



ANNUAL FINANCIAL REPORT

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2000-01

Queen's University at Kingston

REPORT TO THE QUEEN'S COMMUNITY

Queen's University publishes this annual report of its financial operations as one element of its overall accountability to the broader community we serve. We are pleased to report that, in 2000-01, the operating fund of the university recorded a small surplus and the market value of the university endowment fund grew by an impressive \$48 million. On another positive note, private giving has been on a strong upswing over the past five years and now exceeds \$38 million annually. Government operating funding increased slightly from the previous year (0.3%), but we continue to be troubled by the fact that this increase falls well short of inflation and almost all new funds from the government are focused heavily on enrolment increases often at the expense of quality.

We continue to work to improve the quality of our academic programs, our research, our management and our accountability. We are also striving to shape the University for a future that is likely to include: lower levels of unrestricted government funding, greater reliance on private giving and partnerships that enhance our teaching and research environment, and global competition for faculty, students and financial support. Our goal is to create, at Queen's, a learning environment second to none in Canada and among the leaders in North America. To this end, we are striving to diversify and expand our revenue sources, and to create a climate of innovation within which teaching and research will flourish.

On behalf of the Board of Trustees, and the more than 3,200 faculty and staff at Queen's, we thank you for your continuing support.



John Rae
Chairman, Board of Trustees



William C. Leggett
Principal and Vice-Chancellor

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QUEEN'S AT A GLANCE

Students

- 14,555 full-time students
- first in Canada for average entering grade for undergraduate students
- highest number of Canadian Millennium Scholarship winners in 2000-01
- highest proportion in Ontario of students who complete their undergraduate degree

Staff

- 990 faculty
- 2,160 staff
- double the national average of faculty who are Fellows of the Royal Society of Canada (1999)

Academic Programs

- 7 Faculties (Applied Science, Arts and Science, Business, Education, Graduate Studies, Health Sciences, Law) offering degrees at the graduate and undergraduate levels
- 1 Affiliated College (Queen's Theological College)
- International Study Centre at Herstmonceux, England
- 15% of graduating students have participated in international study opportunities, including exchanges with more than 75 institutions worldwide
- MBA for Science & Technology program ranked # 1 in Canada by Canadian Business Magazine

Research

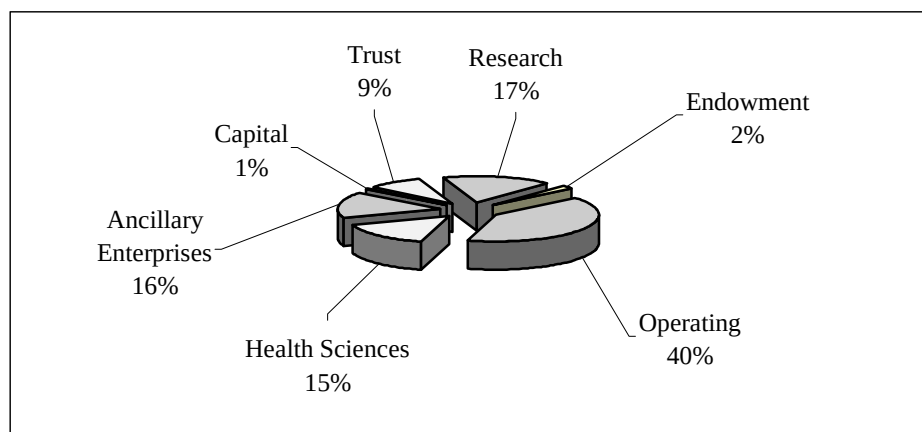
- \$88 million in sponsored research in 2000-01
- 95% success rate in 2000-01 for Natural Science and Engineering Research Council (NSERC) operating grants
- first in Canada in technology transfer with over \$100 million invested in spin-off companies from Queen's-based research

Student Life

- guaranteed residence room for first-year undergraduate students
- over 220 student clubs and organizations
- 41 varsity teams, Canada's largest varsity sports program
- home of the oldest student association in Canada (Alma Mater Society)

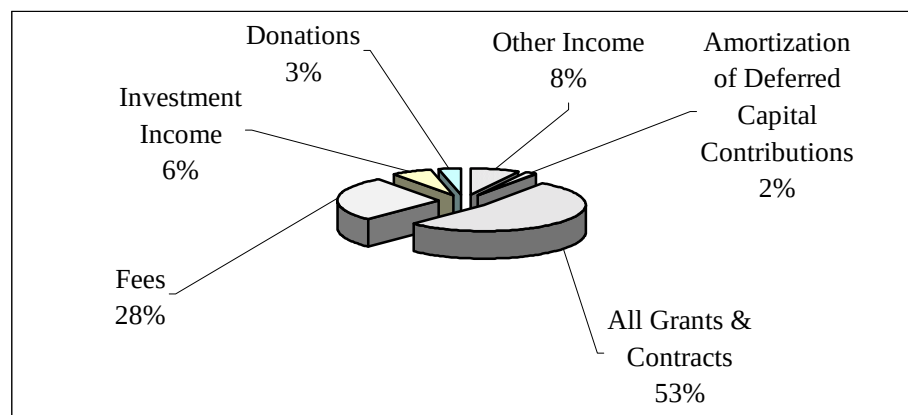
THE YEAR 2000-01 IN REVIEW

Total University Revenue by Fund \$473 Million (1999-00 - \$436 Million)



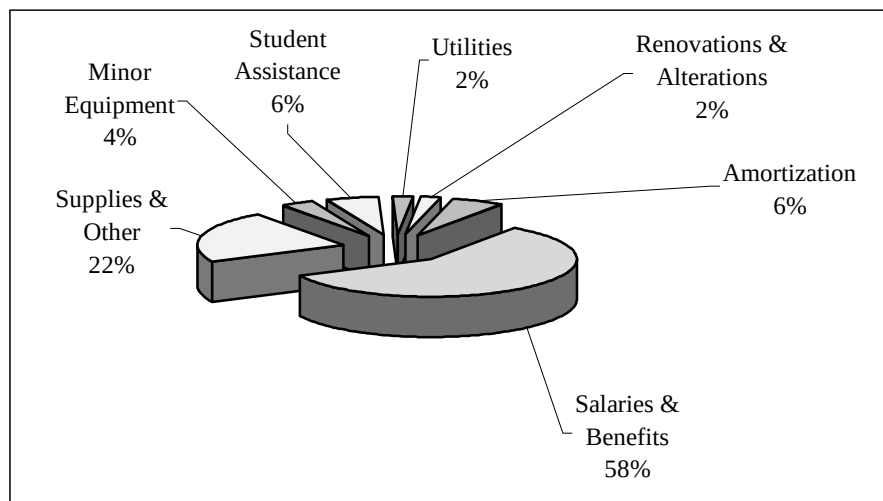
The University's operating fund accounts for just over 40% of the University's total revenue. The operating fund, totaling \$191.4 million, represents the University's discretionary funds and is the focus of financial planning and analysis.

Total University Revenue by Source \$473 Million (1999-00 - \$436 Million)



Grants and contracts represent over half of the University's total source of revenue. Included are government operating fund grants totaling \$117.6 million.

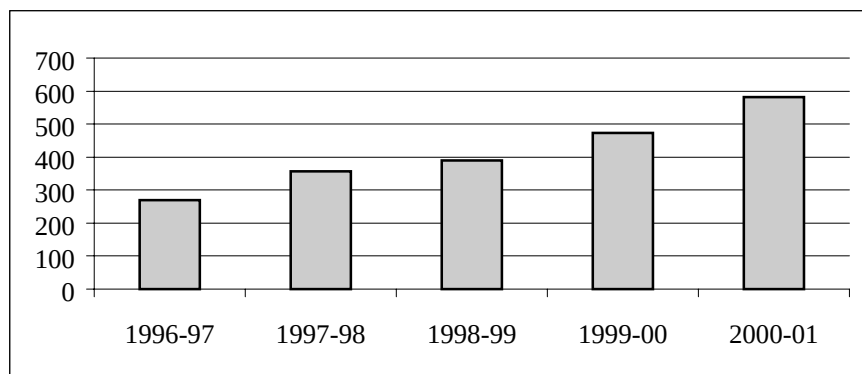
Total University Expense by Type \$454 Million (1999-00 - \$423 Million)



Total expenses increased \$31 million over the previous year. Over half of the University's resources are spent on salaries and benefits, which totaled \$263 million during 2000-01, an increase of 6.3% over the previous year.

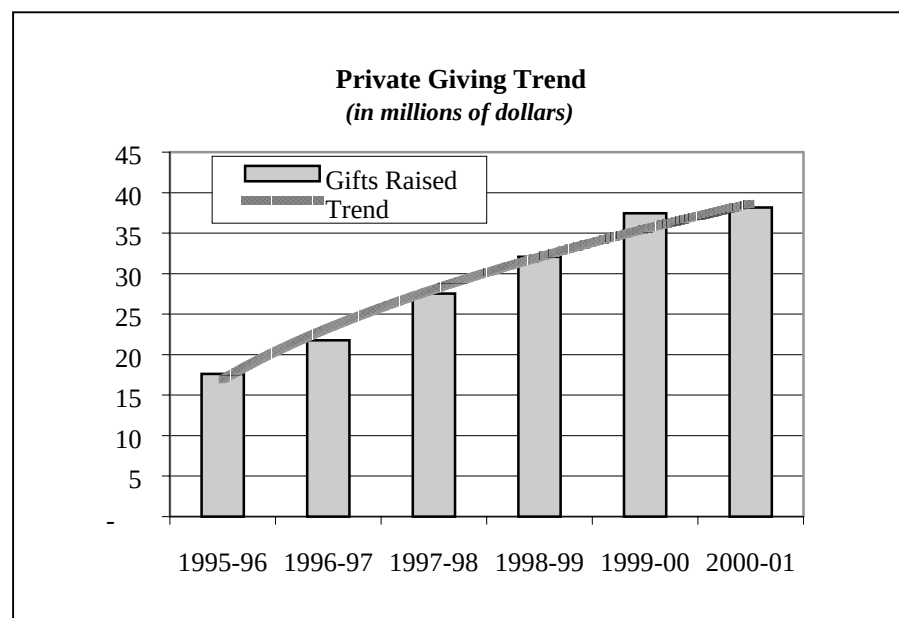
Market Value of Investments

(in millions of dollars – does not include pension assets)



The market value of the University's total investments grew by \$108 million (22.8%) in 2000-01 and has more than doubled in the past five years. The increase in 2000-01 results from a combination of significant donations and excellent investment returns.

Private Giving



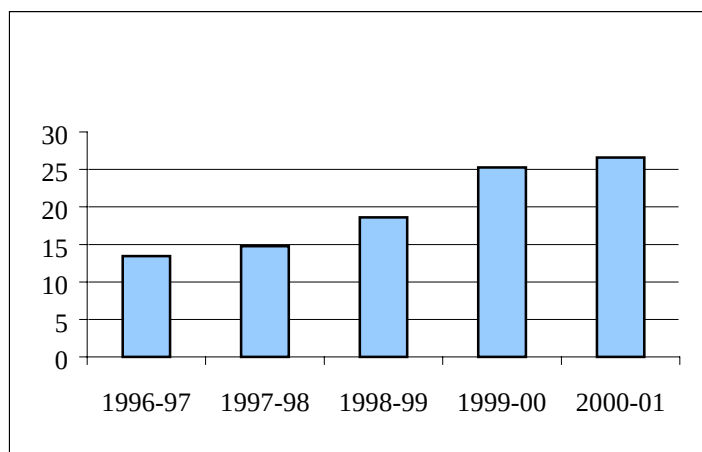
Growth in private giving over the past six years shows the success of the University's fundraising efforts. The momentum generated by the Campaign for Queen's has been instrumental in creating a positive trend.

