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Financial statements of  
**Université de Montréal**

April 30, 2018

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## Independent Auditor's Report

To the Board Members of  
Université de Montréal

We have audited the accompanying financial statements of Université de Montréal, which comprise the statement of financial position as at April 30, 2018, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Université de Montréal as at April 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Deloitte LLP<sup>1</sup>*

September 28, 2018

<sup>1</sup> CPA auditor, CA, public accountancy permit No. A120628

**Université de Montréal**  
**Statement of operations and changes in fund balances**  
Year ended April 30, 2018  
(Amounts in thousands of dollars)

	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>										
Grants from the ministère de l'Éducation et de l'Enseignement supérieur	524,060	504,009	12,757	11,239	41,913	43,123	—	—	578,730	558,371
Other government grants and contracts	22,966	23,328	119,605	113,735	16,880	16,139	—	—	159,451	153,202
Other non-governmental contributions and contracts	1,406	2,591	54,512	48,492	6,342	7,072	—	—	62,260	58,155
Tuition fees	135,294	130,943	—	—	—	—	—	—	135,294	130,943
Student services	12,054	11,409	—	—	—	—	—	—	12,054	11,409
Physical education and sports centre	15,029	14,193	—	—	—	—	—	—	15,029	14,193
Ancillary services	23,000	23,858	—	—	—	—	—	—	23,000	23,858
Investment income	6,193	5,342	8,639	7,461	—	—	—	—	14,832	12,803
External sales	29,951	28,717	5	—	—	—	—	—	29,956	28,717
Gain on disposal of capital assets	—	—	—	—	36,909	129	—	—	36,909	129
Other revenue	30,488	27,782	—	—	—	—	—	—	30,488	27,782
	<b>800,441</b>	<b>772,172</b>	<b>195,518</b>	<b>180,927</b>	<b>102,044</b>	<b>66,463</b>	<b>—</b>	<b>—</b>	<b>1,098,003</b>	<b>1,019,562</b>
<b>Expenses</b>										
Teaching and research	485,727	474,718	149,769	136,962	—	—	—	—	635,496	611,680
Teaching and research support	77,639	74,648	125	14	—	—	—	—	77,764	74,662
Student services	12,898	12,819	3,603	2,626	—	—	—	—	16,501	15,445
Physical education and sports centre	14,796	14,592	—	—	—	—	—	—	14,796	14,592
Scholarships – graduate programs	8,690	8,592	33,963	31,363	—	—	—	—	42,653	39,955
Community services	—	—	4,300	4,106	—	—	—	—	4,300	4,106
Administration	58,684	56,607	—	—	—	—	—	—	58,684	56,607
Facilities management	56,796	57,765	—	—	—	—	—	—	56,796	57,765
Ancillary services	18,647	18,460	—	—	—	—	—	—	18,647	18,460
Bad debts on tuition fees	1,191	2,036	—	—	—	—	—	—	1,191	2,036
Interest on bank overdrafts and bank loans and financial charges	245	1,135	—	—	2,206	1,529	—	—	2,451	2,664
Interest on debt	—	—	—	—	23,052	24,190	—	—	23,052	24,190
Vacation liability and waiting period given time	1,281	838	—	—	—	—	—	—	1,281	838
Other employee future benefits unallocated	(18,387)	(3,869)	—	—	—	—	—	—	(18,387)	(3,869)
Amortization of capital assets	—	—	—	—	86,839	88,734	—	—	86,839	88,734
Bond discount amortization	—	—	—	—	—	3	—	—	—	3
Other contributions and restricted amounts	—	—	963	2,582	5,452	3,271	—	—	6,415	5,853
	<b>718,207</b>	<b>718,341</b>	<b>192,723</b>	<b>177,653</b>	<b>117,549</b>	<b>117,727</b>	<b>—</b>	<b>—</b>	<b>1,028,479</b>	<b>1,013,721</b>
Excess (deficiency) of revenue over expenses before the following items:	<b>82,234</b>	53,831	<b>2,795</b>	3,274	<b>(15,505)</b>	(51,264)	—	—	<b>69,524</b>	5,841
Change in unrealized fair value of investments	(1,245)	4,410	—	—	—	—	—	—	(1,245)	4,410
Change in fair value of derivative financial instruments	1,487	824	—	—	9,366	3,518	—	—	10,853	4,342
<b>Excess (deficiency) of revenue over expenses</b>	<b>82,476</b>	59,065	<b>2,795</b>	3,274	<b>(6,139)</b>	(47,746)	—	—	<b>79,132</b>	14,593
Fund balances, beginning of year	(6,396)	(235,681)	7,158	7,069	178,640	165,696	339,730	300,077	519,132	237,161
Endowments	—	—	—	—	—	—	7,872	15,458	7,872	15,458
Investment income added to endowment capital	—	—	—	—	—	—	4,739	5,607	4,739	5,607
Change in unrealized fair value of investments (deducted from) added to endowment capital	—	—	—	—	—	—	(6,956)	22,158	(6,956)	22,158
Change in revaluations and other items recognized relating to benefit plans	(89,764)	224,155	—	—	—	—	—	—	(89,764)	224,155
Interfund transfers	(54,518)	(53,935)	(3,828)	(3,185)	61,188	60,690	(2,842)	(3,570)	—	—
<b>Fund balances, end of year</b>	<b>(68,202)</b>	<b>(6,396)</b>	<b>6,125</b>	<b>7,158</b>	<b>233,689</b>	<b>178,640</b>	<b>342,543</b>	<b>339,730</b>	<b>514,155</b>	<b>519,132</b>

The accompanying notes are an integral part of the financial statements.

**Université de Montréal**  
**Statement of financial position**  
As at April 30, 2018  
(Amounts in thousands of dollars)

