09-10 FINANCIAL STATEMENTS

APRIL 30 2010

QUEEN'S UNIVERSITY
KINGSTON, ONTARIO, CANADA

Financial Statements

Queen's University at Kingston

30 April 2010

Queen's University at Kingston
Consolidated Financial Statements
April 30, 2010

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INTRODUCTION TO QUEEN'S UNIVERSITY 2009-2010 CONSOLIDATED FINANCIAL STATEMENTS

For Queen's University, 2009-10 was the first year of a multi-year budget planning framework moving towards elimination of the operating deficit. The economic environment continued to be challenging, and, despite improved investment performance, the University completed its fiscal year with a deficiency of revenue over expenses of $14.7 million. The deficiency was due largely to continued cost pressures related to salaries and benefits (primarily pension) and an unrealized loss on derivatives. This was a considerable improvement over the 2008-09 deficit of $51.2 million. Financial highlights are summarized in the table below.

(millions of dollars)		2010		2009 (restated)*	% change
Consolidated Statement of Operations					
Revenue	$	**734.7**	$	624.2	17.7%
Expenses		**739.8**		686.9	7.7%
		(5.1)		(62.7)	
Unrealized (loss) / gain on derivatives		**(9.6)**		11.5	-183.5%
Deficiency of revenue over expenses	$	**(14.7)**	$	(51.2)	-71.3%
Consolidated Statement of Financial Position					
Assets	$	**1,567.7**	$	1,337.4	17.2%
Liabilities		**859.2**		688.2	24.8%
Net Assets		**708.5**		649.2	9.1%
Net Assets					
Endowments	$	**527.3**	$	466.2	13.1%
Internally restricted		**442.9**		433.9	2.1%
Unrestricted		**(261.7)**		(250.9)	-4.1%
		708.5		649.2	9.1%

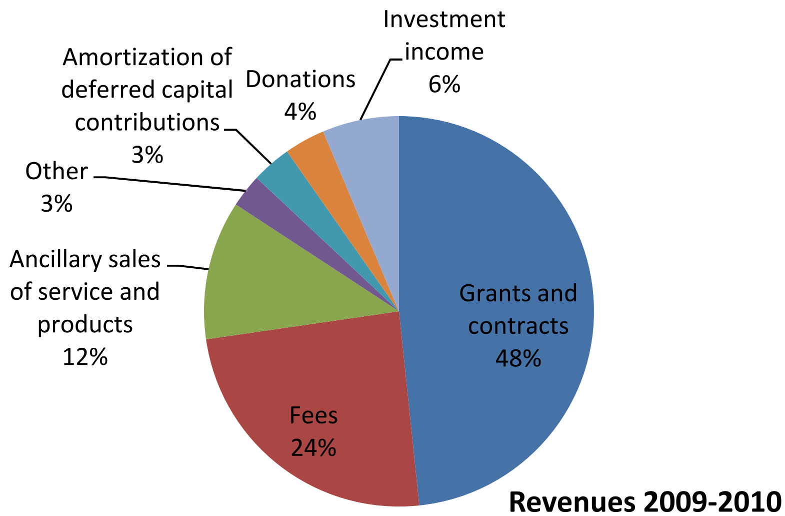
* The 2009 figures have been restated as a result of changes in accounting policy and other items as detailed in Note 3 to the audited consolidated financial statements. The most significant difference is the removal of the operations of the Southeastern Ontario Academic Medical Organization from the University's financial results.

Consolidated Statement of Operations

The Consolidated Statement of Operations reports that total revenues increased by 17.7% from $624.2 million (restated) in 2009 to $734.7 million in 2010. This increase is due primarily to improved investment performance, which is reflected only partially in the Consolidated Statement of Operations. Increases in the market value of investments pertaining to externally restricted endowments have been reported in deferred revenue in accordance with Generally Accepted Accounting Principles.

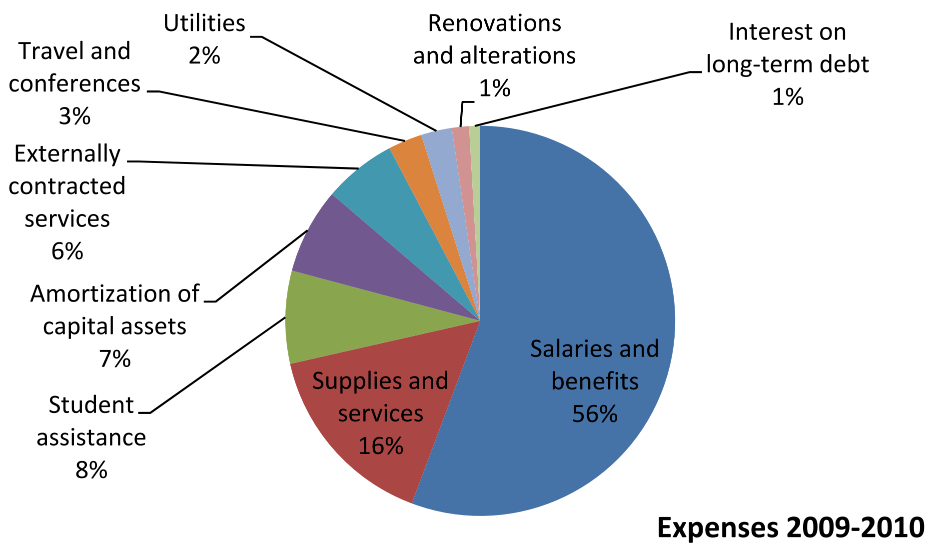
The remaining increase in revenues is driven by increased fee revenue due to moderate enrolment growth, fee increases within the Provincial tuition fee framework, increased donations, and moderate increased grant revenue. Over 50% of the increase in donation revenue is related to donated artwork, which is also expensed in the same year and therefore has no impact on the deficiency of revenue over expenses.