Thanks in part to private giving, the University in 2000-01, was able to:

- open the newly renovated and expanded Agnes Etherington Art Centre
- open the new Biodiversity Centre at the Queen's University Biology Station, Lake Opinicon
- open the new Glaxo Wellcome Clinical Education Centre
- commence construction for Chernoff Hall, the new \$51.8 million Chemistry Building
- commence construction on Goodes Hall, the \$25.5 million new home for the Queen's School of Business
- establish the Edith Eisenhower Chair in Clinical Cancer Research
- establish the Bracken Chair in Clinical Medicine
- establish the Johnson Chair in Ophthalmology
- establish the Franklin Bracken Fellowship

Student Assistance

(in millions of dollars)



Attracting and retaining the best students is a basic priority of the University. We remain committed to our goal of ensuring that all qualified students, regardless of financial means, have access to a Queen's education. Substantial allocations from operating funds and increased endowment income resulted in student assistance doubling from \$13.4 million in 1996-97 to \$26.6 million in 2000-01. The market value of the student assistance endowment is \$163.8 million, which is 41.5% of the University's total endowment and represents an increase of 125% over the five-year period 1997-2001. Among all Canadian universities, Queen's directs the highest proportion of its operating budget toward scholarships and bursaries.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Results for 2000-01

(see Appendix 1 for revenue and expense by fund)

Operating Fund

Operating fund revenue includes government operating grants, tuition fees, and unrestricted investment income, and finances the core activities of the University.¹ The University's operating fund accounts for 40% of the University's total revenue. The operating fund represents the University's discretionary funds and is the focus of financial planning and analysis.

In 2000-01, total government operating funding increased by \$0.4 million (0.3%) over 1999-00. Changes in 2000-01 government funding are summarized as follows:

Fund	Change (\$000's omitted)
Base Operating Grants	\$ (259)
Accessibility fund	1,984
Performance based funding	1,362
Research performance fund	1,203
Targeted program funding	97
Fair funding envelope	779
ATOP one-time facilities and equipment grant	(4,674)
Other	(95)
Total	\$ 397

The above illustrates the overall policy of the Province in funding universities: little or no increase in basic operating funding; almost all new money is in the form of targeted grants for increased enrolment and for achieving a certain performance level in terms of student graduation and employment rates.

- The Accessibility Fund was introduced in 2000-01 to fund undergraduate enrolment growth. Each university which met the growth criteria received a share of the \$16.5 million fund. Queen's budgeted its pro rata share of \$0.7 million from this fund. However, due to the number of large universities which failed to meet the eligibility criteria and therefore received no money from the Accessibility Fund, Queen's received almost three times its pro rata share.

¹ Ancillary enterprises and continuing education programs, such as the Executive MBA programs and the School of English, are expected to cover their full costs from revenues and are not financed out of the operating fund.

- The Performance Fund, like the Accessibility Fund, was a new fund announced in March 2000. Distribution of this fund was based on a university's performance in three categories: degree completion rate, and employment rates six months and twenty-four months after graduation. In each category, universities which ranked in the top two-thirds received a share of the \$5.5 million allocated per category. Queen's ranked in the top third in degree completion rate and in the middle third for employment rates.
- The Research Performance Fund is intended to help defray the costs of infrastructure supporting research. This grant was announced in May 2000, after the 2000-01 budget had been set.
- Targeted program funding is for enrolment growth in some professional programs (Engineering, Medicine and Education). The Ministry of Training, Colleges and Universities continues to direct funds for enrolment growth in selected programs to help deal with the impending shortage of graduates in these professions. In 2000-01 the University received a total of \$2.4 million - \$1.8 million was targeted for enrolment growth in Applied Science (engineering), \$0.1 million for Medicine and \$0.5 million for Education. The University expects to receive more than \$4.0 million in targeted program funding in 2001-02.
- The Fair Funding Program was announced in May 1998 to redress some of the funding inequities among Ontario universities. The 2000-01 increase is the last of three years of equal increases from this fund and brings Queen's funding under this program to \$2.5 million. This funding is particularly valuable because it is not targeted.
- The ATOP (Access to Opportunity Program) one-time grant for facilities and equipment was received in 1999-00 to provide infrastructure funding for growth associated with that program. The grant was one-time funding and was not intended to continue past that year.

Total operating revenue exceeded budget by \$4.7 million. Fees exceeded budget by \$2.2 million as actual full-time enrolment exceeded the University's target by 350 students. The incremental revenue from fees was set aside for student assistance and to address unfunded costs associated with rapid enrolment growth. Operating expenses were generally in line with the budget plan. The increase in fuel prices during 2000-01 caused utilities to exceed budget by \$0.75 million. Equipment and supplies exceeded budget as one-time ATOP funding received in 1999-00 was spent in support of engineering and computer science programs. The operating fund recorded a small surplus of \$78 thousand, decreasing the accumulated operating deficit (before employee future benefits) to \$2.8 million.

Health Sciences

The Alternative Funding Plan (AFP) is an agreement between the Ontario Ministry of Health and the University, Clinical Teachers' Association and three teaching hospitals. The current agreement runs to December 31, 2004. The University, Clinical Teachers Association and the three teaching hospitals have created the Southeastern Ontario Academic Medical Organization (SEAMO) to govern the AFP. The Faculty of Health Sciences receives \$54.2 million under the Alternative Funding Plan (AFP) to support their mission of clinical service, education and research. The School of Medicine at Queen's University is the first and only medical school in Canada to be funded on this basis. In addition, the Faculty of Health Sciences receives a grant from University operations (\$16 million) to fund medical students and students in the Basic Health Sciences (not funded by the AFP). Salaries include \$38.3 million of clinical department payments to physicians from the Ontario Hospital Insurance Plan (OHIP) pool; prior to the introduction of the AFP, these payments would have been made directly to the physician as fee for service remittances from OHIP.

Ancillary Enterprises

Ancillaries are the University's business enterprises (see Appendix 2). These units provide goods and services to the University community and are expected to operate on a breakeven basis after covering their full operating and capital costs. Full costs include a payment to the University for the cost of administrative services. Revenue from ancillary enterprises amounted to \$77.0 million in 2000-01. Residences, Food Services, Apartment and Housing, Private Programs, Parking, and the Computer Store all achieved breakeven targets. The losses experienced by the Donald Gordon Centre (Conference) and the International Study Centre (residence, food, and conferences only) are in line with their budgets. The long-range forecast for the Donald Gordon Centre predicts a positive net cash flow in 2003-04.

PARTEQ, the University's technology transfer unit, reported an excess of revenue over expense of \$0.46 million in 2000-01 after providing for a \$1.7 million royalty payment to Queen's University. PARTEQ is expected to continue its strong performance for the foreseeable future.

Trust and Endowment

Trust revenue comes primarily from endowment income and restricted donations. Expenses include student assistance, faculty salaries (endowed chairs), equipment, and library resources.

The University's student assistance endowment grew by \$15.7 million in 2000-01, primarily through two significant bequests. The student assistance endowment produces annual income of almost \$7.5 million. The endowment for Faculties and Departments grew by \$19.8 million this past year as a result of fundraising efforts to endow five faculty chairs. The University's total endowment funds (market value) are currently \$395.6 million, a gain of \$47.8 million over 1999-00.

Capital

Work was completed on the \$2.8 million Glaxo Wellcome Clinical Education Centre in Louise D. Acton Hall, and the Centre was opened in October 2000. Major capital construction started in 2000-01 included work on Chernoff Hall (the new \$51.8 million Chemistry complex) and Goodes Hall (the new \$25.5 million School of Business building at Victoria School). Both projects are funded in part by the Government of Ontario's SuperBuild Fund and are scheduled for completion in late summer 2002. The University's third SuperBuild new construction project, the Integrated Learning Centre for Applied Science, is currently in planning and construction is expected to begin during 2001-02. Planning is also underway for the SuperBuild-funded renovations to Gordon Hall, Gordon Annex, Mackintosh-Corry Hall and Dunning Hall (\$15.5 million in total) with an expected completion date in 2004. Other major projects currently in advanced planning include a new Cancer Research Institute (\$14.2 million), two new residences plus an associated renovation to Leonard Hall Cafeteria (\$54.8 million in total), and renovations to the interior of MacDonald Hall (\$3 million). A new Student Life Facility, which would include athletic facilities and a field house, is in the early planning stage.

Research

Research is funded by grants from, and contracts with, external funding agencies and industry (see Table 1). These funds are not included in the University's budget process.

Research funding increased again in 2000-01 after reaching a four-year low in 1997-98. The \$88 million in research funds received in 2000-01 (funds flow basis) represents a 56% increase over 1997-98 funding levels. The increase is primarily due to the success of Queen's faculty members in attracting awards from

the Canada Foundation for Innovation (CFI), the Ontario Research and Development Challenge Fund (ORDCF) and the Ontario Innovation Trust (OIT). Research expenses increased \$10 million during 2000-01 with the most significant increases being equipment purchases (\$5.7 million) and research salaries (\$2.4 million).

Table 1
Research Funding (Funds Flow Basis)
(\$000's omitted)

	<i>2001</i>	<i>2000</i>
Federal		
SSHRC	\$ 2,422	\$ 2,003
NSERC	18,035	16,449
CIHR	8,126	6,640
CFI	6,539	1,855
Other	7,302	8,339
Less 75% SNO	(2,385)	(2,360)
	40,039	32,926
ORDCF, OIT, PREA	9,182	4,350
Other Ontario	1,862	2,041
Corporate	15,548	14,201
Foundations	17,439	17,693
Other	3,901	3,799
Total	\$ 87,971	\$ 75,010

Legend: SSHRC - Social Sciences and Humanities Research Council of Canada
 NSERC - Natural Sciences and Engineering Research Council of Canada
 CIHR - Canadian Institutes of Health Research
 CFI - Canada Foundation for Innovation
 SNO - Sudbury Neutrino Observatory
 ORDCF - Ontario Research and Development Challenge Fund
 OIT - Ontario Innovation Trust
 PREA - Premier's Research Excellence Awards

Factors Affecting Future Revenue and Expenses

The University's future revenues and expenses are typically affected by several factors, including:

- Government funding
- Tuition
- Enrolment
- Compensation
- Fundraising
- Investments
- Research
- Capital Projects
- Campus Infrastructure

The 2001-02 Provincial Budget, delivered on May 9, 2001, outlined a three-year plan for university funding in Ontario: all new grant revenue will be tied to enrolment growth and there is no provision for funding increased costs or inflation. This multi-year grant announcement, combined with existing government policy capping regulated tuition fee increases, make University revenue almost exclusively reliant on enrolment levels. Consequently, the University has a very good understanding of what its revenue levels are likely to be for the next three years; however, this revenue will not be sufficient to cover new costs related to compensation, increased levels of research activity and inflation over the same period.

Government Funding

Government funding and policy decisions have a significant impact on the University's funding. Base operating grants provided by the Province make up 52.9% of the University's operating revenue (this is down from a high of 73% in 1992-93). In addition, the Province provides an amount equivalent to 2.0% of our operating revenue in the form of targeted grants, which are grants directed to specific programs and functions. Finally, approximately 70% of Queen's students are enrolled in programs where provincial policy regulates tuition fees. Tuition fees from regulated programs represent 18% of the University's operating revenue.

The 2001-02 funding levels were announced May 9, 2001. The Province made a three-year commitment to provide additional funding for enrolment growth, although the funding level per student will depend on the final system-wide enrolment numbers in each of 2001-02, 2002-03 and 2003-04. The Government will also continue the Performance Fund in 2001-02, increasing the total value of the fund by \$6.7 million, and making some changes to the distribution mechanisms. Fee increases in regulated programs continue to be capped at 2% per year (and will continue to be so up to and including 2004-05). No funding for inflation was provided.

While the levels of on-going operating funding are insufficient to address inflationary costs, the Province has provided significant one-time money for new capital and renovation projects. Funding for facilities renewal and deferred maintenance has increased substantially over the past three years and additional one-time funding in the amount of \$4.5 million for deferred maintenance was announced for 2001-02. The Province's SuperBuild Fund provided \$50.8 million towards the construction of Chernoff Hall (Chemistry), Goodes Hall (Business) and the Integrated Learning Centre (Applied Science) and associated renovations to Gordon Hall, Gordon Annex, Mackintosh-Corry Hall and Dunning Hall.

