



12-13 FINANCIAL STATEMENTS
APRIL 30 2013

Financial Statements

Queen's University at Kingston

30 April 2013

QUEEN'S UNIVERSITY AT KINGSTON
CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2013

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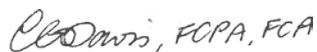
Queen's University at Kingston is Canada's quintessential balanced academy. Along with delivering a transformative learning experience for undergraduate and graduate students, Queen's is home to a substantial community of researchers who make remarkable contributions to their disciplines and to the local and global communities in which they are active.

These financial statements report on Queen's consolidated activities over the 2012-13 fiscal year. They reflect the university's commitment to careful stewardship in the face of fiscal challenges.

While the Consolidated Statement of Operations reports a \$67 million excess of revenues over expenses, the greatest part of this surplus is the result of strong performance of investments held both by the university and the Queen's Pension Plan. Investment returns can be volatile and are dependent on economic conditions, and the favorable returns in the current year help to counter the poor investment performance of the prior years. The investment returns experienced by the Queen's Pension Plan do not represent expendable funds to the university. Rather, they help to reduce the significant deficit in the plan.

With government funding on the decline, a lowered cap on tuition fee increases, substantial pressures created through low interest rates, looming pension solvency deficit payments, and the need to address nearly \$250 million in deferred maintenance, the university must continue to be very cautious financially.

For more than 170 years, Queen's has been a community that imagines what the future can be, and works together to realize it. This is the Queen's spirit of initiative, and it is what will see our university flourish despite the challenges we have ahead.

Handwritten signature of Caroline E. Davis in cursive script.

Caroline E. Davis, FCPA, FCA
Vice-Principal (Finance and Administration)

THE YEAR IN REVIEW

2012-13 was a year of many positive milestones for Queen's University: progress continued on significant capital projects, the Initiative Campaign exceeded its annual fundraising goals, the university adopted a new strategic research plan, and implemented a new budget model.

Capital Projects

The university's capital expansion plan, dedicated to improving the student experience, continued over the past year. In September 2012 the School of Business officially opened its new, 75,000-square-foot addition to Goodes Hall. The expansion includes several new state-of-the-art classrooms and many enhanced features for students.

Construction on the Isabel Bader Centre for the Performing Arts (IBCPA) is ongoing, with the building scheduled to open in 2014. The IBCPA will be a cultural landmark for Queen's and Kingston. It will feature a 560-seat concert hall, a 90-seat film screening room, a sound studio, recording facilities and a 100-seat studio theatre.

Additionally, in December 2012 the Board of Trustees approved the construction of two new residence buildings on campus to provide 550 beds to support the current and future need for student living space. Construction of the new buildings is expected to begin in 2013 with completion for residency in fall 2015.

Initiative Campaign

The Queen's Initiative Campaign had its public launch in September 2012 and is going strong. Donations to campaign for the 2012-13 fiscal year totaled over \$67 million, surpassing the annual \$60 million goal. The Initiative Campaign is the most ambitious fundraising campaign in the university's history. To date, over 70% of the \$500 million goal has been raised in support of important initiatives centered around being the destination for exceptional people, enhancing our students' learning experiences, securing a global reputation in discovery and inquiry, and nurturing a supportive community. With less than two years left to go, we remain devoted to meeting the overall campaign goal, the achievement of which will enable us to continue to invest in our students and their pursuit of excellence.

Research

Research continues to be an area of strategic importance to Queen's. In support of this priority, in May 2012 Senate unanimously approved the Queen's Strategic Research Plan and the Board of Trustees approved the implementation of a new research management system called Tools for Research at Queen's (TRAQ). The goal of the TRAQ Project is to enhance the research community's productivity, while maintaining excellent levels of financial accountability and transparency to our funding partners.

New Budget Model

Over the last fiscal year the university launched a new budget model that provides greater transparency, while maintaining a strong link to academic goals and priorities. The new model allocates revenues directly to the faculties and schools that generate them and attributes indirect costs back to those units. Although the new budget model will not itself increase net revenue for the university, it is designed to encourage revenue growth and cost containment, and to enhance financial opportunities within the university.

The above-mentioned successes point towards a bright future for Queen's and our community, but this optimism must be tempered by the constant need to manage significant financial pressures. The university remains focused on financial strength and stability in support of the vision of Queen's as the Canadian research-intensive university with a transformative student learning experience.

2013 Revenues and Expenses

Although Queen’s completed its 2012-13 fiscal year with an excess of revenues over expenses of \$67.1 million, this surplus is primarily the result of strong investment returns both within the university and in the Queen’s Pension Plan.

In 2012-13, investments performed well against the backdrop of strong global equity markets. The university achieved returns in excess of 13% on its Pooled Endowment Fund, Pooled Investment Fund, and Pension Plan Assets. These returns help to counter the poor investment performance of prior years. The gains experienced by the Queen’s Pension Plan do not represent expendable funds to the university. Rather, they help to reduce the significant deficit in the plan.

Pension Solvency Deficit

Despite strong investment returns in the current fiscal year, the pension plan’s unfunded liability remains the most significant financial issue facing Queen’s. The university qualified for Stage 1 solvency relief from the Province of Ontario, which provides a three year exemption from having to make payments into the plan to reduce the solvency deficit. The estimated solvency deficit at August 31, 2012 (the fiscal year end of the pension plan) was \$458.8 million. The table below shows the impact of a one percent change in the discount rate used to calculate the solvency deficit.

Sensitivity analysis on pension solvency deficit

(Based on estimated August 31, 2012 valuation results)

Estimated solvency shortfall	\$458.8 million
Impact of a 1% increase in discount rate	\$163.9 million decrease in deficit
Impact of a 1% decrease in discount rate	\$224.4 million increase in deficit

If the solvency deficit remains at August 2012 levels, solvency payments will be \$35 million annually commencing in September 2015. This estimate assumes the university will qualify for Stage 2 solvency relief which amortizes payments over 10 years rather than five. Final figures will be dependent on interest rates, investment returns and mortality experience at the date of the next required valuation, August 31, 2014. Pension solvency payments will need to be absorbed into departmental budgets, and will come with significant impact to the operations of the university. The university continues to look at all options to reduce the ongoing effect of the solvency special payments commencing in 2015.

Solvency deficits are calculated based on the solvency valuation, which assumes that the pension plan stops operating as of the valuation date. Solvency deficits are intended to test whether the plan has sufficient assets to pay all benefits that have been earned by members to that date. The assumptions used to calculate the solvency position, such as the discount rate used to estimate liabilities, must meet the requirements of legislation and the standards of the Canadian Institute of Actuaries.

Deferred Maintenance

Deferred maintenance also remains a critical issue for the university. Of the \$243 million of deferred maintenance projects identified in the most recent study, \$40 million relates to issues that should be dealt with within 1-2 years. Queen's receives \$1 million of annual provincial funding for deferred maintenance.

Although the challenges that Queen's faces are significant, the university continues to be focused on careful financial stewardship in support of enhancing its mission as Canada's research-intensive university with a transformative student experience. With a new budget model in place that will provide incentives for revenue growth and cost reduction, and a multi-year cost containment exercise underway, the university is committed to protecting its core mission while maintaining financial sustainability.

ACTUAL RESULTS FOR 2012-13

The audited Financial Statements report on the consolidated activities of Queen's University.

YEAR ENDED APRIL 30		
(\$ millions)	2013	2012
Consolidated Statement of Operations		
Revenue	\$ 799.2	\$ 743.4
Expenses	776.2	768.3
	23.0	(24.9)
Employee future benefits remeasurements and other items	44.1	5.2
Excess / (Deficiency) of revenues over expenses	\$ 67.1	\$ (19.7)
Consolidated Statement of Financial Position		
Assets	\$ 1,856.9	\$ 1,738.4
Liabilities	1,033.5	1,066.2
Net Assets	\$ 823.4	\$ 672.2
Net Assets is comprised of:		
Endowments	\$ 710.3	\$ 616.8
Internally restricted	282.2	221.3
Unrestricted	(169.1)	(165.9)
	\$ 823.4	\$ 672.2

Although Queen's completed its 2012-13 fiscal year with an excess of revenues over expenses of \$67.1 million, this surplus is primarily the result of strong performance on investments held by the university and in the Queen's Pension Plan. Investment returns can be volatile and are dependent on economic conditions, and the favorable returns in the current year help to counter the poor investment performance of the prior years.

