Qu

The following table shows the detailed breakdown of the Shared Service Allocations and projections shown on Page 1:

Budget Analysis

The 2013-14 projected operating budget remains balanced. The budget variances are explained below.

Enrolment

Actual overall enrolment is lower than projected at both the graduate and undergraduate levels. At the graduate level, the effect on tuition revenue was partially offset by a shift, relative to projections, from domestic to international students (i.e., a greater proportion of students were paying the higher international tuition). Queen's School of Business Master's program tuition had a negative variance of $600K due to lower than planned enrolments in the Master of Finance and Master of International Business programs, as well as fewer international students in these programs, and a realignment of when tuition is recognized.

The shift in graduate enrolment from domestic to international students is responsible for a much larger decrease in the graduate accessibility grant of $974K. A positive variance of $1.1M in the Basic Operating Grant ($0.2M) , Performance Fund Grant ($0.3M), targeted grants ($0.4M) & Research Infrastructure grant ($0.2M) are offsetting the $2M decline in the Undergraduate and Graduate Accessibility grants for a total negative grant variance of $0.7M.

Undergraduate tuition revenue is lower than budgeted by $1.9M. Enrolments in Arts and Science, the Bader International Study Centre and Engineering and Applied Science are lower than planned. The decline in these areas is partially offset by higher than planned enrolments in the Queen's School of Business. Non-credit tuition revenue shows a negative variance of $400K because of the inability to achieve international client revenue targets and the cancellation of two open enrolment courses. A positive variance of $400K in Athletics fees is also offsetting the decline in tuition revenues.

Unrestricted Donations

A significant unrestricted bequest has been received in addition to other unrestricted donations. Advancement is forecasting unrestricted donation revenues of $5.2M which is $3.4M over budget.

Other Income

Other income has a positive variance of $300K resulting from higher than budgeted miscellaneous athletics revenues, which are offset by a decline in Health Fee revenues as a result of lower than budgeted enrolments.

Research Overhead

Research overhead revenues are on budget.

Investment Income

Investment income is showing a positive variance of $400K as a result of higher than budgeted short-term investment returns. The operating budget currently assumes revenue from the Pooled Investment Fund (PIF) of $4.2M, but the latest projections suggest the revenue may exceed $16.6M. Prudence dictates that we include only the budgeted amount of $4.2M in the updated projections and use the surplus income to eliminate the cumulative operating fund deficit from previous years.

The cumulative Operating Fund Deficit as of April 30, 2013 was $8.1 million.

II: Ancillary Operations and Consolidated Entities

Overall, Ancillary Operations and Consolidated Entities are projecting increases in deficits over what was budgeted in excess of $4.75M. This is due to the budget variances outlined below.

Community Housing is now projecting a $664K loss, against a budgeted surplus of $567K. The revised outcome is primarily affected by the following factors:

1. A number of vacancies at the west end properties (in particular the An Clachan complex) - this accounts for $215K of the variance and represents just a 3% variance compared to the budgeted total revenue for the department.
2. Due to a faulty gas meter the department has been asked to pay 2 years in back utilities totalling $480K. This is currently being reviewed by Queen's legal department.
3. Capital upgrades and investments of $670K which are funded from existing capital reserves prudently built up over time:
    - The replacement of the roof at the An Clachan complex contributed to an additional $200K of costs.
    - A number of the vacant units underwent needed repairs/renovations increasing the chances of renting the units in the future. The total cost of these projects was approximately $119K.
    - The purchase of $350K of furniture to add furnished units to the offering at An Clachan ($215K) and John Orr Tower ($135K).

Vacancies within the Community Housing portfolio are a recent occurrence. Prior to the 2012-2013 budget year, there were waiting lists for both John Orr Tower and An Clachan. Interest in the near campus/core properties remains strong, with all properties fully rented as of February 1st for May 1st occupancy.

Vacancies are due in some part to a larger than average number of students vacating upon the end of their lease period. A limited exit poll reveals that the most common reasons for leaving An Clachan were ge9 Td[2 (an u[2 (a(e)1 (o)-7 (d)2 e)-6 -3 (t)5566 392.2842[2o)-7 (d) TD[V)-Pd)2 e)-6 -3 in)2 (t)-3 ieu5coinr t 4.284

PARTEQ/Green Centre is projecting a deficit of $3.27M, a negative variance of $3.35M from budget.

The following tables provide budget and projection details for the Ancillary Operations as well as the Consolidated Entities.

