



2018-19 CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30 2019



Consolidated Financial Statements

Queen's University at Kingston

April 30, 2019

**QUEEN'S UNIVERSITY AT KINGSTON
CONSOLIDATED FINANCIAL STATEMENTS
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INDEX

	Page
The Year in Review	3
Statement of Administrative Responsibility	16
Independent Auditors' Report on Financial Statements	17
Financial Statements	
Consolidated Statement of Financial Position	20
Consolidated Statement of Operations	21
Consolidated Statement of Changes in Net Assets	22
Consolidated Statement of Cash Flows	23
Notes to Consolidated Financial Statements	24

As we welcome Queen's 21st Principal and Vice-Chancellor, Dr. Patrick Deane, to campus, it's a poignant time for the University community to celebrate the progress we have made over the past 10 years during Dr. Daniel Woolf's tenure as principal, and to look ahead with renewed focus on our core academic mission of excellence in teaching, research, and service to our communities.

A key driver in the Queen's University Strategic Framework is Financial Sustainability. As these Consolidated Financial Statements detail, Queen's had another successful financial year, achieving a surplus in fiscal 2019. This surplus was primarily the result of favourable investment returns along with higher than anticipated student enrolments, and it reflects the efforts of faculties and shared services to help the University manage its finances.

The 2018-19 surplus is largely built upon investment returns that can be volatile, and it does not reflect projected negative effects on our revenue in the coming years.

Over the next few years Queen's will be managing a number of financial risks, beginning with the impact of the provincial tuition cut, which will result in a decrease in previously projected operating revenue of approximately \$70 million over this year and next. At the same time, Queen's relies on the government for grant support, and the University faces uncertainty regarding the prospect of future enrolment growth under the next Strategic Mandate Agreement, which is yet to be negotiated.

In terms of our infrastructure, Queen's faces ongoing and significant costs associated with the upkeep of our aging buildings and facilities which house our faculty and students, with deferred maintenance costs estimated at more than \$344 million over the next five years.

Managing these risks will remain a priority for the University as we continue our focus on initiatives to build a more diverse and inclusive Queen's community, to continue to invest in faculty renewal and services to support student success, and to advance our leadership in sustainability locally and beyond.

Progress was made over the past year in addressing specific financial risks, with significant strides towards creating a jointly sponsored pension plan for the Ontario university sector, and with the opening of our stunning new innovation and wellness facility, Mitchell Hall, which addressed a portion of the deferred maintenance backlog. Queen's is also continuing its strategic investment in faculty renewal with our ambitious initiative to hire 200 new faculty over five years in support of teaching and research.

As Principal Deane returns to Queen's, we look forward to the excitement and invigoration of our campus as he connects with students, faculty, and staff in charting a path forward, supported by our current positive financial position.



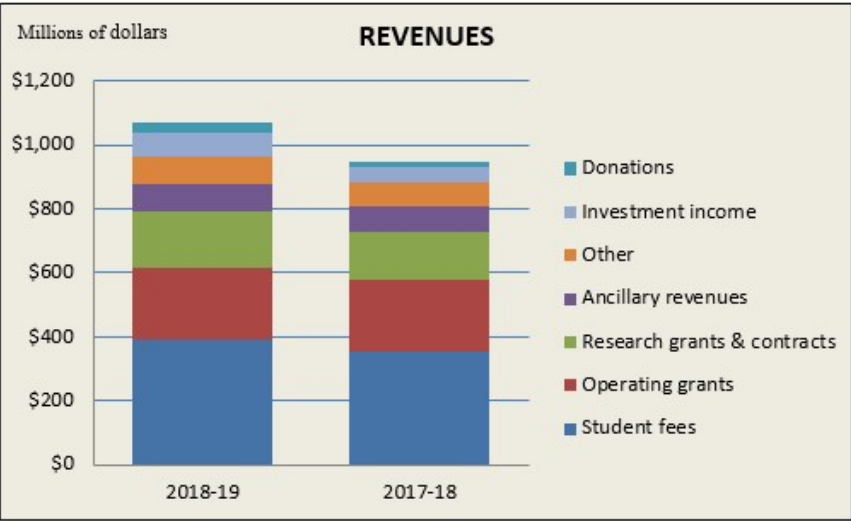
Donna Janiec, CPA, CA
Vice-Principal (Finance and Administration)

THE YEAR IN REVIEW

In 2018-19 the University completed the year in a stable financial position with a surplus of \$105.2 million, driven primarily by higher than planned student enrolment, favourable investment returns and the efforts across the University to constrain costs.

YEAR ENDED APRIL 30		
(Millions of dollars)	2019	2018
Consolidated Statement of Operations		
Revenue	\$ 1,069.7	\$ 947.7
Expenses	964.5	872.8
Excess of revenues over expenses	<u>\$ 105.2</u>	<u>\$ 74.9</u>
Consolidated Statement of Financial Position		
Assets	\$ 2,810.5	\$ 2,629.0
Liabilities	1,153.9	1,151.8
Net assets	<u>\$ 1,656.6</u>	<u>\$ 1,477.2</u>
Net Assets is comprised of:		
Endowments	\$ 1,152.6	\$ 1,085.5
Invested in capital assets	221.1	203.0
Internally restricted	293.3	198.2
Unrestricted deficiency	(10.4)	(9.5)
	<u>\$ 1,656.6</u>	<u>\$ 1,477.2</u>

REVENUES

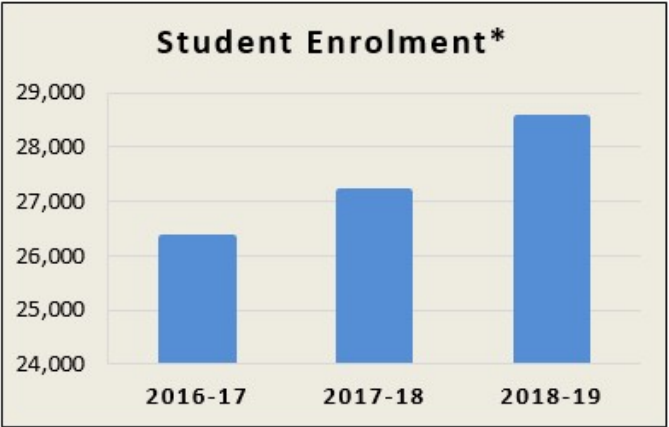


At a glance....
Total revenues grew by 13 per cent due largely to higher enrolment, favourable investment returns and increased research grants and contracts. The majority of operating grants is from the Ministry of Training Colleges and Universities (MTCU). There are no significant changes in the operating grants from the prior year. Note that all revenues that are externally restricted (e.g research grants or donations) are only recorded when the related expenditures occur and thus have no impact on the operating surplus.

Student fees

Student fee revenue includes tuition fees as well as other fees related to activities such as student health, recreation, and athletics. In 2018-19, student fee revenue from all fee sources increased by 11 per cent, driven primarily by enrolment increases in both degree and non-degree programs, domestic/international student mix, and Board of Trustee approved fee increases within the provincial tuition framework. Student enrolment for the past three years is displayed in the chart to the right.

The University operated under the tuition policy framework originally announced by the provincial government in March 2013 and extended to include the 2018-19 fiscal year. This tuition policy framework restricted aggregate tuition fee increases across all domestic eligible funded programs to 3 per cent annually. In January 2019, a new tuition policy framework was announced which will decrease tuition for all domestic eligible funded programs by 10% for the 2019-20 fiscal year and the fees will be held flat for the 2020-21 fiscal year.

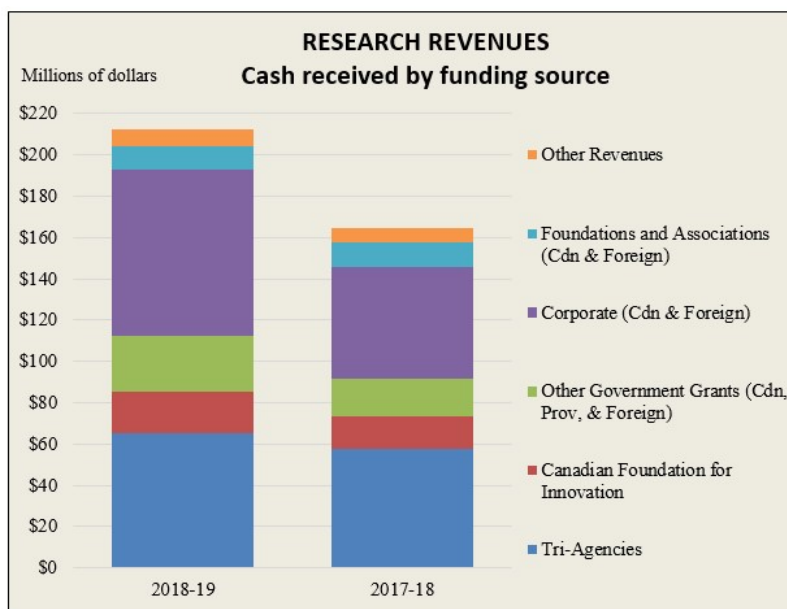


**Figures include non-credit and exchange students.*

Research grants and contracts

Research grants and contracts are received from a variety of sources with the largest contributions coming from the federal government through the Tri-Agencies and the Canada Foundation for Innovation (CFI). Because research funding is restricted for purposes specified by the funding agency, revenue is only recorded when the related expenditure occurs. Unspent externally sponsored research monies are recorded on the statement of financial position as deferred revenue. As such, the increased revenue in research grants and contracts are not a contributing factor to the University's surplus.