In 2012-13, investments performed well against the backdrop of strong global equity markets. The university achieved returns in excess of 13% on its Pooled Endowment Fund, Pooled Investment Fund, and Pension Plan Assets. The gains experienced by the Queen's Pension Plan do not represent expendable funds to the university. Rather, they serve to reduce the significant deficit in the plan.

TRANSITION TO NEW ACCOUNTING STANDARDS AND OTHER CHANGES

In 2012-13, Queen's University at Kingston transitioned to Canadian accounting standards for not-for profit organizations and restated comparative results accordingly. Full details on the impact of this transition are available in Note 3 of the financial statements.

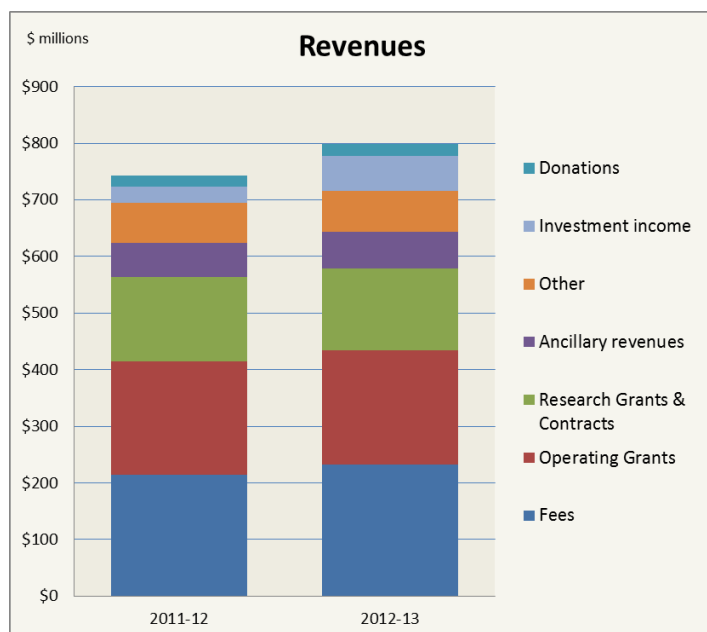
The key impacts of the transition and other changes impacting the 2012 Consolidated Statement of Financial Position are as follows:

1. Capital Assets increased by \$47.1 million further to the university's election to remeasure land at fair value as of May 1, 2011;
2. Liabilities increased by \$143.5 million due to an election to record the full unfunded status of pension and non-pension benefit plans on the financial statements; and
3. Deferred revenue decreased by \$32.4 million due to a reclassification of unrealized gains on externally restricted endowments.

The overall result of the abovementioned changes is a decrease to net assets of \$64.0 million.

Moving forward, the new accounting standards will bring more volatility to the university's Consolidated Statement of Operations. Unrealized gains and losses on investments (excluding externally endowed investments) are now required to be presented as part of investment income, rather than in net assets. In addition, actuarial gains and losses on pension and non-pension benefit plans are now recognized immediately, rather than smoothed over time. This volatility will be driven by external market factors, such as interest rates and discount rates.

REVENUES



At a glance....

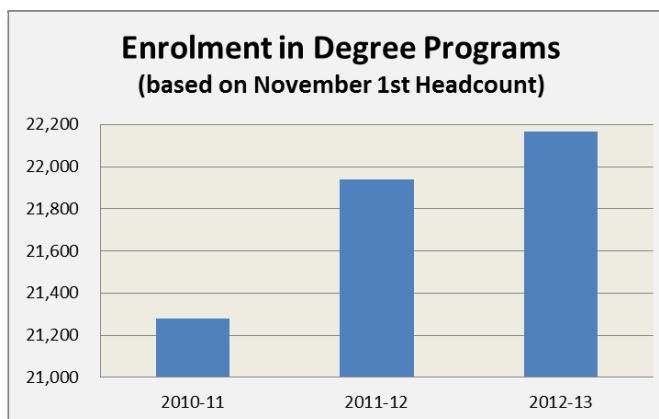
In 2012-13, total revenue increased by 7.5%.

This increase of \$55.7 million is due primarily to stronger investment performance as well as additional Fees revenue.

Fees

Fees revenue includes tuition fee as well as other fees related to activities such as student health, recreation, and athletics. In 2012-13, revenue from all fee sources increased by 8.7%, driven primarily by a modest increase in enrolment growth and Board approved tuition fee increases in accordance with provincial regulations. Student enrolment in degree programs for the past three years is displayed in the chart to the right.

In March 2013 the Province announced a four-year tuition policy framework restricting aggregate tuition fee increases across the institution to 3%, down from 5% in the previous framework.



Operating Grants

In 2012-13 Operating Grants increased by less than 1%, which is reflective of the constrained fiscal climate in the Province and modest enrolment growth. Moving forward, the Ontario government has signaled continued fiscal constraint by implementing efficiency targets and international student recoveries, which will reduce future grant revenues.

Research Grants and contracts

Research revenue is recorded in the research fund in the year in which the expense occurs. Unspent externally sponsored research monies are recorded on the Statement of Financial Position as deferred revenue. Although the university received additional research funding in 2012-13, expenditures, and therefore recorded research revenue, decreased slightly with a larger increase in deferred revenue.

Ancillary revenues

Ancillary operations include business units that provide goods and services to the university community and aim to operate on a break-even basis after covering their full operating costs that includes a payment to the university for the provision of administrative services. The table to the right provides a detailed breakdown of ancillary sales. In 2012-13, the change is due largely to increased sales from meal plans and new food venues, captured on the Residences and Housing line.

	\$ thousands	
REVENUES BY ANCILLARY OPERATION	2012-13	2011-12
Residences and Housing	\$ 56,061	\$ 50,943
Continuing Education	15,799	15,910
Hospitality and Conference Services	8,264	8,552
Computer Store	7,532	7,476
Other	3,885	4,234
Parking	2,526	2,518
	\$ 94,067	\$ 89,633
Less: Internal Sales	(11,414)	(11,761)
	<u>\$ 82,653</u>	<u>\$ 77,872</u>

Investment Income

As indicated in the section on the transition to new accounting standards, unrealized gains and losses (excluding externally endowed investments) now flow through investment income. This change will generate additional volatility in the university's Statement of Operations. The Pooled Endowment Fund and the Pooled Investment Fund are the two largest investments held by Queen's University at Kingston.

In 2012-13, investments performed strongly and the well-diversified Queen's University Pooled Endowment Fund managed a return of 15.4% for the year ending April 30, 2013. These results compare favourably with the returns of 1.9% from the previous fiscal year. The portfolio for the Pooled Investment Fund is slightly more conservative in nature, but still returned 14.8% for the fiscal year ending April 30, 2013 compared to 1.5% in the previous fiscal year. Both the Pooled Endowment Fund and the Pooled Investment Fund are invested in accordance with a Board approved Statement of Investment Policies and Procedures.

The Revised Pension Plan of Queen's University generated a return of 13.1%, as compared with a 0.1% return over the previous year. The assets of the pension plan are managed by external investment managers under the direction of the Pension Committee in accordance with a Board approved Statement of Investment Policies and Procedures, and are held by an independent custodian.

COMPENSATION AND BENEFITS

	\$ thousands	
	2012-13	2011-12
Total compensation expense		
Salary and benefits	\$ 394,663	\$ 383,060
Non-pension employee future benefits	6,800	5,818
Pension	31,730	35,244
Subtotal	433,193	424,122
Employee Future Benefit remeasurement gains	(44,110)	(5,234)
Total	\$ 389,083	\$ 418,888
% of total expenses	50%	56%
Employee Future Benefits Liability		
Non-pension employee future benefits	95,405	76,497
Pension	80,574	143,675
Total	175,979	220,172

At a glance...

Compensation and benefits comprise half of the total expenses of the university.

