
Financial statements of Université de Montréal

April 30, 2020

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Independent Auditor's Report

To the Board Members of
Université de Montréal

Opinion

We have audited the financial statements of Université de Montréal (the "University"), which comprise the statement of financial position as at April 30, 2020, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2020 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the University'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 the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditor's 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 auditor's 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 GAAS 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. 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 the University'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 the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the University 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.

We 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.

*Deloitte LLP*¹

September 28, 2020

¹ CPA auditor, CA, public accountancy permit No. A120628

Université de Montréal
Statement of operations and changes in fund balances

Year ended April 30, 2020

(In thousands of dollars)

	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Grants from the ministère de l'Enseignement supérieur	567,633	546,876	15,839	12,900	45,809	44,778	—	—	629,281	604,554
Other government grants and contracts	25,016	23,612	135,576	130,690	17,643	16,970	—	—	178,235	171,272
Other non-governmental contributions and contracts	1,154	3,016	66,994	59,971	5,727	5,985	—	—	73,875	68,972
Tuition fees	146,549	141,310	—	—	—	—	—	—	146,549	141,310
Student services	12,526	12,902	—	—	—	—	—	—	12,526	12,902
Physical education and sports centre	17,635	17,663	—	—	—	—	—	—	17,635	17,663
Ancillary services	20,437	22,594	—	—	—	—	—	—	20,437	22,594
Investment income	6,389	6,846	10,731	9,529	—	—	—	—	17,120	16,375
External sales	30,102	32,765	—	—	—	—	—	—	30,102	32,765
Gain on disposal of capital assets	—	—	—	—	35	600	—	—	35	600
Other revenue	33,102	31,570	—	—	—	—	—	—	33,102	31,570
	860,543	839,154	229,140	213,090	69,214	68,333	—	—	1,158,897	1,120,577
Expenses										
Teaching and research	512,503	506,755	172,511	161,291	—	—	—	—	685,014	668,046
Teaching and research support	89,695	88,162	920	1,196	—	—	—	—	90,615	89,358
Student services	13,384	13,385	3,165	4,262	—	—	—	—	16,549	17,647
Physical education and sports centre	17,440	16,911	—	—	—	—	—	—	17,440	16,911
Scholarships – graduate programs	9,741	8,776	39,617	36,519	—	—	—	—	49,358	45,295
Community services	—	—	5,981	5,038	—	—	—	—	5,981	5,038
Administration	64,306	61,367	—	—	—	—	—	—	64,306	61,367
Facilities management	55,033	62,005	—	—	—	—	—	—	55,033	62,005
Ancillary services	17,807	17,773	—	—	—	—	—	—	17,807	17,773
Bad debts on tuition fees	1,259	1,144	—	—	—	—	—	—	1,259	1,144
Interest on bank overdrafts and bank loans and financial charges	249	437	—	—	2,438	2,182	—	—	2,687	2,619
Interest on debt	—	—	—	—	23,906	23,795	—	—	23,906	23,795
Vacation liability	2,384	1,666	—	—	—	—	—	—	2,384	1,666
Other unallocated employee future benefits	(7,797)	(8,296)	—	—	—	—	—	—	(7,797)	(8,296)
Other contributions and restricted amounts	—	—	752	949	5,576	6,276	—	—	6,328	7,225
Unusual pandemic-related costs	1,081	—	—	—	—	—	—	—	1,081	—
Amortization of capital assets	—	—	—	—	89,954	85,498	—	—	89,954	85,498
Loss on disposal of capital assets	—	—	—	—	290	—	—	—	290	—
Loss on repurchase of capital lease obligation	—	—	—	—	—	5,142	—	—	—	5,142
	777,085	770,085	222,946	209,255	122,164	122,893	—	—	1,122,195	1,102,233
Excess (deficiency) of revenue over expenses before the following items:	83,458	69,069	6,194	3,835	(52,950)	(54,560)	—	—	36,702	18,344
Change in unrealized fair value of investments	(4,070)	(568)	—	—	—	—	—	—	(4,070)	(568)
Change in fair value of derivative financial instruments	(73)	(190)	—	—	(11,933)	(3,531)	—	—	(12,006)	(3,721)
Excess (deficiency) of revenue over expenses	79,315	68,311	6,194	3,835	(64,883)	(58,091)	—	—	20,626	14,055
Fund balances, beginning of year	(93,395)	(68,202)	6,110	6,125	235,917	233,689	345,691	342,543	494,323	514,155
Endowments	—	—	—	—	—	—	9,401	8,057	9,401	8,057
Investment income added to (losses deducted from) endowment capital	—	—	—	—	—	—	(1,579)	1,140	(1,579)	1,140
Change in unrealized fair value of investments deducted from endowment capital	—	—	—	—	—	—	(29,565)	(3,679)	(29,565)	(3,679)
Revaluations and other items recognized relating to benefit plans	(172,808)	(39,405)	—	—	—	—	—	—	(172,808)	(39,405)
Interfund transfers	(67,561)	(54,099)	(6,234)	(3,850)	69,108	60,319	4,687	(2,370)	—	—
Fund balances, end of year	(254,449)	(93,395)	6,070	6,110	240,142	235,917	328,635	345,691	320,398	494,323