Research grant and contract revenues received by funder is presented in the chart to the right. This chart is presented on a cash basis before any adjustment for funds deferred for spending in future years. Cash received from corporate, other government grants, and Tri-Agencies funding sources increased significantly in 2018-19, due mainly to increased clinical trials funding (included in corporate), federal and provincial funding of Canada Foundation for Innovation infrastructure projects and the Canada First Research Excellence Fund (CFREF) program.



	Thousands of dollars	
	2018-19	2017-18
Cash received by funding source	\$ 212,069	\$ 164,793
Adjustment to deferral for future year spending	33,753	11,144
Research revenue as reported in research fund	\$ 178,316	\$ 153,649

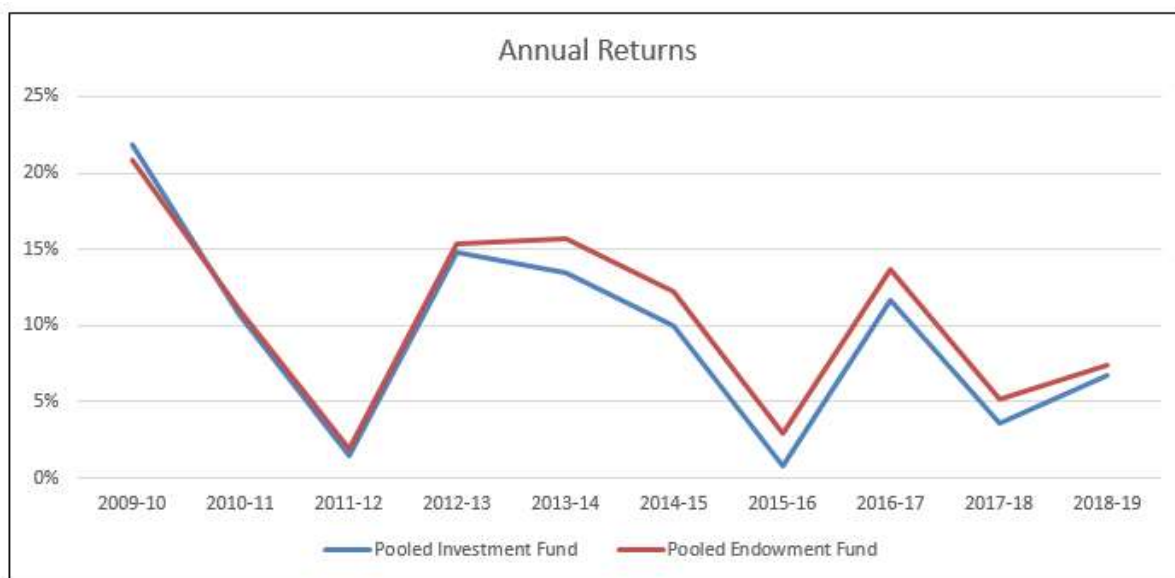
Ancillary revenues

Ancillary operations include business units that provide goods and services to the University community. These units are expected to cover their full operating costs, and may also defray general operating expenditures. The table to the right provides a breakdown of revenues in the Ancillary fund by ancillary operations. Ancillary revenue continues to increase due to the residence fee increase approved for 2018-19.

	Thousands of dollars	
SALES BY ANCILLARY OPERATION	2018-19	2017-18
Housing and hospitality	\$ 88,577	\$ 85,768
Parking	3,598	3,228
Other	1,324	1,290
	93,499	90,286
Less: Internal sales	(6,902)	(6,982)
	\$ 86,597	\$ 83,304

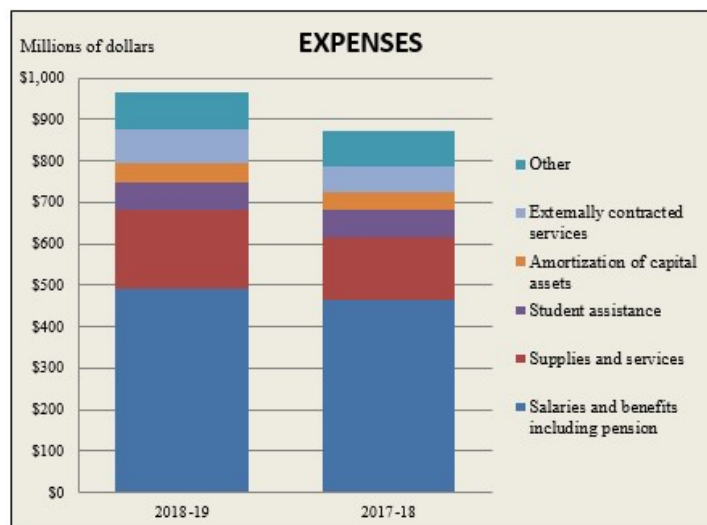
Investment income

Both the Pooled Endowment Fund and the Pooled Investment Fund are invested in accordance with Board approved Statements of Investment Policies and Procedures which establish risk and return objectives for each Fund. While the aim of these objectives is to produce steady and predictable investment returns over the medium and/or long term, there is considerable volatility in investment returns on an annual basis. Investment income for 2018-19 increased significantly from \$47.1 million in 2017-18 to \$75.1 million. Annual rates of return for the last ten years for the Pooled Endowment Fund and the Pooled Investment Fund are presented below.



Because business units rely heavily on the annual payout from the Pooled Endowment Fund of approximately \$40 million, the payout calculation is smoothed and mitigates the impact of any volatility in investment income from year to year. In years of strong investment returns, excess gains are re-invested in the preservation of capital to offset years where the amount made available for spending exceeds investment income.

EXPENSES



At a glance...

Total expenses increased by 11 per cent in 2018-19, driven by an increase in expenses related to salaries and benefits and supplies and services. The majority of the increase in supplies and services relate to a generous donation of artwork and an increase in spending in research activities.

SALARIES AND BENEFITS

	Thousands of dollars	
	2018-19	2017-18
Salaries and benefits expense		
Salary and benefits	\$ 454,146	\$ 430,878
Non-pension employee future benefits	9,746	9,189
Pension	29,272	24,524
Total	\$ 493,164	\$ 464,591
% of total expenses	51%	53%
Employee Future Benefits Liability		
Pension surplus	\$ (20,950)	\$ (8,669)
Non-pension employee future benefits liability	95,768	103,289
Total	\$ 74,818	\$ 94,620

At a glance...

Salaries and benefits comprise over half of the total expenses of the University and increases are influenced by collective agreement negotiations and staff and faculty complement.

The majority of employees are covered by various collective agreements. The table below provides a summary of employee groups and the date of their associated employee contracts.

In 2018-19, salaries and benefits grew by 6 per cent. Growth in the year is due to negotiated salary increases as well as an increase in staff as faculties and schools continue to support program development and revenue generation across the University, and reflects the beginning of Queen's faculty renewal plan to hire 200 new faculty members over five years.

Higher returns in the pension plan during the year increased the pension plan asset as at April 30, 2019 (on a going concern valuation basis).