In 2012-13, before remeasurement gains, overall salary and benefit expenses increased by 2%. Employee future benefit remeasurement gains are comprised of investment gains/(losses) and actuarial gains/(losses) recognized on pension and non-pension plans.

Salary increases are influenced by negotiated increases within each collective agreement. Overall increases in compensation and benefits expenses have been reduced through a strong focus on managing overall staffing levels within the university.

The labour landscape has changed significantly over the last several years, with the majority of Queen's employees now covered by various collective agreements. The table below provides a summary of employee groups and the date of their associated employee contracts:

Employee Group	Unit / Association	Contract effective until
Academic Assistants	USW	August 2016
General Support Staff	USW 2010	December 2014
Kingston Heating & Maintenance Workers	CUPE 229	June 2014
Kingston Technicians	CUPE 254	June 2014
Library Technicians	CUPE 1302	June 2014
Queen's University Faculty Association	QUFA	April 2015
Queen's University excluded General Support Staff Grades 2-9	QUSA	June 2014
Registered Nurses and Nurse Practitioners (Family Health Team)	ONA 67	March 2014
Allied Health Care Professionals (Family Health Team)	OPSEU 452	June 2015

The following groups are engaged in ongoing contract negotiations:

Employee Group	Unit / Association	Status
Post-Doctoral Fellows	PSAC	Ongoing
Graduate Teaching Assistants and Teaching Fellows	PSAC 901	Ongoing

Employee Future Benefits

Included in salary and benefit expenses are costs related to both the university's pension and non-pension benefit plans. Non-pension benefit costs include medical, dental, and life insurance to eligible active and retired employees. On an annual basis, annual earned benefit costs are expensed, together with the impact of any plan amendments or remeasurement gains or losses arising as a result of changes to discount rates, salary and other assumptions. Under the new accounting standards, remeasurement gains and losses are included in the university's Statement of Operations each year. With this change will come additional volatility in expenses. These amounts are influenced by economic and demographic factors.

In 2012-13, due to strong investment returns the Pension and other benefit plans experienced remeasurement gains of \$44.1 million comprised of a gain of \$57.7 million on the pension plan and a loss of \$13.6 million on other benefit plans. The gain on the pension plan is due to strong investment performance on pension plan assets. The loss on other benefit plans is due primarily to lower discount rates. The tables below show the change in the funded status of the pension plan for each of the last two years:

CHANGE IN FUNDED STATUS OF PENSION PLAN	April 30	
	\$ thousands	
	2013	2012
Deficit, opening balance	143,675	155,923
Pension expense		
Current Service cost	23,365	26,720
Financing cost	8,365	8,524
Investment (gains) / losses	(43,173)	22,016
Gain due to plan amendments	-	(22,925)
Liability experience (gains) / losses	(14,495)	(13,856)
	(25,938)	20,479
Less: University contributions	(37,163)	(32,727)
Deficit, closing balance	80,574	143,675

With respect to the university's pension plan, several steps have been taken over the past couple of years to mitigate the financial risk associated with the pension plan deficits. Plan amendments have been negotiated and employee contributions have been increased, and the university obtained approval for Stage 1 solvency relief from Ontario, providing a three year exemption from having to make solvency payments. The university significantly increased special payments to meet going concern obligations. These payments are currently \$14 million annually.

The actuarial valuation of the pension plan completed at August 31, 2011 reported a solvency deficit of \$332 million and a going concern deficit of \$126 million. These balances can be volatile and are impacted by market interest rates. Based on an updated actuarial valuation done at August 2012, the solvency payments could amount to \$35 million annually commencing in September 2015. These figures assume the university will qualify for Stage 2 solvency relief which amortizes payments over 10 years rather than five. Actual payments will be determined at the time of the next required valuation, August 31, 2014. The university continues to look at all options to reduce the ongoing effect of the solvency special payments commencing in 2015.

Additional information on Employee Future Benefits is available in Note 16 of the Financial Statements.

CAPITAL PROJECTS AND FINANCING

Queen's University is currently updating its Campus Plan. The new Campus Master Plan (CMP) will establish a vision and framework to guide how the university will physically change over the next 10 to 15 years to accommodate Queen's evolving programs and activities, and in support of the initiative of our faculty, staff and students that makes Queen's a world-class university.

Over the last 2 years two new Academic Buildings have been completed in alignment with Queen's objectives of enhancing the student experience. In September 2012, Queen's School of Business officially opened its new, 75,000-square-foot addition. The expansion includes several new state-of-the-art classrooms and many enhanced features for students. In November 2011, the new Medical Building was officially opened. This \$77 million, 5-storey educational facility is equipped with high-tech simulation labs and equipment and will provide an extraordinary learning experience for current and future medical students.

Additional capital building projects that will enhance research, learning and the student experience are underway across the campus:

PROJECT	BUDGET	FUNDING SOURCES
Isabel Bader Centre for the Performing Arts	\$80.5 million	Donations, Federal, Provincial, and Municipal Governments
New Residence Buildings	\$70.0 million	Debt and future residence revenue streams

The Isabel Bader Centre for the Performing Arts (IBCPA), scheduled to open in 2014, is a state-of-the-art facility that will provide performance, teaching and research space. The IBPCA will be a cultural landmark for Queen's and Kingston. It will feature a 560-seat concert hall, a 90-seat film screening room, a sound studio, recording facilities and a 100-seat studio theatre, and will house the department of Film and Media Studies. The IBPCA is an example of Queen's commitment to developing its campus in ways that enhance the experience of its students and forge closer ties to the Kingston community.

The new student residence buildings will provide 550 beds to address student housing requirements. These residences are scheduled to open for the 2015-16 academic year.

Planning and fundraising continues for the new Engineering and Applied Science building, which is contingent on a full business case and committed funding to move beyond the planning stage.

The university's capital expenditures were \$71 million in 2012-13, as presented in the table below, with comparative information for the prior year.

	\$ thousands	
CAPITAL ASSET ADDITIONS	2012-13	2011-12
Building projects and Construction in Progress	\$ 49,884	\$ 45,030
Equipment and Furnishings	18,012	21,871
Other asset purchases	3,101	6,318
	\$ 70,997	\$ 73,219

Capital Project Financing

In December 2012, the Board of Trustees approved external borrowing to fund the New Residence Buildings, which will be repaid by the future revenue streams of the residences.

Queen's maintains strong governance and oversight over capital spending. Capital projects must be approved by the Board of Trustees, and are not authorized to commence unless a full business case and committed funding is in place. Over the last several months, the university has been working to update its Debt Management Policy to clarify some key principles and adjust monitoring ratios. The revised policy will provide the university with a continued framework to manage its debt.

Deferred Maintenance:

Deferred maintenance remains an area of critical concern for the university.

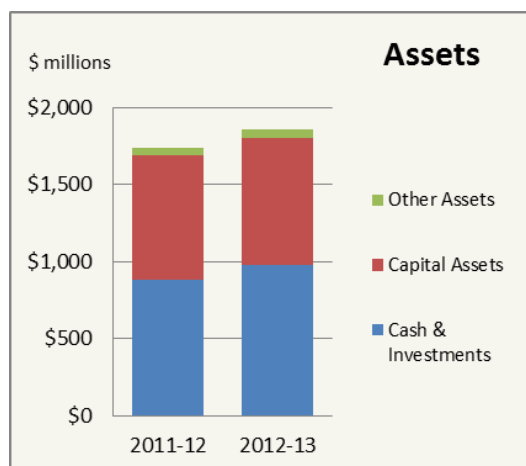
A Facilities Condition Audit was conducted in 2010 to provide an update on the status of the deferred maintenance. The results of that audit and the deferred maintenance changes since 2010 report \$213 million of deferred maintenance broken down as follows:

Facilities Condition Audit Deferred Maintenance	
	\$ thousands
Campus	164,000
Residences	48,787
	<u>212,787</u>

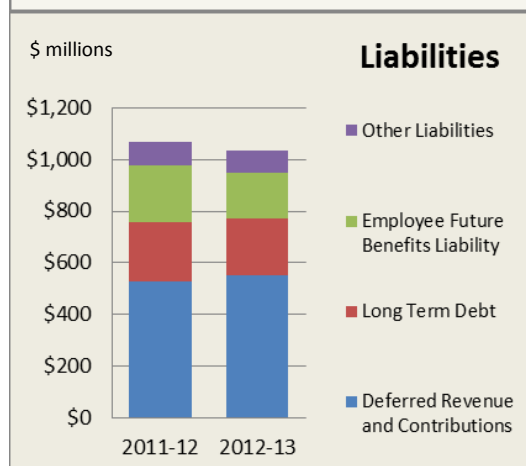
In addition, there is an estimated \$30 million of campus infrastructure (underground systems) deferred maintenance.