Although the Province has been committed to providing universities with one-time funding for new construction and capital improvements in anticipation of the double cohort, proper and adequate funding for enrolment growth will also require a similar injection of new operating funding for universities. In general, the lack of adequate levels of unrestricted funding and funding for inflation are taking a toll on the institution. In addition to its academic programs, the University budget must support core aspects of its operation such as the libraries, research, information technology infrastructure and physical plant.

Tuition

Tuition fees for domestic undergraduate students studying in programs in the Faculty of Arts and Science, Nursing, Rehabilitation Therapy, Education and the first year of the Commerce Program are regulated by the Provincial government. Approximately 70% of Queen's undergraduate students are enrolled in regulated programs. For 2001-02, fees for regulated programs will increase by 2%, the maximum allowable increase in accordance with government policy. Fees for deregulated programs will increase between 6.3% and 22.5% for 2001-02. Graduate student fees have been frozen at 1999-00 levels. Provincial policy requires that 30% of tuition fee rate increases be allocated to student assistance. Queen's internal policy contributes an additional 12% of fees from growth to student assistance.

Enrolment

The demand for a Queen's undergraduate education from excellent students from across Canada and, increasingly, from around the world, continues to grow. Queen's University continues to enjoy a reputation for having the best undergraduate students and the highest academic standards required for admission and completion of studies in Canada. Queen's is consistently ranked first nationally for the highest entering averages and the greatest proportion of students entering with a 75% average or higher. Queen's admits the highest percentage (85%) of Ontario Scholars (Ontario students obtaining 80% or higher) of all universities in Canada. Consistent with our admission standards, Queen's also has the highest degree completion rates of any Ontario university.

Applications for full-time undergraduate admission for September, 2001, numbered more than 22,000 for fewer than 3,000 places across twelve undergraduate programs. Of the total number of undergraduate applicants, almost 17,000 ranked Queen's among their first three choices. The total number of undergraduate applications increased almost 6% over last year. The challenge for Queen's will be to continue to attract the very best students with outstanding potential, in an environment where the national and international competition for those students is expected to be intense.

On a system-wide basis, there is predicted to be a dramatic increase in the number of students seeking admission to Ontario universities over the next decade, both as a result of demographic changes and secondary school reform. The latter will result in a "double cohort" of university applicants scheduled to graduate from secondary school in 2003.

All Ontario universities have worked with the Council of Ontario Universities (COU) and the Ministry of Training Colleges and Universities (MTCU) over the past year to provide enrolment growth plans that meet the expected student demand. This cooperation among universities was necessary to meet the Province's objective of providing a place in postsecondary education for every qualified and willing student. Queen's enrolment projections, as submitted to the Province, plan for an increase in the first-year class over 2001-02 of approximately 500 students in 2003-04 and 2004-05 to accommodate our share of the "double cohort". These are projections and have not yet been approved by Senate.

Queen's projections for enrolment growth related to the double cohort have been premised on a number of conditions, the most important being the commitment to maintain a high-quality education for our students. In the recent budget announcement for 2001-02, the Province has committed to fund enrolment growth over the next three years. At present, this is the only funding increase announced and the funding will have to be allocated to meet inflationary increases before focusing on reinvestment to maintain and enhance the quality of the learning environment. The University has struck an enrolment working group to examine the implications of various enrolment scenarios. The results of this analysis will inform decisions on future enrolment growth and mix.

Compensation

Compensation represents 68% of the University's annual operating expenses. In 2002, QUFA and CUPE locals will finish year three of three-year agreements and the University will begin negotiations in the coming year with these employee groups for agreements to cover 2002-03 and beyond. The QUSA agreement will be renegotiated in 2003. The University's benefit package has been a focal point of recent labour negotiations.

In addition, the employment market for faculty is becoming increasingly competitive. Over the next decade, the combined effect of replacing retiring faculty and hiring additional faculty to cope with enrolment growth will require Ontario universities to hire approximately 10,000 new faculty members. To put this number in perspective, it should be noted that the total number of faculty at Ontario universities in 1998 was approximately 12,000.

Many of the demographic factors which are the cause of this retirement/hiring boom in Ontario are also present in the rest of North America, and the demand for new faculty is likely to exceed 100,000 in Canada and the United States combined. The effects of this demand are already being felt at Queen's, especially in the professional programs where entry-level salaries have increased by as much as 50% in some programs and most candidates have several offers. Even in disciplines which have traditionally been considered low demand, new faculty are commanding entry-level salaries 15% higher than just a few years ago. The tightening market for new faculty will not only have a bearing on the University's costs, but may also impact on its ability to deliver certain programs in the future.

Fundraising

Table 2
Gifts Received
(\$000's omitted)

	2001	2000	1999
Major Gifts	\$ 18,732	\$ 21,969	\$ 21,791
Annual Appeals	4,623	3,498	2,731
Bequests	12,728	3,245	4,151
Gifts in Kind	2,093	8,731	3,426
TOTAL	\$ 38,176	\$ 37,443	\$ 32,099

Campaign Priorities Identified by the University:	\$400 million
Campaign for Queen's Goal:	\$200 million
Campaign Total as of April 2001	\$170 million ²

The Campaign for Queen's is focused on raising money for new capital construction and endowment for student assistance, program development, faculty chairs, and library acquisitions. Since its inception, the Campaign has raised \$170 million (gifts and pledges) toward a target of \$200 million.

The University is committed to building its relationship management capacity aimed at maintaining a high level of private giving after the Campaign has ended. The main facets of this approach will include: maintenance of a permanent professional fundraising organization, development of an internal commitment through a Faculty-based fundraising design, and recruitment of a strong volunteer leadership contingent. As funding pressures increase, so will the University's reliance on private giving.

Investments

The University has two long-term investment funds: the Pooled Endowment Fund (PEF) and the Pooled Investment Fund (PIF). The University's investments are overseen by the Investment Committee of the Board of Trustees. This committee sets investment policies and monitors investment performance.

The objective of the PEF is to ensure the University's endowment grows with inflation while providing sufficient income for the purposes set out by endowment donors. Over the past five years, the PEF has grown rapidly as a result of excellent investment returns of 13.7% per year and a high level of donations to endowment. The University's dividend policy, established in 1996 by the Investment Committee, sets the payout rate at 5% of the three-year average of the market value of the PEF. This permits the income available for student assistance and endowed chairs to grow with the market value of the PEF.

² Gifts and pledges

The PIF comprises investment of monies in reserves and other unspent balances. Generally, the income from the PIF is credited to the operating fund.

Research

Sponsored research activity at Queen's has increased significantly over the past four years (from \$56.3 million in 1997-98 to \$88 million in 2000-01). This is related, in part, to the introduction of several new programs which have profoundly affected the research landscape in Ontario and Canada over the past four years. These new programs include the federally-funded Canada Foundation for Innovation (CFI) and Canada Research Chairs (CRC) and the provincially-funded Ontario Research and Development Challenge Fund (ORDCF), Premier's Research Excellence Awards (PREA), and Ontario Innovation Trust (OIT). In addition, program funding from the traditional federal granting councils (SSHRC, NSERC, and CIHR) has increased.

While the increase in research activity is very beneficial to the advancement of the University's mission, even funded research carries with it additional costs to the institution. Perhaps the most critical area related to the cost of research for the University is that of the "indirect costs of research", often referred to as "overhead" or "facilities and administrative costs". As the name implies, the indirect costs are those which cannot easily be attributed to a specific project, but which are essential for the conduct of research. On average, universities provide an amount equal to approximately 40 – 50% of the total direct costs of research. Given Queen's current level of research activity, the indirect costs of research at Queen's are between \$35 million and \$45 million annually. While partial funding for these costs is incorporated into base government grants, the decline of those grants relative to the growth in research leaves a substantial shortfall in the funding of indirect costs of research. There is good evidence that at Queen's this shortfall amounts to \$8 million to \$10 million per year.

In addition to the funding provided for indirect costs, another large and unsustainable cost burden falling upon universities is the requirement to provide matching funds for research grants. Our ability to keep attracting funds from sources such as CFI, OIT, ORDCF and PREA will depend on our ability to find the required matching funds.

Research funding is expected to continue to increase and those increases will likely exceed the rate of any increases in operating grants. The challenge facing Queen's, and other universities in Canada, is to find ways of balancing the funding of both the direct and indirect costs of research. Innovative and effective means for establishing and maintaining funding for the indirect costs are required. As a significant part of this effort, Queen's University with our colleague universities is taking every opportunity to lobby the federal government urging them to ensure that universities can continue to contribute to the national innovation agenda by moving to a total cost policy for federally-funded research in parallel with increases to the granting councils.

Capital Projects

Over the next few years the University will be engaged in a very large volume of new construction activity. In part, this is driven by the Province's creation in May 1999 of the \$660 million SuperBuild Fund to assist colleges and universities in providing the physical infrastructure to cope with enrolment growth in the next decade. To be eligible for SuperBuild funds, new construction had to provide capacity for increased enrolment, matching funds from the private sector, and a focus on the institution's strategic direction. Queen's was granted its entire request and received \$50.8 million. Table 3 summarizes the projects funded from SuperBuild:

Table 3
SuperBuild Projects
(\$000's omitted)

Project	SuperBuild*	Donations	Other	Total
Chemistry (Chernoff Hall)	\$ 27,000	\$ 20,000	\$ 10,000	\$ 57,000**
School of Business at Victoria School (Goodes Hall)	6,000	19,500	0	25,500
Integrated Learning Center (ILC)	12,000	12,000	0	24,000
Associated Renovations (Gordon Hall, Gordon Annex, Mackintosh-Corry Hall, Dunning Hall)	11,400	0	4,160	15,560
Total	\$ 56,400	\$ 51,500	\$ 14,160	\$ 122,060

*Includes interest of \$5.6 million on the advance funding for the projects

**Includes \$5.2 million for demolition of Frost Wing and relocation of Career Services and Student Health, Counselling and Disability Services

In accepting the SuperBuild funding, the University committed to growing by 1,650 students from a 1998 base. Over the past three years the University's enrolment has grown by approximately 1,000 students. Projected growth in Arts and Science, Commerce, and Applied Science will put us well within reach of the SuperBuild commitment.

In addition to the SuperBuild projects, the University is also currently engaged in active planning for a number of other projects involving new construction and/or substantial renovation. These are outlined in Table 4 following:

Table 4
Other New Capital Projects

Project	Description	Estimated Completion	Cost
Cancer Research Institute	Will combine the National Cancer Institute of Canada Clinical Trials Group, Queen's Cancer Research Laboratories, and the Radiation Oncology Unit	Spring 2003	\$14.2 million
New Residence (two facilities)	540 beds (single rooms) in total	Fall 2003	\$44.8 million
Leonard Hall Cafeteria	Expansion and renovation	Fall 2003	\$10 million
Macdonald Hall Renovation (phase II)	Will create physical identity for the Faculty of Law, provide classroom and moot court facilities and enhance accessibility	2002-03	\$3 million
Student Life Facility (all phases)	Will combine space for recreational and varsity athletics, student government, clubs and other activities	In early planning	Unknown at this time

Campus Infrastructure

Queen's and other Ontario universities will face substantial costs in modernizing the campus infrastructure over the next ten years. At Queen's, these costs can be described in the following three categories: deferred maintenance, renovation and adaptation.

Accumulated deferred maintenance is defined as "the backlog of routine maintenance, repairs, alterations, renewals and renovation projects to buildings and building systems that the University has not been able to afford to carry out". New capital projects may have an effect on the deferred maintenance backlog in that they may allow the University to remove items from the backlog through demolition or renovation. However, new capital projects also require on-going maintenance and add to the net building stock of the University. Urgent accumulated deferred maintenance needs are those conditions which, if not attended to in the next year, will further deteriorate and become more costly to remedy in the future. Two recent reviews of the deferred maintenance backlog at Queen's have produced consistent estimates in the \$85 million to \$90 million range, composed of the following:

Building systems	\$76.3 million
Campus grounds	5.0 million
Campus steam distribution system	3.3 million
Campus electrical distribution systems	<u>1.0 million</u>
Total	<u>\$85.6 million</u>

These estimates also indicate that this amount of the backlog will increase from \$86 million to \$232 million by 2010 (in year 2000 dollars).