A breakdown of revenues by line item is presented in the chart below:



Expenses have increased by 7.7%, or $52.9 million in 2009-2010. This increase is primarily due to increased salaries and benefits, largely driven by the increased cost of maintaining the University's pension and other benefit plans. $20.2 million of the increase relates entirely to increased pension expense.

A breakdown of expenses by line item is presented in the table below:



In 2009-10 the University incurred an unrealized loss of $9.6 million on its derivatives (hedges) which had no cash impact on operations. The value of derivatives is volatile and fluctuates with market conditions.

Consolidated Statement of Operations by Fund:

($000's)	Operating	Ancillary Enterprises	Capital	Trusts & Endowments	Research	Consolidated Entities	Total 2010
REVENUE							
Grants and contracts	$ 190,491	$ -	$ (3,218)	$ 18,172	$ 147,312	$ 2,406	**$ 355,163**
Fees	167,232	-	-	6,230	30	5,557	**179,049**
Ancillary sales of service and products	6,455	74,149	-	138	-	3,832	**84,573**
Other	3,703	-	-	11,840	3,694	923	**20,160**
Amortization of deferred capital contributions	-	-	23,857	-	-	400	**24,257**
Donations	11,287	-	-	10,742	966	1,809	**24,805**
Investment (losses) income	20,992	-	-	24,853	1,022	(157)	**46,710**
	400,160	74,149	20,639	71,974	153,024	14,770	**734,717**
EXPENSES							
Salaries and benefits (including pension)	290,268	18,874	8	22,484	74,202	6,312	**412,148**
Supplies & Services	83,106	15,296	(44,027)	10,339	48,668	3,142	**116,524**
Student Assistance	26,003	1	-	27,320	1,630	1,850	**56,804**
Amortization of capital assets	859	-	50,939	-	-	843	**52,641**
Externally contracted services	4,937	19,060	4	920	18,296	1,369	**44,587**
Travel and conferences	6,844	1,762	-	3,006	9,093	140	**20,845**
Utilities	13,071	5,073	-	196	606	-	**18,946**
Renovations and alterations	(4,387)	5,590	7,218	516	1,192	395	**10,525**
Interest on long-term debt	-	6,750	-	-	-	-	**6,750**
	420,702	72,406	14,141	64,781	153,688	14,051	**739,770**
	(20,541)	1,742	6,498	7,193	(664)	719	**(5,053)**
Unrealized losses on derivatives	(9,683)	-	-	-	-	-	**(9,683)**
Deficiency of revenue over expenses	(30,224)	1,742	6,498	7,193	(664)	719	**(14,736)**
Transfer from / (to) internally restricted net assets	7,679	(112)	(6,498)	(7,193)	664	-	(5,460)
Deficit falling to unrestricted net assets	$ (22,545)	$ 1,630	$ -	$ -	$ -	$ 719	$ (20,195)

Note: some numbers may not add due to rounding

Performance of the Operating Fund

The Board of Trustees approved a 2009-10 operating deficit of $8.3 million, which was subsequently reduced to a projected deficit of $2.6 million with savings from a support staff compensation agreement, utilities savings due to a milder winter and additional revenue from higher than planned enrolment growth.

Actual results for the year generated a $22.5M operating fund deficit after drawing down on departmental reserves. The higher than expected deficit is due to two significant non-cash expenses: the increase in the employee future benefits liability and unrealized losses on derivatives totaling$23.5 million. These unfavourable variances were partially offset by higher than budgeted investment returns on the Pooled Investment Fund.

The accumulated deficit in the operating fund at April 30, 2010 is $76.0 million and is included in Unrestricted Net Asssets in the audited consolidated financial statements. The components of the deficit are as follows:

Operating Fund Deficit		
Employee future benefits	$	(62,151)
Cumulative realized and unrealized net investment losses pertaining to Operating Fund		(9,358)
Operating deficit		(4,533)
Cumulative Operating Fund Deficit, April 30, 2010	$	(76,042)

Consolidated Statement of Financial Position

The University's assets as presented on the Consolidated Statement of Financial Position increased by 17.2% in 2009-10. Almost half of this increase is due to a recovery in the value of the investments due to stronger market conditions. The cash position of the University was strong at the end of the fiscal year, due largely to proceeds of the $75 million dollar debenture to fund capital projects being deposited close to year end. Capital Assets also increased as a result of the significant capital construction still underway across the campus. In 2010 the University completed the School of Kinesiology and the Queen's Centre. Construction is currently underway on the New Medical Building and the expansion of Goodes Hall.

The University's liabilities also increased in 2009-10. The largest increases relate to increases in deferred revenue and increases to long-term debt. Deferred revenue has increased as a result of unrealized gains on externally restricted endowments, increases in unspent research grant funding, and increases related to funding received for future capital expenditures. With respect to long-term debt, in April 2010 the University issued an additional $75 million debenture to raise funds for capital projects.

Net Assets reflect the University's net worth. Net assets related to endowments have increased due to recovery of past year losses on the endowment fund and additional endowment contributions. The University's unrestricted deficit is comprised largely of completed or in-progress capital projects that have been internally financed to date and the operating deficit as noted above.

The challenges encountered in the current year are expected to continue into the 2010-2011 fiscal year. The University expects the following matters to top its agenda in the coming year:

- Sustainability of the University's pension plan
- Developing a sustainable multi-year budget framework that will support the academic plan currently under development

- Managing compensation growth
- Negotiation of a number of new employee collective agreements
- Support and maintenance of significant recent infrastructure investments
- Increased reliance on philanthropic funding

Caroline Davis
Vice-Principal (Finance and Administration)

STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

The administration of the University is responsible for the preparation of the consolidated financial statements and the notes to the consolidated financial statements.

The administration has prepared the accompanying consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles as issued by 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 judgments were employed. The administration believes the consolidated financial statements present fairly the University's financial position as at April 30, 2010 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.