	Notes	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
		2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>											
Current assets											
Cash		—	—	41,024	31,249	10,441	21,199	943	897	52,408	53,345
Investments	3	19,990	—	3,050	2,489	—	—	19,336	22,872	42,376	25,361
Accounts receivable	4	104,060	116,630	118,118	110,787	187,710	208,196	348	795	410,236	436,408
Inventories		4,892	4,020	—	18	—	—	—	—	4,892	4,038
Expenses attributable to the next year		2,958	3,856	234	270	537	441	—	—	3,729	4,567
Advances to other funds	5	—	4,729*	201,608*	194,755*	—	—	—	—	—	—
		<b>131,900</b>	129,235	<b>364,034</b>	339,568	<b>198,688</b>	229,836	<b>20,627</b>	24,564	<b>513,641</b>	523,719
Investments	3	—	—	5,897	2,434	—	—	341,969	340,783	347,866	343,217
Accounts receivable	4	442	1,042	4,245	3,405	789,587	806,821	—	—	794,274	811,268
Capital assets	6	—	—	—	—	1,335,533	1,215,263	—	—	1,335,533	1,215,263
Deferred costs		—	—	—	—	72	245	—	—	72	245
Derivative financial instruments	16	263	—	—	—	—	—	—	—	263	—
Primary defined benefit pension plan asset	12	267,944	336,135	—	—	—	—	—	—	267,944	336,135
Other assets		—	—	—	—	370	432	—	—	370	432
		<b>400,549</b>	466,412	<b>374,176</b>	345,407	<b>2,324,250</b>	2,252,597	<b>362,596</b>	365,347	<b>3,259,963</b>	3,230,279
<b>Liabilities</b>											
Current liabilities											
Bank overdrafts		35,097	44,808	—	—	—	—	—	—	35,097	44,808
Bank loans	7	—	164,950	—	—	42,363	43,817	—	—	42,363	208,767
Accounts payable and accrued liabilities	8	99,151	81,637	24,691	7,349	64,285	33,349	59	214	188,186	122,549
Deferred revenue		10,997	11,034	9,467	10,552	—	—	—	—	20,464	21,586
Deferred contributions	9	—	—	298,707	273,098	463	368	—	—	299,170	273,466
Current portion of debt	10	—	—	—	—	76,699	39,992	—	—	76,699	39,992
Current portion of capital lease obligations	11	—	—	—	—	31,467	525	—	—	31,467	525
Advances from other funds	5	154,535*	—	—	—	27,079*	174,081*	19,994*	25,403*	—	—
		<b>299,780</b>	302,429	<b>332,865</b>	290,999	<b>242,356</b>	292,132	<b>20,053</b>	25,617	<b>693,446</b>	711,693
Grants payable		15,009	18,378	35,186	47,250	—	—	—	—	50,195	65,628
Debt	10	—	—	—	—	680,042	594,528	—	—	680,042	594,528
Capital lease obligations	11	—	—	—	—	40	31,507	—	—	40	31,507
Deferred contributions	9	—	—	—	—	185,263	282,620	—	—	185,263	282,620
Deferred contributions pertaining to capital assets	9	—	—	—	—	964,782	845,727	—	—	964,782	845,727
Accrued defined benefit obligation of complementary retirement program	12	78,766	72,572	—	—	—	—	—	—	78,766	72,572
Accrued benefit obligation of post-employment benefit plan	12	75,196	78,204	—	—	—	—	—	—	75,196	78,204
Derivative financial instruments	16	—	1,225	—	—	18,078	27,443	—	—	18,078	28,668
		<b>468,751</b>	472,808	<b>368,051</b>	338,249	<b>2,090,561</b>	2,073,957	<b>20,053</b>	25,617	<b>2,745,808</b>	2,711,147
Commitments and contingencies	19 and 20										
<b>Fund balances</b>											
Invested in capital assets	13 and 14	—	—	—	—	158,860	134,277	—	—	158,860	134,277
Externally restricted		—	—	—	—	—	—	297,029	291,594	297,029	291,594
Internally restricted		12,015	12,250	6,125	7,158	74,829	44,363	45,514	48,136	138,483	111,907
Revaluation and other items recognized relating to defined benefit plans		245,350	335,114	—	—	—	—	—	—	245,350	335,114
Deficiency – Defined benefit plans		(131,368)	(149,755)	—	—	—	—	—	—	(131,368)	(149,755)
Deficiency – Operating activities		(194,199)	(204,005)	—	—	—	—	—	—	(194,199)	(204,005)
		<b>(68,202)</b>	<b>(6,396)</b>	<b>6,125</b>	7,158	<b>233,689</b>	178,640	<b>342,543</b>	339,730	<b>514,155</b>	519,132
		<b>400,549</b>	466,412	<b>374,176</b>	345,407	<b>2,324,250</b>	2,252,597	<b>362,596</b>	365,347	<b>3,259,963</b>	3,230,279

\* These items are not shown in the "Total Funds" column as their combined total is zero.

The accompanying notes are an integral part of the financial statements.

From the Board of the University

Rector



Vice-rector of Finance and Infrastructures



**Université de Montréal**  
**Statement of cash flows**  
Year ended April 30, 2018  
(Amounts in thousands of dollars)

	Notes	2018	2017
		\$	\$
<b>Operating activities</b>			
Excess of revenue over expenses		79,132	14,593
Adjustments for			
Change in unrealized fair value of investments		1,245	(4,410)
Gain on disposal of investments		(11,994)	(13,847)
Amortization of capital assets		86,839	88,734
Gain on disposal of capital assets		(36,909)	(156)
Bond discount amortization		—	3
Amortization of deferred contributions pertaining to capital assets		(45,371)	(47,814)
Change in asset and obligations related to defined benefit plans		(18,387)	(3,869)
Change in fair value of financial instruments		(10,853)	(4,342)
		<b>43,702</b>	<b>28,892</b>
Net changes in non-cash working capital items and long-term accounts receivable, deferred contributions and grants payable	18	(9,392)	73,153
		<b>34,310</b>	<b>102,045</b>
<b>Investing activities</b>			
Net change in investments		(17,871)	(6,701)
Acquisition of capital assets		(183,819)	(115,256)
Proceed from disposal of capital assets		43,652	940
Net change in deferred costs		173	173
		<b>(157,865)</b>	<b>(120,844)</b>
<b>Financing activities</b>			
Net change in bank loans		(166,404)	3,855
Increase in debt		162,843	204,956
Repayment of debt and capital lease obligations		(40,495)	(293,197)
Net change in unamortized issuance costs		(652)	(606)
Increase in deferred contributions pertaining to capital assets		164,426	93,777
Endowments received		7,872	15,458
Investment income added to endowment capital		4,739	5,607
		<b>132,329</b>	<b>29,850</b>
Net increase in cash and cash equivalents		8,774	11,051
Cash and cash equivalents, beginning of year		8,537	(2,514)
<b>Cash and cash equivalents, end of year</b>		<b>17,311</b>	<b>8,537</b>
Cash and cash equivalents comprise			
Cash		52,408	53,345
Bank overdrafts		(35,097)	(44,808)
		<b>17,311</b>	<b>8,537</b>

Additional information is presented in Note 18.

The accompanying notes are an integral part of the financial statements.

## **1. Status and purpose of Université de Montréal**

Université de Montréal (the "University") is currently incorporated under *Act 15-16 Elizabeth II*, Chapter 129, promulgated on September 1, 1967 in replacement of its first charter received in 1920 from the Québec Parliament.

The charter will be modified during the 2019 fiscal year. The University will then be incorporated under *Act 234* of the National Assembly of Québec, promulgated on March 27, 2018, which will take effect on September 28, 2018.

The University is a registered charity, which is not subject to income taxes, within the meaning of the *Canadian Income Tax Act*. The University offers teaching services and carries on research activities associated with teaching.

## **2. Accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

### *Consolidation*

Not-for-profit entities controlled by the University are not consolidated. The combined financial data of these entities is presented in Note 17.

### *Fund accounting*

The University presents its financial information by fund.

It has an unrestricted fund, the Operating Fund, and three restricted funds: the Restricted Fund, the Capital Assets Fund and the Endowment Fund.