The university receives a small amount of annual provincial funding for deferred maintenance under the Facilities Renewal Program. The allocation to this funding envelope was cut in 2010-11, which, along with Queen's declining system share, has reduced Queen's allocation from \$1.8 million a few years ago to \$1 million annually.

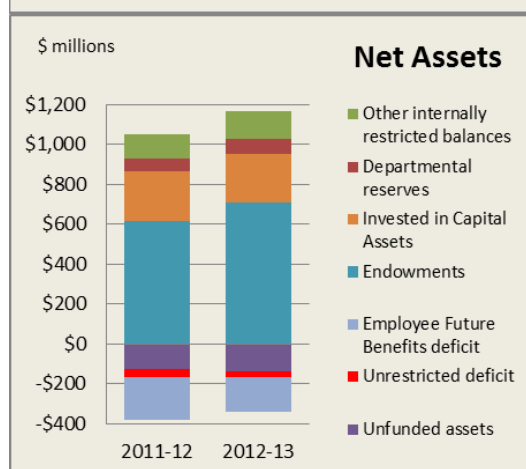
Consolidated Statement of Financial Position at a glance...



Assets of the university increased by 7% overall, due primarily to the growth in the Pooled Endowment Fund as a result of strong investment returns and endowment contributions. Capital Assets also increased further to the capital expansion that is underway across campus.



Liabilities of the university decreased by 3% or \$32,669 largely as a result of the decrease in liabilities related to employee future benefits. Further information on this decrease is explained in the previous Compensation and Benefits Section and in Note 16 to the Financial Statements. This decrease is offset by an increase of \$22,365 in overall deferred revenue and deferred capital contributions due primarily to an increase in deferred research funding.



Net Assets of the university have increased by \$151,214 in the 2012-13 fiscal year. This increase is principally a result of higher endowment balances further to strong investment returns and endowment contributions. Careful stewardship of resources by Faculties and Administration also led to an increase in Departmental reserves of \$11,406.

Consolidated Statement of Operations by Fund

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

Conversely, university budgets and internal reporting are prepared using the concepts of fund accounting. Under fund accounting, activities of the institution are segregated by fund to enhance accountability and control of funds. These funds include the Operating Fund, Ancillary Enterprises, Capital, Trust, Endowment, Special Purpose, Research, and Consolidated Entities.

The **Operating fund** includes teaching and administrative activities at the university. Operating fund revenue includes government operating grants, tuition fees, and unrestricted investment income. For information on the performance of the Operating fund, please refer to the section entitled "Performance of the Operating Fund".

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

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

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

Research funds capture activity on campus related to research. Queen's continues to be one of Canada's leading research-intensive Universities. Funding for research is received from a number of sources including the federal government, the provincial government, and various not-for-profit organizations such as the Cancer Society and the Heart and Stroke Foundation. The deficiency reported in the Research fund in the current year is a result of the expenditure of university funds allocated to research activities in prior years.

Consolidated Entities include the Bader International Study Centre, PARTEQ Research and Development Innovations, the U.S. Foundation for Queen's University at Kingston, the Crown Foundation at Queen's University at Kingston, and Queen's Centre for Enterprise Development.

Interfund Transfers, as presented on the consolidated statement of operations by fund, represents transfers of money between funds. Transfers from the Operating fund are comprised primarily of transfers to the Capital fund resulting from operating budget commitments, departmental transfers to the Research fund in support of internally sponsored research, and department transfers to trust funds in support of student assistance. Ancillary fund transfers include transfers to the Operating fund to support operations.

The Consolidated Statement of Operations by Fund

The table below presents the activities of the university, for the year ended April 30, 2013 by fund and supplements the information presented in the audited financial statements. Amounts are presented in thousands of dollars.

(\$ thousands)	Operating	Ancillaries	Trust, Endowments & Special Purpose Funds	Research	Capital	Consolidated Entities	2013 Total
REVENUE							
Grants and Contracts	200,508	-	18,888	145,132	(13,320)	5,293	356,501
Fees	202,619	17,644	4,869	121	-	7,842	233,095
Ancillary sales of service and products	6,539	65,009	547	1,050	-	4,696	77,841
Other	6,875	-	8,149	2,967	444	3,087	21,522
Amortization of deferred capital contributions	-	-	-	-	25,595	1,081	26,676
Donations	10,808	-	10,595	213	1	(121)	21,496
Investment income	26,963	-	32,798	970	1,218	84	62,033
	454,312	82,653	75,846	150,453	13,938	21,962	799,164
EXPENSES							
Salaries and benefits	304,944	19,712	23,389	76,963	-	8,185	433,193
Supplies and services	43,385	15,984	8,884	61,219	(19,776)	8,468	118,164
Amortization of capital assets	-	-	-	-	55,350	1,836	57,186
Student assistance	30,558	-	21,857	894	-	(308)	53,001
Externally contracted services	8,428	22,549	1,847	15,757	-	2,398	50,979
Utilities and insurance	14,460	5,474	77	859	-	-	20,870
Travel and conferences	5,553	440	2,687	8,054	-	110	16,844
Renovations and alterations	1,347	5,609	609	844	4,876	322	13,607
Interest on long-term debt	-	48	-	-	12,323	-	12,371
Interfund transfers out / (in)	27,483	12,970	(1,479)	(7,088)	(31,886)	-	-
	436,158	82,786	57,871	157,502	20,887	21,011	776,215
Excess / (Deficiency) of revenues over expenses before the undernoted	18,154	(133)	17,975	(7,049)	(6,949)	951	22,949
Employee future benefits remeasurements and other items	44,110						44,110
Excess / (Deficiency) of revenues over expenses	62,264	(133)	17,975	(7,049)	(6,949)	951	67,059
Transfer (to) / from Internally Restricted Net Assets	(53,084)	(1,438)	(17,975)	7,049	(5,060)	303	(70,205)
(Increase) / decrease in Unrestricted Deficit	9,180	(1,571)	-	-	(12,009)	1,254	(3,146)
Unrestricted Deficit, beginning of year	(17,276)	(4,009)	-	-	(125,245)	(19,382)	(165,912)
Unrestricted Deficit, end of year	(8,096)	(5,580)	-	-	(137,254)	(18,128)	(169,058)

Note: some numbers may not add due to rounding

Performance of the Operating Fund

The Board of Trustees approves the operating fund budget and monitors the performance of the operating fund throughout the year. The operating fund represented 57% of consolidated revenue in 2012-13.

The Board of Trustees pays careful attention to the allocation and use of resources within the operating fund and remains focused on achieving a balanced budget. Budgets are prepared on a cash basis and may include drawdowns of cash reserves to balance.

2012-13 Operating Fund	Actual	\$ thousands Budget	Variance
Revenue	454,312	423,510	30,802
Less: Expenditures	(436,158)	(436,220)	62
Employee future benefits remeasurement gains and other items	44,110	-	44,110
Surplus / (Deficit)	62,264	(12,710)	74,974
Appropriations			
Transfer (to) / from departmental reserves	(11,274)	10,410	21,684
Employee future benefit remeasurement gains	(44,110)	-	44,110
Amount funded by Employee Future Benefit reserves	2,300	2,300	-
Total transfer (to) / from restricted net assets	(53,084)	12,710	65,794
Decrease in unrestricted deficit	9,180	-	9,180

For 2012-13, the actual result for the operating fund was a surplus of \$62.3 million, versus a budget deficit of \$12.7 million before drawdowns of reserves. These financial results are significantly better than plan due primarily to favorable investment returns, in addition to higher fee revenue and stewardship of resources with a focus on cost containment.