2013-14 ANCILLARY & CONSOLIDATED ENTITIES FINANCIAL REPORT (000's)

	TOTAL ANCILLARY	TOTAL CONSOLIDATED ENTITIES	TOTAL ANCILLARY & CONSOLIDATED ENTITIES
REVENUE			
EXPENDITURE			
Salaries & Benefits			
External Contracts			
Utilities			
Repairs & Alter.			
Debt Servici(i)1160115 ((i)1160115 ((i)1160115 ((i)1160115 ((i)1160115 ((i)1160115 ((i)1160115 ((i)1160115 ((i)1160115 ((i)11601152-95)34 ()Y.538 T*49 (eB0(v)-42 (v)-45 (i)			

2013-14 ANCILLARY FINANCIAL REPORT (000's)

	Marketing & Communications			Computer Store			Donald Gordon Centre			Stuart St. Underground Parking		
	Budget	**Actual**	**Variance** Surplus (deficit)	**Budget**	**Actual**	**Variance** Surplus (deficit)	**Budget**	**Actual**	**Variance** Surplus (deficit)	**Budget**	**Actual**	**Variance** Surplus (deficit)
REVENUE	351	171	(180)	6,600	7,275	675	4,366	3,970	(396)	1,073	1,015	(59)
EXPENDITURE												
Salaries & Benefits	-	-	-	630	656	(26)	-	-	-	113	80	33
External Contracts	73	30	43	-	-	-	1,743	1,687	56	42	33	9
Utilities	-	-	-	-	-	-	260	244	16	66	58	7
Repairs & Alter.	-	-	-	-	-	-	175	186	(11)	28	26	2
Debt Servicing	-	-	-	-	-	-	823	823	(0)	323	323	-
Supplies & Misc.	46	7	39	5,915	6,625	(711)	1,070	1,054	16	39	36	3
Deferred Maintenance	-	-	-	-	-	-	120	-	120	20	20	-
Total Exp excl Overhead	119	37	82	6,545	7,281	(736)	4,191	3,994	197	629	575	54
Overhead	12	6	6	56	44	12	76	69	7	-	-	-
Additional Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	131	43	88	6,600	7,324	(724)	4,267	4,063	204	629	575	54
SURPLUS (DEFICIT)	220	128	254	0 6.9 (2)1 (8)]TJETEMC /TD <MCID 20 >BDC			BT0 6. 0 6.5894 -7.9943 0 445.554 25368BT-			CID 20 >BDC 050 (4)1 (3)-4049 (8)1 (8)]TJETEMC		

	2013-14 Consolidated Entities Financial Report (000's)					
	PARTEQ Consolidated			QCED Inc.		
	Budget	**Actual**	**Variance** Surplus (deficit)	**Budget**	**Actual**	**Variance** Surplus (deficit)
REVENUE	10,676	9,151	(1,525)	875	1,331	456
EXPENDITURE						
Salaries & Benefits	4,685	5,409	(724)	185	192	(7)
External Contracts	529	455	74	576	1,026	(450)
Utilities	-	-	-	-	-	-
Repairs & Alter.	-	-	-	-	-	-
Debt Servicing	109	105	4	-	-	-
Supplies & Misc.	5,276	6,453	(1,177)	87	86	1
Deferred Maintenance	-	-	-	-	-	-
Total Expenditures	10,599	12,422	(1,823)	847	1,304	(457)
SURPLUS (DEFICIT)	77	(3,271)	(3,348)	28	27	(1)

III: Pension Plan

A pension plan valuation was completed as of August 31, 2013 and resulted in a going concern deficit of $108M and a solvency deficit of $292M.

The 2013-14 budget includes the required going concern payments of $14.4 million which commenced on September 1, 2012. The University is currently in stage I solvency relief, and will apply for Stage II solvency relief in 2014-15, which coincides with when the university will file the next pension plan valuation with regulators (as of August 31, 2014). Stage II relief allows the solvency deficit to be amortized over 10 years instead of 5. Recent changes to the Pension Benefits Act in Ontario provide universities with a further choice to amortize the solvency deficit over the 10 year period, or take advantage of an additional 3 year extension to pension solvency relief and amortize the solvency deficit over the remaining 7 years of Stage II relief. The university continues to review measures to make the pension plan financially sustainable, including options that might lead to permanent solvency relief.

Notes:
1. The remaining Operating Budget funds have all been allocated to pre-approved projects.
2. Annual Funding based on Ontario MTCU - System Share.

V: Investment Funds

The decline in the financial markets in late 2008 and early 2009 had a substantial impact on University investments. Since then, markets have broadly recovered, although they have been susceptible to further. Market volatility can have a significant impact on investment holdings and financial planning.

The University has two investment portfolios, the Pooled Endowment Fund and the Pooled Investment Fund.

The Pooled Endowment Fund ("PEF")014 Tw006 Tw 0 4 (e)-6 (d)d t 0 4 (e)-6 (dt)2 (av)-65fo (d)2 (fin)2 (an)2 (c)-2 (ial p)2