Adaptation is defined as the alteration of existing facilities to meet new needs. Adaptation costs at Queen's are estimated to be between \$10 million and \$12 million. Renovation work is that which is required to modify an existing facility to meet current purposes. This cost is estimated to be more than \$100 million at Queen's and the work involves reconfiguring space, and adding air conditioning to campus buildings and current technology to classrooms and research space.

The University is gradually building a budget to deal with this problem. In December 2000 a multi-year funding plan was approved which provides funds for annual upgrades, adaptation, and preventative maintenance. Under current funding, it will not be possible to bring 100% of campus space up to modern standards; however, the \$5 million to \$7 million of currently planned annual deferred maintenance funding would allow the University to make significant inroads to the deferred maintenance backlog and to cover the most important priorities before they become emergencies.

Summary and Outlook

Queen's Vision is to be the quality leader in Canadian higher education, thereby ensuring that its graduates are prepared to assume roles as leaders and citizens in a global society.

Queen's can be proud of its accomplishments in support of this Vision over the past decade – a decade characterized by severe resource constraints. These constraints stem primarily from government-imposed limits on tuition fee increases in regulated programs and from government operating grant increases which have been insufficient to address inflationary costs.

While we can be proud of the exceptional quality of our students, faculty and staff, and the widely-acknowledged richness of the Queen's learning environment, there is much that remains to be accomplished if we are to be successful in fully realizing our Vision.

Our view of the external forces that will influence our near-term future include:

- Provincial government operating grants which, on a per-student basis, will continue to be among the lowest in North America. (Per-student funding in Ontario has declined 28% in real terms in the past decade.)
- Provincial operating grants that will, over the next three years, be tied directly to enrolment growth, and performance measures linked to graduation rates and the post-graduation employment rates of students.
- Government funding increases which have failed to adequately address the inflationary costs and the quality improvements which are required to ensure that Ontario's universities are able to be nationally and internationally competitive. For Queen's this means continued difficulty in achieving our goals of enhancing the quality of our overall learning environment, reducing class sizes, improving student services and improving our classroom, laboratory and library facilities.
- Increased demand for access to a Queen's education resulting from the "double cohort", higher participation rates in post-secondary education, and demographic changes that are increasing the proportion of university-aged men and women in the total population.
- An increasingly competitive global employment market for faculty over the next decade as significant nation-wide increases in faculty retirements, coupled with enrolment growth, lead to a wave of hiring reminiscent of the 1960s. This tightening of the market for new faculty and increased pressure on our ability to retain existing faculty is already putting strong upward pressure on salaries and will result in major shortages of supply of highly qualified candidates in all disciplines.
- Continued increases in the funding available for the direct costs of research as Canada and the Provinces recognize the importance of, and provide funding for, innovation in both basic and applied research.
- Continued difficulty in adequately funding the indirect costs related to maintaining an internationally competitive research infrastructure in a time of increasing research activity (notwithstanding recent Ontario government actions to recognize and fund the indirect costs associated with Provincially-funded research and the enhanced awareness of the Federal government of the necessity for similar initiatives at that level).

- Federal and Provincial government research funding that will continue to be focused primarily in the support of the pure and applied sciences, health and technology initiatives, and the promotion of multi-disciplinary research and private-public sector partnerships (thereby increasing the challenge of ensuring that the humanities, social sciences and fine arts components of our Queen's research enterprise receive the support they require to be successful on an international scale).
- The increasing reliance on private funding (supported through philanthropy and private sector and government/university/private sector partnerships) as a significant contributor to the total operating budget envelope available to the University, and to the quality of the University's educational and research performance.
- New learning technologies and initiatives (such as Integrated Learning in the Faculty of Applied Science, the Clinical Education Centre in the Faculty of Health Sciences, and the BCom Plus program in the School of Business) which will dramatically alter how students learn, and will have important implications for the design of curriculum and teaching facilities.

Challenges and Opportunities

The greatest challenge faced by the University is that of ensuring that the quality of its educational and scholarly accomplishments remain consistent with its Vision and Goals in these areas. To succeed Queen's must continue its drive to become less dependent on provincial operating grants as the mainstay of its excellence, and to achieve greater independence in terms of programs and focus.

Towards this end, Queen's has been a leader in its support for tuition deregulation and in the application of these additional revenues to the enhancement of quality and student assistance. The new resources made available through deregulation of tuition in Applied Science, Business, Medicine, and Law have allowed these Faculties to reinvest significantly in the quality of their learning environments and programs. The positive impact of these changes has been dramatic.

The government-imposed 2% per year limit on tuition fee increases in undergraduate programs in the Arts, Sciences and Education have hampered the ability of these Faculties and the University to achieve similar improvements in the quality of their programs. If Queen's is to maintain international standards of excellence as an institution, it must have the freedom to structure all of its programs and the fees that support them in ways which are consistent with its Goals and Vision.

Queen's recognizes the challenges to opportunity and access created by increasing tuition fees. We have also learned that deregulated fees create opportunities for creative university/faculty/student partnerships for investing in quality.

Queen's is committed to ensuring the financial accessibility of its programs. Over the past five years, no other expenditure item in the overall operating budget has grown more rapidly than student financial assistance. We remain committed to our goal of ensuring that all qualified students, regardless of financial means, have access to a Queen's education. To this end we have increased our student aid endowment by more than 125% in the past five years (to its current level of \$153 million) and we are moving systematically toward the goal of being the first university in Canada to offer truly means-blind admission.

Private giving, as well as public support, have been instrumental to this growth in student assistance. Private support and university/private sector partnerships have also made possible major improvements in the quality of many programs and facilities. New initiatives in Integrated Learning in the Faculty of Applied Sciences, new buildings in support of our programs in Chemistry and in the School of Business, new endowed professorships in Arts, Sciences, Applied Science, Fine Arts and Health Sciences have all benefited from the generosity of private donors. Annual contributions from private giving are currently approaching \$40 million. Queen's future success as a national and international leader in teaching and scholarship will depend increasingly on its success in this area.

Queen's will also continue to be ranked among Canada's leaders in research and will continue its efforts to benefit from government-led initiatives in research and graduate education. These include programs such as the Canada Foundation for Innovation, the Ontario Research and Development Challenge Fund, and the Ontario Innovation Trust.

Finally, Queen's is committed to maintaining its widely recognized leadership role in the commercialization of research through PARTEQ, its technology transfer arm. The direct benefits of this venture are becoming increasingly important to the Queen's community and to society at large.

To achieve its Vision, Queen's must become more self reliant, even more focused on quality, more visible in its excellence internationally, and more accountable in terms of its operations and its overall contribution to society. The initiatives required to make this happen are already underway.

FINANCIAL STATEMENTS

2000-01

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*Highlights of 2000-01
Operating Fund
Revenue and Expenses
Year ended April 30, 2001
(\$000's omitted)
(unaudited)*

		2000-01		1999-00
		Budget	Actual	Difference
				Actual
REVENUE	Government grants and contracts	\$ 99,616	\$ 101,348	\$ 1,732
	Fees	78,734	80,981	2,247
	Investment income	2,442	2,655	213
	Donations	1,780	2,085	305
	Other income	4,074	4,336	262
		\$ 186,646	\$ 191,405	\$ 4,759
EXPENSES	Salaries and benefits	130,521	130,876	355
	Supplies and miscellaneous expenses	14,234	15,115	881
	Minor equipment and furnishings	4,043	6,383	2,340
	Student assistance	16,895	17,070	175
	Utilities	5,920	6,674	754
	Renovations and alterations	3,739	3,769	30
	Library acquisitions	7,070	6,831	(239)
	Restructuring costs	3,974	3,974	0
	Amortization expense	250	250	0
		\$ 186,646	\$ 190,942	\$ 4,296
	Net change in fund balance before transfers	0	463	463
	Net transfers to appropriated surplus		(385)	(385)
Annual operating surplus (deficit), before employee future benefits			78	78
Accumulated operating deficit, start of year, before employee future benefits			(2,907)	(2,907)
Accumulated operating deficit, end of year, before employee future benefits			\$ (2,829)	\$ (2,829)

The format of the operating budget approved by the Board of Trustees in May 2000 has been modified in this statement to conform to the format of operating revenues and expenses in Appendix 1 of the Annual Financial Report. This format conforms to that of the Consolidated Statement of Revenue and Expense on page 27.

This highlight summary does not reflect the reporting of employee future benefits described in Note 16 to the Consolidated Financial Statements. The accrual method of accounting for the cost of employee future benefits increases the annual expense and annual deficit by \$1,778 (2000 – \$1,696) for a total annual expense of \$2,925 (2000 – \$2,792) and total annual deficit of \$1,700 (2000 – \$2,045). The total accumulated deficit of \$34,182 (2000 – \$32,482) reflects the accrual of \$31,353 (2000 – \$29,575) for employee future benefits.

Page 23 discusses the various funds that are summarized in Appendix 1 on page 46.

OPERATING FUND	The University realized a surplus of \$78 thousand in 2000-01 (before accrued employee future benefits) decreasing the accumulated operating deficit to \$2.8 million. Total operating revenue exceeded budget by \$4.7 million. Fees exceeded budget by \$2.2 million as actual full-time enrolment exceeded the University's target by 350 students. The incremental revenue from fees was set aside for student assistance and to address unfunded costs associated with rapid enrolment growth. Operating expenses were generally in line with the budget plan. The increase in fuel prices during 2000-01 caused utilities to exceed budget by \$0.75 million. Equipment and supplies exceeded budget as one-time ATOP funding received in 1999-00 was spent in support of engineering and computer science programs.
ANCILLARY ENTERPRISES	Ancillary enterprises generated \$77 million of revenue in 2000-01. Residences, Apartment and Housing, Food Services, the Computer Store, Parking, and Continuing Education represent 86% of this revenue and are budgeted to operate on a breakeven basis. The \$0.5 million loss experienced by the Donald Gordon Centre (DGC) and the \$0.8 million loss incurred by the ISC are in line with their budgets. The long-range forecast for DGC predicts a positive cash flow in 2003-04. PARTEQ ended the year with an excess of revenue over expenses of \$463 thousand after paying a \$1.7 million royalty to Queen's.
RESEARCH	Research funding (on a funds flow basis) increased again to \$88 million from \$75 million last year (1997-98 funding was \$56.3 million). The increase was due to the success of Queen's faculty members in attracting awards from the Canada Foundation for Innovation (CFI), the Ontario Research and Development Challenge Fund (ORDCF) and the Ontario Innovation Trust (OIT).
ENDOWMENT	Endowment grew by \$38.6 million with \$22.4 million in contributions and \$16.2 million in investment income. The endowment fund has doubled over the past five years.
CAPITAL	Major capital construction during the year included the completion of the \$2.8 million Glaxo Wellcome Clinical Education Centre, which opened in October 2000. As a result in part of the \$50.8 million SuperBuild funding received in 1999-00, the University began major capital construction in 2000-01 on Chernoff Hall (the new \$51.8 million Chemistry Complex) and Goodes Hall (the new \$25.5 million School of Business building). Both projects are scheduled for completion in late summer of 2002. The Integrated Learning Centre for Applied Science (\$24 million) is currently in planning and construction is expected to begin during 2001-02. Planning is also underway for renovations to Gordon Hall, Gordon Annex, Mackintosh-Corry Hall and Dunning Hall (\$15.5 million in total).
CONCLUSION	Despite a number of financial challenges and concerns, Queen's has a strong balance sheet with a growing endowment and relatively little debt. Overall, Queen's remains a strong and financially stable institution which is critical to the University's ability to fulfill its mission "to be among the best of internationally known universities in Canada recognized for: • the exceptional quality of undergraduate and graduate students and programs in the arts, sciences and professions; • the intellectual power and value of research and scholarship by faculty members and students; • the exemplary service of the University and that of its graduates to the community and the nation and the community of nations."

*Statement of
Administrative
Responsibility
Year ended
April 30, 2001*

The administration of the University is responsible for the preparation of the consolidated financial statements, the notes and all other financial information contained in this annual report.

The administration has prepared the consolidated financial statements in accordance with accounting principles generally accepted for Canadian universities and in accordance with guidelines developed by the Canadian Association of University Business Officers and the Canadian Institute of Chartered Accountants. In order to achieve the objective of fair presentation in all material respects, the use of reasonable estimates and judgements were employed. The administration believes the consolidated financial statements present fairly the University's financial position as at April 30, 2001 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.