### *Operating Fund*

The Operating Fund records the usual activities carried on by the University in providing teaching, support to teaching and research, operations of the University campus and internal research services. This fund also presents unrestricted external resources and operating grants.

### *Restricted Fund*

The Restricted Fund records externally restricted resources, which are primarily headed to research activities. The surplus generated by activities financed externally are restricted to research or a similar activity and presented as an internal restricted fund in the fund balances.

### *Capital Assets Fund*

The Capital Assets Fund presents assets and liabilities as well as revenues and expenses related to capital assets held by the University and that are used for their financing.

### *Endowment Fund*

The Endowment Fund presents resources received as endowments (permanent capital) as well as investment income that must be added to the endowments, in accordance with the donors' instructions. Other realized investment income from resources of the Endowment Fund are presented in the Restricted Fund or in the Operating Fund, based on the nature of the restrictions stipulated by the donors, if applicable.

## **2. Accounting policies (continued)**

### *Revenue recognition*

The University follows the deferral method of accounting for contributions. Under this method, restricted contributions for future expenses are deferred and recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the Operating Fund when they are received or receivable if the amount receivable can be reasonably estimated and its receipt is reasonably assured.

Contributions received in the form of capital assets are recorded at fair value on the date of the contribution.

Deferred revenue represents receipts for which the services have not been rendered.

The University's main revenues, other than contributions, are tuition fees, student services, external sales and the recovery of direct costs.

Tuition fees are recognized as revenue of the Operating Fund in the year in which the service underlying the tuition fees is rendered.

Operating grants from the Government of Québec are recorded during the year in which they are incurred.

Contributions received as endowments are presented as direct increases in the balance funds of the Endowment Fund.

Restricted investment income is recognized as revenue of the related fund in the year in which the related restriction expenses are incurred. Therefore, investment income from restricted resources of the Endowment Fund is recognized as revenue of the restricted corresponding fund. If the corresponding expense is not realized, this investment income is deferred and presented as deferred contributions in the statement of financial position. Investment income from unrestricted resources of the Endowment Fund is recognized as revenue of the Operating Fund.

Donations as a result of fund-raising campaigns are recorded to the appropriate fund, based on the donor's contribution when the donations are received. Unrestricted donations are presented in the Operating Fund in "Other non-governmental contributions and contracts".

The portion of the revenue received regarding the research contracts, for which services were not rendered during the year, is presented in deferred revenue in the statement of financial position of the Restricted Fund, whereas the portion of other contributions for research and not used at year-end is presented as deferred contributions.

### *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the University becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments and derivative financial instruments, which are measured at fair value at the statement of financial position date. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on disposal are included in investment income. Unrealized gains and losses are presented separately in the statement of operations and changes in fund balances.



## **2. Accounting policies (continued)**

### *Financial instruments (continued)*

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability, and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized as income or interest expense.

With respect to financial assets measured at cost or amortized cost, the University recognizes in the statement of operations and changes in fund balances an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of operations and changes in fund balances in the period the reversal occurs.

### *Derivative financial instruments*

The University uses interest rate swap contracts to manage its interest rate risks pertaining to the long-term debt as well as foreign exchange forward contracts to manage its foreign exchange risk pertaining to its currency investments. The University has chosen not to prepare the documentation required to apply hedge accounting.

Consequently, interest rate swap contracts are recognized at fair value in the statements of financial position as assets (or liabilities). As at April 30, 2018, the fair value of the interest rate swap contracts is included in "Derivative financial instruments" as assets and as liabilities and the fair value of foreign exchange forward contracts is included in investments.

Fair value is determined by using stock market quotes and the prices obtained from financial institutions for identical or similar derivatives.

### *Capital assets*

Capital assets are recorded at cost and amortized based on their expected useful lives.

## 2. Accounting policies (continued)

### *Capital assets (continued)*

Amortization is recorded as an expense in the statement of operations and changes in fund balance of the Capital Assets Fund using the straight-line method and over the following terms, which also correspond to the ministère de l'Éducation et de l'Enseignement supérieur (MEES) guidelines:

Land improvements	10 and 20 years
Buildings	
Buildings	20, 40 or 50 years
Major improvements to buildings	25, 30 or 40 years
Buildings under capital lease	term of the lease
Leasehold improvements	term of the lease
Machinery and equipment	3, 5 or 15 years
Computer equipment	
Multimedia communication equipment	
Office furniture and equipment	
Specialized teaching and research support equipment	10 years
Library documents	10 years
Rolling stock	5 years
Telecommunication networks	10 years
Software – other than initial versions	3 years
Computer development	10 years
Communication equipment under capital leases	term of the lease
Specialized teaching equipment under capital leases	term of the lease

Interest on temporary loans for new construction is added to the cost of this construction until its commissioning.

Capital assets that are fully amortized are written off as soon as they are no longer being used.

### *Translation of foreign currencies*

Account balances and transactions carried out in foreign currencies are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities and those recorded at fair value denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at year-end, while non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at the average rate in effect during the year, except for amortization, which is translated at the historical rates. Foreign exchange gains and losses are included in operations for the year.

## **2. Accounting policies (continued)**

### *Pension plan and post-employment benefit plan*

The costs of the University's defined benefit pension plan and post-employment benefit plan are determined periodically by independent actuaries. The University has chosen to evaluate the accrued benefit obligations by using the actuarial valuation for funding purposes. This periodic actuarial valuation is based on the method of allocating defined benefit on prorated services (which incorporates management's best estimate of future salary levels, other cost growth, retirement age of employees and other actuarial factors). For the purpose of calculating the real rate of return on plan assets, those assets are valued at fair value. The post-employment benefit plan is not capitalized.

The University uses the immediate recognition approach by which the University recognizes:

- in the statement of financial position, the accrued benefit obligations, reduced by the fair value of plan assets and adjusted for any valuation allowance (either the defined benefit asset or the accrued benefit obligation);
- in the statement of operations, the cost of the plan for the year;
- in the statement of changes in fund balances, revaluations and other items arising in particular from the difference between the actual return on plan assets and the return calculated using the discount rate determined, from actuarial gains and losses, past services, settlement, compression and asset ceiling for defined benefit.

### *Use of estimates*

The preparation of these financial statements requires that the University's management formulate and propose estimates and assumptions that influence the amounts presented in the assets and liabilities and the contingent liabilities disclosed, at the date of the financial statements, as well as the amounts presented in the revenue and expenses of the subject year. Among the major components of the financial statements that require management to make estimates are the grants receivable from MEES, the fair value of the financial instruments, the estimated useful lives of capital assets, the accrued liabilities, the grants payable, the defined benefit asset or accrued benefit obligations and the liabilities within the legal contingencies. Actual results may differ from the estimated amounts.