Mercer Human Resource Consulting Limited has been retained by the University in order to provide an estimate of the University's pension and other employee future benefit liabilities. 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 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, 2010 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
July 23, 2010

Vice-Principal (Finance and Administration)

AUDITORS' REPORT

To the Board of Trustees

We have audited the consolidated statement of financial position of Queen's University at Kingston as at April 30, 2010 and the consolidated statements of operations, 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, 2010 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, Licensed Public Accountants
Kingston, Canada
July 23, 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April
(Thousands of dollars)

	2010	2009 (restated) Note 3
ASSETS		
Cash	$ 66,111	$ 6,500
Accounts receivable (note 4)	47,126	38,763
Loans receivable (note 5)	3,891	4,244
Prepaid expenses	1,815	1,314
Derivative assets (note 6)	7,759	15,350
Investments (note 7)	733,633	627,114
Capital assets (note 8)	707,331	644,151
	$ 1,567,666	$ 1,337,436
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 86,094	$ 82,702
Deferred revenue, contributions and related investment revenue (note 9)	265,411	171,444
Derivative liabilities (note 6)	2,093	-
Employee future benefits liability (note 16)	62,151	48,648
Deferred capital contributions (note 10)	254,338	269,947
Long-term debt (note 11)	189,095	115,499
	859,182	688,240
Net Assets		
Endowments (note 12)	527,241	466,277
Internally restricted (note 13)	442,922	433,868
Unrestricted	(261,679)	(250,949)
	708,484	649,196
	$ 1,567,666	$ 1,337,436

See accompanying notes to consolidated financial statements.

Contingent liabilities (note 21)
Commitments (note 21)

Approved by the Board of Trustees

William L. Young
Trustee

Karyn A. Brooks, FCA
Trustee

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended 30 April
(Thousands of dollars)

		2010		2009 (restated) Note 3
REVENUE				
Grants and contracts	$	355,163	$	344,063
Fees		179,049		132,531
Ancillary sales of service and products		84,573		106,812
Other		20,160		27,587
Amortization of deferred capital contributions		24,257		23,590
Donations		24,805		7,452
Investment income (loss)		46,710		(17,815)
		734,717		624,220
EXPENSES				
Salaries and benefits		373,960		358,295
Pension		38,188		17,972
Supplies and services		116,524		109,414
Student assistance		56,804		57,277
Amortization of capital assets		52,641		49,204
Externally contracted services		44,587		32,914
Travel and conferences		20,845		21,372
Utilities		18,946		20,099
Renovations and alterations		10,525		13,497
Interest on long-term debt		6,750		6,858
		739,770		686,902
		(5,053)		(62,682)
Unrealized (loss) / gain on derivatives		(9,683)		11,507
Deficiency of revenue over expenses	$	(14,736)	$	(51,175)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended 30 April
(Thousands of dollars)

	Endowment	Internally Restricted	Unrestricted	**Total 2010**	**Total 2009** (restated) Note 3
Net assets, as originally stated	$ 466,277	$ 440,059	$ (258,927)	$ 647,409	$ 804,853
Change in accounting policy regarding definition of an asset (Note 3(a))	-	(5,263)	-	(5,263)	(5,281)
Restatement regarding University Registered Pension Plan (Note 3(b))	-	-	7,978	7,978	-
Restatement regarding Southeastern Ontario Academic Medical Organization (Note 3(b))	-	3,415	-	3,415	(3,916)
Restatement regarding deficits incurred on research projects (note 3(b))	-	(4,343)	-	(4,343)	(2,724)
Net assets, beginning of year as restated	466,277	433,868	(250,949)	649,196	792,932
Deficiency of revenue over expense	-	-	(14,736)	(14,736)	(51,175)
Change in internally restricted net assets	-	11,847	(11,847)	-	-
Investment gain (loss) charged directly to endowments (note 12)	11,371	-	-	11,371	(83,119)
Investment income credited directly to endowments (note 12)	2,793	(2,793)	-	-	1,732
Endowment contributions (note 12)	22,988	-	-	22,988	13,230
Change in unrealized gains (losses) on available for sale financial assets (note 12)	23,812	-	15,750	39,562	(24,667)
Unrealized gains on loans and receivables	-	-	103	103	263
Net assets, end of year	$ 527,241	$ 442,922	$ (261,679)	$ 708,484	$ 649,196

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 April
(Thousands of dollars)

		2010		2009 (restated) Note 3
OPERATING ACTIVITIES:				
Deficiency of revenue over expense	$	(14,736)	$	(51,175)
Add non-cash items:				
Amortization of deferred capital contributions		(24,257)		(23,590)
Amortization of capital assets		52,641		49,204
Unrealized (gains) / losses on available-for-sale financial assets		(39,665)		24,404
Increase / (decrease) in employee future benefits liability		13,503		(6,700)
Net change in non-cash working capital (note 15)		72,827		(32,760)
Cash provided by (used in) operating activities		60,313		(40,617)
INVESTING ACTIVITIES:				
Net change in loans receivable (net of unrealized gains and losses)		456		1,394
Net change in derivative assets		7,591		(10,113)
Net change in investments (net of unrealized gains and losses)		(66,957)		212,784
Purchase of capital assets		(115,719)		(151,718)
Net change in derivative liabilities		2,093		(1,394)
Contributions and investment income reported as direct increase / (decrease) in net assets		73,921		(92,562)
Cash used in investing activities		(98,615)		(41,609)
FINANCING ACTIVITIES:				
Issue of long-term debt		102,293		28,415
Repayment of long-term debt		(28,697)		(1,742)
Net change in contributions received for capital purposes		24,317		30,877
Cash provided by financing activities		97,913		57,550
Net increase (decrease) in cash		59,611		(24,676)
Cash, beginning of year		6,500		31,176
Cash, end of year	$	66,111	$	6,500

See accompanying notes to consolidated financial statements.

Supplemental information:				
Interest paid	$	7,030	$	6,906
Interest received		15,083		12,445

1. AUTHORITY

Queen's University at Kingston (the University) operates under the authority of the Royal Charter of 184l 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.