William M. Mercer Limited has been retained by the University in order to provide an estimate of the University's employee future benefit liability. Administration has provided the valuation actuary with the information necessary for the completion of the University's report and retains ultimate responsibility for the determination and estimation of the employee future benefit liability reported.

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 and this annual financial report principally through the Audit Committee. The majority of the members of the Audit Committee are not officers or employees of the University. The Audit 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 external and internal auditors have full access to the Audit Committee with and without the presence of the administration.

The consolidated financial statements for the year ended April 30, 2001 have been reported on by KPMG_{LLP}, Chartered Accountants, the auditors appointed by the Board of Trustees. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the consolidated financial statements.



Principal and Vice-Chancellor
June 29, 2001



Vice-Principal (Operations and Finance)

Auditors' Report



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Chartered Accountants
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Kingston ON K7L 5C8
Canada

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To the Board of Trustees

We have audited the consolidated statement of financial position of Queen's University at Kingston as at April 30, 2001 and the consolidated statements of revenue and expense, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the University's administration. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by administration, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Kingston, Canada
June 29, 2001



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Queen's University
 at Kingston
 Consolidated
 Statement of
 Financial Position
 Year Ended April 30, 2001,
 with comparative figures
 for 2000
 (\$000's omitted)

		2001	2000
ASSETS	Cash	\$ 0	\$ 11,459
	Accounts receivable	20,999	19,149
	Prepaid expenses	6,237	6,633
		27,236	37,241
	Investments		
	(market value 2001 – \$580,851; 2000 – \$473,141)	514,767	428,372
	Deferred expenses (note 3)	6,683	7,983
	Capital assets (notes 4 and 5)	286,035	274,909
		834,721	748,505
LIABILITIES AND NET ASSETS	Bank indebtedness	8,465	0
	Accounts payable and accrued liabilities	73,576	68,320
	Deferred revenue (note 6)	139,213	125,764
	Deferred capital contributions (note 7)	156,809	145,120
	Long-term debt (note 8)	31,636	32,292
		409,699	371,496
	Net Assets		
	Investment in capital assets (note 9)	94,187	96,414
	Endowments (note 10)	342,908	304,319
	Internally restricted (note 11)	63,349	48,145
	Unrestricted	(75,422)	(71,869)
		425,022	377,009
		\$ 834,721	\$ 748,505

See accompanying notes to consolidated financial statements.
 Contingent liabilities (notes 13 and 19)

Approved by the Board of Trustees



Trustee



Trustee

*Queen's University
 at Kingston
 Consolidated
 Statement of Revenue
 and Expense
 Year Ended April 30, 2001,
 with comparative figures
 for 2000
 (\$000's omitted)*

		2001	2000
REVENUE	Grants and contracts	\$ 248,743	\$ 234,486
	Fees	133,122	119,945
	Investment income	30,077	25,541
	Donations	15,283	10,869
	Ancillary sales of service and products	23,787	25,839
	Other income	12,187	10,835
	Amortization of deferred capital contributions	9,746	8,236
		472,945	435,751
EXPENSE	Salaries	228,749	215,453
	Benefits	27,317	25,301
	Employee future benefits (note 16)	2,925	2,792
	Supplies	50,729	47,287
	Minor equipment and furnishings	16,034	11,695
	Externally contracted services	15,584	14,110
	Student assistance	26,588	25,248
	Travel	11,826	10,765
	Utilities	10,091	8,920
	Renovations and alterations	10,094	8,817
	Interest on long-term debt	2,218	2,576
	Restructuring costs	4,376	3,975
	Amortization expense	26,218	24,885
	Other expenses	21,042	20,765
		453,791	422,589
	Excess of revenue over expense	\$ 19,154	\$ 13,162

See accompanying notes to consolidated financial statements.

*Queen's University
at Kingston
Consolidated
Statement of Changes
in Net Assets
Year ended April 30,
2001, with
comparative figures
for 2000
(\$000's omitted)*

	<i>Investment in Capital Assets</i>	<i>Endowments</i>	<i>Internally Restricted</i>	<i>Unrestricted</i>	<i>Total 2001</i>	<i>Total 2000</i>
Net assets, beginning of year	\$ 96,414	\$ 304,319	\$ 48,145	\$ (71,869)	\$ 377,009	\$ 340,409
Excess of revenue over expense (note 9)	(16,472)			35,626	19,154	13,162
Change in internally restricted net assets			15,204	(15,204)	0	0
Net change in investment in capital assets (note 9)	14,245			(14,245)	0	0
Contributions for assets not subject to amortization (note 9)	0				0	14
Investment income credited directly to endowment (note 10)		10,655			10,655	14,159
Internally endowed contributions (note 10)		9,730		(9,730)	0	0
Endowment contributions (note 10)		18,204			18,204	9,265
Net assets, end of year	\$ 94,187	\$ 342,908	\$ 63,349	\$ (75,422)	\$ 425,022	\$ 377,009

See accompanying notes to consolidated financial statements.

Queen's University
 at Kingston
 Consolidated
 Statement of Cash Flows
 Year ended
 April 30, 2001, with
 comparative figures
 for 2000
 (\$000's omitted)

	2001	2000
Operating Activities:		
Excess of revenue over expense	\$ 19,154	\$ 13,162
Add non-cash items:		
Amortization of capital assets	26,218	24,885
Decrease in deferred maintenance project expenses	1,300	1,195
Decrease in deferred campaign expenses	0	1,163
Increase in deferred capital contributions	11,689	9,162
Net change in non-cash working capital (note 12)	17,251	76,925
Cash provided by operating activities	75,612	126,492
Investing and Financing Activities:		
Net change in investments	(86,395)	(104,836)
Purchase of capital assets	(37,896)	(32,767)
Disposal of capital assets	552	24
Issue of long-term debt	1,885	1,000
Repayment of long-term debt	(2,541)	(4,505)
Endowment fund contributions and investment income reported as direct increase in net assets	28,859	23,424
Contributions for land reported as direct increase in net assets	0	14
Cash used in investing and financing activities	(95,536)	(117,646)
Net (decrease) increase in cash	(19,924)	8,846
Cash, beginning of year	11,459	2,613
(Cash equivalents) cash, end of year	\$ (8,465)	\$ 11,459

See accompanying notes to consolidated financial statements.

The University considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

*Queen's University
at Kingston
Notes to Consolidated
Financial Statements
Year ended
April 30, 2001
(\$000's omitted)*

NOTE 1

AUTHORITY

Queen's University at Kingston 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, exempt from payment of income tax.

Queen's University at Kingston controls PARTEQ Research and Development Innovations, the International Study Centre, the Crown Foundation at Queen's University at Kingston, and the U.S. Foundation for Queen's University at Kingston. Accordingly, these financial statements consolidate the accounts of these organizations.

PARTEQ Research and Development Innovations is incorporated by letters patent as a corporation without share capital under the Ontario Corporations Act. Its principal business activities, conducted on a not-for-profit basis, include the acquisition, development and commercialization of new technologies. PARTEQ Research and Development Innovations is exempt from income tax under section 149 of the Income Tax Act.

The International Study Centre was established in 1993 to enhance Queen's University at Kingston's role in international education and research through the establishment of a meeting place for students, scholars, and professionals from around the world. The 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 Crown Foundation at Queen's University at Kingston was established by Regulation 731/93 under the University Foundations Act, 1992 and is an agent of Her Majesty in right of Ontario. The Foundation was established to solicit, receive, manage and distribute money and other property to support education and research at Queen's University at Kingston. The Foundation is exempt from income tax under section 149 of the Income Tax Act.

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 works to promote, encourage and foster an appreciation by the American public of the work conducted by Queen's University at Kingston deemed to be of interest to the American public. It does this by financing in whole or in part various programs, projects and facilities of Queen's University at Kingston 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 University
at Kingston
Notes to Consolidated
Financial Statements
Year ended
April 30, 2001
(\$000's omitted)

NOTE 1
Continued

Sudbury Neutrino Observatory Trust was created on December 2, 1997 as a joint venture of the University and three other Canadian universities, to perform research in sub-atomic physics. The University's proportionate share (25%) of the Trust's assets, liabilities and operations have been included in these consolidated financial statements.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) General

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Investments

Investments are recorded at cost less an allowance for possible losses.

(c) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight line basis over the estimated useful life of the asset as follows:

<i>Asset</i>	<i>Useful Life</i>
Buildings	40 years
Equipment and furnishings	5 years
Library acquisitions	5 years
Equipment under capital lease	Term of lease

The 2001 financial statements include 19 years of library acquisitions and related amortization.

The cost and related amortization of library acquisitions remain in the accounts until the items are removed from the library.

(d) Construction in progress

Costs of construction in progress are capitalized. Amortization is not recognized until project completion.

*Queen's University
at Kingston
Notes to Consolidated
Financial Statements
Year ended
April 30, 2001
(\$000's omitted)*

NOTE 2
Continued

(e) Works of art

Queen's University at Kingston 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. The collection is subject to an organizational policy that requires proceeds from the sale of any items in the collection be used to acquire other items to be added to the collection.

Contributions of collection items are recorded as revenue and expense, at fair market value, at the date of contribution. Artwork purchases are expensed as acquired. The collection contains 13,467 objects and was insured for \$26,100 at April 30, 2001. During the year ended April 30, 2001, the University acquired 136 pieces of artwork. Of these, 119 pieces were donated with a total appraised value of \$1,755 and 17 pieces were purchased at a cost of \$105.

(f) Recognition of revenue and other contributions

The University follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which related expenses are recognized. Contributions of capital assets are recorded at fair market value at the date of the contribution and deferred and amortized to operations on the same basis as the related capital asset. Endowment contributions and related restricted investment income are recognized on the accrual basis as direct increases in net assets in the year 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.

(g) Employee benefit plans

The University accrues its obligations for employee benefit plans. The cost of employee future benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and administration's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Queen's University
at Kingston
Notes to Consolidated
Financial Statements
Year ended
April 30, 2001
(\$000's omitted)

NOTE 2
Continued

(h) *Pledges*

Pledges are recorded as revenue on a cash basis, due to the uncertainty of collection, and accordingly are not set up as assets in the consolidated financial statements. Due to the uncertainty of collection, the actual amounts collected will differ from the amounts pledged, and that difference may be material. The total amount of pledges outstanding is approximately \$32,625 at April 30, 2001, and is expected to be received as follows:

	2001
2001-02	\$ 6,604
2002-03	6,095
2003-04	5,174
Subsequent years	14,752
Outstanding pledges as at April 30, 2001	\$ 32,625

(i) *Purchase commitments*

Purchase commitments of operating funds and ancillary enterprises are provided for by transfers to internally restricted net assets.

(j) *Contributed services*

Volunteers, as well as members of 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 are not recognized in these consolidated financial statements.

(k) *Measurement estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires administration to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(l) *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 this liability.

Queen's University
at Kingston
Notes to Consolidated
Financial Statements
Year ended
April 30, 2001
(\$000's omitted)

NOTE 3 DEFERRED EXPENSES

Deferred expenses are major expenditures incurred in the current and prior years which will be funded in future years. The deferred maintenance project which commenced in 1991 was concluded in 1993 at a total expenditure of \$18,000. This cost will be amortized against operating funds through to fiscal year 2004-05.