### 3. Investments

				2018
	Operating Fund	Restricted Fund	Endowment Fund	Total
	\$	\$	\$	\$
Cash and fund units – money market	19,990	2,693	19,336	42,019
Strippable coupons and Canadian bonds, nominal value of \$7,532,016, 3.75% to 5.00%, maturing from August 2018 to June 2021	—	6,205	1,360	7,565
Bond pooled fund units				
Canada	—	—	109,806	109,806
Equity				
Canada	—	26	75,082	75,108
United States	—	—	23,029	23,029
Foreign	—	—	24,579	24,579
	—	26	122,690	122,716
Equity pooled fund units				
Foreign	—	22	74,903	74,925
Investments in limited partnerships				
Canada	—	1	—	1
Real estate securities	—	—	7,183	7,183
Exchange forward contracts	—	—	(811)	(811)
Funds coverage				
Foreign	—	—	26,838	26,838
	19,990	8,947	361,305	390,242
Less: current portion	(19,990)	(3,050)	(19,336)	(42,376)
	—	5,897	341,969	347,866

**3. Investments (continued)**

	2017			Total
	Operating Fund	Restricted Fund	Endowment Fund	
	\$	\$	\$	\$
Cash and fund units – money market	—	1,159	22,872	24,031
Strippable coupons and Canadian bonds, nominal value of \$5,066,100, 3.75% to 5.00%, maturing from August 2017 to June 2021	—	3,739	1,424	5,163
Bond pooled fund units				
Canada	—	—	110,652	110,652
Equity				
Canada	—	24	75,698	75,722
United States	—	—	23,209	23,209
Foreign	—	—	21,935	21,935
	—	24	120,842	120,866
Equity pooled fund units				
Foreign	—	—	75,413	75,413
Investments in limited partnerships				
Canada	—	1	—	1
Real estate securities	—	—	6,953	6,953
Exchange forward contracts	—	—	(444)	(444)
Funds coverage				
Foreign	—	—	25,943	25,943
	—	4,923	363,655	368,578
Less: current portion	—	(2,489)	(22,872)	(25,361)
	—	2,434	340,783	343,217

### 3. Investments (continued)

Investment income is detailed and broken down as follows:

	2018		
	Operating Fund	Restricted Fund	Total
	\$	\$	\$
Interest and dividends	1,925	190	2,115
Investment income earned on resources from Endowment Fund	4,268	12,561	16,829
Change in "Deferred contributions"	—	(4,112)	(4,112)
	<b>6,193</b>	<b>8,639</b>	<b>14,832</b>

  

	2017		
	Operating Fund	Restricted Fund	Total
	\$	\$	\$
Interest and dividends	919	87	1,006
Investment income earned on resources from Endowment Fund	4,423	10,604	15,027
Change in "Deferred contributions"	—	(3,230)	(3,230)
	<b>5,342</b>	<b>7,461</b>	<b>12,803</b>

### 3. Investments (continued)

Investment income earned on resources from the Endowment Fund are detailed and broken down as follows:

	2018	2017
	\$	\$
Interest and dividends	10,792	7,799
Gain on disposal of investments	11,994	13,847
	<b>22,786</b>	21,646
Trustee and investment managers' fees	(1,218)	(1,012)
	<b>21,568</b>	20,634
Portion presented under "Investment income" of the Operating Fund	4,268	4,423
Portion presented under "Investment income" of the Restricted Fund	12,561	10,604
Investment income added to endowment capital	4,739	5,607
	<b>21,568</b>	20,634

Most endowments are subject to the management and distribution Policy 10.33 of the Endowment Fund (the "Policy"), which annually determines the amount of investment income to be allocated to the various funds. If the fair value (FV) of each endowment is greater than the initial capital provided (ICP), projected revenues must be registered in each respective fund according to the formula based on the "FV/ICP" ratio. If investment income for the year is insufficient, the University must draw on income from previous years included in the fund balances of the Endowment Fund as a temporary reserve. If the temporary reserve is insufficient, part of the change in unrealized fair value of resources held by the Endowment Fund is then used to meet the exact amount of the distribution established under the Policy.

The change in unrealized fair value on resources from the Endowment Fund totals a negative amount of \$8,201,000 (positive amount of \$26,568,000 in 2017) and is broken down as follows:

	2018	2017
	\$	\$
Portion presented in the statement of operations of the Operating Fund and transferred to the Endowment Fund	(1,245)	4,410
Portion presented directly as a change in the fund balances of the Endowment Fund	(6,956)	22,158
	<b>(8,201)</b>	26,568

#### 4. Accounts receivable

Accounts receivable are broken down as follows based on the funds and current and long-term portions:

	2018	2017
	\$	\$
<b>Operating Fund</b>		
Grant receivable from MEES	78,901	93,780
Tuition fees and other fees	12,664	11,955
Sales and other	17,291	16,424
Interest and dividends	13	5
	<b>108,869</b>	122,164
Provision for bad debt	(4,367)	(4,492)
Less: amount receivable in more than one year	(442)	(1,042)
Current portion receivable	<b>104,060</b>	116,630
<b>Restricted Fund</b>		
Grants, contracts and other	122,363	114,192
Less: amounts receivable in more than one year	(4,245)	(3,405)
Current portion receivable	<b>118,118</b>	110,787
<b>Capital Assets Fund</b>		
Grants	973,619	1,009,689
Interests and dividends	151	165
Other	3,527	5,163
	<b>977,297</b>	1,015,017
Less: grants receivable in more than one year	(789,587)	(806,821)
Current portion receivable	<b>187,710</b>	208,196
<b>Endowment Fund</b>		
Interests and dividends	333	250
Other	15	545
Current portion receivable	<b>348</b>	795
Total accounts receivable cashable within one year	<b>410,236</b>	436,408
Total accounts receivable cashable in more than one year	<b>794,274</b>	811,268

#### *Donations receivable*

The donations receivable from the subscription campaigns for an amount of \$56,155,300 (\$60,337,100 in 2017) are pledged commitments and are not recorded in the statement of financial position. The estimated realizable value of these commitments is \$54,710,000 (\$58,621,200 in 2017), of which \$23,471,900 (\$20,052,600 in 2017) during the following year, and is based on the collection history.



## 5. Advances to (from) other funds

The University manages all its bank accounts globally. Although most of the deposits attributed to each fund are applied to the bank account of the fund in question, disbursements pass through a central bank account presented in the Operating Fund. Advances to or from other funds are non-interest bearing and do not include terms of repayment (or reimbursement).