Employee Group	Unit / Association	Contract effective until
Academic Assistants	USW 2010-01	August 2020
Allied Health Care Professionals (Family Health Team)	OPSEU 452	June 2018
General Support Staff	USW 2010	December 2021
Graduate Teaching Assistants and Teaching Fellows	PSAC 901, Unit 1	April 2021
Kingston Heating & Maintenance Workers	CUPE 229	June 2021
Kingston Technicians	CUPE 254	June 2021
Library Technicians	CUPE 1302	June 2021
Post-Doctoral Fellows	PSAC 901, Unit 2	June 2020
Queen's University Faculty Association	QUFA	June 2022
Registered Nurses and Nurse Practitioners (Family Health Team)	ONA 67	March 2021

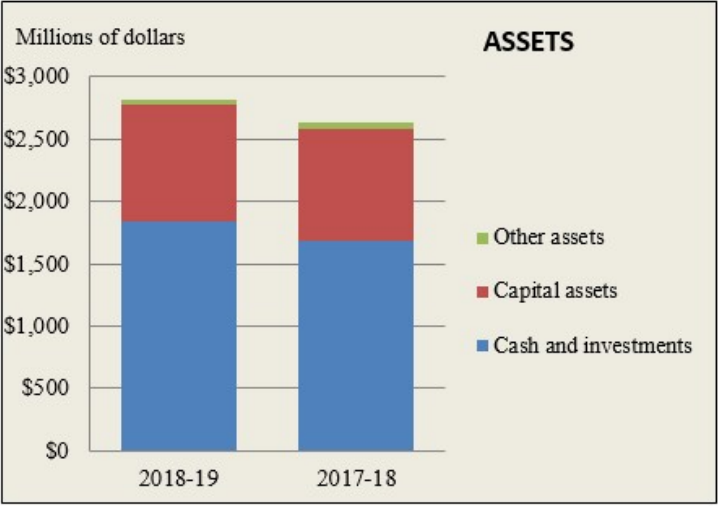
CAPITAL PROJECTS

In the 2018-19 fiscal year the University continued with year three of development of two significant capital projects – the creation of Mitchell Hall, a centre for wellness and innovation, and a revitalization of campus biomedical research facilities. These projects were funded by a \$31 million investment from the Government of Canada under the Post-Secondary Institutions Strategic Investment Fund, along with the contributions of a number of benefactors and a \$4.9 million investment from the Government of Ontario. These important projects will enhance innovation programming at Queen's and strengthen the University's position in world-leading research in addition to enhancing our student health and wellness services. Queen's also completed the West Campus District Energy Conversion project that allows us to decommission the steam line to west campus and reduce greenhouse gas emissions by over 1,500 MT CO₂e per year. The project was funded through \$8.9 million of provincial contributions through the previous Cap and Trade program.

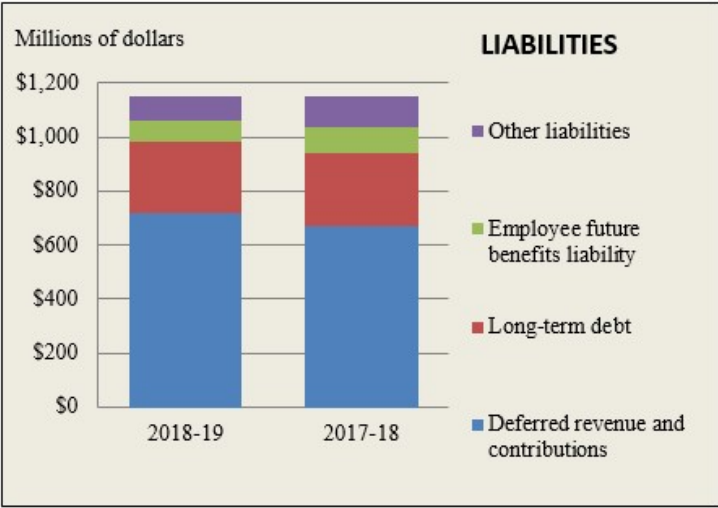
The University's capital expenditures of \$76.7 million in 2018-19 are presented in the table below, with comparative information for the prior year. The bulk of the spending on building projects and construction in progress relates to the Mitchell Hall (\$37.2 million), the Biomedical Research Facility Revitalization Project (\$10.1 million) and the West Campus District Energy Conversion Project (\$8.1 million).

		Thousands of dollars	
CAPITAL ASSET ADDITIONS		2018-19	2017-18
Building projects and construction in progress	\$	62,936	\$ 88,543
Equipment and furnishings		12,920	11,656
Other asset purchases		831	1,084
	\$	76,687	\$ 101,283

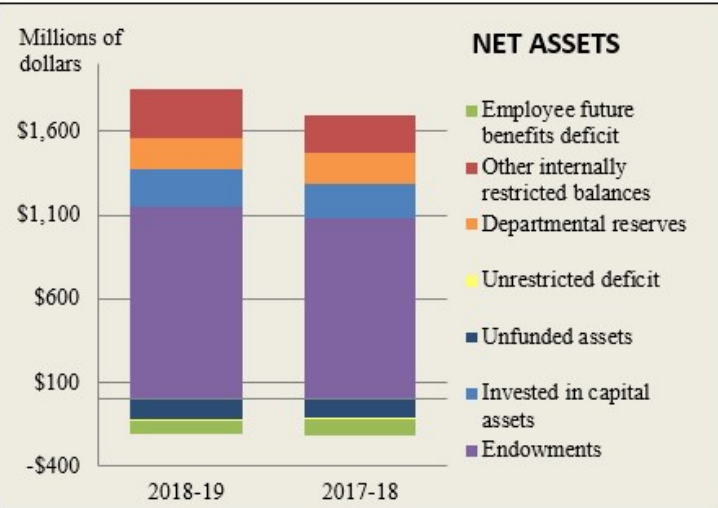
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT A GLANCE



Assets of the University increased by \$181 million or 7 per cent overall, due primarily to growth in the University's cash, investments and capital assets. Investment returns, donor contributions to the Pooled Endowment Fund and an increase in capital assets were the main contributors to the increase.



Liabilities of the University increased by less than 1 per cent. The significant increase in deferred revenue and contributions is due to an increase in unspent research funds. The increase has been offset by a decrease in Employee Future Benefits and Other liabilities due to strong investment returns in the pension plan. Further information on Employee Future Benefits is provided in the previous Salaries and Benefits section and in Note 11 to the financial statements.



Net Assets grew by \$179 million in 2018-19. This increase is comprised primarily by growth in Endowments (\$67 million) driven by investment returns and donor contributions. The increase in the Other internally restricted balances is driven by an increase in the capital reserves (\$40 million), employee future benefits reserve (\$16 million) and sinking funds (\$14 million). Refer to note 13 of the financial statements for information on the commitments associated with these reserves.

CONSOLIDATED STATEMENT OF OPERATIONS BY FUND

The University's 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.

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. The University maintains the following funds:

Operating includes teaching and administrative activities at the University. Operating fund revenue includes government operating grants, student fees, and unrestricted investment income. For information on the performance of the Operating fund, please refer to the Performance of the Operating Fund section.

Ancillaries 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.

Trust and Endowments 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.

Research captures activity on campus related to research. The University 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.

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

Consolidated Entities include PARTEQ Innovations, the Bader International Study Centre, the U.S. Foundation for Queen's University at Kingston, the Queen's Centre for Enterprise Development, the Queen's University Pooled Trust Fund, and the Queen's Prison Law Clinic.

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, and departmental transfers to the Research fund in support of internally sponsored research. Ancillaries fund transfers include transfers to the Operating fund to support operations and transfers to the Capital fund for interest on long term debt.

THE CONSOLIDATED STATEMENT OF OPERATIONS BY FUND

April 30, 2019, 2019

(Thousands of dollars)

The table below presents the activities of the University by fund, for the year ended April 30, 2019, and supplements the information presented in the financial statements.

	Operating	Ancillaries	Trust and Endowment	Research	Capital	Consolidated Entities	Total 2019
REVENUES							
Grants and contracts	225,973	-	24,744	173,638	(5,627)	-	418,728
Student fees	386,708	-	-	-	-	4,664	391,372
Sales of service and products	9,717	86,597	-	-	-	3,589	99,903
Investment income	29,787	-	34,919	1,226	8,935	220	75,087
Donations	3,175	-	28,006	-	-	588	31,769
Other	22,176	-	-	3,452	2,424	82	28,134
Amortization of deferred capital contributions	-	-	-	-	24,467	293	24,760
	677,536	86,597	87,669	178,316	30,199	9,436	1,069,753
EXPENSES							
Salaries and benefits	390,547	11,602	19,913	65,625	-	5,477	493,164
Supplies and services	104,916	3,978	26,230	66,819	(13,751)	1,286	189,478
Externally contracted services	12,930	28,052	764	36,797	-	19	78,562
Student assistance	38,476	-	27,424	230	-	-	66,130
Amortization of capital assets	-	-	-	-	45,329	1,503	46,832
Renovations and alterations	9,517	11,585	765	792	8,669	(123)	31,205
Utilities, taxes and insurance	16,977	5,416	124	165	-	1,087	23,769
Travel and conferences	10,496	203	1,656	9,050	-	134	21,539
Interest on long-term debt	-	-	-	-	13,866	-	13,866
Interfund transfers out / (in)	31,856	25,510	3,307	(8,768)	(51,905)	-	-
	615,715	86,346	80,183	170,710	2,208	9,383	964,545
Excess / (deficiency) of revenues over expenses	61,821	251	7,486	7,606	27,991	53	105,208
Transfer (to) / from net assets invested in capital assets	-	-	-	-	(22,072)	-	(22,072)
Transfer (to) / from internally restricted net assets	(61,718)	(251)	(7,486)	(7,606)	(5,919)	(1,039)	(84,019)
Net change in unrestricted surplus / (deficit)	103	-	-	-	-	(986)	(883)
Unrestricted surplus / (deficit), beginning of year	517	-	-	-	-	(10,051)	(9,534)
Unrestricted surplus / (deficit), end of year	620	-	-	-	-	(11,037)	(10,417)