NOTE 4 CAPITAL ASSETS

Capital assets consist of the following:

	Cost	Accumulated Amortization	Net Book Value 2001	Net Book Value 2000
Land	\$ 24,625	\$ 0	\$ 24,625	\$ 24,200
Buildings	345,889	(147,825)	198,064	202,249
Equipment and furnishings	57,444	(30,401)	27,043	25,745
Equipment under capital lease	909	(250)	659	263
Library acquisitions	92,924	(77,755)	15,169	14,481
Construction in progress	20,475	0	20,475	7,971
	\$ 542,266	\$ (256,231)	\$ 286,035	\$ 274,909

The increase in net book value of capital assets is due to the following:

	2001	2000
Balance, beginning of year	\$ 274,909	\$ 267,051
Purchase of capital assets funded by deferred capital contributions	21,665	11,889
Purchase of capital assets financed internally	10,943	13,273
Purchase of capital assets financed by long-term debt	1,885	1,000
Purchase of capital assets financed by short-term liabilities	3,403	1,083
Capital assets donated to the university	0	5,522
Disposals of capital assets:		
Cost	(6,628)	(185)
Accumulated amortization	6,076	161
Amortization of capital assets	(26,218)	(24,885)
Balance, end of year	\$ 286,035	\$ 274,909

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NOTE 5 COST TO COMPLETE CONSTRUCTION IN PROGRESS

As at April 30, 2001 the estimated cost to complete construction in progress for the extension of plant facilities is approximately \$60,586 (2000 – \$49,981). These costs will be financed by gifts, grants, residence fees, and plant funds. Details of the costs to complete construction in progress are as follows:

	2001	2000
Chemistry Complex (Chernoff Hall)	\$ 37,835	\$ 48,493
School of Business at Victoria School (Goodes Hall)	22,073	0
Glaxo Wellcome Clinical Education Centre	0	1,234
Campus Rewiring	302	0
Other	376	254
	\$ 60,586	\$ 49,981

NOTE 6 DEFERRED REVENUE

Deferred revenue is monies received in the current and prior years for services to be provided in a future year. Details of the year-end balance are as follows:

	2001	2000
Research funds	\$ 35,031	\$ 27,684
Other restricted funds	18,463	17,570
Plant funds	70,034	66,733
Student fees	5,926	4,932
Gift annuities	9,001	8,039
Other	758	806
	\$ 139,213	\$ 125,764

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

Other restricted funds are the unexpended portion of donations and income from restricted endowments.

Plant funds are the unexpended portion of funds restricted for future capital projects.

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

Under the gift annuity program, a donor may 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 lump sum contributed without adjustment for the time value of money.

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NOTE 7

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 statement of operations. The changes in the deferred capital contributions balance are as follows:

	<i>2001</i>	<i>2000</i>
Balance, beginning of year	\$ 145,120	\$ 135,958
Less amortization of deferred capital contributions	(9,746)	(8,236)
Capital contributions for land credited directly to net assets	0	(14)
Add contributions received for capital purposes	21,665	17,412
Less contributions on disposal of capital assets	(230)	0
Balance, end of year	\$ 156,809	\$ 145,120

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NOTE 8

LONG-TERM DEBT AND OBLIGATION UNDER CAPITAL LEASE

As at April 30, 2001 the University has principal outstanding of \$31,636 (2000 – \$32,292) on long-term debt and an obligation under a capital lease.

(a) The details of the long-term debt secured by specific assets are as follows:

	<i>Maturity in Fiscal Year Ending</i>	<i>Interest Rate</i>	<i>Annual Payment (Principal and Interest)</i>	<i>Principal Outstanding</i>
Canada Mortgage and Housing Corporation	2015	5.12%	\$ 9	\$ 92
Canada Mortgage and Housing Corporation	2017	5.38%	263	2,733
Canada Mortgage and Housing Corporation	2020	6.38%	111	1,194
Ontario Housing Corporation	2009	10.31%	178	1,731
Bank of Montreal	2019	7.15%	1,241	12,494
Bank of Montreal	2004	7.88%	559	1,149
Bank of Montreal	2009	5.41%	392	5,243
Canadian Imperial Bank of Commerce	2015	7.95%	357	3,535
Royal Bank	2007	8.31%	199	1,900
SMS Canada	2011	0.00%	202	930
			\$ 3,511	\$ 31,001

(b) The details of the capital lease is as follows:

	<i>Maturity in Fiscal Year Ending</i>	<i>Interest Rate</i>	<i>Annual Payment (Principal and Interest)</i>	<i>Principal Outstanding</i>
IBM:				
Computer Equipment	2004	8.26%	\$ 333	\$ 635
Total long-term debt and obligation under capital lease			\$ 3,844	\$ 31,636

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NOTE 8
Continued

(c) *Long-term obligation under capital lease*

The University reports certain equipment which it holds under a capital lease as capital assets, and the related obligation for future payments under the lease as long-term debt.

(d) *Long-term debt repayments*

Anticipated requirements to meet the principal portion of long-term repayments over the next five years are as follows:

<i>Fiscal Year</i>	<i>Principal Portion</i>
2002	\$ 1,662
2003	\$ 1,784
2004	\$ 1,171
2005	\$ 1,071
2006	\$ 1,142

(e) *Interest rate swaps*

The University has entered into interest rate swap agreements with the Bank of Montreal and the Canadian Imperial Bank of Commerce whereby the University has fixed an interest rate on long-term loans. These loans are reflected as long-term debt in note 8(a) to these financial statements. Swap payments are reflected as interest expense and accounted for on an accrual basis. The notional principal underlying these swap agreements amounted to \$22,421 at April 30, 2001 (2000 – \$23,408).

NOTE 9

INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	2001	2000
Capital assets	\$ 286,035	\$ 274,909
Less amounts financed by:		
Accounts payable	(3,403)	(1,083)
Capital lease	(635)	(73)
Mortgages payable	(31,001)	(32,219)
Deferred capital contribution	(156,809)	(145,120)
Balance, end of year	\$ 94,187	\$ 96,414

The change in investment in capital assets is calculated as follows:

	2001	2000
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	\$ 9,746	\$ 8,236
Amortization of capital assets	(26,218)	(24,885)
	(16,472)	(16,649)
Net change in investment in capital assets:		
Purchase of capital assets	37,896	32,767
Amounts funded by:		
Accounts payable	(3,403)	(1,083)
Mortgages and lease payable	(1,885)	(1,000)
Deferred contributions	(21,665)	(17,412)
Repayment of debt:		
Accounts payable	1,083	627
Lease payable	250	104
Mortgages	2,291	4,401
Disposal of capital assets	(322)	(24)
	14,245	18,380
Contributions for assets not subject to amortization	0	14
Change in investment in capital assets	\$ (2,227)	\$ 1,745

NOTE 10

ENDOWMENTS

Contributions restricted for endowment consist of restricted donations received by the University and donations internally restricted by the Board of Trustees, in the exercise of its discretion. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors or the Board of Trustees. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Investment income on endowments that is available for spending at the discretion of the University or is available for spending as conditions have been met, has been recorded in the statement of revenue and expense. University policy has been established with the objective of protecting the real value of the endowments by limiting the amounts of income available for spending and requiring the re-investment of a certain amount of the earned income.

	<i>Externally Endowed</i>	<i>Internally Endowed</i>	<i>Total Endowment</i>
Endowments, beginning of year	\$ 194,104	\$ 110,215	\$ 304,319
Contributions	18,204	1,087	19,291
Net investment returns	10,655	8,643	19,298
Endowments, end of year	\$ 222,963	\$ 119,945	\$ 342,908

Details of year-end balances are as follows:

<i>Book Value</i>	<i>Balance Beginning of Year</i>	<i>Contributions</i>	<i>Allocation of Net Investment Returns</i>	<i>Balance End of Year</i>
Faculty, departmental, and other specific purpose	\$ 87,835	\$ 12,232	\$ 7,603	\$ 107,670
General endowment	65,605	67	2,246	67,918
Student assistance	137,510	6,969	8,689	153,168
Research	13,369	23	760	14,152
	\$ 304,319	\$ 19,291	\$ 19,298	\$ 342,908

NOTE 11

INTERNALLY RESTRICTED NET ASSETS

Details of year-end balances are as follows:

	2001	2000
Operating fund:		
Purchase commitments	\$ 687	\$ 1,232
Capital projects	4,740	2,935
Carryforward of unexpended budget allocations to faculties, libraries and administrative units	22,085	18,267
Major repairs and renovations	104	26
Uninsured property losses	500	500
The John Deutsch University Centre Development Fund	14	51
	28,130	23,011
Ancillary enterprises:		
Major repairs and renovations	5,842	5,221
	5,842	5,221
Restricted fund:		
Unspent departmental donations	16,649	10,270
Unspent research funds	12,728	9,643
	29,377	19,913
	\$ 63,349	\$ 48,145

Funds are internally restricted to cover the cost of purchase orders outstanding at year-end.

Capital projects represent internal funds committed to complete property under development.

In order to encourage judicious expenditure of funds, the University's policy permits faculties, libraries, and administrative departments to carry forward unexpended budget allocations and unrestricted donations to the succeeding year.

Operating funds and ancillary enterprises establish annual budget allocations to fund periodic major repairs and alterations.

Funds are internally restricted to protect the University from losses not covered by insurance.

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NOTE 11
Continued

The John Deutsch University Centre Development Fund is funded by excess student contributions to the operations of the Centre. This fund may be spent on projects recommended by student government and approved by University administration.

Departments are permitted to carry forward donations and like income restricted to general departmental purposes and research.

NOTE 12

NET CHANGE IN NON-CASH WORKING CAPITAL

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

	2001	2000
Net change in non-cash working capital:		
Accounts receivable	\$ (1,850)	\$ (1,377)
Prepaid expenses	396	(1,435)
Accounts payable and accrued liabilities	5,256	6,441
Deferred revenue	13,449	73,296
	\$ 17,251	\$ 76,925

NOTE 13

CANADIAN UNIVERSITY RECIPROCAL INSURANCE EXCHANGE

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. Depending on experience, there may be a partial distribution of surplus in some years. The University's premiums reflect Queen's own loss experience. High loss ratios would increase our premiums but there are limits placed on such increases.

NOTE 14

FINANCING OF MACKINTOSH-CORRY HALL

Mackintosh-Corry Hall (total cost of \$6,517) is currently being financed from University funds to the extent of approximately \$3,194. To date, financial support by the Ministry of Training, Colleges and Universities has been received in the amount of \$3,323. Although approval in principle was received before construction was commenced, the Ministry has stated its position that final commitment for total funding of this project has not been made, but that it may qualify for consideration if and when uncommitted funds are available.

NOTE 15

PENSION PLAN

The employees of the University are covered by a contributory pension plan, which is a money purchase plan with a defined benefit minimum. The large majority of plan members retire under the money purchase part of the plan; the defined benefit obligations are very small. The assets of the plan are held by an independent custodian and are not recorded in the accounts of the University.

The most recent valuation of the plan as at August 31, 1999, shows contributions from the University as follows: (1) Money Purchase Plan – 6.23% of pensionable payroll; (2) Minimum Guarantee – 0.51% of pensionable payroll. The University's annual contribution to the Minimum Guarantee portion of the plan is met from the plan's surplus as required under the Income Tax Act. In addition, the increase in the University's money purchase contributions resulting from a plan change effective September 1, 1997 is also being paid from surplus.

This actuarial valuation determined that the plan had no unfunded liabilities at August 31, 1999. Liabilities for the defined benefit portion of the plan are based on an interest assumption of 6.5% and a salary scale of 4.5% per year.

The next valuation of the plan will be effective August 31, 2002.

NOTE 16

EMPLOYEE FUTURE BENEFITS

The University provides medical, dental and life insurance benefits to eligible employees. An independent actuarial study of the employee future benefits has been undertaken. The most recent valuation of the employee future benefits was completed as at December 31, 1999. The next valuation of the plan will be effective December 31, 2002.

At April 30, 2001, the University's accrued benefit obligation relating to the employee future benefits plan is \$31,353 (2000 – \$29,575). The significant actuarial assumptions adopted in estimating the University's accrued benefit obligation are as follows:

	<i>Employee Future Benefits Plan</i>
Discount rate	5.75% to 6.25%
Salary escalation	0.00% to 4.50%
Dental benefits escalation	4.50%
Medical benefits escalation	4.50% to 9.00%

Included in the consolidated statement of revenue and expense is an annual expense in the amount of \$2,925 (2000 – \$2,792) regarding employee future benefits. During the year, the University contributed \$1,147 (2000 – \$1,096) to cover disbursements incurred during the year for employee future benefits.

