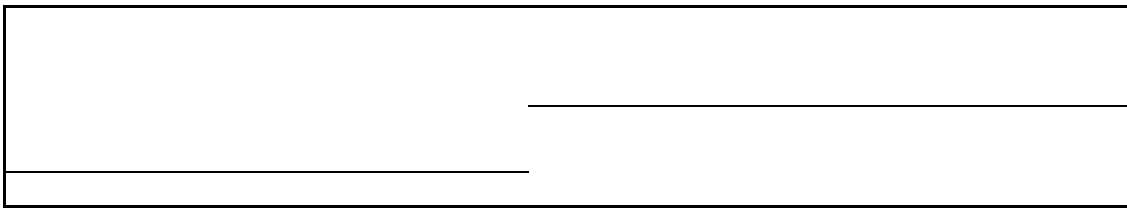


| | Budget | Projected | Variance Surplus (deficit) | Budget | Projected | Variance Surplus (deficit) | Budget | Projected | Variance Surplus (deficit) |
|---|--------|-----------|----------------------------------|--------|-----------|----------------------------------|--------|-----------|----------------------------------|
| REVENUE | 4,548 | 4,378 | (170) | 3,027 | 3,060 | 33 | 1,081 | 1,081 | - |
| EXPENDITURE | | | | | | | | | |
| Salaries & Benefits | - | - | - | 238 | 149 | (89) | 77 | 77 | - |
| External Contracts | 2,991 | 2,840 | (151) | 469 | 469 | - | 47 | 47 | - |
| Utilities | 323 | 341 | 18 | 313 | 226 | (87) | 53 | 53 | - |
| Repairs & Alter. | 127 | 98 | (29) | 37 | 37 | - | 28 | 28 | - |
| Interest & Bank Charges | 594 | 570 | (24) | 2,469 | 2,469 | - | 184 | 184 | - |
| Supplies & Misc. | 62 | 125 | 63 | 61 | 61 | - | 43 | 43 | - |
| Overhead | 80 | 77 | (3) | 151 | 153 | 2 | - | - | - |
| Total Expenditures | 4,177 | 4,051 | (126) | 3,738 | 3,564 | (174) | 432 | 432 | - |
| Net Surplus (Deficit) before Capital and Contributions to University Operations | 371 | 327 | (44) | (711) | (504) | 207 | 649 | 649 | - |

Deficit (11)

| 2016-17 Consolidated Entities Financial Report (000's) | | | | | | |
|--|---------------------|-----------|----------------------------------|-----------|-----------|----------------------------------|
| | PARTEQ Consolidated | | | QCED Inc. | | |
| | Budget | Projected | Variance Surplus (deficit) | Budget | Projected | Variance Surplus (deficit) |
| REVENUE | 2,728 | 4,443 | 1,715 | 327 | 175 | (152) |
| EXPENDITURE | | | | | | |
| Salaries & Benefits | 1,306 | 1,258 | (48) | 156 | 156 | - |
| External Contracts | 490 | 553 | 63 | 228 | 142 | (86) |
| Utilities | - | - | - | - | - | - |
| Repairs & Alter. | - | - | - | - | - | - |
| Interest & Bank Charges | 90 | 86 | (4) | - | - | - |
| Supplies & Misc. | 1,785 | 2,958 | 1,173 | 38 | 20 | (18) |
| Deferred Maintenance | - | - | - | - | - | - |
| Total Expenditures | 3,671 | 4,855 | 1,184 | 422 | 318 | (104) |
| | | | | | | |
| SURPLUS (DEFICIT) | (943) | (412) | 531 | (95) | (143) | (48) |
| | | | | | | |