FINANCIAL RISK

The University manages the financial risks it faces as part of a broader enterprise risk management framework which is monitored by and reported on regularly to the Board of Trustees. The major financial risks to which the University is exposed include:

A financially unsustainable pension plan

The actuarial valuation of the pension plan completed as of August 31, 2017 reported a solvency deficit of \$313 million. The University applied for and received Stage II solvency relief in 2014-15, which provided for a three-year deferral of making solvency deficit payments until 2018-19. Partial funding of the solvency deficit commenced in September 2018 under the new regulation issued at the end of October 2016, which provides additional partial solvency relief for those in Stage II relief with a valuation date on or before December 31, 2018.

Effective September 1, 2018, special payments are \$19 million annually, consisting of going concern payments of \$3.4 million and solvency payments of \$15.6 million.

In 2018 new regulations were issued, which are in force for all valuations filed after May 1, 2018. Queen's next valuation is required as of August 31, 2020, at which time the new funding rules will apply.

To develop a sustainable pension plan and to mitigate the financial risk, Queen's has been working with the University of Toronto and Guelph University to design and build a Jointly Sponsored Pension Plan (JSPP), the University Pension Plan Ontario (UPP). Like other successful JSPPs plan governance, costs and risks will be shared equally between employers and plan members. JSPPs are not subject to solvency funding requirements. Once established the UPP will be open to other Ontario universities. Significant progress was made in the past year with all three universities achieving the major milestone of receiving employee consent at the end of June 2019. There is still significant work to be done to move towards planned implementation on July 1, 2021, with this remaining a priority for the University.

The table below shows the change in the funded status of the plan on a going concern basis for each of the last two years. The increase of the going concern (market value) surplus of \$8.7 million to \$21 million is the result of favourable investment returns during the year and university contributions exceeding pension costs during the year. In 2018-19, the difference between the actual and expected return resulted in the plan experiencing a gain of \$2.9 million versus a loss of \$11.5 million in 2017-18. These figures demonstrate that investment returns are subject to considerable volatility, but are a significant contributor to the annual improvement or deterioration of the financial position of the plan for the year.

In determining the long-term financial viability of the plan, the University continues to focus not on the point-in-time measurement of the pension plan asset or liability, but rather on the need to achieve a pension plan design that is sustainable for the long term.

CHANGE IN FUNDED STATUS OF PENSION PLAN		Thousands of dollars	
GOING CONCERN (MARKET VALUE) BASIS		2018-19	2017-18
(Surplus) / deficit, opening balance	\$	(8,669)	\$ (55,137)
Pension benefit plan expense			
Current service cost		29,758	27,722
Finance (income) / cost		(486)	(3,198)
		29,272	24,524
Remeasurements and other items			
Investment losses / (gains)		(2,899)	11,455
Liability experience losses / (gains)		2,232	55,777
		(667)	67,232
Less: university contributions		(40,886)	(45,288)
(Surplus) / deficit, closing balance	\$	(20,950)	\$ (8,669)

Additional information on pension and other employee future benefits is available in Note 11 of the financial statements.

Deferred maintenance

Maintaining the University's space to appropriate standards puts significant pressure on university budgets. Based on a Facilities Condition Audit, completed in December 2016, there is currently \$344.6 million in deferred maintenance costs that should be completed in the next five years. Within this amount, there are \$52.3M of requirements that would only be done during a major renovation (replace electrical wiring, heating systems, ductwork, etc.). The industry standard for annual deferred maintenance funding is 1 to 1.5 per cent of the current replacement value. For the University academic and residence buildings, the annual number at 1 per cent would be \$20 million.

Annual budget allocations to deferred maintenance have been increasing over the last several years (from \$6.3 million in 2014-15 to \$15.0 million in 2018-19), and the University manages these funds within a five-year deferred maintenance plan that ensures the highest priority deferred maintenance needs are addressed. Significant repairs completed during the 2018-19 fiscal year include the completion of masonry repairs on Nicol and Fleming Halls and refurbishment of the electrical distribution within Kingston and Grant Halls.

Reliance on grant support and tuition revenue

The University relies heavily on tuition and grant support to fund its operations, both of which are controlled largely by the Provincial Government. The MTCU for the newly elected provincial government has confirmed that the funding framework announced in 2017-18, as part of the Strategic Mandate Agreement (SMA) 2 process covering fiscal 2017-18 through to 2019-20, will continue into the third round of SMA negotiations. SMA 3 when negotiated will cover 2020-21 to 2024-25. While we await full details, it is clear that there remain limitations to funding eligible enrolment growth, and there will be a shift of funding that will be tied to achievement of performance metrics.

As detailed in the student fee section, the MTCU announced a new tuition framework in January 2019. This framework requires tuition fees for all domestic eligible funded programs to be reduced by ten percent for the 2019-20 fiscal year. These tuition fees will be held flat for fiscal 2020-21. There has been no announcement for tuition fees beyond 2020-21.

As well, the MTCU announced their "Student Choice" policy, which requires students have the option to opt-out of any ancillary fee that does not meet the mandatory ancillary fee criteria set out by the MTCU. These changes required significant effort to amend budget plans with tight turnarounds, further emphasizing the risk of funding tied to government policy.

FINANCIAL HEALTH

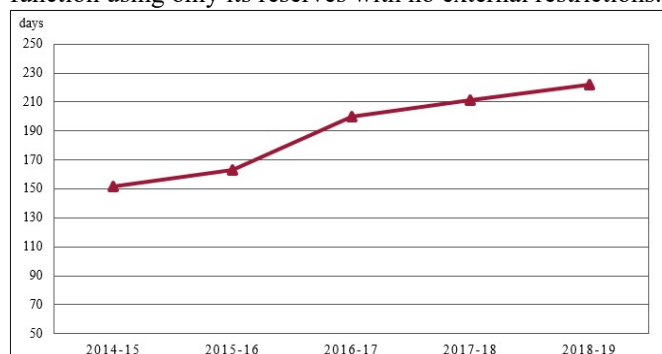
In March 2014, the University launched its strategic framework for the years 2014 to 2019. The overarching goal of the framework is to strengthen the University's vision of combining an outstanding student experience with research excellence.

In support of financial sustainability (one of the four strategic drivers), the University has established metrics to monitor and report on the University's financial health. Because unrealized investment gains and losses flow through income, there will always be volatility in the University's financial results.

The value in these ratios is not the point-in-time measurement, but rather the information provided by looking at the trend over time. Five-year trends on these metrics are presented below.

Primary Reserve Ratio

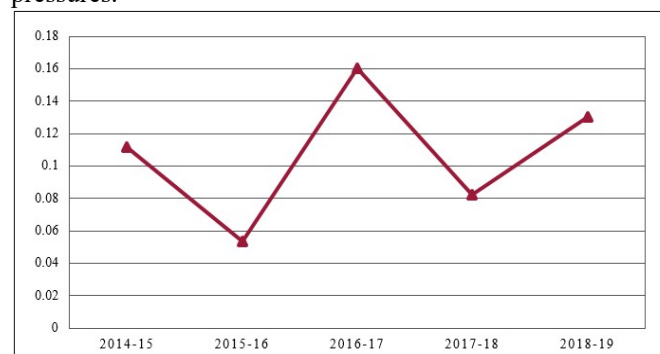
The primary reserve ratio helps to determine whether the University's resources are sufficient and flexible enough to support the mission. It summarizes the financial health and flexibility by indicating how long the University could function using only its reserves with no external restrictions.