The University controls PARTEQ Research and Development Innovations, the Bader International Study Centre, the Crown Foundation at Queen’s University at Kingston, the U.S. Foundation for Queen’s University at Kingston, and QCED Inc. 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. PARTEQ Research and Development Innovations, the not-for-profit technology transfer office of Queen’s University at Kingston, works with researchers and the business and venture capital communities, helping to bring the benefits of scientific discovery to the public while returning proceeds to inventors and the University. PARTEQ Research and Development Innovations is exempt from income tax under section 149 of the Income Tax Act.

The Bader 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 Bader International Study Centre operates in East Sussex, England and is incorporated under the laws of the United Kingdom as a Company Limited by Guarantee. It is registered as a charity with the United Kingdom Charity Commissioners and is therefore exempt from tax to the extent that income or gains are applied exclusively to charitable purposes.

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

Sudbury Neutrino Observatory Institute was created on December 2, 1997 as a joint venture of the University and four other Canadian universities, to perform research in sub-atomic physics. The University's proportionate share (20%) of the joint venture’s assets, liabilities and operations has been included in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies of the University are described below.

(a) Accounting 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 revenue and expense during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary they are recognized in the financial statements in the period in which they become known. Significant areas requiring the use of management estimates relate to the assumptions used in the determination of fair value of financial instruments, the valuation of pension and other employee future benefits, the carrying value of capital assets, the valuation of accounts receivable and the valuation of derivative financial instruments.

(b) Investments and investment income

Investments are measured at fair value upon initial recognition. Subsequent to initial recognition, investments are measured according to their classification.

Investments are designated as available-for-sale and are recorded at fair value. Unrealized gains and losses on these available-for-sale investments are recorded in deferred revenue to the extent there are external restrictions on the related investments or in the consolidated statement of changes in net assets where investments are unrestricted.

Sales and purchases of investments are recorded on the settlement date. Transaction costs related to the acquisition of investments are expensed as incurred.

Investment income related to endowment contributions is recognized as revenue when the restriction is met. Realized investment income that is externally restricted is deferred and when the restriction has been met is recognized as revenue.

All other realized investment income is recorded in the consolidated statement of operations in the year it is earned.

(c) Derivative financial instruments

Derivative financial instruments are classified as held-for-trading and are recorded at fair value. Unrealized gains and losses on these held-for-trading investments are recorded in the consolidated statement of operations.

The University has elected not to apply CICA 3855 to derivatives embedded in leases, derivatives embedded in insurance contracts, contracts to buy or sell non-financial items including derivatives embedded therein, and derivatives embedded in contracts to buy or sell a non-financial item in accordance with the University's expected purchase, sale or usage requirements, in accordance with CICA 3855 paragraph 07(a).

(d) Translation of foreign currency

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

(e) Capital assets

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

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

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

Amortization is provided on a straight line basis over the estimated useful life of the asset as follows:

Asset	Useful Life
Buildings	40 years
Cogeneration facility	20 years
Equipment and furnishings	5 years
Intangible assets	5 years
Library acquisitions	5 years
Leasehold improvements	Term of lease

The 2010 financial statements include 20 years of library acquisitions and related amortization.

When completed, costs of construction in process are amortized in accordance with the useful lives of the appropriate category.

(f) 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 a University 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 expensed, at fair market value, at the date of contribution. Artwork purchases are expensed as acquired. The collection is fully insured through a fine arts policy, with a market value of $112,815 at 30 April 2010. During the year ended 30 April 2010, the University acquired 24 pieces of artwork. Of these, 20 pieces were donated with a total appraised value of $8,784, and 4 pieces were purchased at a cost of $23.

(g) Revenue recognition

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 endowments and capital assets are deferred and recognized as revenue in the year in which related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the year in which they are received.

Externally restricted contributions for 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.

Pledges are recorded as revenue on a cash basis and accordingly are not set up as assets in the consolidated financial statements.

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

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

(h) Employee benefit plans
The University has a defined contribution pension plan, which has a defined benefit component that provides a minimum level of pension benefits. The University also provides other employee future benefits such as medical, dental and life insurance to eligible active and retired employees. The University accrues its obligations under these benefit plans and the related costs, net of plan assets. The costs and the obligations of the plans are actuarially determined using the projected benefit method pro-rated on services rendered and administration's best estimate of a number of future conditions, including investment returns, compensation changes, withdrawals, mortality rates, and expected health care costs.

The benefit plan expense for the year consists of the current service cost, the interest cost on the benefit obligation, the expected return on plan assets, and the amortization of actuarial losses (gains). The calculation of the expected return on assets for the year is based on the fair value of plan assets.

The excess of the net accumulated actuarial loss (gain) over 10 per cent of the greater of the fair value of assets and the accrued benefit obligation is amortized over the expected average remaining service life of plan members.

Assets of the pension plan are valued using fair values at 30 April. Liabilities of the pension plan and post employment benefits other than pensions are discounted using current interest rates on long-term high quality Canada corporate bonds.

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

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

3. CHANGES IN ACCOUNTING POLICY AND RESTATEMENT OF PRIOR YEAR RESULTS

(a) Changes in Accounting policy

During the year the University adopted the following accounting standards:

Financial Statement Concepts
Effective 1 May 2009, the University adopted the amendments to Canadian Institute of Chartered Accountants (CICA) Handbook Section 1000, Financial Statement Concepts that clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. This change in accounting policy has been applied retroactively, and therefore the 2009 comparative figures have been restated. This restatement has resulted in a decrease in prepaid expenses of $5,263, and a decrease in opening net assets of $5,281, and a decrease in *Supplies and Services* expenses in the amount of $18 for the year ended 30 April 2009.

Financial Statement Presentation for Not-For-Profit Organizations
Effective 1 May 2009 the University adopted the amendments to the recommendations in CICA Handbook Section 4400, Financial Statement Presentation for Non-For Profit Organizations that eliminate the requirement to disclose the amount of net assets invested in capital assets as a separate component of net assets. As a result, the University has reclassified in the prior year financial statements the amount of net assets invested in capital assets of $259,963 to internally restricted net assets.