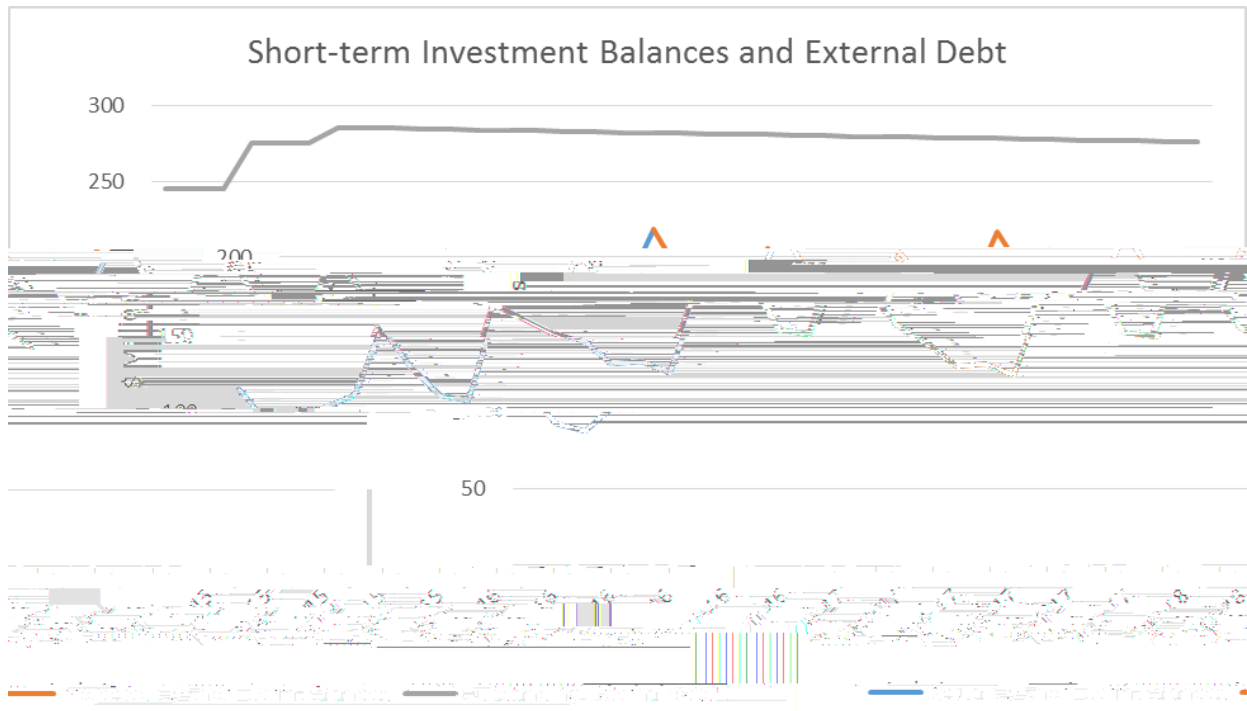
Note: The Bader International Study Centre is a closed entity but under the Budget model its academic operations are now included



Cash Flow

The University administration uses a cash management forecasting model to manage its short term investment portfolio and to optimize interest income. The model will continue to evolve over time as it becomes more robust, and its forecasting ability becomes more refined. The graph below shows the actual and projected short term investment and external debt balances from April 2015 through April 2018. University cash balances are cyclical in nature with higher balances in September & October and January & February, due to tuition and residence fee receipts, and lower balances experienced during the late spring and early summer months. As a result, University administration invests its excess cash balances received from term billings in bank demand deposits, bank term deposits and guaranteed investment certificates maturing between one month and 3 years, and with a short term bond fund with a targeted maturity of 3 years (fully redeemable at any time). These investments are made taking into account the projected operating needs of the University with the aim of matching inflows and outflows. The investment of a portion of the University's cash balances in fixed maturities allows the University to earn higher interest income than would otherwise be earned in a demand deposit account.

In addition to the University's investments, no more than \$60 million has been deposited with any one of the five major Schedule I Canadian banks.



end of July and PACB reviewed submissions at meetings in late September. Preliminary budget allocation decisions for the shared service units have been made, which allowed for the determination of preliminary Faculty and School budget allocations. These were released in October, and Faculties and Schools are required to submit their annual budget plans by late November; PACB meetings to