## 6. Capital assets

	<b>2018</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
Land	39,721	—	39,721
Land improvements	16,282	7,639	8,643
Buildings			
Buildings	653,767	359,524	294,243
Major improvements to buildings	628,545	197,865	430,680
Building under capital lease	34,498	7,474	27,024
Leasehold improvements	21,925	14,512	7,413
Machinery and equipment			
Computer equipment	35,688	24,768	10,920
Multimedia communication equipment	24,007	21,027	2,980
Office furniture and equipment	26,352	24,244	2,108
Specialized teaching and research support equipment	218,913	119,376	99,537
Library documents	261,674	217,576	44,098
Rolling stock	1,447	792	655
Telecommunication networks	13,057	7,246	5,811
Software – other than initial versions	8,694	6,574	2,120
Computer development	101,255	54,598	46,657
Communication equipment under capital leases	10,287	8,156	2,131
Specialized teaching equipment under capital leases	157	118	39
Current projects	307,039	—	307,039
Works of art	3,714	—	3,714
	<b>2,407,022</b>	<b>1,071,489</b>	<b>1,335,533</b>

**6. Capital assets (continued)**

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	41,423	—	41,423
Land improvements	15,802	6,668	9,134
Buildings			
Buildings	654,242	348,150	306,092
Major improvements to buildings	605,043	177,016	428,027
Building under capital lease	34,498	6,325	28,173
Leasehold improvements	20,282	12,425	7,857
Machinery and equipment			
Computer equipment	32,848	22,846	10,002
Multimedia communication equipment	23,938	20,603	3,335
Office furniture and equipment	26,391	23,929	2,462
Specialized teaching and research support equipment	240,976	141,970	99,006
Library documents	251,204	209,100	42,104
Rolling stock	1,476	837	639
Telecommunication networks	14,358	7,389	6,969
Software – other than initial versions	10,535	7,448	3,087
Computer development	100,550	44,508	56,042
Communication equipment under capital leases	10,129	7,135	2,994
Specialized teaching equipment under capital leases	157	102	55
Current projects	164,325	—	164,325
Works of art	3,537	—	3,537
	2,251,714	1,036,451	1,215,263

Interest capitalized during the year amounts to \$305,470 (\$167,870 in 2017).

## 7. Bank loans

	2018	2017
	\$	\$
<b>Operating Fund</b>		
Bank credit facilities* (0.89% to 2.20% in 2017)	—	64,950
Promissory notes (0.95% in 2017)	—	100,000
	—	164,950
<b>Capital Assets Fund</b>		
Bank credit facilities – Financement Québec**	<b>23,098</b>	—
Promissory note, 1.72% (0.95% in 2017), renewable in May 2018 (May 2017 in 2017)	<b>19,265</b>	43,817
	<b>42,363</b>	208,767

\* The University has authorized bank credit facilities of \$275,000,000, namely \$10,000,000 in the form of a line of credit and \$265,000,000 in bankers' acceptances. The line of credit bears interest at the lending institution's preferred rate minus 0.50 point (2.95% as at April 30, 2018; 2.20% as at April 30, 2017) and is renewable on January 31, 2019, whereas the bankers' acceptances are issued at the market rate. As at April 30, 2018, the line of credit was not used (nil as at April 30, 2017) and the bankers' acceptances were not used (\$64,950,350 as at April 30, 2017). The bank credit facilities are renewable on January 31, 2019.

\*\*The University has an authorized line of credit of \$61,486,300 with Financement-Québec for the « Science complex on the new Outremont campus » related to the grant in the same amount which was allocated by the ministère de l'Économie, de la Science et de l'Innovation ("MESI"). The line of credit bears interest at the average monthly rate of bankers' acceptances increased by 0.30% for issuance and management costs (1.94% as at April 30, 2018). The line of credit will be replaced with a promissory note at the end of the claim period for the costs that are financed by the MESI.

## 8. Accounts payable and accrued liabilities

	2018	2017
	\$	\$
Accounts payable and accrued liabilities	<b>117,526</b>	66,003
Salaries and employee benefits	<b>26,193</b>	14,075
Accumulated vacation of staff and unpaid leave to be remitted in time	<b>36,599</b>	35,318
Government remittances	<b>7,868</b>	7,153
	<b>188,186</b>	122,549

## 9. Deferred contributions

### *Deferred contributions*

Deferred contributions relate to amounts that have not yet been used for the purposes designated by the fund contributors.

	<b>2018</b>		
	<b>Restricted Fund</b>	<b>Capital Assets Fund</b>	<b>Total</b>
	\$	\$	\$
Balance, beginning of year (short-term and long-term)	<b>273,098</b>	<b>282,988</b>	<b>556,086</b>
Grants received during the year	<b>169,251</b>	<b>82,807</b>	<b>252,058</b>
Donations received during the year	<b>24,345</b>	<b>4,208</b>	<b>28,553</b>
Restricted investment income for the year	<b>12,673</b>	—	<b>12,673</b>
Amount recognized as revenue during the year	<b>(180,660)</b>	<b>(19,851)</b>	<b>(200,511)</b>
Amount transferred as deferred contributions pertaining to capital assets	—	<b>(164,426)</b>	<b>(164,426)</b>
Balance, end of year (short-term and long-term)	<b>298,707</b>	<b>185,726</b>	<b>484,433</b>

  

	<b>2017</b>		
	<b>Restricted Fund</b>	<b>Capital Assets Fund</b>	<b>Total</b>
	\$	\$	\$
Balance, beginning of year (short-term and long-term)	228,816	236,187	465,003
Grants received during the year	185,734	156,788	342,522
Donations received during the year	15,450	2,440	17,890
Restricted investment income for the year	10,695	—	10,695
Amount recognized as revenue during the year	(167,597)	(18,650)	(186,247)
Amount transferred as deferred contributions pertaining to capital assets	—	(93,777)	(93,777)
Balance, end of year (short-term and long-term)	273,098	282,988	556,086

### *Deferred contributions pertaining to capital assets*

Deferred contributions pertaining to capital assets relate to the restricted contributions for the acquisition of capital assets and represent the unamortized portion at year-end.

	<b>2018</b>	2017
	\$	\$
Balance, beginning of year	<b>845,727</b>	799,764
Amount transferred from deferred contributions	<b>164,426</b>	93,777
Amount recognized as revenue during the year	<b>(45,371)</b>	(47,814)
Balance, end of year	<b>964,782</b>	845,727

## 10. Debt

	<b>2018</b>	2017
	\$	\$
<b>Loans financed by the MEES</b>		
Loan for the residences, 6.8750%, repayable monthly instalments of \$25,000, capital and interest, maturing on February 1, 2021	<b>767</b>	1,004
Loan, 2.3980%, interest payable semi-annually, principal repayable in annual instalments of \$9,283,661, the balance of \$92,581,696 payable at maturity on May 29, 2019	<b>101,865</b>	111,149
Loan, 2.2220%, interest payable semi-annually, principal repayable in annual instalments of \$661,200, the balance of \$2,355,200 payable at maturity on June 1, 2018	<b>2,355</b>	3,016
Loan, 2.9760%, interest payable annually, principal repayable in annual variable instalments of \$257,897 to \$298,626, maturing on December 20, 2022	<b>1,409</b>	1,667
Loan, 3.4120%, interest payable semi-annually, principal repayable in annual instalments of \$1,800,000, the balance of \$10,800,000 payable at maturity on June 1, 2034	<b>39,600</b>	41,400
Loan, 3.1090%, interest payable semi-annually, principal repayable in annual instalments of \$5,227,600, the balance of \$15,041,200 payable at maturity on March 1, 2029	<b>67,317</b>	72,545
Loan, 2.4150%, interest payable semi-annually, principal repayable in annual instalments of \$443,200, the balance of \$795,200 payable at maturity on March 1, 2030	<b>5,671</b>	6,114
Loan, 3.2300%, interest payable semi-annually, principal repayable in annual instalments of \$1,480,000, the balance of \$10,360,000 payable at maturity on June 1, 2034	<b>34,040</b>	35,520
Amounts to be carried forward	<b>253,024</b>	272,415