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

Cash flow statements
Effective 1 May 2009, the University adopted amendments to the recommendations in CICA Handbook Section 1540, Cash Flow Statements which required supplementary disclosures and reclassifications of certain numbers in the statement of cash flows.

(b) Restatement of Prior Year figures

In addition to the changes in accounting policy in (a), the University has restated 2009 comparative figures for omissions related to its registered pension plan, deficits incurred in past years on research projects, and the Southeastern Ontario Academic Medical Organization ("SEAMO").

With respect to the University's registered pension plan, the University liabilities have been restated in 2009 to include a pension plan asset of $7,978 and salaries and benefits expense has been reduced by a corresponding amount. Further details on the University's pension plan can be found in Note 16.

The University has also adjusted its 2009 financial results to remove the operations of SEAMO. SEAMO is an association comprised of the University, Kingston General Hospital, Hotel Dieu Hospital – Kingston, Providence Care Centre operating as Providence Care and the Clinical Teachers Association of Queen's University. Opening net assets for 2009 have been reduced by $3,916. Details of the changes to the 2009 figures as a result of the restatement are summarized below:

		(decrease) / increase
Assets		
Accounts receivable	$	(6,010)
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$	(9,247)
Deferred revenue, contributions and related investment revenue		(178)
Net Assets		3,415
	$	(6,010)
Revenues	$	(97,910)
Expenses		(105,241)
Deficiency of revenue over expenses	$	7,331

The University has also adjusted its 2009 figures to reflect deficits incurred in past years on a small number of research projects. Activities on these research projects continue, however no further funding is available. The financial statements have been restated to reflect the deficits in the year that expected future funding no longer exceeded the deficit incurred to date. The effect of this restatement was to increase 2009 deferred revenue by $4,343, decrease Grants and contracts revenue by $1,620, and to decrease opening net assets by $2,724.

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

4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised primarily of balances receivable for research projects and trade accounts receivable.

Since pledges are not legally enforceable, they are recorded as revenue on a cash basis and accordingly are not set up as assets in the consolidated financial statements. The total amount of pledges outstanding is approximately $31,824 at 30 April 2010, and is expected to be received as follows:

2010-2011	$	12,649
2011-2012		6,407
2012-2013		4,571
Subsequent years		8,197
Outstanding pledges at 30 April	$	31,824

5. LOANS RECEIVABLE

Loans receivable is comprised primarily of an amount receivable regarding the sale of a property, as well as loans advanced to employees. At 30 April 2010, the University had provided relocation loans to employees in the amount of $1,288 (2009-$806) and microcomputer loans to employees in the amount of $728 (2009 -$738). As loans are designated as available-for-sale they are carried at fair value.

6. DERIVATIVES

The University is party to an interest rate swap contract and foreign exchange contracts to manage interest rate and currency exposures for economic hedging and risk management purposes. Further details on the University's derivatives can be found in Note 17. The University also enters into electricity and natural gas contracts to manage the risk of fluctuating energy costs.

7. INVESTMENTS

The University's investments are managed primarily in three funds – the Short-term fund, the Pooled Endowment fund, and the Pooled Investment fund.

Investment details by fund are as follows:

	Cost		Fair value	
	2010	2009	2010	2009
Short-term	2,449	19,674	2,441	19,706
Pooled Endowment fund	522,454	479,439	565,086	466,085
Pooled Investment fund	141,875	133,888	154,700	130,309
Other	6,072	5,089	11,406	11,014
	$ 672,850	$ 638,090	$ 733,633	$ 627,114

Investments are exposed to foreign currency risk, interest rate volatility, and market and credit risks. The University manages the risk through policies and procedures governing asset mix among equity and fixed income and requiring diversification within categories and setting limits on the size of exposure to individual investments.

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

8. CAPITAL ASSETS

Capital assets consist of the following:

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	$ 30,774	$ -	$ 30,774	$ 27,582	$ -	$ 27,582
Buildings	807,864	258,592	549,272	620,815	240,168	380,647
Leasehold improvements	4,948	2,465	2,483	3,540	1,664	1,876
Equipment and furnishings	150,007	93,603	56,404	141,061	88,511	52,550
Cogeneration facility	14,665	2,640	12,025	14,550	1,907	12,643
Library acquisitions	148,932	133,825	15,107	149,952	128,980	20,972
Software	4,063	813	3,250	-	-	-
Construction in process	38,016	-	38,016	147,881	-	147,881
	$ 1,199,269	$ 491,938	$ 707,331	$ 1,105,381	$ 461,230	$ 644,151

9. DEFERRED REVENUE, CONTRIBUTIONS AND RELATED INVESTMENT INCOME

	2010	2009
Research funds	$ 110,022	$ 72,566
Student fees	14,414	14,271
Other	18,486	12,097
Trust funds	33,107	26,274
Capital funds	48,162	37,357
Gift annuities	9,000	8,879
Unrealized gains on externally restricted endowments	32,220	-
	$ 265,411	$ 171,444

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

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

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

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

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

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.

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

10. DEFERRED CAPITAL CONTRIBUTIONS

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

		2010		2009
Balance, beginning of year	$	269,947	$	262,660
Change in classification of deferred capital contributions to deferred revenue		(15,668)		-
Less amortization of deferred capital contributions		(24,258)		(23,590)
Net change in contributions received for capital purposes		24,317		30,877
	$	254,338	$	269,947

11. LONG-TERM DEBT

(a) Long term debt consists of the following:

	Maturity in Fiscal Year Ending	Interest Rate		2010 Principal Outstanding		2009 Principal Outstanding
Debentures						
Series A senior unsecured debenture maturing on 19 November 2032	2033	6.10%	$	85,453	$	85,366
Senior unsecured debenture maturing 2 July 2014	2015	3.16%		27,207		-
Senior unsecured debenture maturing 1 April 2040	2040	5.09%		75,000		-
			$	187,660	$	85,366
Mortgages						
Canada Mortgage and Housing Corporation	2017	5.38%	$	1,422	$	1,600
SMS Canada	2011	0.00%		13		117
			$	1,435	$	1,717
Construction advances						
Ontario Infrastructure Projects Corporation (OIPC)	2010	1.25%		-		28,416
			$	189,095	$	115,499

Certain assets have been pledged as collateral for mortgages.