The strong performance of pension plan assets is the primary reason for the remeasurement gain of \$44.1 million, which is a non-cash item that is not included in the approved operating budget, and the significant contributor to the operating budget surplus. This entire amount is used to reduce the pension and other benefit plans deficit in internally restricted net assets as shown in Note 14 of the financial statements.

Investment returns on university assets exceeded budget by \$14.7 million allowing for a reduction in the operating fund deficit that arose primarily as a result of the 2008-09 economic crisis. Fee revenue exceeded budgeted amounts due primarily to higher than planned enrolment in School of Business and Faculty of Arts & Science programs.

Departments typically budget very conservatively, accounting for the budgeted draw-down of departmental reserves of \$10.4 million. Higher than planned enrolments in some faculties and schools, together with cost containment measures in the current fiscal climate resulted in an \$11.3 million increase in departmental reserves.

In May 2013, the Board of Trustees approved the 2013-14 operating budget which is balanced with a \$4.3 million draw-down of departmental reserves.

Conclusion

Queen's University at Kingston stands for excellence and continues to deliver outstanding academic and research programs, despite ongoing fiscal challenges. Uncertainties around government funding, substantial pressures created through low interest rates, the future funding requirements for the pension plan, the substantial amount of deferred maintenance, and the requirement to optimize within the Province's tuition policy framework reinforce our need for continued strong governance, and to remain relentless in our financial stewardship role. For more than 170 years, our community has been more than a collection of bright minds. We imagine what the future can be, and work together to realize it.

This is the Queen's spirit. A bold, enduring spirit of initiative.

The information in this report is meant to provide the reader with financial information for the fiscal year ended April 30, 2013. Other documents that provide additional information on the financial situation of the university include:

- Annual Budget Reports <http://www.queensu.ca/financialservices/reports/budget.html>
- Quarterly Financial Updates
<http://www.queensu.ca/financialservices/reports/FinancialReports.html>
- Rating agency reports <http://www.queensu.ca/financialservices/reports/credit.html>

STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

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

The administration has prepared the accompanying consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations as issued by the 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, 2013, April 30, 2012 and May 1, 2011, and the results of its operations for the years ended April 30, 2013 and April 30, 2012.

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.

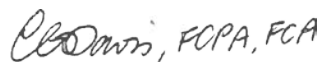
Mercer Human Resource Consulting Limited has been retained by the university in order to provide an estimate of the university's pension and other employee future benefit liabilities. Administration has provided the valuation actuary with the information necessary for the completion of the university's report and retains ultimate responsibility for the determination and estimation of the pension and other employee future benefit liabilities 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 and Risk Committee. The majority of the members of the Audit and Risk Committee are not officers or employees of the university. The Audit and Risk Committee meets with the administration, as well as the internal and the external auditors, to discuss the results of audit examinations and financial reporting matters, and to satisfy itself that each party is properly discharging its responsibilities. The internal and external auditors have full access to the Audit and Risk Committee with and without the presence of the administration.

The consolidated financial statements for the years ended April 30, 2013, April 30, 2012 and the statement of financial position as at May 1, 2011 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
October 4, 2013



Vice-Principal (Finance and Administration)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Queen's University at Kingston, which comprise the consolidated statements of financial position as at April 30, 2013, April 30, 2012 and May 1, 2011, the consolidated statements of operations, changes in net assets and cash flows for the years ended April 30, 2013 and April 30, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Queen's University at Kingston as at April 30, 2013, April 30, 2012 and May 1, 2011 and its consolidated results of its operations and its consolidated cash flows for the years ended April 30, 2013 and April 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants, Licensed Public Accountants
October 4, 2013
Kingston, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of dollars)

	2013 April 30	2012 April 30	2011 May 1
ASSETS			
Current			
Cash	\$ 46,797	\$ 46,136	\$ 66,109
Accounts receivable (note 4)	42,131	40,457	40,397
Loans receivable (note 5)	589	1,408	1,256
Prepaid expenses	5,274	2,047	1,789
Investments (note 7)	59,309	32,506	2,453
Total current assets	154,100	122,554	112,004
Loans receivable (note 5)	4,078	3,739	2,820
Derivative assets (note 6)	4,803	1,484	11,087
Investments (note 7)	871,781	802,251	830,019
Capital assets (note 8)	822,147	808,336	792,909
	\$ 1,856,909	\$ 1,738,364	\$ 1,748,839
LIABILITIES AND NET ASSETS			
Current			
Accounts payable and accrued liabilities (note 9)	\$ 84,660	\$ 89,316	\$ 81,237
Current portion of long-term debt (note 12)	6,503	6,298	6,099
Deferred revenue and contributions (note 10)	199,717	199,589	216,384
Total current liabilities	290,880	295,203	303,720
Derivative liabilities (note 6)	15	8	1,153
Deferred capital contributions (note 11)	352,043	329,806	308,304
Long-term debt (note 12)	214,571	220,968	227,168
Employee future benefits liability (note 16)	175,979	220,172	218,792
	1,033,488	1,066,157	1,059,137
Net Assets			
Endowments (note 13)	710,251	616,797	615,514
Internally restricted (note 14)	282,228	221,322	231,802
Unrestricted deficiency	(169,058)	(165,912)	(157,614)
	823,421	672,207	689,702
	\$ 1,856,909	\$ 1,738,364	\$ 1,748,839

See accompanying notes to consolidated financial statements.

Commitments and Contingencies (note 20)

Approved by the Board of Trustees



Barbara Palk
Trustee



Karyn A. Brooks, FCPA, FCA
Trustee

CONSOLIDATED STATEMENT OF OPERATIONS

Years ended April 30
(Thousands of dollars)

	2013	2012
REVENUES		
Grants and contracts	\$ 356,501	\$ 364,437
Fees	233,095	214,468
Ancillary sales of service and products	77,841	72,765
Other	21,522	17,852
Amortization of deferred capital contributions (note 11)	26,676	25,587
Donations	21,496	20,757
Investment income (note 7)	62,033	27,570
	799,164	743,436
EXPENSES		
Salaries and benefits	433,193	424,122
Supplies and services	118,164	122,081
Amortization of capital assets	57,186	57,792
Student assistance	53,001	55,134
Externally contracted services	50,979	37,482
Utilities and insurance	20,870	18,584
Travel and conferences	16,844	16,605
Renovations and alterations	13,607	23,900
Interest on long-term debt	12,371	12,606
	776,215	768,306
Excess / (Deficiency) of revenues over expenses before the undernoted	22,949	(24,870)
Employee future benefits remeasurements and other items (note 16)	44,110	5,234
Excess / (Deficiency) of revenues over expenses	\$ 67,059	\$ (19,636)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Years ended April 30
(Thousands of dollars)

	Endowments	Internally Restricted	Unrestricted	Total 2013
Net assets (deficiency), beginning of year	\$ 616,797	\$ 221,322	\$ (165,912)	\$ 672,207
Excess of revenues over expenses	-	-	67,059	67,059
Change in internally restricted net assets	-	56,100	(56,100)	-
Endowment contributions (note 13)	23,972	-	-	23,972
Excess of investment earnings over endowment spending (note 13)	67,020	7,268	(14,105)	60,183
Departmental contributions and other transfers (note 13)	2,462	(2,462)	-	-
Net assets (deficiency), end of year	\$ 710,251	\$ 282,228	\$ (169,058)	\$ 823,421

	Endowments	Internally Restricted	Unrestricted	Total 2012
Net assets (deficiency), beginning of year	\$ 615,514	\$ 231,802	\$ (157,614)	\$ 689,702
Deficiency of revenues over expenses	-	-	(19,636)	(19,636)
Change in internally restricted net assets	-	(983)	983	-
Endowment contributions (note 13)	10,078	-	-	10,078
Deficiency of investment earnings over endowment spending (note 13)	(18,292)	-	5,060	(13,232)
Departmental contributions and other transfers (note 13)	9,497	(9,497)	-	-
Funding received for purchase of land	-	-	5,295	5,295
Net assets (deficiency), end of year	\$ 616,797	\$ 221,322	\$ (165,912)	\$ 672,207