**10. Debt (continued)**

	<b>2018</b>	2017
	\$	\$
<b>Loans financed by the MEES (continued)</b>		
Amounts carried forward	<b>253,024</b>	272,415
Loan, 1.9410%, interest payable semi-annually, principal repayable in annual instalments of \$7,316,856, the balance of \$23,098,863 payable at maturity on March 1, 2023	<b>52,366</b>	59,683
Loan, 2.1300%, interest payable semi-annually, principal repayable in annual instalments of \$8,817,251, the balance of \$95,674,739 payable at maturity on September 1, 2026	<b>166,213</b>	175,030
Loan, 2.7530%, interest payable semi-annually, principal repayable in annual instalments of \$105,080, the balance of \$105,880 payable at maturity on September 1, 2032	<b>1,577</b>	1,577
Loan, 2.3640%, principal and interest repayable in annual instalments of \$606,836, maturing on June 1, 2026	<b>4,868</b>	5,349
Loan, 2.9330%, interest payable semi-annually, principal repayable in annual instalments of \$951,919, maturing on December 1, 2042	<b>23,798</b>	—
Loan, 1.9260%, interest payable semi-annually, principal repayable in annual instalments of \$781,156, the balance of \$750,752 payable at maturity on October 1, 2021	<b>3,094</b>	—
Loan, 2.7870%, interest payable semi-annually, principal repayable in annual instalments of \$9,789,139, the balance of \$46,729,312 payable at maturity on September 1, 2027	<b>134,832</b>	—
	<b>639,772</b>	514,054
Unamortized issuance costs	<b>(3,436)</b>	(2,784)
	<b>636,336</b>	511,270

**10. Debt (continued)**

	<b>2018</b>	2017
	\$	\$
<b>Other loans</b>		
Loan for renovation and redevelopment work and for the construction of new pavilions, bearing interest at the average quarterly interest rate of bankers' acceptances (effective rate of 1.73750% as at April 30, 2018; 0.94000% as at April 30, 2017) plus stamping fees fixed at 0.77000%, repayable in quarterly instalments of \$1,705,953, principal and interest, maturing October 1, 2035, financed by the Operating Fund*	<b>74,130</b>	76,503
Loan for renovation of residences, bearing interest at the variable indexed rate at CDOR 1 month (effective rate of 1.64125% as at April 30, 2018; 0.91600% as at April 30, 2017) plus stamping fees fixed at 0.20000%, repayable in monthly instalments of \$55,281, principal and interest, maturing May 31, 2030, financed by the Operating Fund*	<b>5,844</b>	6,176
Loan for renovation of residences, bearing interest at the variable indexed rate at CDOR 1 month (effective rate of 1.64125% as at April 30, 2018; 0.91600% as at April 30, 2017) plus stamping fees fixed at 0.70000%, repayable in quarterly instalments of \$245,000, principal and interest, maturing March 30, 2020, financed by the Operating Fund*	<b>1,813</b>	2,630
Loan for a land purchase, bearing interest at the average monthly rate of bankers' acceptances (effective rate of 1.64125% as at April 30, 2018; 0.89000% as at April 30, 2017) plus stamping fees fixed at 0.38000%, interest payable monthly, principal repayable on April 26, 2019, financed by the Operating Fund*	<b>23,000</b>	23,000
Amounts to be carried forward	<b>104,787</b>	108,309

**10. Debt (continued)**

	<b>2018</b>	2017
	\$	\$
<b>Other loans (continued)</b>		
Amounts carried forward	<b>104,787</b>	108,309
Loan for the Cité du Savoir de Laval building, bearing interest at the variable indexed rate at CDOR 3 months (effective rate of 1.67333% as at April 30, 2018; 0.94100% as at April 30, 2017), principal repayable in quarterly instalments following a pre-established payment schedule, maturing June 1, 2021, financed by the Operating Fund*	<b>14,538</b>	14,941
Loan for the purchase of the building located at 3190, rue Sicotte, Saint-Hyacinthe, bearing interest at the variable indexed rate at CDOR 3 months (effective rate of 2.53000% as at April 30, 2018), principal repayable in quarterly instalments of \$20,000 plus interest, the balance of \$760,000 payable at maturity on August 15, 2022, financed by the Operating Fund*	<b>1,080</b>	—
	<b>120,405</b>	123,250
	<b>756,741</b>	634,520
Current portion	<b>76,699</b>	39,992
	<b>680,042</b>	594,528

\* These other loans contain exchange rate contracts presented in Note 16.

Principal payments required over the next five years are as follows:

	\$
2019	76,699
2020	134,852
2021	41,549
2022	54,009
2023	56,892



## 11. Capital lease obligations

	2018	2017
	\$	\$
Obligation related to the rental of dental equipment, implicit rate of 7.90%, repayable in monthly instalments of \$1,389, principal and interest, maturing on January 1, 2021	44	57
Obligation related to the rental of dental equipment, implicit rate of 7.90%, repayable in monthly instalments of \$457, principal and interest, maturing on January 1, 2021	14	19
Obligation related to the rental of the building of the Cité du Savoir de Laval, implicit rate of 7.25%, repayable in monthly instalments of \$233,977, principal and interest, paid on July 17, 2018 following the purchase of the building on that day by the University <sup>(1)</sup>	31,449	31,956
	<b>31,507</b>	32,032
Current portion	<b>31,467</b>	525
	<b>40</b>	31,507

<sup>(1)</sup> The University purchased the building on July 17, 2018 and reimbursed the outstanding balance on that day. The payment schedule below reflects this reimbursement.

Payments required over the next financial years are as follows:

	Principal	Interest	Total
	\$	\$	\$
2019	31,467	573	32,040
2020	20	2	22
2021	20	2	22

## 12. Defined benefit asset (accrued benefit obligations)

Defined benefit asset (accrued benefit obligations) are detailed as follows:

	2018	2017
	\$	\$
Defined benefit asset of the primary pension plan	<b>267,944</b>	336,135
Accrued defined benefit obligation of complementary retirement program	<b>(78,766)</b>	(72,572)
Post-employment accrued benefit obligations	<b>(75,196)</b>	(78,204)

### *Pension plan*

The University offers to all of its employees a defined benefit contributory pension plan as well as a complementary program. The benefits of these plans are based on length of service and final years' earnings. The funds necessary to meet the plans obligations are provided by the participants and the University.