In July 2009, the University converted the floating rate construction advances into a $30 million, 5-year amortizing debenture at a fixed rate of 3.16%.

In April 2010, the University converted floating rate construction advances under its Financing Agreement dated 21 April 2009 with OIPC into a $75 million Senior Unsecured Debenture due 1 April 2040. The debenture has a fixed interest rate of 5.09% payable semi-annually and the principal is to be repaid at final maturity.

The University has established sinking funds to provide funds to repay both the $90 million and the $75 million debentures. At 30 April 2010 the value of the sinking funds is $23,318 (2009 - $18,742). The sinking fund is included in internally restricted net assets.

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

(b) Long-term debt repayments

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

Fiscal year	2010
2011	$ 5,920
2012	6,099
2013	6,298
2014	6,503
2015	3,448
Thereafter	160,827
	$ 189,095

12. ENDOWMENTS

Contributions restricted for endowments consist of restricted donations received by the University and contributions 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, which is comprised of interest, dividend and realized gains and losses, 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 consolidated statement of operations. University policy has been established with the objective of protecting the real value of the endowments by limiting the amount of income available for spending and requiring the re-investment of a certain amount of the earned income.

Details of year-end balances are as follows:

	Externally Endowed	Internally Endowed	2010 Total Endowments	2009 Total Endowments
Endowments, beginning of year	$ 311,156	$ 155,121	$ 466,277	$ 569,409
Net contributions	22,988	-	22,988	14,284
Recapitalized investment income	2,205	588	2,793	2,540
Net investment gain (loss)	8,575	2,796	11,371	(112,354)
Change in unrealized investment gain (loss)	-	23,812	23,812	(7,602)
	$ 344,924	$ 182,317	$ 527,241	$ 466,277

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

13. INTERNALLY RESTRICTED

Details of year-end balances are as follows:

	2010	2009
Departmental carryforward funds	$ 60,311	$ 50,723
Ancllary enterprises - major repairs and renovations	11,793	12,003
Unspent research funds	24,708	25,372
Unspent trust funds	50,236	49,073
Reserves		
Employee future benefits	8,000	8,000
Insurance	980	980
Investment in capital assets	254,435	259,963
Sinking Fund	23,318	18,742
Other capital reserves	9,141	9,012
	$ 442,922	$ 433,868

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

Some Ancillary enterprises, primarily residences, establish annual budget allocations to fund periodic major repairs and alterations.

Unspent research funds are primarily overheads or internally funded research grants.

Departments are permitted to carry forward trust funds with no external restrictions.

Funds are internally restricted for employee future benefits and pension.

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

Investment in capital assets represents the net amount of capital assets funded using internal unrestricted resources.

Other capital reserves represent internal funds committed to complete deferred maintenance and capital projects planned or in progress.

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

14. CAPITAL MANAGEMENT

The University manages its cash flow on a consolidated basis, aiming to maintain sufficient liquidity to meet regular operating needs and planned capital project funding. Consolidated cash flow forecasts are regularly updated integrating operating and capital budgeting data and monitored and evaluated against actual cash flows. In the event additional liquidity is required, the University maintains a $25,000 operating line of credit that is available for direct advances, letters of credit, and US dollar advances.

During recent construction projects, the University made use of low cost floating rate construction lending facilities which were then converted to long term fixed rate debentures as described in Note 11.

15. NET CHANGE IN NON-CASH WORKING CAPITAL

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

		2010		2009
Net change in non-cash working capital:				
Accounts receivable	$	(8,363)	$	(3,248)
Prepaid expenses		(501)		3,484
Accounts payable and accrued liabilities		3,392		11,443
Deferred revenue, contributions and related investment income		78,299		(44,439)
	$	72,827	$	(32,760)

16. EMPLOYEE FUTURE BENEFITS

The University has a defined contribution pension plan, which has a defined benefit component that provides a minimum level of pension benefits, and also provides other employee future benefits such as medical, dental and life insurance to eligible active and retired employees.

At retirement, plan members can elect to take a pension payable from the fund that secures the benefit payments promised by the University sponsored pension plan. Following retirement, this pension payout is indexed based on excess interest over 6%, and pensions are guaranteed not to reduce.

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

The University measures its accrued benefit obligations and fair value of plan assets for accounting purposes at 30 April each year. The most recent actuarial valuation for funding purposes of the pension plan was performed as of 31 August 2008 and the next required valuation will be as of 31 August 2011. The most recent actuarial valuation of the other employee benefit plans was performed as of 31 March 2009 and results have been extrapolated to 30 April 2010.

Salaries and benefits expense for the year includes non-pension post retirement and post employment benefit expenses of $4,460 (2009 – $3,777).

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

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

	2010		2009	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Accrued benefit asset / (liability)				
Accrued benefit obligation	$ (1,463,125)	$ (56,220)	$ (1,231,874)	$ (36,833)
Fair value of plan assets	1,292,495	-	1,110,718	-
Plan deficit	(170,630)	(56,220)	(121,156)	(36,833)
Unamortized net actuarial loss / (gain)	167,754	(3,055)	129,134	(19,793)
Accrued benefit asset / (liability)	$ (2,876)	$ (59,275)	$ 7,978	$ (56,626)
Benefit plan expense				
Current service cost	$ 20,721	$ 1,128	$ 20,959	$ 1,845
Interest cost	93,566	2,912	95,613	2,817
Actual (return) loss on plan assets	(218,963)	-	283,604	-
Actuarial loss / (gain) on accrued benefit obligation	181,484	17,158	(303,070)	(19,455)
Benefit plan expense (income), before adjustments to recognize the long term nature of employee future benefit costs	76,808	21,198	97,106	(14,793)
Adjustments:				
Difference between expected return and actual return on plan assets for the year	142,468	-	(382,204)	-
Difference between amortization of actuarial loss for the year and actuarial loss on accrued benefit obligation for the year	(181,088)	(16,738)	303,070	18,570
Benefit plan expense recognized in the year	$ 38,188	$ 4,460	$ 17,972	$ 3,777