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended April 30
(Thousands of dollars)

	2013	2012
OPERATING ACTIVITIES:		
Excess / (Deficiency) of revenues over expenses	\$ 67,059	\$ (19,636)
Non-cash items:		
Amortization of deferred capital contributions	(26,676)	(25,587)
Amortization of capital assets	57,186	57,792
Change in fair value of investments and derivatives	(16,306)	18,791
Change in employee future benefits liability	(44,193)	1,380
Net change in non-cash working capital (note 15)	(9,429)	(9,034)
Cash provided by operating activities	27,641	23,706
INVESTING ACTIVITIES:		
Net change in loans receivable	480	(1,071)
Sale of derivative assets	-	7,352
Net change in investments (excluding changes in fair value)	(81,151)	(48,752)
Purchases of capital assets	(70,997)	(73,219)
Investment gain reported as direct increase in net assets (excluding changes in derivative fair value)	50,727	15,550
Cash used in investing activities	(100,941)	(100,140)
FINANCING ACTIVITIES:		
Repayment of long-term debt	(6,192)	(6,001)
Contributions received for capital purposes	48,913	47,089
Contributions and transfers reported as direct increase in net assets	31,240	15,373
Cash provided by financing activities	73,961	56,461
Net increase / (decrease) in cash	661	(19,973)
Cash, beginning of year	46,136	66,109
Cash, end of year	\$ 46,797	\$ 46,136

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

1. AUTHORITY

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

QCED Inc. (Queen's Centre for Enterprise Development) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The university transitioned to these new standards on May 1, 2011. An explanation of the impact of the transition is included in Note 3.

The significant accounting policies of the university are described below.

(a) Accounting estimates

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

(b) Financial instruments

Financial instruments are recorded at fair value upon initial recognition. Investments and derivative instruments, other than contracts to buy or sell electricity and gas, are subsequently measured at fair value. All other financial instruments are subsequently recorded at amortized cost.

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

(c) Translation of foreign currency

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

(d) Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. Certain parcels of land that were purchased prior to May 1, 2011 are recorded at deemed cost, being their fair value at May 1, 2011, the transition date to Canadian accounting standards for not-for-profit organizations as described in Note 3.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

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

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

(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.

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. During the year ended April 30, 2013, the university's collection increased by 263 pieces of artwork with a total appraised value of \$5,502. The collection is fully insured through a fine arts policy, with a market value of \$122,388 at April 30, 2013.

(f) 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 receivable can be reasonably estimated and collection is reasonably assured.

Contributions externally restricted for purposes other than endowments and capital assets are deferred and recognized as revenue in the year in which related expenses are recognized. External endowment contributions and income preserved as capital protection on externally restricted endowments are recognized as direct increases in net assets in the year in which they are received. Income preserved as capital protection on internally restricted endowments is recorded as unrestricted revenue and transferred to internal endowments.

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

(g) 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 and the related costs for the pension benefit plan based on the latest going concern funding valuation. The actuarial valuation is performed at least every three years. In the years between valuations, pension plan results are prepared based on extrapolations of the latest available funding valuation results. Assets of the pension plan are valued using fair values at April 30.

The university accrues its obligations and related costs for the non-pension benefit plans using the projected benefit pro-rated on services rendered and administration's best estimate of future conditions.

The benefit plan expense for the year consists of changes in the accrued benefit obligation other than those resulting from benefit payments to plan members, and employee contributions.

(h) 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.

(i) 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. IMPACT OF THE TRANSITION TO CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS AND OTHER CHANGES

Queen's University at Kingston has elected to apply Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook for its fiscal year beginning May 1, 2012. The accounting policies described in Note 2 have been applied in preparing the financial statements for the year ended April 30, 2013, the comparative information for the year ended April 30, 2012 and in preparation of the opening statement of financial position at May 1, 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

The following table summarizes the impact of the transition to not-for-profit standards and other changes on the university's net assets:

Net Assets:	
As previously reported under Canadian generally accepted accounting principles, April 30, 2011	\$ 731,114
Transition election to recognize all cumulative actuarial gains and losses on pension benefit plan	(147,724)
Transition election to recognize all cumulative actuarial gains and losses on other benefit plans	1,286
Transition election to fair value land held by the University	47,016
Transition adjustment to record financial instruments at amortized cost	247
Unrealized gains on endowment investments	57,763
Restated, May 1, 2011	\$ 689,702

The university, in accordance with transitional provisions set out in Section 1501, First-time Adoption by Not-For-Profit Organizations, has applied the following transitional elections:

Employee future benefits – The university has elected to recognize all cumulative actuarial gains and losses and past service costs in opening net assets.

Fair value – The university has elected to measure items of land at May 1, 2011 using the fair value election.

Financial instruments – The university has applied Section 3856 in Part II of the Handbook and recorded adjustments to opening net assets. The university has elected to measure certain financial instruments at amortized cost.

As a result of the aforementioned elections and the retrospective application of the new standards, the university recorded the following adjustments to deficiency of revenue over expenditures for the comparative year ended April 30, 2012:

Deficiency of revenues over expenditures:	
As previously reported under Canadian generally accepted accounting principles for the year ended April 30, 2012	\$ (3,563)
Decrease to pension expense as a result of electing to recognize all actuarial gains and losses on pension benefits upon transition	12,386
Increase to salaries and benefits expense as a result of electing to recognize all actuarial gains and losses on other benefit plans upon transition	(9,460)
Decrease to investment income as a result of unrealized losses being recorded in the consolidated statement of operations	(18,999)
Restated, for the year ended April 30, 2012	\$ (19,636)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

(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 recognized as assets in the consolidated financial statements. The total amount of pledges outstanding and the expected year of collection are as follows:

2013-2014	\$ 21,209
2014-2015	10,749
2015-2016	9,589
Subsequent years	12,271
Outstanding pledges at April 30	\$ 53,818

Included in the preceding amount is \$399 (2012 - \$372) in cash surrender value on life insurance policies that are owned by the university.

5. LOANS RECEIVABLE

Loans receivable is comprised of an amount receivable regarding the sale of a property of \$nil (2012 - \$790), relocation loans to employees in the amount of \$700 (2012 - \$922), microcomputer loans to employees in the amount of \$767 (2012 - \$812) and a loan to the Kingston General Hospital / Queen's Parking Commission in the amount of \$3,200 (2012 - \$2,623).

6. DERIVATIVES

The university is party to foreign exchange contracts to manage currency exposures for economic hedging and risk management purposes. The university also enters into electricity and natural gas contracts to manage the risk of fluctuating energy costs.

7. INVESTMENTS AND INVESTMENT INCOME

Fair value details of investments are as follows:

	2013	2012
Current		
Short-term	\$ 59,309	\$ 32,506
Non-Current		
Pooled Endowment Fund	690,155	610,731
Pooled Investment Fund	155,609	168,205
Other	26,017	23,315
	871,781	802,251
Total Investments	\$ 931,090	\$ 834,757

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

Investment income is comprised of the following:

	2013		2012	
Realized income on investments	\$	48,452	\$	47,650
Unrealized gains/(losses) on investments		15,182		(18,999)
Unrealized gains on derivatives		1,124		208
Interest income		648		1,027
		65,406		29,886
Investment management fees		(3,373)		(2,316)
Investment income	\$	62,033	\$	27,570

8. CAPITAL ASSETS

Capital assets consist of the following:

	2013			2012		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 84,925	\$ -	\$ 84,925	\$ 83,259	\$ -	\$ 83,259
Buildings	929,547	314,978	614,569	882,661	295,500	587,161
Leasehold improvements	7,476	4,975	2,501	6,801	4,229	2,572
Equipment and furnishings	158,146	116,562	41,584	156,709	109,362	47,347
Cogeneration facility	14,555	4,819	9,736	14,555	4,090	10,465
Library acquisitions	143,253	137,195	6,058	145,659	137,862	7,797
Software	30,435	16,480	13,955	30,435	10,393	20,042
Construction in process	48,819	-	48,819	49,693	-	49,693
	\$ 1,417,156	\$ 595,009	\$ 822,147	\$ 1,369,772	\$ 561,436	\$ 808,336

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities is comprised primarily of trade accounts payable, government remittances, and payroll related accruals. The university's government remittances payable at the end of the year were current and amounted to \$10,416 (2012 - \$12,092).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

10. DEFERRED REVENUE AND CONTRIBUTIONS

	2013	2012
Research funds	\$ 100,520	\$ 85,804
Student fees	18,595	15,106
Other	6,243	9,589
Trust funds	48,616	47,454
Capital funds	17,037	32,041
Gift annuities	8,706	9,595
	\$ 199,717	\$ 199,589

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

Student fees represent fees paid prior to April 30 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 externally 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.