NOTE 17 FINANCIAL INSTRUMENTS

(a) Fair values

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

The fair market value of other financial assets and liabilities included in the consolidated balance sheet are as follows:

	2001		2000	
	<i>Carrying Value</i>	<i>Fair Market Value</i>	<i>Carrying Value</i>	<i>Fair Market Value</i>
Investments	\$ 514,767	\$ 580,851	\$ 428,372	\$ 473,141
Long-term debt	\$ 31,636	\$ 34,341	\$ 32,292	\$ 32,742

(b) Interest rate exposure

At April 30, 2001, the University was exposed to interest rate risk as follows:

	<i>Interest Rate Fixed Until Fiscal Year Ending</i>	<i>Principal Balance at Maturity</i>	<i>Amortization Through Fiscal Year Ending</i>
Bank of Montreal	2009	\$ 4,102	2024
Canadian Imperial Bank of Commerce	2015	\$ 1,564	2020
Royal Bank	2007	\$ 1,450	2017

NOTE 18 MINISTRY OF TRAINING, COLLEGES AND UNIVERSITIES FUNDING

The operations of the University are funded primarily (53%) by the Province of Ontario in accordance with budget arrangements established by the Ministry of Training, Colleges and Universities. These financial statements reflect funding arrangements approved by the Ministry with respect to the year ended April 30, 2001.

NOTE 19 LITIGATION

There are no significant claims outstanding as at April 30, 2001.

NOTE 20

ONTARIO STUDENT OPPORTUNITY TRUST FUND

Externally restricted endowments include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund matching program to award student aid as a result of raising an equal amount of endowed donations.

The University has recorded the following amounts under the program:

	2001	2000
Endowment Funds:		
Opening balance	\$ 68,198	\$ 59,432
Donations	0	4,383
Matching funds from the Government of Ontario	0	4,383
Endowment capital	\$ 68,198	\$ 68,198
Expendable Funds:		
Opening balance	\$ 2,875	\$ 2,481
Investment income	3,505	2,890
Bursaries awarded	(2,718)	(2,496)
Expendable funds available for awards	\$ 3,662	\$ 2,875

NOTE 21

COMPARATIVE FIGURES

Certain comparative figures have been restated in order to conform to the financial statement presentation adopted for the current year.

APPENDIX 1
Statement of Changes in Fund Balances for the Year Ended April 30, 2001
(\$000's omitted)
(unaudited)

	OPERATING FUND	HEALTH SCIENCES	ANCILLARY ENTERPRISES	CAPITAL FUND	SUBTOTAL	TRUST FUND	RESEARCH FUND	ENDOWMENT FUND	INVESTMENT IN CAPITAL ASSETS	INTERNALLY RESTRICTED	TOTAL 2001
REVENUE											
Grants and Contracts	101,348	70,354	86	(7,272)	164,516	8,566	75,653	8	0	0	248,743
Fees	80,981	255	51,886	0	133,122	0	0	0	0	0	133,122
Investment Income	2,655	0	(116)	0	2,539	17,157	1,738	8,643	0	0	30,077
Donations	2,085	(337)	(13)	620	2,355	8,694	3,155	1,079	0	0	15,283
Other Income	4,336	426	25,117	(138)	29,741	5,845	388	0	0	0	35,974
Amortization of Deferred Capital Contribution	0	0	0	9,746	9,746	0	0	0	0	0	9,746
Total Revenue	191,405	70,698	76,960	2,956	342,019	40,262	80,934	9,730	0	0	472,945
EXPENSE											
Salaries and Benefits	129,729	65,081	13,230	0	208,040	13,539	34,487	0	0	0	256,066
Employee Future Benefits, cash basis	1,147	0	0	0	1,147	0	0	0	0	0	1,147
Employee Future Benefits, accrual basis	1,778	0	0	0	1,778	0	0	0	0	0	1,778
Supplies and Miscellaneous Expenses	15,050	2,251	48,468	(1,660)	64,109	7,445	27,627	0	0	0	99,181
Minor Equipment and Furnishings	6,383	572	3,134	(11,502)	(1,413)	3,287	14,160	0	0	0	16,034
Student Assistance	17,070	50	204	0	17,324	8,493	771	0	0	0	26,588
Utilities	6,674	8	3,295	0	9,977	114	0	0	0	0	10,091
Renovations and Alterations	3,769	285	5,134	(394)	8,794	599	701	0	0	0	10,094
Library Acquisitions	6,831	3	522	(7,769)	(413)	310	103	0	0	0	0
Restructuring Costs	3,974	93	213	0	4,280	96	0	0	0	0	4,376
Amortization Expense	250	0	446	25,522	26,218	0	0	0	0	0	26,218
Interest on Long-Term Debt	65	0	2,657	(504)	2,218	0	0	0	0	0	2,218
Total Expense	192,720	68,343	77,303	3,693	342,059	33,883	77,849	0	0	0	453,791
Excess of Revenue over Expense (Expense over Revenue)	(1,315)	2,355	(343)	(737)	(40)	6,379	3,085	9,730	0	0	19,154
Endowment Contribution	0	0	0	0	0	0	0	28,859	0	0	28,859
Allocation from Net Investment in Capital Assets	0	0	0	2,227	2,227	0	0	0	(2,227)	0	0
Transfer to Appropriations	(385)	(2,958)	(650)	(1,747)	(5,740)	(6,379)	(3,085)	0	0	15,204	0
Net Change in Fund Balance	(1,700)	(603)	(993)	(257)	(3,553)	0	0	38,589	(2,227)	15,204	48,013
Fund Balance, beginning of year	(32,482)	(97)	(13,214)	(26,076)	(71,869)	0	0	304,319	96,414	48,145	377,009
Fund Balance, end of year	(34,182)	(700)	(14,207)	(26,333)	(75,422)	0	0	342,908	94,187	63,349	425,022

APPENDIX 2
QUEEN'S UNIVERSITY ANCILLARY ENTERPRISES
Revenue and Expense for the Year Ended April 30, 2001
(\$000's omitted)
(unaudited)

	APT & HOUSING	CONFERENCE	FOOD SERVICES	COMPUTER STORE	PARKING	RESIDENCE	CONTINUING EDUCATION	ISC	PARTEQ	OTHER	TOTAL 2001
REVENUE	4,187	3,112	4,069	3,479	1,766	24,631	27,737	3,187	4,758	34	76,960
EXPENSE											
Salaries and Benefits	657	27	0	240	316	3,945	4,444	2,008	752	841	13,230
Minor Equipment and Furnishings	48	15	53	25	121	902	1,405	299	0	266	3,134
Utilities	578	242	22	0	40	2,111	0	302	0	0	3,295
Principal and Interest	330	1,000	0	0	117	3,011	6	0	0	0	4,464
Taxes	601	8	0	0	6	37	3	0	0	0	655
External Contracts	21	1,129	3,385	0	24	7,178	27	328	0	0	12,092
Renovations and Alterations	104	193	664	0	494	3,511	21	147	0	0	5,134
Supplies and Miscellaneous Expenses	1,444	973	439	3,214	689	3,110	21,831	1,043	3,543	(987)	35,299
Total Expense	3,783	3,587	4,563	3,479	1,807	23,805	27,737	4,127	4,295	120	77,303
Excess of Revenue over Expense (Expense over Revenue)	404	(475)	(494)	0	(41)	826	0	(940)	463	(86)	(343)
Transfer (to) from Appropriations	(391)	0	494	0	41	(826)	0	(29)	0	61	(650)
Net Change	13	(475)	0	0	0	0	0	(969)	463	(25)	(993)
Surplus/(Deficit), beginning of year	1,751	(4,140)	344	0	699	(575)	0	(7,670)	(3,248)	(375)	(13,214)
Surplus/(Deficit), end of year	1,764	(4,615)	344	0	699	(575)	0	(8,639)	(2,785)	(400)	(14,207)

APPENDIX 3
Statement of Unrestricted Net Assets for the Year Ended April 30, 2001
(\$000's omitted)
(unaudited)

Operating Fund		
Accumulated cash surplus	671	
Vacation pay accrual	(3,500)	
Employee future benefit accrual	<u>(31,353)</u>	(34,182)
Health Sciences		(700)
Ancillary Enterprises		(14,207)
Capital Projects		
Herstmonceux	(9,143)	
Biosciences	(7,931)	
Clergy Street properties	(1,748)	
Other	(7,511)	(26,333)
Total		<u>(75,422)</u>

APPENDIX 4

Explanation of Terms Used in the Financial Statements (unaudited)

Amortization Expense: Most capital assets (except land) have limited useful lives and amortization is a means of allocating a capital asset's useful life cycle over the period the University expects to benefit from the use of the capital asset. The useful lives of capital assets adopted by the University are outlined in Note 2c of the financial statements.

Amortization of Deferred Capital Contributions represents the amortization of donations/grants received in current or prior years to purchase capital assets. These contributions are not considered revenue when received, but are deferred. They are recognized as revenue on the same basis that the amortization expense of the related capital assets is reported in the statement of revenue and expense.

Capital Assets consist of land, buildings, equipment, library acquisitions, construction in progress and related accumulated depreciation. Previously, capital assets consisted of the undepreciated cost of land, buildings and construction in progress.

Deferred Capital Contributions represent gifts and grants received over a number of years restricted to the purchase of capital assets. These contributions are not considered revenue when received, but are deferred. They are recognized as revenue on the same basis that the amortization expense of the related capital assets is reported in the statement of revenue and expense. Restricted contributions for the purchase of capital assets that will not be amortized (i.e. land) are shown as a direct increase in net assets (investment in capital assets).

Internally Restricted Net Assets (previously called Appropriated Surplus) are reserves for future expenditures. These net assets are substantially departmental carry forwards and funds committed to capital projects. In previous years, unspent departmental trust and research funds were reported as deferred revenue whether they were externally or internally-restricted. Under the new reporting requirements, unrestricted trust and research funds that the University allows departments to carry forward must now be reported as internally restricted net assets. (See Note 11 of the audited financial statements for the composition of internally restricted net assets.)

Investment in Capital Assets represents the net book value (cost minus accumulated depreciation) of capital assets that were internally funded, normally from operating and ancillary operations.

Restrictions: CICA 4400.02(b) states "Restrictions are stipulations imposed that specify how resources must be used. External restrictions are imposed from outside the organization, usually by the contributor of the resources. Internal restrictions are imposed in a formal manner by the organization itself, usually by resolution of the board of directors. Restrictions on contributions may only be externally imposed. Net assets or fund balances may be internally or externally restricted. Internally restricted net assets or fund balances are often referred to as reserves or appropriations."

Unrestricted Net Assets represent the accumulated deficits of the operating fund, Faculty of Health Sciences, ancillary enterprises and capital assets funded through internal "borrowings".

APPENDIX 5
Public Sector Salary Disclosure
(unaudited)

*Queen's University
at Kingston
Public Sector
Salary Disclosure
2000
(unaudited)*

The Public Sector Salary Disclosure Act, 1995 passed by the Ontario Legislature on February 1, 1996 requires the University to publish the salaries of all employees of Queen's University earning \$100,000 or more including taxable benefits. The following is the list for 2000.