According to the most recent actuarial valuation, the University has the obligation to pay a minimum contribution equal to 11.43% of the participants' salary for the 2018 calendar year (10.93% for calendar year 2017). The University paid an actual contribution of 11.43% for the calendar year 2018 (11.40% for calendar year 2017). This rate does not include benefit payable for the financing of the complementary retirement program of approximately 0.70% of the participants' salary (0.50% in 2017).

The University evaluates its accrued benefit obligation and the fair value of assets of the plan for purposes of accounting through extrapolation as at April 30 of each year. The most recent actuarial valuation for funding purposes of the plan was performed on December 31, 2015. The data was extrapolated as at April 30, 2018.

Informations on the pension plan are as follows:

	2018	2017
	\$	\$
Primary pension plan:		
Fair value of the pension assets	<b>4,031,307</b>	3,937,987
Accrued benefit obligations	<b>(3,763,363)</b>	(3,601,852)
Defined benefit asset recorded	<b>267,944</b>	336,135
Complementary program:		
Accrued defined benefit obligations and accrued benefit obligation recorded	<b>(78,766)</b>	(72,572)

## 12. Defined benefit asset (accrued benefit obligations) (continued)

### *Pension plan (continued)*

Composition of pension plan assets as at December 31:

	<b>2018</b>	2017
	%	%
Money market securities	<b>1.1</b>	1.3
Bonds	<b>32.0</b>	35.1
Equity	<b>29.8</b>	29.1
Pooled funds and other investments	<b>37.1</b>	34.5
	<b>100.0</b>	100.0

Other information pertaining to the pension plan are presented as follows:

	<b>2018</b>	2017
	\$	\$
Expense for the year recognized in the statement of operations	<b>33,640</b>	46,965
Contributions paid by the University during the year	<b>55,786</b>	54,201

### *Post-employment benefit plan*

The University has established a post-employment benefit plan for all retired employees.

The University evaluates its accrued benefit obligation for purposes of accounting through extrapolation as at April 30 of each year. Post-employment benefits were subject to a complete evaluation for accounting purposes as at January 1, 2018 and were extrapolated as at April 30, 2018.

The information related to this plan is presented as follows:

	<b>2018</b>	2017
	\$	\$
Accrued defined benefit obligations and accrued benefit obligation recorded	<b>(75,196)</b>	(78,204)

Other information regarding the post-employment benefit plan are presented as follows:

	<b>2018</b>	2017
	\$	\$
Expense for the year recognized in the statement of operations	<b>8,242</b>	7,835
Contributions paid by the University during the year	<b>4,483</b>	4,468

## 12. Defined benefit asset (accrued benefit obligations) (continued)

### Assumptions

The University has retained the following significant actuarial assumptions:

	2018		2017	
	Primary pension plan and complementary program	Post-employment benefit plan	Primary pension plan and complementary program	Post-employment benefit plan
	%	%	%	%
Accrued benefit obligations as at April 30				
Discount rate	5.75	5.75	5.75	5.75
Rate of compensation increase	2.75	2.75	2.75	2.75
Rate of health care cost increase	—	6.50	—	6.75
Benefit costs for the year ended April 30				
Discount rate	5.75	5.75	6.00	6.00
Rate of compensation increase	2.75	2.75	2.75	2.75
Rate of tuition fees increase	—	2.00	—	2.00
Rate of health care cost increase	—	6.50	—	6.75

## 13. Internally and externally restricted fund balances

### Main categories of externally restricted amounts

	2018	2017
	\$	\$
<b>Endowment Fund</b>		
External endowments from which the income must be used for the purposes specified by the donor and not those related to the Operating Fund	228,741	220,828
External endowments from which the income is related to the Operating Fund or is used at the discretion of the University	1,933	1,933
Accumulated unrealized gain on investments related to external endowment capital	33,935	41,002
Accumulated investment income added to endowment capital <sup>(1)</sup>	32,420	27,831
	<b>297,029</b>	<b>291,594</b>

<sup>(1)</sup> Accumulated investment income is presented as an external restriction as a result of the University's capitalization protocol that donors subscribe to at the time of the donation. The protocol's main purpose is to maintain annual temporary reserve revenues to other funds retained for subsequent distribution if the income of subsequent years is lower than the amounts to be allocated.

### 13. Internally and externally restricted fund balances (continued)

*Main categories of internally restricted amounts*

	2018	2017
	\$	\$
<b>Operating Fund</b>		
Research-related internal activities	11,564	11,777
Redevelopment activities for Student Services and the Physical education and sports centre	451	473
	<b>12,015</b>	12,250
<b>Restricted Fund</b>		
Surplus generated on research activities primarily restricted for research purposes or to purposes identical to those of the initial externally restricted contribution	6,125	7,158
<b>Capital Assets Fund</b>		
Future capital asset acquisitions	74,829	44,363
<b>Endowment Fund</b>		
Internal restrictions of which the revenue can be used at the University's discretion	37,477	38,965
Accumulated unrealized gain on investments related to internal capital endowments	8,037	9,171
	<b>45,514</b>	48,136

### 14. Fund balances, end of year

The Operating Fund mainly has two types of activities:

- General teaching activities funded from the MEES grant restricted to operations and by tuition fees;
- The specific research-related activities funded from internally restricted funds determined by the University's management.

The University has restricted amounts from its Operating Fund revenue for internal research activities. The internally restricted amounts for research-related activities are included in the internally restricted fund balance of the Operating Fund. In 2018, the internally restricted amount for the year is \$22,830,400 (\$21,955,900 in 2017). The fund balance restricted to research activities totals \$11,564,300 as at April 30, 2018 (\$11,777,300 as at April 30, 2017).

In 2018, the University did not restrict any amount, from its Operating Fund revenue, to create reserves for the amortization of certain capital assets (also nil in 2017). The fund balance restricted to creating reserves for the amortization of certain capital assets totals \$450,500 as at April 30, 2018 (\$472,800 as at April 30, 2017).

**15. Interfund transfers**

	<b>2018</b>			
	<b>Operating Fund</b>	<b>Restricted Fund</b>	<b>Capital Assets Fund</b>	<b>Endowment Fund</b>
	\$	\$	\$	\$
Contributions to the Capital Assets Fund for future projects	(14,741)	—	14,741	—
Contributions to the acquisitions of capital assets and to the debt service	(42,619)	(3,828)	46,447	—
Internally restricted endowments	(607)	—	—	607
Recovery of internal restriction	2,427	—	—	(2,427)
Transfer of accumulated unrealized gain of endowments related to Operating fund	1,245	—	—	(1,245)
Re-capitalized investment income <sup>(1)</sup>	(223)	—	—	223
	<b>(54,518)</b>	<b>(3, 828)</b>	<b>61,188</b>	<b>(2,842)</b>
	<b>2017</b>			
	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund
	\$	\$	\$	\$
Contributions to the Capital Assets Fund for future projects	(18,765)	—	18,765	—
Contributions to the acquisitions of capital assets and to the debt service	(38,740)	(3,185)	41,925	—
Internally restricted endowments	(2,130)	—	—	2,130
Recovery of internal restriction	10,366	—	—	(10,366)
Transfer of accumulated unrealized gain of endowments related to Operating Fund	(4,410)	—	—	4,410
Re-capitalized investment income <sup>(1)</sup>	(256)	—	—	256
	<b>(53,935)</b>	<b>(3,185)</b>	<b>60,690</b>	<b>(3,570)</b>

<sup>(1)</sup> Represents the reinvestment (capitalization) of the portion of investment income not required by the beneficiaries.