Definition: Expendable net assets divided by total expenses multiplied by 365

Net Operating Revenues Ratio

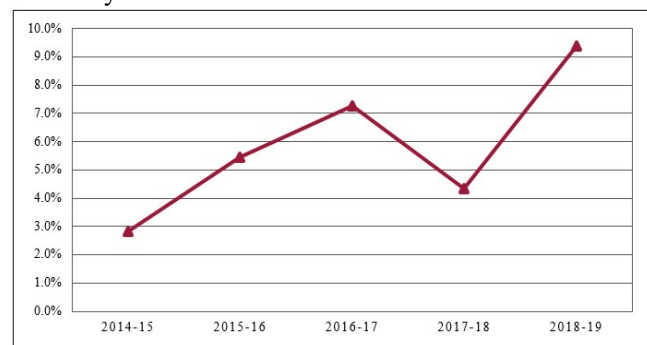
The net operating revenues ratio is a measure of financial performance. Positive cash flow from operations indicates a strengthening position, and, conversely, structural negative cash flows are almost always an indication of financial pressures.



Definition: Cash flow from operating activities divided by total revenues

Net Income / Loss Ratio

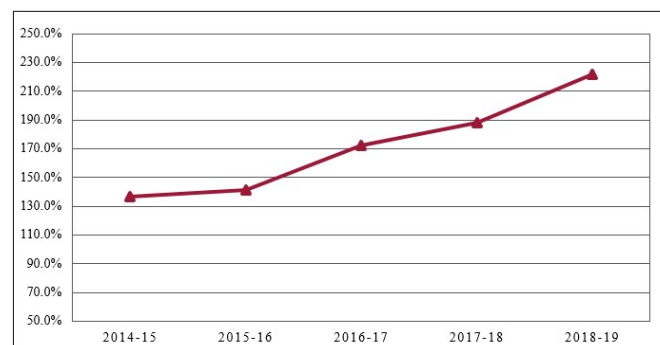
The net income / loss ratio measures the percentage of revenues that contribute to net assets. The objective of this ratio is to track trends in an institution's net earnings. An increase in this ratio indicates greater future financial flexibility.



Definition: Net income or loss divided by total revenues

Viability Ratio

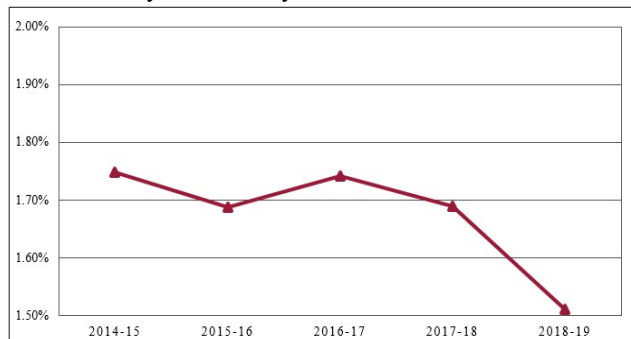
The viability ratio provides an indication of the funds on hand to settle the University's long-term debt obligations at a point in time. This ratio provides assistance in evaluating debt affordability.



Definition: Expendable net assets divided by long-term debt

Interest Burden Ratio

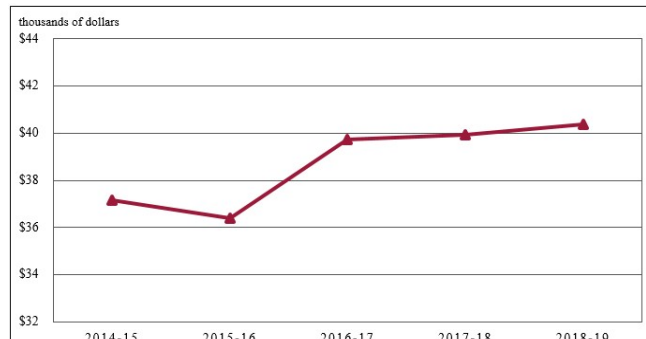
The interest burden ratio is an indicator of debt affordability. It indicates the percentage of total expenses used to cover the cost of servicing the University's debt. The University is well below the suggested maximum of 5 to 7 per cent established by the industry.



Definition: Interest expense divided by total expenses excluding amortization

Endowment per Student FTE

The endowment value per student FTE provides information on the relative importance of the endowments in relation to the size of the student population and is a measure of the long-term strength of the University.



Definition: Endowment value at end of year divided by student FTE

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 63 per cent of consolidated revenue in 2018-19.

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.

2018-19 Operating Fund	Thousands of dollars		
	Actual	Budget	Variance
Revenue	677,536	634,618	42,918
Less: expenditures	(615,715)	(626,340)	10,625
Surplus	61,821	8,278	53,543
Transfer to internally restricted net assets	(61,718)	(8,278)	(53,440)
Increase in unrestricted surplus	103	-	103
Operating surplus - beginning of year	517		
Operating surplus - end of year	620		

For 2018-19, the University budgeted a surplus of \$8.3 million before drawdowns of reserves. Higher enrolment and student fee revenue, stronger investment returns, higher other revenue, lower salaries due to vacancies and delays in hiring, and adjustments to pension and other post-employment benefit program costs required for audited financial statements (which make actual expenses lower than budgeted cash contributions) contributed to an operating surplus of \$61.8 million. The surplus will provide important flexibility for future strategic priorities, including faculty renewal, capital renewal and a reserve for future pension payments, and to support academic and research operating priorities.

The University remains focused on managing its resources responsibly in order to protect and advance its academic mission and strategic priorities in the midst of significant financial challenges. In May 2019, the Board of Trustees approved the 2019-20 operating budget, which is balanced after a \$24.2 million drawdown of reserves.

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 Chartered Professional Accountants of Canada. 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, 2019 and the results of its operations for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of consolidated financial statements.

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 year ended April 30, 2019 have been reported on by KPMG LLP, Chartered Professional Accountants, the independent auditors appointed by the Board of Trustees. The independent auditors' report outlines the scope of their audit and their opinion on the consolidated financial statements.



Dr. Patrick Deane
Principal and Vice-Chancellor
September 27, 2019



Donna Janiec, CPA, CA
Vice-Principal (Finance and Administration)
September 27, 2019

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Queen's University at Kingston, which comprise:

- the consolidated statement of financial position as at April 30, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Queen's University at Kingston as at April 30, 2019, and its results of consolidated operations, its consolidated changes in net assets, and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of Queen's University at Kingston in accordance with the applicable independence standards, and we have fulfilled our other ethical responsibilities in accordance with these standards.

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

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in Queen's University at Kingston's A Year in Review ("annual report").

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Queen's University at Kingston's annual report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing Queen's University at Kingston's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Queen's University at Kingston or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Queen's University at Kingston's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Queen's University at Kingston's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

significant doubt on Queen's University at Kingston's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Queen's University at Kingston to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group of Queen's University at Kingston to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads "KPMG LLP" with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants
September 27, 2019
Kingston, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at April 30, 2019

(Thousands of dollars)

	2019	2018
ASSETS		
Current		
Cash	\$ 161,175	\$ 141,967
Accounts receivable (note 3)	31,192	37,115
Loans receivable (note 4)	267	275
Prepaid expenses	4,279	3,586
Investments (note 5)	160,170	113,575
Total current assets	357,083	296,518
Loans receivable (note 4)	2,504	2,807
Investments (note 5)	1,522,785	1,429,033
Capital assets (note 6)	928,108	900,669
	\$ 2,810,480	\$ 2,629,027
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (note 7)	\$ 94,086	\$ 115,368
Current portion of long-term debt (note 10)	3,961	3,842
Deferred revenue and contributions (note 8)	277,289	243,708
Total current liabilities	375,336	362,918
Deferred capital contributions (note 9)	439,267	425,896
Long-term debt (note 10)	264,436	268,397
Employee future benefits liability (note 11)	74,818	94,620
	1,153,857	1,151,831
Net Assets		
Endowments (note 12)	1,152,622	1,085,486
Invested in capital assets	221,112	203,046
Internally restricted (note 13)	293,306	198,198
Unrestricted deficit	(10,417)	(9,534)
	1,656,623	1,477,196
	\$ 2,810,480	\$ 2,629,027

See accompanying notes to consolidated financial statements.