Pension benefit plan assets are invested as follows:

	2010	2009
Equity securities	65%	54%
Debt securities	33%	37%
Other	2%	9%
	100%	100%

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

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation and benefit costs are as follows:

	2010		2009	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Accrued benefit obligation:				
Discount rate	6.0%	5.0%	8.3%	6.5%
Rate of compensation increase	4.5%	N/A	4.5%	N/A
Benefit plan expense:				
Discount rate	8.3%	6.5% to 8.3%	6.2%	5.4% to 6.2%
Expected long-term rate of return on plan assets	7.0%	N/A	7.0%	N/A
Rate of compensation increase	4.5%	4.5%	4.5%	4.5%
Assumed health-care cost trend:				
Initial health-care cost trend rate	N/A	7.07% to 7.35%	N/A	6.4% to 7.18%
Health-care cost trend rate declines to	N/A	4.50%	N/A	4.50%
Year that the rate reaches the ulimate trend rate	N/A	2029	N/A	2029

Details of annual contributions and benefits paid are as follows:

	2010		2009	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Employer contributions	27,334	1,478	25,950	1,019
Employee contributions	15,849	-	16,239	-
Benefits paid	80,369	1,478	72,148	1,019

Regulations governing provincially regulated pension plans establish certain solvency requirements that assume that the plans are wound up on the valuation date. The actuarial valuation of the pension plan completed at 31 August 2008 reported a solvency deficit of $24.9 million. The University is contributing an amount sufficient to fund this solvency deficit over five years. It is anticipated that $5.6 million in special going concern and solvency employer contributions will be required in the year ended 30 April 2011.

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

17. FINANCIAL INSTRUMENTS

a) Fair value

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

The carrying value of loans receivable is fair value as they are designated available-for-sale.

The fair value of investments is disclosed in Note 7.

The fair value of interest rate swap contract is as follows:

	Interest rate until fiscal year ending	Notional Value	2010 Fair value	2009 Fair value
Royal Bank (floating rate)	2033	$ 30,000	$ 6,557	$ 9,102

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

	2010		2009	
	Notional value	Fair value	Notional Value	Fair value
US Dollar	$ 169,885	$ 1,126	$ 132,549	$ 7,735
UK Pound Sterling	25,360	(2,657)	27,842	(1,857)
Other	56,111	640	26,771	370

The fair value of long-term debt is as follows:

	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
Mortgages	$ 1,435	$ 1,498	$ 1,717	$ 1,783
Debentures	187,659	202,927	85,366	98,414
Construction period advances	-	-	28,416	28,416
	$ 189,094	$ 204,425	$ 115,499	$ 128,613

Fair value is determined based on quoted market prices. The calculation of fair value is based upon market conditions at a specific point in time and may not be reflective of future fair values.

b) Financial Risk

The primary risk exposures for investments are foreign currency, interest rate volatility, and market and credit risk. The University, through the work of its Investment Committee, has formal policies and procedures in place governing asset mix among equity, fixed income and alternative investments, requiring diversification within categories, and setting limits on the size of exposure to individual investments and counterparties. In addition, derivative instruments are used in the management of these risks. All derivative financial instruments are classified as held-for-trading and therefore all unrealized gains and losses are recorded on the consolidated statement of operations.

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

Gains and losses on forward foreign exchange contracts are recognized when they mature. The carrying amounts of derivative financial instruments, which are comprised of accrued gains and losses not yet realized, are not included in the consolidated financial statements.

The University has entered into forward foreign exchange contracts to minimize exchange rate fluctuations and to mitigate any uncertainty for future financial results.

18. ONTARIO STUDENT OPPORTUNITY TRUST FUND (OSOTF) AND ONTARIO TRUST FOR STUDENT SUPPORT (OTSS)

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

Externally restricted endowments (see Note 12) include monies provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund and Ontario Trust for Student Support matching programs to award student aid as a result of raising an equal amount of endowed donations.

The University has recorded the following amounts under phase 1 of the program:
(for the year ended 31 March)

		2010		2009
Endowment Funds:				
Opening balance	$	71,112	$	71,326
Capitalized funds expended in the year		(16)		(214)
Endowment fund balance at end of year		71,096		71,112
Expendable Funds:				
Opening balance		428		428
Investment income		4,016		4,067
Bursaries awarded		(4,032)		(4,281)
Capitalized funds expended in the year		16		214
Expendable funds available for awards	$	428	$	428
Number of bursaries awarded		1,121		1,036

The market value of the OSOTF phase 1 endowment at 30 April 2010 was $76,454 (2009 - $67,339).

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

The University has recorded the following amounts under phase 2 of the program:
(for the year ended 31 March)

	OSOTF II	OTSS	2010 Total	2009 Total
Endowment Funds:				
Opening balance	$ 11,965	$ 16,139	$ 28,104	$ 24,547
Donations received	-	1,189	1,189	1,432
Government matching received	-	1,301	1,301	1,535
Government matching receivable	-	-	-	-
Other	-	7	7	340
Expendable funds capitalized in the year	-	31	31	250
Endowment capital	11,965	18,667	30,632	28,104
Expendable Funds:				
Opening balance	171	75	246	115
Donations received	-	12	12	12
Investment income	776	988	1,764	1,234
Bursaries awarded	(460)	(586)	(1,046)	(865)
Expendable funds capitalized in the year	(17)	(21)	(38)	(250)
Expendable funds available for awards	$ 470	$ 468	$ 938	$ 246
Number of bursaries awarded	176	223	399	324

The market value of the OSOTF phase 2 endowment at 31 March 2010 was $28,396 (2009 - $22,604).