## 16. Financial instruments

Considering its financial assets and liabilities, the University is exposed to the following financial risks:

### *Market risk*

Market risk is the risk of loss that results from fluctuations in equity prices, interest and exchange rates. The University is exposed to market risk from its investing activities. The level of risk to which the University is exposed varies depending on market conditions and the composition of the asset mix. The University manages this risk by applying an investment policy that allows for diversification of investments.

### *Credit risk*

The University grants credit to students in the normal course of its activities and maintains provisions for future bad debt. A significant portion of accounts receivable is comprised of grants receivable from MEES. The University assesses the risk of default for receipt as low.

### *Foreign exchange risk*

This risk arises from the interests held by the University in foreign securities and foreign bonds. The investment policy applied by the Endowment Fund is the tool used to manage this risk. As at April 30, 2018, interests held by the University denominated in foreign currencies amount to fair value of \$149,400,000 in Canadian dollars (\$146,500,000 as at April 30, 2017). In addition, as at April 30, 2018, the University held forward foreign exchange contracts with a negative fair value of \$811,200 (negative fair value of \$443,600 as at April 30, 2017). These contracts are listed with the investments of the Endowment Fund.

### *Interest rate risk*

The bond pooled funds in which the University holds interests are made up of fixed-rate interest-bearing bonds. Consequently, changes in the market interest rate will have an impact on the fair value of the interests as well as on bond investments held by the University.

Bonds and loans financed by the MEES are secured, principal and interest, by the assignment and transfer of the MEES grants. Most of the other long-term debts bear interest at a variable rate and are hedged by interest rate swap contracts.

Under these interest rate swap contracts entered into by the University, the University must disburse interest at fixed rates as consideration for variable rates. These interest rate swap contracts have different maturities and are broken down as follows as at April 30, 2018:

#### a) *Operating Fund*

Maturity date	Nominal amount	Pays or receives	Fixed rate	Variable rate
	\$		%	
May 29, 2018	50,000	Pays fixed Receives variable	1.7500	CDOR 1 month
November 18, 2019	50,000	Pays fixed Receives variable	1.8356	CDOR 1 month

**16. Financial instruments (continued)**

*Interest rate risk (continued)*

*b) Capital Assets Fund*

Maturity date	Nominal amount	Pays or receives	Fixed rate	Variable rate
	\$		%	
April 26, 2019	23,000	Pays fixed	1.440	CDOR 1 month
		Receives variable		+0.02%
March 30, 2020	10,000	Pays fixed	7.160	CDOR 1 month
		Receives variable		+0.70%
June 1, 2021	16,932	Pays fixed	4.180	CDOR 3 months
		Receives variable		
May 31, 2030	9,000	Pays fixed	5.500	CDOR 1 month
		Receives variable		+20 pts
October 1, 2035	105,936	Pays fixed	5.130	CDOR 3 months
		Receives variable		

Consequently, the treasury risks are minimal.

As these interest rate swap contracts were not accounted for under the hedge accounting method, they are recorded in the statement of financial position at fair value. This fair value was determined from information obtained from the financial institutions from which these contracts were negotiated.

*Liquidity risk*

Liquidity risk is the risk that the University will be unable to meet its financial obligations when due. The University monitors its cash balances and cash flows arising from its activities in order to be able to meet its commitments. As at April 30, 2018, the most significant financial liabilities were as follows: bank overdrafts, bank loans, accounts payable and accrued liabilities, grants payable, debt, capital lease obligations and derivative financial instruments.



## 17. Controlled non-profit entities

The University controls Fondation universitaire de l'Université de Montréal, Presses de l'Université de Montréal and IRICoR.

These entities have not been consolidated in these financial statements. The combined financial data of these entities is as follows:

	<b>2018</b>	2017
	\$	\$
<b>Financial position</b>		
Assets	<b>4,199</b>	4,247
Liabilities	<b>4,244</b>	4,141
(Deficiency) excess of assets over liabilities	<b>(45)</b>	106
	<b>4,199</b>	4,247
<b>Operations</b>		
Revenue	<b>2,258</b>	2,321
Expenses	<b>2,409</b>	2,301
(Deficiency) excess of revenue over expenses	<b>(151)</b>	20

## 18. Additional information to the statement of cash flows

*Net change in non-cash working capital items and long-term accounts receivable, deferred contributions and grants payable*

	<b>2018</b>	2017
	\$	\$
Accounts receivable	<b>43,166</b>	(86,688)
Inventories	<b>(854)</b>	106
Expenses attributable to the next year	<b>838</b>	878
Accounts payable and accrued liabilities	<b>35,666</b>	5,643
Deferred revenue	<b>(1,122)</b>	3,910
Deferred contributions	<b>(71,653)</b>	91,083
Grants payable	<b>(15,433)</b>	58,221
	<b>(9,392)</b>	73,153

*Non-cash transactions*

	<b>2018</b>	2017
	\$	\$
Capital assets acquired still in accounts payable and accrued liabilities	<b>58,874</b>	28,903
Capital assets acquired through capital leases	<b>31,507</b>	32,032

## 19. Commitments

- a) The commitments of the Operating Fund total \$268,353,900 with respect to the Capital Assets Fund, as a contribution for asset acquisitions, as well as renovation projects, redevelopment, expansion and construction of capital assets. This amount is broken down as follows:

	<u>Commitments</u>
	\$
Self-financed units	24,301,900
Other units of the Operating Fund	<u>244,052,000</u>

- b) The commitments of the Restricted Fund total \$316,300 with respect to the Capital Assets Fund, as a contribution for asset acquisitions, as well as renovation projects, redevelopment, expansion and construction of capital assets.
- c) The University is bound by different leases for physical space, equipment and computer equipment. The total commitments relating to these contracts amount to \$45,014,800. Minimum payments required under these contracts for the next five years are as follows:

	\$
2019	14,436,000
2020	8,574,000
2021	7,383,500
2022	6,340,500
2023	1,588,600

- d) The University is committed to a financial institution to ensure, in the event of default, a maximum of \$1,000,000 in connection with a loan of Presses de l'Université de Montréal, an organization controlled by the University.
- e) As at April 30, 2018, the University has agreed to pay by contracts from external suppliers for a total of \$118,990,500 through various construction projects, development or system development in progress.

## 20. Contingencies

In the normal course of business, the University is involved in various claims. Although, as at April 30, 2018, the outcome of these outstanding claims cannot be determined with certainty, the University is of the opinion that it will have no significant adverse effect on its financial position, its operations or its cash flows.

## 21. Comparative figures

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