Commitments and contingencies (note 18)

Approved on behalf of the Board of Trustees:



Donald M. Raymond
Chair, Board of Trustees



Mary Wilson Trider
Chair, Audit and Risk Committee

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended April 30, 2019

(Thousands of dollars)

	2019	2018
REVENUES		
Grants and contracts	\$ 418,728	\$ 385,347
Student fees	391,372	354,021
Sales of service and products	99,903	95,614
Investment income (note 5)	75,087	47,087
Donations	31,769	15,260
Other	28,134	26,485
Amortization of deferred capital contributions (note 9)	24,760	23,902
	1,069,753	947,716
EXPENSES		
Salaries and benefits	493,164	464,591
Supplies and services	189,478	150,629
Externally contracted services	78,562	63,730
Student assistance	66,130	63,957
Amortization of capital assets	46,832	44,547
Renovations and alterations	31,205	28,081
Utilities, taxes and insurance	23,769	23,375
Travel and conferences	21,539	19,897
Interest on long-term debt	13,866	13,995
	964,545	872,802
Excess of revenues over expenses	\$ 105,208	\$ 74,914

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended April 30, 2019

(Thousands of dollars)

	Endowments	Invested in capital assets	Internally Restricted	Unrestricted	Total 2019	Total 2018
Net assets / (deficit), beginning of year	\$ 1,085,486	\$ 203,046	\$ 198,198	\$ (9,534)	\$ 1,477,196	\$ 1,440,378
(Deficiency) / excess of revenues over expenses	-	(22,072)	-	127,280	105,208	74,914
Employee future benefits remeasurements and other items (note 11)	-	-	-	14,568	14,568	(73,626)
Change in net assets invested in capital assets	-	40,138	-	(40,138)	-	-
Change in internally restricted net assets	-	-	95,828	(95,828)	-	-
Endowment contributions (note 12)	25,533	-	-	-	25,533	22,168
Excess / (deficiency) of investment earnings over endowment spending (note 12)	36,303	-	-	(6,765)	29,538	8,483
Departmental transfers and other contributions (note 12)	5,300	-	(720)	-	4,580	4,879
Net assets / (deficit), end of year	\$ 1,152,622	\$ 221,112	\$ 293,306	\$ (10,417)	\$ 1,656,623	\$ 1,477,196

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended April 30, 2019

(Thousands of dollars)

	2019	2018
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 105,208	\$ 74,914
Non-cash items:		
Amortization of deferred capital contributions	(24,760)	(23,902)
Amortization of capital assets	46,832	44,547
Employee future benefits	(5,234)	(14,596)
Net change in non-cash working capital (note 14)	17,529	(3,228)
Cash provided by operating activities	139,575	77,735
INVESTING ACTIVITIES:		
Net change in loans receivable	311	359
Net change in investments	(140,347)	(80,807)
Purchases (net of disposals) of capital assets	(74,271)	(101,270)
Investment gain reported as direct increase in net assets	29,538	8,483
Cash used in investing activities	(184,769)	(173,235)
FINANCING ACTIVITIES:		
Repayment of long-term debt	(3,842)	(3,727)
Contributions received for capital purposes	38,131	64,893
Contributions reported as direct increase in net assets	30,113	27,047
Cash provided by financing activities	64,402	88,213
Net increase / (decrease) in cash	19,208	(7,287)
Cash, beginning of year	141,967	149,254
Cash, end of year	\$ 161,175	\$ 141,967

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

1. AUTHORITY

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

The University controls PARTEQ Innovations, the Bader International Study Centre, the U.S. Foundation for Queen's University at Kingston, QCED Inc., Queen's University Pooled Trust Fund, and Queen's Prison Law Clinic. Accordingly, these financial statements consolidate the accounts of these organizations.

PARTEQ Innovations (PARTEQ) is incorporated by letters patent as a corporation without share capital under the Ontario Corporations Act. PARTEQ, the not-for-profit technology transfer office of the University, works with researchers and the business and venture capital communities to bring the benefits of scientific discovery to the public while returning proceeds to inventors and the University. PARTEQ is exempt from income tax under section 149 of the Income Tax Act (Canada).

The Bader International Study Centre was established in 1993 to enhance the University's role in international education and research through the establishment of 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 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 for Queen's University at Kingston 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 the University necessary for the accomplishment of its charitable and educational mission. The U.S. Foundation for Queen's University at Kingston is exempt from income tax under section 501(c)(3) of the United States Internal Revenue Code.

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

Queen's University Pooled Trust Fund (QUPTF) was established as a unit trust under paragraph 108(2)(a) of the Income Tax Act on December 17, 2013. QUPTF was established for the purposes of holding in trust, certain investments and other assets of the Queen's Pooled Endowment Fund and provide for certain matters relating to its undertaking and governance. The University is the sole holder of units of QUPTF.

Queen's Prison Law Clinic (QPLC) was incorporated without share capital under the laws of the Province of Ontario on November 24, 2014 through supplementary letters patent. It was originally incorporated on February 23, 2000 under the name Correctional Law Project. QPLC was established to provide equal access to quality legal services for inmates incarcerated in the federal penitentiaries in the Kingston area.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

(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 (“the financial statements”) have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. 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 valuation of financial instruments, the valuation of pension and other employee future benefits, the carrying value of capital assets, and the valuation of accounts receivable. Actual results could differ from those estimates.

(b) Financial instruments

i. Investments

Investments are recorded at fair value. The fair value of investments recorded in the financial statements is determined as follows:

- 1) Short-term notes and treasury bills maturing within one year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.
- 2) Bonds and equities are valued at year-end quoted market prices using closing prices. Where quoted prices are not available, estimated fair values are calculated using comparable securities.
- 3) Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the University’s proportionate share of underlying net assets at fair values determined using quoted market prices or alternative valuation methods where quoted market prices are not available.
- 4) Limited partnership investments are valued at fair values using values supplied by the fund managers who are directly investing the funds in the underlying operating units. The fund managers use a valuation methodology that is based upon the best available information that may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Limited partnership investments are only held in the Pooled Endowment Fund.

ii. Derivative and other financial instruments

Derivative financial instruments are used to manage market and currency exposure risk primarily associated with the University’s debt and investments, and are measured at fair value.

The University follows hedge accounting for its interest rate swap which results in the interest expense related to certain long-term debt being recorded in the financial statements at the hedged rate rather than at the original contractual interest rate. At the inception of the hedging relationship, the University designates that hedge accounting will be applied. The University formally documents the hedging relationship between the hedging instruments and hedged item. At the inception of the hedge and throughout its term, the terms of the hedging item and hedged item are the same.

Other financial instruments, including accounts receivable, accounts payable and debt are recorded at fair value upon initial recognition, which represents costs, and are subsequently recorded at cost, net of any provisions for impairment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

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) Capital assets and net assets invested in capital assets

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

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

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

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

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.

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

(d) Employee future 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 retirement and post-employment benefits such as medical, dental and life insurance to eligible employees. Post-employment benefits are benefits provided to employees on long-term disability.

The University accrues its obligations and the related costs for funded employee future benefit plans based on the latest going concern funding valuation. The actuarial valuation is performed at least every three years. In the years between valuations, pension plan results are prepared based on extrapolations of the latest available funding valuation results. The University has elected to accrue its obligations and related costs for unfunded plans on a basis consistent with funded plans. Assets of the employee future benefit plans are valued using fair values at the date of the consolidated balance sheet.

The benefit plan expense for the year consists of the current service and finance costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

(e) Revenue recognition

The University follows the deferral method of accounting for contributions for not-for-profit organizations, 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 / (losses) that impact the capital preservation of externally restricted endowments are recognized as direct increases / (decreases) in net assets. Income / (losses) impacting the capital preservation of internally restricted endowments are 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.

(f) Collections

The University 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 as well as a collection of rare and historical books.

Contributions of collection items are recorded as donation revenue and expense at fair market value at the date of contribution. Collection purchases are expensed as acquired. The art and book collections are fully insured through a fine arts policy. At April 30, 2019, the art collection had a market value of \$232,863 (2018 - \$208,527) and the book collection had a market value of \$1,091 (2018 - \$699) .

(g) 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.

(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 the 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

3. ACCOUNTS RECEIVABLE

Accounts receivable is comprised primarily of balances receivable for research projects and trade accounts receivable, including tuition net of an allowance for doubtful accounts of \$3,410 (2018 - \$3,347).

(a) Pledges 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 financial statements. The total amount of pledges outstanding and the expected year of collection are as follows:

Fiscal year	
2020	\$ 24,735
2021	13,836
2022	10,651
2023	9,314
2024	7,867
Thereafter	9,260
	\$ 75,663

4. LOANS RECEIVABLE

Loans receivable is comprised of an amount receivable regarding relocation loans to employees in the amount of \$100 (2018 - \$200), microcomputer loans to employees in the amount of \$nil (2018 - \$54) and a loan to the Kingston Health Sciences Centre / Queen's Parking Commission (the "Parking Commission") in the amount of \$2,671 (2018 - \$2,828). The loan to the Kingston Health Sciences Centre / Queen's Parking commission the Parking Commission bears interest at 6 per cent per annum and matures in October 2030. The other loans have varying maturity dates and do not bear interest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

5. INVESTMENTS AND INVESTMENT INCOME

(a) Investments

Fair value details of investments are as follows:

	2019	2018
Current		
Short-term	\$ 160,170	\$ 113,575
Non-current		
Pooled Endowment Fund	1,136,802	1,075,064
Pooled Investment Fund	261,707	245,726
Other	124,276	108,243
	1,522,785	1,429,033
Total investments	\$ 1,682,955	\$ 1,542,608

Derivative financial instruments, as disclosed in Note 15 are included in non-current investments.