11. 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:

	2013	2012
Balance, beginning of year	\$ 329,806	\$ 308,304
Less amortization of deferred capital contributions	(26,676)	(25,587)
Contributions received for capital purposes	48,913	47,089
	\$ 352,043	\$ 329,806

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

12. LONG-TERM DEBT**(a) Long term debt consists of the following:**

			2013	2012
	Maturity in Fiscal Year Ending	Interest Rate	Principal Outstanding	Principal Outstanding
Debentures				
Series A senior unsecured bullet debenture maturing on November 19, 2032	2033	6.10%	\$ 90,000	\$ 90,000
Senior unsecured amortizing debenture maturing July 2, 2014	2015	3.16%	9,499	15,588
Senior unsecured bullet debenture maturing June 1, 2040	2041	5.10%	50,000	50,000
Senior unsecured bullet debenture maturing April 1, 2040	2040	5.09%	75,000	75,000
			224,499	230,588
Mortgages				
Canada Mortgage and Housing Corporation	2017	5.38%	826	1,035
Unamortized transaction costs/bond discount			(4,251)	(4,357)
			221,074	227,266
Less current portion			(6,503)	(6,298)
			\$ 214,571	\$ 220,968

Certain assets have been pledged as collateral for mortgages.

The university has established sinking funds to provide funds to repay both the Series A senior unsecured debenture maturing on November 19, 2032 and the Senior unsecured debentures maturing in April and June 2040. At April 30, 2013 the value of the sinking funds is \$42,202 (2012 - \$35,840).

(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	
2014	\$ 6,503
2015	3,449
2016	245
2017	128
2018	-
Thereafter	210,749
	\$ 221,074

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

13. ENDOWMENTS

Contributions restricted for endowments consist of externally restricted donations received by the university and contributions internally restricted by the Board of Trustees, in exercising 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.

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

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

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

	2013	2012
Endowments, beginning of year	\$ 616,797	\$ 615,514
Endowment contributions	23,972	10,078
Surplus / (Deficiency) of investment earnings over endowment spending on:		
Externally restricted endowments	52,915	(13,232)
Internally restricted endowments	14,105	(5,060)
Internal transfers to endowments		
Departmental contributions and other transfers	2,462	9,497
	\$ 710,251	\$ 616,797

In 2013, investment earnings, net of fees, of \$94,965 (2012 – \$12,738) were earned on endowments. An amount of \$27,945 (2012 - \$31,030) was made available for spending.

An amount of \$21,146 (2012 – \$23,693) was made available for spending on externally restricted endowments and recorded as investment income. The difference between the amount available for spending and the investment earnings was recorded as a direct increase / (decrease) to endowments.

An amount of \$6,799 (2012 - \$7,337) was made available for spending on internally restricted endowments. The difference between the amount available for spending and the investment earnings was transferred between endowments and unrestricted net assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

14. INTERNALLY RESTRICTED NET ASSETS

Details of year-end balances are as follows:

	2013	2012
Departmental carryforward funds	\$ 74,476	\$ 63,070
Ancillary enterprises - major repairs and renovations	22,205	20,770
Unspent research funds	16,937	23,987
Unspent special purpose funds	41,822	33,133
Insurance reserve	980	980
Investment in capital assets	244,780	246,907
Sinking funds	42,202	35,840
Other capital reserves	10,457	10,159
Employee future benefits		
Pension and other benefit plans	(175,979)	(220,172)
Reserve	4,348	6,648
	\$ 282,228	\$ 221,322

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 special purpose funds with no external restrictions.

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.

Sinking funds have been established to fund the principal repayments of the bullet debentures held by the university.

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

Employee future benefit balances represent the deficit associated with the Pension and other benefit plans, offset by associated internally restricted reserve balances.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

15. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	2013	2012
Net change in non-cash working capital:		
Accounts receivable	\$ (1,674)	\$ (60)
Prepaid expenses	(3,227)	(258)
Accounts payable and accrued liabilities	(4,656)	8,079
Deferred revenue and contributions	128	(16,795)
	<u>\$ (9,429)</u>	<u>\$ (9,034)</u>

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. The university also provides other employee future benefits such as medical, dental and life insurance to eligible active and retired employees.

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

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

The university measures its accrued benefit obligations and fair value of pension plan assets at April 30 each year. The most recent actuarial valuation for funding purposes of the pension plan was performed as of August 31, 2011 and the results have been extrapolated to April 30, 2013. The date of the next required valuation is August 31, 2014. The most recent actuarial valuation of non-pension post-retirement benefits was performed as of January 31, 2013 and results have been extrapolated to April 30, 2013. The most recent actuarial valuation of post-employment benefits was performed as of April 30, 2013.

Salaries and benefits expense for the year includes pension benefit expenses of \$31,730 (2012 – \$35,244) and non-pension post-retirement and post-employment benefit expenses of \$6,800 (2012 – \$5,818).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

(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 April 30 is as follows:

	2013			2012		
	Pension benefit plan	Other benefit plans	Total	Pension benefit plan	Other benefit plans	Total
Accrued benefit liability						
Accrued benefit obligation	\$ (1,578,885)	\$ (95,405)	\$ (1,674,290)	\$ (1,501,485)	\$ (76,497)	\$ (1,577,982)
Fair value of plan assets	1,498,311	-	1,498,311	1,357,810	-	1,357,810
Plan deficit / accrued benefit liability	\$ (80,574)	\$ (95,405)	\$ (175,979)	\$ (143,675)	\$ (76,497)	\$ (220,172)
Benefit plan expense						
Current service cost	\$ 23,365	\$ 3,026	\$ 26,391	\$ 26,720	\$ 2,303	\$ 29,023
Interest cost	8,365	3,774	12,139	8,524	3,515	12,039
	31,730	6,800	38,530	35,244	5,818	41,062
Remeasurements and other items						
Investment (gains) / losses	(43,173)	-	(43,173)	22,016	-	22,016
Plan amendments	-	-	-	(22,925)	-	(22,925)
Actuarial (gain) / loss on accrued benefit obligation	(14,495)	13,558	(937)	(13,856)	9,531	(4,325)
	(57,668)	13,558	(44,110)	(14,765)	9,531	(5,234)
Total	\$ (25,938)	\$ 20,358	\$ (5,580)	\$ 20,479	\$ 15,349	\$ 35,828

Pension benefit plan assets are invested as follows:

	2013	2012
Equity securities	61%	61%
Debt securities	32%	32%
Other	7%	7%
	100%	100%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

(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:

	2013		2012	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Accrued benefit obligation:				
Discount rate	6.0%	3.4% to 4.2%	6.0%	4.1% to 5.0%
Rate of compensation increase	3.25% to 4.5%	3.25% to 4.5%	3.25% to 4.5%	3.25% to 4.5%
Benefit plan expense:				
Discount rate	6.0%	3.4% to 5.0%	6.0%	4.1% to 5.8%
Expected long-term rate of return on plan assets	6.0%	N/A	6.0%	N/A
Rate of compensation increase	3.25% to 4.5%	3.25% to 4.5%	3.25% to 4.5%	3.25% to 4.5%
Assumed health-care cost trend:				
Initial health-care cost trend rate	N/A	8.0%	N/A	6.85% to 7.06%
Health-care cost trend rate declines to	N/A	4.5%	N/A	4.5%
Year that the rate reaches the ultimate trend rate	N/A	2029	N/A	2029

Details of annual contributions and benefits paid are as follows:

	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Employer contributions	37,163	1,801	32,727	1,721
Employee contributions	20,533	-	17,068	-
Benefits paid	85,022	1,801	81,782	1,721

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 August 31, 2011 reported a solvency deficit of \$332,269 and a going concern deficit of \$126,411. Annual special going concern employer contributions of \$14,412 are required. The next actuarial valuation of the pension plan will be completed by August 31, 2014.

