

Consolidated Financial Statements

Queen's University at Kingston

April 30, 2021

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

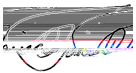
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The 2020-21 fiscal year was unparalleled, requiring most of the Queen's community to learn and work remotely for the entire year due to the COVID-19 pandemic. Associated financial uncertainties related to the pandemic's impact on the economy, investment 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, 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.



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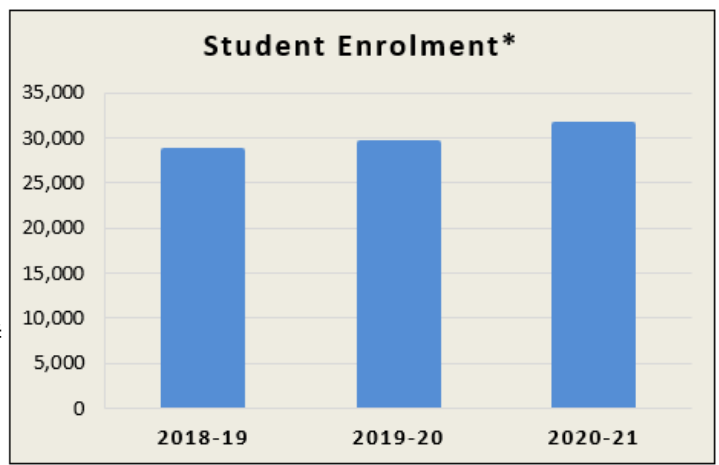
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	Thousands of dollars	
SALES BY ANCILLARY OPERATION	2020-21	2019-20
Housing and hospitality	\$ 35,928	\$ 82,019
Parking	1,973	3,524
Other	-	140
	37,901	85,683
Less: Internal sales	(101)	(6,278)
	\$ 37,800	\$ 79,405

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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

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.



Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at April 30, 2021

(Thousands of dollars)

	2021		2020	
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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)		1,000		1,000

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CONSOLIDATED STATEMENT OF OPERATIONS

Year ended April 30, 2021

(Thousands of dollars)

		!	! %		!	!
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		
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 CASH FLOWS

Year ended April 30, 2021

(Thousands of dollars)

	2021	2020	%
(639 + 763 363 =			
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	
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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)	
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Issuance of long-term debt	-	125,000	
Repayment of long-term debt	(4,083)	(3,961)	
Contributions received for capital purposes	as	as	a asCò ò' r

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 the Bader International Study Centre, and professionals from around the world.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2021

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)

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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.

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The University follows the deferral method of accounting for contributions for not-for-profit organizations, which

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)

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Year ended April 30, 2021

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

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

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			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.

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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

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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
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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)	-	-	-
+ * , / * . \$,	298	\$ (108,593)	\$ (108,295)	\$ (30,467)		

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 w

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)

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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.

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)

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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.

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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).

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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).

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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	

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)

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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)

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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

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Year ended April 30, 2021

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

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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-