(b) Uncalled commitments

As at April 30, 2019, a portion of the University's investment portfolio is invested in private funds managed by third-party managers ("the manager"). These private funds typically take the form of limited partnerships managed by a General Partner. The legal terms and conditions of these private investment funds, which cover various areas of private equity investments and real estate and infrastructure investments, require that investors initially make an unfunded commitment and then remit funds over time (cumulatively up to a maximum of the total committed amount) in response to a series of capital calls issued to the investors by the manager. As at April 30, 2019, the University had uncalled commitments of approximately \$26,596 (2018 - \$35,156), which will be funded using funds within the investment portfolio. The capital committed is called by the manager over a pre-defined investment period, which varies by fund.

(c) Investment income

Investment income is comprised of the following:

	2019	2018
Realized income on investments	\$ 62,030	\$ 70,139
Unrealized gains / (losses) on investments	17,961	(17,678)
	79,991	52,461
Investment management fees and transaction costs	(4,904)	(5,374)
Investment income	\$ 75,087	\$ 47,087

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

6. CAPITAL ASSETS

Capital assets consist of the following:

	2019			2018		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 84,158	\$ -	\$ 84,158	\$ 86,462	\$ -	\$ 86,462
Buildings	1,236,823	451,953	784,870	1,100,122	423,962	676,160
Leasehold improvements	12,698	7,798	4,900	12,587	7,104	5,483
Equipment and furnishings	181,964	151,841	30,123	200,514	170,899	29,615
Cogeneration facility	15,494	9,323	6,171	15,494	8,549	6,945
Library acquisitions	116,573	114,530	2,043	123,050	120,498	2,552
Software	31,366	31,366	-	31,366	31,343	23
Construction in process	15,843	-	15,843	93,429	-	93,429
	\$ 1,694,919	\$ 766,811	\$ 928,108	\$ 1,663,024	\$ 762,355	\$ 900,669

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities is comprised primarily of trade accounts payable, government remittances, payroll related accruals and the present value of future annuity payments. The University's government remittances payable at the end of the year were current and amounted to \$10,970 (2018 - \$12,741).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

8. DEFERRED REVENUE AND CONTRIBUTIONS

	2019	2018
Research funds	\$ 163,521	\$ 129,208
Trust funds	64,815	62,772
Student fees	32,049	28,225
Capital funds	6,052	11,310
Other	8,377	9,024
Gift annuities	2,475	3,169
	\$ 277,289	\$ 243,708

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

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

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

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

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

Under the now suspended gift annuity program, a donor was able to 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 current residual value of the donor's gift, net of the present value of future annuity payments.

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

	2019	2018
Balance, beginning of year	\$ 425,896	\$ 384,905
Amortization of deferred capital contributions	(24,760)	(23,902)
Contributions received for capital purposes	38,131	64,893
	\$ 439,267	\$ 425,896

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

10. LONG-TERM DEBT

(a) Long-term debt consists of the following:

			2019	2018
	Maturity in Fiscal Year Ending	Interest Rate	Principal Outstanding	Principal Outstanding
Amortizing unsecured bank loan maturing November 1, 2030	2031	variable	\$ 56,852	\$ 60,849
Series A senior unsecured bullet debenture maturing on November 19, 2032	2033	6.10%	90,000	90,000
Senior unsecured bullet debenture maturing April 1, 2040	2040	5.09%	75,000	75,000
Senior unsecured bullet debenture maturing June 1, 2040	2041	5.10%	50,000	50,000
			271,852	275,849
Unamortized transaction costs/bond discount			(3,455)	(3,610)
			268,397	272,239
Less current portion			(3,961)	(3,842)
			\$ 264,436	\$ 268,397

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, 2019 the value of the sinking funds is \$102,951 (2018 - \$89,333).

The University has in place an interest rate swap agreement for 17 years which expires in fiscal 2031. Under the terms of the agreement, the University agrees to receive a floating interest rate on its amortizing unsecured bank loan maturing November 1, 2030, while paying an effective rate of 3.18 per cent.

(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	
2020	\$ 3,961
2021	4,083
2022	4,209
2023	4,338
2024	4,471
Thereafter	247,335
	\$ 268,397

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

11. EMPLOYEE FUTURE BENEFITS LIABILITY

The University has a defined contribution pension plan, which has a defined benefit guarantee that provides a minimum level of pension benefits. The University also provides other retirement and post-employment benefits such as medical, dental and life insurance to eligible employees. Post-employment benefits are benefits provided to employees on long-term disability.

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 6.0 per cent, 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.

Salaries and benefits expense for the year includes pension benefit expenses of \$29,272 (2018 - \$24,524) and non-pension retirement and post-employment benefit expenses of \$9,746 (2018 – \$9,189).

The University measures its accrued benefit obligations and fair value of pension plan assets at April 30 each year.

The discount rate used in the actuarial measurement of the employee future benefit plans obligation was 5.6 per cent (2018 – 5.6 per cent).

The discount rate used in the actuarial measurement of the benefit plans expense was 5.6 per cent (2018 – 5.8 per cent).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

	2019			2018		
	Pension benefit plan	Other benefit plans	Total	Pension benefit plan	Other benefit plans	Total
Accrued benefit liability						
Accrued benefit obligation	\$ (2,141,428)	\$ (95,768)	\$ (2,237,196)	\$ (2,071,930)	\$ (103,289)	\$ (2,175,219)
Fair value of plan assets	2,162,378	-	2,162,378	2,080,599	-	2,080,599
Accrued benefit asset / (liability)	\$ 20,950	\$ (95,768)	\$ (74,818)	\$ 8,669	\$ (103,289)	\$ (94,620)
Benefit plan expense						
Current service cost	\$ 29,758	\$ 3,961	\$ 33,719	\$ 27,722	\$ 3,926	\$ 31,648
Finance (income) / costs	(486)	5,785	5,299	(3,198)	5,263	2,065
Net benefit cost	\$ 29,272	\$ 9,746	\$ 39,018	\$ 24,524	\$ 9,189	\$ 33,713
Remeasurements and other items						
Difference between actual and expected return	\$ (2,899)	\$ -	\$ (2,899)	\$ 11,455	\$ -	\$ 11,455
Actuarial (gain) / loss on accrued benefit obligation	2,232	(13,901)	(11,669)	55,777	6,394	62,171
Net remeasurements and other items (gains) / losses	\$ (667)	\$ (13,901)	\$ (14,568)	\$ 67,232	\$ 6,394	\$ 73,626

Details of annual contributions and benefits paid are as follows:

	2019		2018	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Employer contributions	40,886	3,366	45,288	3,021
Employee contributions	28,867	-	27,013	-
Benefits paid	111,203	3,366	105,486	3,021

The most recent actuarial valuation of the pension plan was performed as of August 31, 2017, and the results have been extrapolated to April 30, 2019. The date of the next required valuation is August 31, 2020.

The most recent actuarial valuation of non-pension retirement benefits was performed as of December 31, 2018 and results have been extrapolated to April 30, 2019. The date of the next required valuation is December 31, 2021.

The most recent actuarial valuation of post-employment benefits was performed as of April 30, 2019.

Regulations governing provincially regulated pension plans establish certain solvency requirements that assume that the plans are wound up on the valuation date. During the 2015 fiscal year, the University applied and qualified for stage two of the public sector pension plan temporary solvency funding relief program. Under this program the University has elected to defer solvency deficit payments for three years and pay down the solvency deficit over the following seven years. Payments began in fiscal 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

12. ENDOWMENTS

Contributions restricted for endowments consist of externally restricted donations received by the University and contributions internally restricted by the University, in exercising its discretion. The endowment principal is required to be maintained intact. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose and investment income thereon, 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:

	2019			2018		
	External	Internal	Total	External	Internal	Total
Investment income on endowments	\$ 63,196	\$ 15,259	\$ 78,455	\$ 39,593	\$ 10,269	\$ 49,862
Less: available for spending	(33,658)	(8,494)	(42,152)	(31,110)	(7,958)	(39,068)
Excess of investment earnings over endowment spending	29,538	6,765	36,303	8,483	2,311	10,794
Endowment contributions	25,533	-	25,533	22,168	-	22,168
Departmental transfers and other contributions	4,674	626	5,300	5,569	424	5,993
Net increase in net assets	59,745	7,391	67,136	36,220	2,735	38,955
Net assets, beginning of year	864,438	221,048	1,085,486	828,218	218,313	1,046,531
Net assets, end of year	\$ 924,183	\$ 228,439	\$ 1,152,622	\$ 864,438	\$ 221,048	\$ 1,085,486

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

13. INTERNALLY RESTRICTED NET ASSETS

Details of year-end balances are as follows:

	2019	2018
Operating contingencies	\$ 184,773	\$ 181,915
Unspent research funds	49,792	42,186
Internally financed capital projects	(115,449)	(111,472)
Sinking funds	102,951	89,333
Capital reserves	104,826	65,250
Employee future benefits		
Pension and other benefit plans deficit	(74,818)	(94,620)
Pension reserve	41,231	25,606
	\$ 293,306	\$ 198,198

In order to encourage judicious expenditure of funds, the University's policy permits operating and ancillary units to carry forward unexpended budget allocations, unrestricted donations and investment income to the succeeding years as operating contingencies. These funds are held to protect against possible adverse operating circumstances such as changes to student enrolment, investment return fluctuations and salary cost escalations.