During the 2012 fiscal year, the university applied and qualified for stage one of the public sector pension plan temporary solvency funding relief program. This allows the university three years of relief from making solvency special payments. If Queen's receives stage two solvency relief at the time of the next required valuation, August 31, 2014, it will allow the solvency deficit to be funded over ten years, requiring an increase in special payment contributions of approximately \$35,000 annually commencing in fiscal 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

(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 fair value of investments is disclosed in Note 7.

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

	2013		2012	
	Notional value	Fair value	Notional Value	Fair value
US Dollar	\$ 190,092	\$ 3,143	\$ 173,835	\$ 1,638
Other	101,218	1,645	99,973	(162)
	\$ 291,310	\$ 4,788	\$ 273,808	\$ 1,476

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.

Gains and losses on forward foreign exchange contracts are recognized when they mature. The notional amounts of derivative financial instruments are not included in the 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, note disclosure or separate audited year-end reports are required.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

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

(for the year ended April 30)	2013	2012
Endowment Funds:		
Opening balance	\$ 70,737	\$ 70,936
Transfer to expendable funds	(475)	(199)
Endowment fund balance at end of year	\$ 70,262	\$ 70,737
Expendable Funds:		
Opening balance	\$ 428	\$ 428
Investment income	3,212	3,530
Bursaries awarded	(3,687)	(3,729)
Transfer from endowment funds	475	199
Expendable funds available for awards	\$ 428	\$ 428
Number of bursaries awarded	1,258	1,283

The market value of the OSOTF phase 1 endowment at April 30, 2013 is \$85,489 (2012 - \$77,563).

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

(for the year ended March 31)	OSOTF II	OTSS	2013 Total	2012 Total
Endowment Funds:				
Opening balance	\$ 12,208	\$ 24,193	\$ 36,401	\$ 33,745
Donations received	-	1,370	1,370	1,283
Government matching received	-	-	-	1,016
Transfer from expendable funds	30	203	233	357
Endowment capital	\$ 12,238	\$ 25,766	\$ 38,004	\$ 36,401
Expendable Funds:				
Opening balance	\$ 258	\$ 135	\$ 393	\$ 520
Internal transfers to expendable funds	2	3	5	-
Investment income	482	990	1,472	1,539
Bursaries awarded	(484)	(787)	(1,271)	(1,309)
Transfer to endowment funds	(30)	(203)	(233)	(357)
Expendable funds available for awards	\$ 228	\$ 138	\$ 366	\$ 393
Number of bursaries awarded	215	432	647	535

The market value of the OSOTF phase 2 endowment at March 31, 2013 was \$39,166 (2012 - \$34,797).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

19. 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, or joint control.

(a) Investment in Parking Commission

Queen's University at Kingston entered into a joint venture with Kingston General Hospital (KGH) for the construction and operation of an underground parking garage managed and governed by a joint Parking Commission established by the parties and including an equal number of commission members appointed by both parties. The university's initial capital investment in the partnership was repaid by the Parking Commission over a twenty-five year period ending December 31, 2007. In fiscal 2011 the Parking Commission embarked on a significant restoration project. The university's share of these capital expenditures as at April 30, 2013 was \$3,463 (2012 - \$2,776). The university's share of the Parking Commission's excess of revenues over expenses of \$275 (2012 - \$395) is reported in the statement of operations. The investment in the Parking Commission is accounted for using the equity method.

(b) Investment in Cogeneration Facility

Queen's University at Kingston entered into a joint venture with KGH for the construction and operation of a cogeneration facility governed by a management board consisting of representatives of the university 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 repaid from the operating fund over a twenty-five year period ending April 30, 2031. The university's proportionate share of the cogeneration facility's excess of revenues over expenses is \$137 (2012 - \$280), and is reported in the statement of operations.

(c) McGill-Queen's University Press

Queen's University at Kingston 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 / entitled to, a 50% share of any deficit / surplus accumulated by McGill-Queen's University Press. The university's share of the accumulated surplus at April 30, 2012 was \$152 (2011 - \$233).

(d) SNOLAB Institute

The SNOLAB Institute at Queen's University was created to perform research in particle astrophysics and succeeds the Sudbury Neutrino Observatory Institute which was decommissioned in 2007. This is a joint venture of the university and four other Canadian universities. The university's proportionate share (20%) of the joint venture's operations has been included in these consolidated financial statements (see also Note 20(f)).

(e) 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 20(c)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

The following financial information at March 31, 2013 for TRIUMF was prepared in accordance with Canadian public sector accounting standards (PSAS), including accounting standards that apply to government not-for-profit organizations, except that all property, plant and equipment purchased or constructed for use at TRIUMF and related decommissioning costs (if any) are expensed in the period in which the costs are incurred.

		2013	2012
Total assets	\$	28,601	\$ 28,070
Total liabilities		9,806	8,981
Total fund balances	\$	18,795	\$ 19,089
Revenues	\$	87,856	\$ 77,522
Expenses		88,150	76,501
Excess / (Deficiency) of revenues over expenses	\$	(294)	\$ 1,021

20. COMMITMENTS AND CONTINGENCIES

(a) Litigation

The nature of the university's activities are such that there may be litigation pending or in prospect at any time. With respect to claims at April 30, 2013, administration believes that the university has valid defenses and that appropriate insurance coverage is in place wherever it is possible to do so. In the event any claims are successful, administration believes that such claims are not expected to have a material effect on the university's financial position. Accordingly, no provision has been accrued in these financial statements.

(b) Insurance

The university is a member of the Canadian University Reciprocal Insurance Exchange (CURIE). CURIE insures general liability, university property and errors and omissions. Annual premiums paid by the university are determined by the CURIE Board, on the advice of the actuary. There is a provision under the agreement for assessments to all member universities if these premiums are not sufficient to cover losses. As of December 31, 2012, the date of the latest financial statements available, CURIE had a surplus of \$60,500 (2011 - \$48,600).

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 – Asset retirement obligation

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, as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions of decommissioning the facilities, TRIUMF has complied with federal legislation by putting in place a decommissioning plan, including a funding plan. This decommissioning plan does not require any payments from the joint venture partners. All decommissioning costs are expensed in the period in which the costs are incurred.

(d) Capital commitments

As of April 30, 2013 the estimated cost to complete construction in process for the extension of facilities is approximately \$122,832 (2012 - \$101,767). These costs will be financed by a combination of external debt, gifts, grants, ancillary income, and allocations from operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2013

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

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

Fiscal year	
2014	\$ 1,368
2015	1,463
2016	1,349
2017	1,188
2018	1,909
Thereafter	1,811
	\$ 9,088

(e) Bank loan guarantees

The university has a program 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 April 30, 2013, the amount of loans guaranteed was \$173 (2012- \$192). The university's estimated exposure under these guarantees is not material.

(f) SNOLAB - Asset retirement obligation

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

There are no immediate plans for decommissioning of the facilities or a reasonable estimate of when such decommissioning may occur. Currently, new experiments are being developed through use of the facility and decommissioning is not expected to occur sooner than fiscal 2020. No accrual has been made in these financial statements.

(g) Long-term debt

During the year, the university entered into a loan agreement to finance capital construction costs. The total available under this loan is \$70,000 and is to be borrowed through a series of drawdowns occurring between July 2013 and November 2015. The university obtained an interest rate swap with an effective rate of 3.18% to reduce the interest rate risk associated with this floating interest rate loan. Subsequent to April 30, the university made the first draw of \$10,000 on the loan.

(h) Other

In addition to the capital commitments disclosed in Note 20(d) and the pension special payments disclosed in Note 16, the university has issued letters of credit of \$5,046 primarily for capital construction, and has guaranteed an operating line of credit of \$1,000 for PARTEQ.