<i>Name</i>	<i>Position</i>	<i>2000 Employee Earnings</i>	<i>2000 Employee Benefits</i>
Adams, Michael A.	Professor, School of Medicine	\$ 101,623	\$ 484
Aitken, George J.M.	Professor, Electrical and Computer Engineering	111,219	484
Akenson, Donald H.	Editor, McGill-Queen's Press and Professor, History	106,297	484
Anderson, David L.	Vice-Principal (Operations and Finance) and Professor, School of Business	162,043	484
Anderson, Ronald J.	Professor, Mechanical Engineering	113,602	484
Arboleda-Florez, Julio E.	Department Head and Professor, Psychiatry	110,000	530
Aston, W. Peter	Department Head and Professor, Microbiology and Immunology	103,831	524
Baer, Marvin G.	Professor, Faculty of Law	108,864	484
Baird, Michael C.	Professor, Chemistry	105,522	484
Bamji, Pervez J.**	Associate Professor, School of Business	112,125	402
Banting, Keith G.	Director and Professor, School of Policy Studies	122,137	484
Barling, Julian I.	Associate Dean and Professor, School of Business	114,955	484
Beach, Charles M.	Professor, Economics	107,619	261
Beamish, Rob B.	Associate Dean, Faculty of Arts and Science and Associate Professor, Sociology	105,127	484
Beatty, Carol A.	Director, School of Industrial Relations and Associate Professor, School of Business	113,613	484
Bechthold, Jo-Anne	University Registrar, Office of the University Registrar	114,758	279
Boadway, Robin W.	Professor, Economics	126,667	484
Boag, Peter T.**	Department Head and Professor, Biology	100,992	484
Boyd, J. Douglas	Acting Head, Materials and Metallurgical Engineering and Professor, Mechanical Engineering	105,614	484
Brown, Robert Stanley	Department Head and Professor, Chemistry	119,265	484
Butler, Brian E.	Associate Professor, Psychology	103,707	484
Campbell, Harold E.A.	Associate Dean, Faculty of Arts and Science and Professor, Mathematics and Statistics	100,026	484
Campbell, Thomas Ivan	Professor, Civil Engineering	101,620	484
Carmichael, H. Lorne	Department Head and Professor, Economics	106,038	484
Carter, Donald D.	Professor, Faculty of Law	125,945	484

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<i>Name</i>	<i>Position</i>	<i>2000 Employee Earnings</i>	<i>2000 Employee Benefits</i>
Cartledge, John Charles	Department Head and Professor, Electrical and Computer Engineering	\$ 111,566	\$ 484
Castel, Boris	Professor, Physics	100,516	484
Chapler, Christopher K.	Associate Dean, Academic Affairs (Health Sciences) and Professor, Physiology	138,616	484
Christianson, Paul	Chairman and Professor, History	103,776	251
Clark, Alan H.	Professor, Geological Sciences and Geological Engineering	103,177	484
Clark, Albert F.	Department Head, School of Medicine and Professor, Biochemistry	141,167	586
Cole, Susan P.C.	Professor, Pathology	110,527	484
Courchene, Thomas J.	Professor, School of Policy Studies; Law; Jarislowsky-Deutsch Professor, Economics	130,905	484
Crawford, Robert G.	Dean, Student Affairs and Professor, Computing and Information Science	135,390	484
Cunningham, Peggy**	Associate Professor, School of Business	118,016	226
Deeley, Roger G.	Head, Division of Research, Cancer Care Ontario; Director, Cancer Research Laboratories and Professor, Pathology	158,257	484
Delva, Nicholas John G.	Associate Professor, Psychiatry	129,294	484
Devine, Sheila	Associate Vice-Principal (Faculty Relations)	108,776	276
Dixon, John M.	Associate Vice-Principal (Academic) and Professor, Geological Sciences and Geological Engineering	125,371	484
Eisenhauer, Elizabeth A.	Professor, Oncology	150,687	484
Ferguson, Alastair V.	Department Head and Professor, Physiology	106,090	484
Fisher, Alfred	Professor, School of Music	102,082	611
Flynn, T. Geoffrey	Associate Dean, School of Medicine and Professor, Biochemistry	168,336	484
Forbes, William M.	Director, Pensions, Investments and Insurance	106,865	484
Forkert, Poh Gek**	Professor, School of Medicine	101,307	484
Fortier, Suzanne	Vice-Principal (Academic) and Professor, Chemistry	171,680	394
Fox, Micahel A.	Professor, Philosophy	104,196	484
Frost, Barrie J.	Professor, Psychology	114,221	484
Glasgow, Janice	Head and Professor, Computing and Information Science	102,249	484
Grandmaison, Edward	Professor, Chemical Engineering	101,300	227

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<i>Name</i>	<i>Position</i>	<i>2000 Employee Earnings</i>	<i>2000 Employee Benefits</i>
Gregory, Allan W.	Professor, Economics	\$ 102,646	\$ 484
Gunn, John A.W.	Professor, Political Studies	129,389	484
Haglund, David G.	Director, Centre for International Relations and Professor, Political Studies	105,692	484
Hamacher, V. Carl	Professor, Electrical and Computer Engineering	136,195	484
Hamm, Jean-Jacques N.	Professor, French Studies	103,485	484
Harris, Thomas James	Dean, Faculty of Applied Science and Professor, Chemical Engineering	127,151	306
Harvison-Young, Alison	Dean and Professor, Faculty of Law	124,901	484
Helmstaedt, Herwart	Department Head and Professor, Geological Sciences and Geological Engineering	112,217	484
Hodgetts, P. Geoffrey	Director, Bosnia Project and Family Medicine Program and Associate Professor, Family Medicine	171,171	0
Hodson, Peter V.	Director, School of Environmental Studies and Professor, Biology	106,166	484
Holmes, John	Head and Professor, Geography	106,528	484
Hood, George N.	Vice-Principal (Advancement)	172,807	484
Hutchinson, Bruce J.	Associate Vice-Principal (Research)	137,806	484
Hytonen, Timo	Associate Vice-Principal (Human Resources and Organizational Effectiveness)	137,630	531
Jackson, Richard L.	Associate Dean (Administration) and Associate Professor, School of Business	105,890	484
James, Noel P.	Professor, Geological Sciences and Geological Engineering	108,176	484
Jhamandas, Khem	Professor, Pharmacology and Toxicology	101,459	484
Joneja, Madan G.	Associate Dean, Life Sciences and Professor, Anatomy and Cell Biology	114,760	484
Kalin, Rudolf	Professor, Psychology	102,625	484
Kisilevsky, Robert	Professor, Pathology	167,939	484
Knapper, Christopher	Director, Instructional Development Centre and Professor, Psychology	120,384	484
Lahey, Kathleen A.	Professor, Queen's National Scholar, Faculty of Law	101,106	493
Lamb, Marianne W.	Associate Dean (Health Sciences), Director and Professor, School of Nursing	105,843	256
Lazar, Harvey	Director, Institute of Intergovernmental Relations	109,157	484

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<i>Name</i>	<i>Position</i>	<i>2000 Employee Earnings</i>	<i>2000 Employee Benefits</i>
Leggett, William C.	Principal, Vice-Chancellor and Professor, Biology	\$ 236,500	\$ 1,319
Leslie, James R.	Professor, Physics	101,374	484
Levison, Michael	Professor, Computing and Information Science	106,220	484
Ludwin, Samuel K.	Professor, Pathology	167,400	484
MacKinnon, James G.	Professor, Economics	135,334	484
MacLean, Alistair W.**	Department Head and Professor, Psychology	113,638	653
Macleod, Alistair M.	Professor, Philosophy	109,240	484
Magnusson, Denis N.	Professor, Faculty of Law	103,297	617
Malcolmson, Robert W.	Professor, History	100,063	484
Mandell, Charlene**	Director, Correctional Law Project and Associate Professor, Faculty of Law	103,202	0
Manuth, Volker	Bader Chair and Professor, Art	105,474	0
Marshall, W. John S.	Chief of Staff, Kingston General Hospital and Associate Professor, Community Health and Epidemiology	244,844	484
Marshall, William L.	Professor, Psychology	103,437	484
McCowan, James D.	Associate Dean (Academic), Faculty of Applied Science and Professor, Chemistry	110,573	484
McCready, William D.	Professor, History	101,747	484
McDonald, Arthur B.	Professor, Physics	116,165	484
McLane, Peter J.	Professor, Electrical and Computer Engineering	101,433	0
McLatchie, William	Special Advisor to the Principal and Professor, Physics	135,911	484
McTavish, J. David	Director, Agnes Etherington Art Centre and Professor, Art	105,304	484
Miklas, William E.	Associate Professor, School of Business	104,488	484
Milne, Frank	Bank of Montreal Chair (School of Business) and Professor, Economics	139,552	484
Monkman, Leslie G.	Professor, English	129,415	484
Moore, Eric G.	Associate Dean, School of Graduate Studies and Professor, Geography	123,951	484
Morris, Gerald P.	Professor, Biology	102,516	484
Morrow, Thomas R.	Director, Physical Resources and Operational Services	121,120	484
Mowat, David L.	Director of Health Transition Issues, School of Medicine	141,328	484
Mullan, David J.	Professor, Faculty of Law	110,788	245

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Munby, Hugh	Professor, Faculty of Education	\$ 101,231	\$ 484
Munoz, Douglas Perry**	Director, Neurosciences Program, School of Medicine and Professor, Physiology	101,632	445
Munt, Peter W.	Department Head and Professor, Medicine	127,047	484
Murty, M. Ram P.	Professor, Queen's National Scholar, Mathematics and Statistics	105,002	254
Myers, Maria**	Associate Professor, Faculty of Education	101,569	0
Nakatsu, Kanji	Department Head and Professor, Pharmacology and Toxicology	112,236	484
Neave, Edwin H.	Bank of Montreal Chair and Professor, School of Business	110,190	236
Neufeld, Ronald J.	Department Head and Professor, Chemical Engineering	101,959	484
Nightingale, Donald V.	Associate Dean (Private Programs) and Professor, School of Business	100,573	484
Northey, Margot E.	Dean and Professor, School of Business	156,279	0
Oosthuizen, Patrick H.	Professor, Mechanical Engineering	103,907	484
Osborne, Brian S.	Professor, Geography	119,501	484
Parulekar, Wendy R.	Assistant Professor, Oncology	120,510	0
Pater, Joseph L.	Director, Clinical Trials Group and Department Head, Community Health and Epidemiology	133,665	484
Pike, Robert M.	Associate Head and Professor, Sociology	111,288	484
Pross, Hugh F.	Professor, Microbiology and Immunology	107,652	484
Reeve, William C.	Department Head and Professor, German	101,633	484
Richardson, Alan J.	Professor, School of Business	105,515	484
Robertson, Raleigh J.	Director, Queen's University Biological Station and Professor, Biology	100,043	484
Rutenberg, David P.	Professor, School of Business	101,812	484
Sacco, Vincent F.	Professor, Sociology	101,334	484
Sadinsky, Stanley	Professor, Faculty of Law	110,692	0
Seymour, Lesley	Co-Director of the Investigational New Drug Program, Oncology	144,680	350
Shortt, Samuel E.D.	Director, Queen's Health Policy and Professor, Community Health and Epidemiology	127,180	484
Silverman, Robert A.	Dean, Faculty of Arts and Science and Professor Sociology	146,274	484

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Smith, Barry T.	Professor, Paediatrics	\$ 212,870	\$ 442
Smith, Gregor W.	Douglas D. Purvis (Economic Policy) and Professor, Economics	104,042	482
Snider, D. Laureen	Professor, Sociology	100,406	248
Snieckus, Victor A.	Bader Chair in Organic Chemistry and Professor, Chemistry	115,682	484
Snowdon, Kenneth*	Director, Resources Planning	136,950	484
Stott, Malcolm J.	Professor, Physics	100,490	484
Stuart, Donald R.	Professor, Faculty of Law	111,369	484
Szarek, Walter A.	Professor, Chemistry	106,425	0
Taylor, Peter D.	Professor, Mathematics and Statistics	102,864	484
Taylor, Shirley F.	Associate Professor, School of Business	105,869	209
Thayer, Thomas B.	Director, Financial Services	117,784	484
Tuler, Floyd	Executive Director of CAMM (Centre for Automotive Materials and Manufacturing)	158,304	484
Turcke, David J.	Department Head and Professor, Civil Engineering	100,250	484
Turpin, David H.	Professor, Biology	119,738	319
Walker, David M.C.	Dean, Faculty of Health Sciences and Professor, Emergency Medicine	264,480	484
Watt, W. Edgar	Professor, Civil Engineering	105,272	484
Wiens, Paul	Chief Librarian, Queen's University Libraries	118,776	484
Williams, Thomas R.	Professor, Faculty of Education	150,033	369
Wilson, C. Ruth	Department Head and Professor, Family Medicine	104,238	484
Yagi, Stanley S.	Director, Information Technology Services	114,412	535
Zureik, Elia T.	Professor, Sociology	101,124	521

2000 Employee Earnings include all regular, overload, stipends and acting pay paid during the period January 1, 2000 to December 31, 2000.

2000 Employee Benefits include amounts calculated for reporting to Revenue Canada relating to Term-Life Insurance and Interest Free Micro-Computer and Home Relocation Loans.

* Seconded to Council of Ontario Universities

**2000 Employee Earnings include retroactive payments paid during the period January 1, 2000 to December 31, 2000.