19. FIRST GENERATION PILOT PROJECT INITIATIVES

For the period from 1 April 2008 to 30 April 2010, the University's financial statements include expenditures totaling $383 for the purpose of carrying out the First Generation Pilot Project Initiatives. The goal of this project is to increase the awareness of the benefits of post-secondary education of first generation students thereby increasing their participation, retention and graduation rates.

20. RELATED ENTITIES

This section addresses disclosure requirements regarding the University's relationships with related entities. The relationship can be one of economic interest, significant influence, joint control or control.

a) Investment in Parking Commission
Queen's University is an equal partner with Kingston General Hospital for the operations of the Parking Commission. The University's capital investment in the partnership was repaid by the Parking Commission over a twenty-five year period ending 31 December 2007. The University's share of the Parking Commission's excess of revenue over expense is $702 (2009 – $701) reported in the statement of operations.

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

b) Investment in Cogeneration Facility

Queen's University has entered into a joint venture with Kingston General Hospital (KGH) for the construction and operation of a cogeneration facility governed by a Management Board consisting of representatives of Queen's and KGH. The purpose of the facility is to produce electricity and steam. The University's proportionate share of the joint venture is 60% and Kingston General Hospital's proportionate share is 40%. The University's capital investment in the joint venture is $14,537 (2009 - $14,550). This capital investment is repaid from the operating fund over a twenty-five year period ending 30 April 2031. The University's share of the cogeneration facility's deficiency of revenue over expense is $44 (2009 – $27), reported in the statement of operations.

c) McGill-Queen's University Press

Queen's University has significant influence in McGill-Queen's University Press. McGill-Queen's University Press was incorporated by letters patent as a corporation without share capital under Part II of the Canada Corporations Act. The objective of the Press is to stimulate scholarship, research and debate through the publication of materials for scholars and the community at large. The Press is exempt from income tax under section 149 of the Income Tax Act. The University is responsible for a 50% share of any deficit accumulated by McGill-Queen's University Press. Queen's share of the accumulated deficit at 31 May 2009 was $670 (2008 - $1,094). The University provided an annual contribution of $447 (2009 - $422) to fund operating costs of McGill-Queen's University Press.

d) Tri-universities Meson Facility

The University is a member, with ten other universities, of a joint venture called the Tri-universities Meson Facility ("TRIUMF"), Canada's national laboratory for particle and nuclear physics located on the University of British Columbia ("UBC") campus. TRIUMF is an unincorporated registered charity and each university has an undivided 1/11 interest in its assets, liabilities and obligations. The land and buildings it occupies are owned by UBC. The facilities and its operations are funded by Federal government grants and the University has made no direct financial contribution to date. TRIUMF's net assets are not contemplated to be and are not readily realizable by the University. The University's interest in the assets, liabilities and results of operations are not included in these financial statements (see also Note 21(d)).

The following financial information at 31 March 2010 for TRIUMF was prepared in accordance with Canadian generally accepted accounting principles except that all capital assets and related provisions for decommissioning costs, if any, are expensed in the year in which the costs are incurred.

	2010	2009
Total assets	17,931	17,065
Total liabilities	14,055	13,705
Total fund balances	3,876	3,360
Revenues	65,003	61,588
Expenses	64,486	63,369
Excess/(Deficiency) of revenues over expenses	517	(1,781)

21. COMMITMENTS AND CONTINGENCIES

a) Litigation

The nature of the University's activities are such that there may be litigation pending or in prospect at any time. With respect to claims at 30 April 2010, administration believes that the University has valid defenses and that appropriate insurance coverage is in place wherever it is possible to do so. In the event any claims are successful, administration believes that such claims are not expected to have a material effect on the University's financial position. No provision has been accrued in these financial statements in respect of the above litigation.

b) Insurance

The University is a member of the Canadian University Reciprocal Insurance Exchange (CURIE). CURIE insures general liability, university property and errors and omissions. Annual premiums paid by the University are determined by the CURIE Board, on the advice of the actuary. There is a provision under the agreement for assessments to all member universities if these premiums are not sufficient to cover losses.

Additional insurance for automobiles, artwork, miscellaneous property, and major construction projects is purchased through commercial insurers to provide coverage for losses not insured by CURIE.

c) TRIUMF

The members of the TRIUMF joint venture and the Canadian Nuclear Safety Commission ("CNSC") approved a decommissioning plan which requires all members to be severally responsible for their share of the decommissioning costs, which were estimated at $44.0 million as of November 2007, as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions of decommissioning the facilities, the University's share was estimated at $4.0 million at 30 April 2010. TRIUMF has put in place a plan for funding the cost of decommissioning which does not require any payments from the joint venture partners.

d) Capital Commitments

As of 30 April 2010 the estimated cost to complete construction in process for the extension of facilities is approximately $164,588 (2009 - $79,068). These costs will be financed by a combination of gifts, grants, ancillary income, long-term debt and allocations from operations.

e) Bank loan guarantees

The University has a program of under which it guarantees bank loans to faculty and staff members to assist in the purchase or refinancing of their homes. The University holds mortgages as collateral security against such guarantees. At 30 April 2010, the amount of loans guaranteed was $436 (2009 - $257). The University's estimated exposure under these guarantees is not material.

f) Other

In addition to the construction commitments disclosed in Note 21(d) and the pension solvency payments disclosed in Note 16, the University has issued letters of credit of $1,459 primarily for capital construction and has guaranteed an operating line of credit of $1,000 for PARTEQ.

22. COMPARATIVE FIGURES

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

23. SUBSEQUENT EVENTS

On 1 June 2010, the University issued an additional $50 million Senior Unsecured Debenture due 1 June 2040 under the provisions of its Financing Agreement with OIPC dated 21 April 2009. The debenture has a fixed interest rate of 5.10% payable semi-annually and its principal is to be repaid at final maturity.