Unspent research funds are primarily overheads or internally funded research grants, which are reserved to support future research activities and commitments.

Internally financed capital projects are temporarily financed with internal funds until other committed sources are received, which include any combination of donations, grants or budget allocations.

Sinking funds have been established to fund the principal repayments of the bullet debentures held by the University, as disclosed in Note 10.

Capital reserves represent amounts set aside for deferred maintenance, capital projects planned or in progress, and other future commitments.

Employee future benefit balances represent the deficit associated with the pension and other benefit plans, offset by associated internally restricted reserve balances set aside to fund future pension related commitments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

14. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	2019	2018
Net change in non-cash working capital:		
Accounts receivable	\$ 5,923	\$ (7,963)
Prepaid expenses	(693)	1,582
Accounts payable and accrued liabilities	(21,282)	15,984
Deferred revenue and contributions	33,581	(12,831)
	\$ 17,529	\$ (3,228)

15. 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 5.

Derivative financial instruments

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

	2019		2018	
	Notional value	Fair value	Notional value	Fair value
US Dollar	\$ 176,218	\$ (1,596)	\$ 176,395	\$ 21
Other	76,918	(396)	86,796	844
	\$ 253,136	\$ (1,992)	\$ 263,191	\$ 865

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. The fair value of the foreign currency contracts is reported as \$(1,992) (2018 - \$865) in investments (Note 5). The change in the fair value of the foreign currency contracts is accounted for consistent with investment returns in the consolidated statements of operations and statement of changes in net assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

(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.

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 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.

16. ONTARIO STUDENT OPPORTUNITY TRUST FUND AND ONTARIO TRUST FOR STUDENT SUPPORT

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

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

	2019	2018
Endowment Funds:		
Opening balance	\$ 68,744	\$ 68,973
Transfer to expendable funds	(213)	(229)
Endowment capital	\$ 68,531	\$ 68,744
Expendable Funds:		
Opening balance	\$ 428	\$ 428
Investment income	4,093	3,862
Bursaries awarded	(4,306)	(4,091)
Transfer from endowment funds	213	229
Expendable funds available for awards	\$ 428	\$ 428
Number of bursaries awarded	1,504	1,358

The market value of the OSOTF phase 1 endowment fund at April 30, 2019 is \$115,044 (2018 - \$112,098).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

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

(for the year ended March 31)	OSOTF II	OTSS	2019 Total	2018 Total
Endowment Funds:				
Opening balance	\$ 12,357	\$ 33,134	\$ 45,491	\$ 44,542
Donations received	-	909	909	729
Transfer from expendable funds	27	210	237	220
Endowment capital	\$ 12,384	\$ 34,253	\$ 46,637	\$ 45,491
Expendable Funds:				
Opening balance	\$ 109	\$ 241	\$ 350	\$ 435
Internal Transfers to expendable funds	-	20	20	-
Investment income	623	1,986	2,609	1,857
Bursaries awarded	(601)	(1,363)	(1,964)	(1,722)
Transfer to endowment funds	(27)	(210)	(237)	(220)
Expendable funds available for awards	\$ 104	\$ 674	\$ 778	\$ 350
Number of bursaries awarded	206	539	745	673

The market value of the OSOTF phase 2 endowment fund at March 31, 2019 was \$62,452 (2018 - \$60,163).

17. RELATED ENTITIES

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

(a) Investment in Parking Commission

The University entered into a joint venture with Kingston Health Sciences Centre (KHSC) for the construction and operation of an underground parking garage managed and governed by a joint Parking Commission established by the parties and including an equal number of commission members appointed by both parties. In fiscal 2011 the Parking Commission embarked on a significant restoration project. The project has been completed, with the University's share of these capital expenditures being \$3,750 (2018 - \$3,750). The University's share of the capital expenditures will be repaid by the Parking Commission over a 20 year period ending in fiscal 2031. The University's share of the Parking Commission's excess of revenues over expenses of \$635 (2018 - \$587) is reported in the consolidated statement of operations. The investment in the Parking Commission is accounted for using the equity method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

(b) Investment in Cogeneration Facility

The University entered into a joint venture with KHSC for the construction and operation of a cogeneration facility governed by a management board consisting of representatives of the University and KHSC. The purpose of the facility is to produce electricity and steam. The University's proportionate share of the joint venture is 60 per cent and KHSC's proportionate share is 40 per cent. The University's capital investment in the joint venture is repaid from the operating fund over a twenty-five year period ending April 30, 2031. The University's proportionate share of the cogeneration facility's assets, liabilities and operations have been included in the financial statements. The University's proportionate share of the deficiency of revenues over expenses for the current fiscal year is \$1,695 (2018 - \$1,156).

(c) McGill-Queen's University Press

The University has significant influence in McGill-Queen's University Press (the "Press"). The Press was incorporated by letters patent as a corporation without share capital under Part II of the Canada Corporations Act. The objective of the Press is to stimulate scholarship, research and debate through the publication of materials for scholars and the community at large. The Press is exempt from income tax under section 149 of the Income Tax Act. The University is responsible for / entitled to, a 50 per cent share of any deficit / surplus accumulated by the Press. The University's proportionate share of the Press' assets, liabilities and operations have not been included in the financial statements. The University's proportionate share of the accumulated surplus at April 30, 2018 was \$249 (2017 - \$309).

	2018	2017
Total assets	\$ 2,777	\$ 3,297
Total liabilities	2,279	2,679
Total fund balances	\$ 498	\$ 618
Revenues	\$ 4,684	\$ 4,613
Expenses	4,804	4,411
(Deficiency) / excess of revenues over expenses	\$ (120)	\$ 202

(d) SNOLAB Institute at Queen's University

The SNOLAB Institute at Queen's University (SNOLAB) was created to perform research in particle astrophysics and succeeds the Sudbury Neutrino Observatory Institute which was decommissioned in 2007. This is a joint venture of the University and four other Canadian universities. The University's proportionate share (20 per cent) of the joint venture's assets, liabilities and operations have been included in the financial statements (see also Note 18(c)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

(e) Tri-universities Meson Facility

The University is a member, with thirteen 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 / 14 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 the financial statements (see also Note 18(d)).

The following financial information at March 31, 2019 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.

	2019	2018
Total assets	\$ 54,766	\$ 50,147
Total liabilities	9,283	9,095
Total fund balances	\$ 45,483	\$ 41,052
Revenues	\$ 87,264	\$ 95,214
Expenses	82,832	81,630
Excess of revenues over expenses	\$ 4,432	\$ 13,584

18. 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, 2019, 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 made in the 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, 2018, the date of the latest financial statements available, CURIE had a surplus of \$79,338 (2017 - \$81,232).

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended April 30, 2019

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

(c) SNOLAB - Asset retirement obligation

As stipulated within the Constitution for SNOLAB, 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 using the facility and decommissioning is not expected to occur sooner than fiscal 2020. No accrual has been made in the financial statements.

(d) TRIUMF - Asset retirement obligation

The joint venture partners of the TRIUMF joint venture and the Canadian Nuclear Safety Commission (CNSC) approved a decommissioning plan which requires all partners 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.

(e) Capital commitments

As of April 30, 2019 the estimated cost to complete construction in process for the extension of facilities is approximately \$4,856 (2018 - \$33,085). These costs will be financed by a combination of gifts, grants, and allocations from operations.

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

Fiscal year	
2020	\$ 3,834
2021	2,829
2022	2,230
2023	1,742
2024	1,600
Total thereafter	4,994
	<u>\$ 17,229</u>

(f) Other

In addition to the capital commitments disclosed in Note 18(e), the University has issued letters of credit of \$2,620 primarily for capital construction.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.