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

Université de Montréal
Statement of financial position

As at April 30, 2020
(In thousands of dollars)

	Notes	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets											
Current assets											
Cash		—	—	51,440	43,702	11,151	9,096	976	1,518	63,567	54,316
Investments	3	60,000	5,000	2,922	3,073	—	—	16,387	16,439	79,309	24,512
Accounts receivable	4	100,642	95,925	128,540	125,952	183,617	276,650	1,476	459	414,275	498,986
Inventories		5,889	5,517	—	—	—	—	—	—	5,889	5,517
Expenses attributable to the next year		5,312	5,164	145	457	43	466	—	—	5,500	6,087
Advances to other funds	5	92,030*	157,644*	249,551*	262,492*	59,049*	51,225*	8,609*	1,641*	—	—
		263,873	269,250	432,598	435,676	253,860	337,437	27,448	20,057	568,540	589,418
Investments	3	—	—	3,061	2,528	—	—	317,082	346,724	320,143	349,252
Accounts receivable	4	35	39	2,300	3,315	849,312	760,225	—	—	851,647	763,579
Capital assets	6	—	—	—	—	1,472,982	1,442,970	—	—	1,472,982	1,442,970
Derivative financial instruments	16	—	73	—	—	—	—	—	—	—	73
Primary defined benefit pension plan asset	12	90,084	246,677	—	—	—	—	—	—	90,084	246,677
Other assets		—	—	—	—	247	308	—	—	247	308
		353,992	516,039	437,959	441,519	2,576,401	2,540,940	344,530	366,781	3,303,643	3,392,277
Liabilities											
Current liabilities											
Bank overdrafts		69,860	58,139	—	—	—	—	—	—	69,860	58,139
Bank loans	7	—	—	—	—	15,773	25,822	—	—	15,773	25,822
Accounts payable and accrued liabilities	8	97,714	108,548	24,322	25,234	37,518	59,371	1,430	326	160,984	193,479
Deferred revenue		7,982	10,784	12,590	11,501	—	—	—	—	20,572	22,285
Deferred contributions	9	—	—	331,787	319,463	439	399	—	—	332,226	319,862
Current portion of debt	10	—	—	—	—	62,991	141,045	—	—	62,991	141,045
Current portion of capital lease obligations	11	—	—	—	—	20	20	—	—	20	20
Advances from other funds	5	240,444*	246,810*	62,340*	52,866*	91,990*	152,562*	14,465*	20,764*	—	—
		416,000	424,281	431,039	409,064	208,731	379,219	15,895	21,090	662,426	760,652
Grants payable		20,219	21,349	850	26,345	—	—	—	—	21,069	47,694
Debt	10	—	—	—	—	831,173	669,558	—	—	831,173	669,558
Capital lease obligations	11	—	—	—	—	—	20	—	—	—	20
Deferred contributions	9	—	—	—	—	255,719	207,280	—	—	255,719	207,280
Deferred contributions pertaining to capital assets	9	—	—	—	—	1,007,094	1,027,337	—	—	1,007,094	1,027,337
Accrued defined benefit obligation of complementary retirement program	12	91,084	89,188	—	—	—	—	—	—	91,084	89,188
Accrued benefit obligation of post-employment benefit plan	12	81,138	74,616	—	—	—	—	—	—	81,138	74,616
Derivative financial instruments	16	—	—	—	—	33,542	21,609	—	—	33,542	21,609
		608,441	609,434	431,889	435,409	2,336,259	2,305,023	15,895	21,090	2,983,245	2,897,954
Commitments and contingencies	19 and 20										
Fund balances											
Invested in capital assets	13 and 14	—	—	—	—	200,192	194,839	—	—	200,192	194,839
Externally restricted		—	—	—	—	—	—	280,735	302,791	280,735	302,791
Internally restricted		14,988	13,970	6,070	6,110	39,950	41,078	47,900	42,900	108,908	104,058
Revaluation and other items recognized relating to defined benefit plans		33,137	205,945	—	—	—	—	—	—	33,137	205,945
Deficiency – Defined benefit plans		(115,275)	(123,072)	—	—	—	—	—	—	(115,275)	(123,072)
Deficiency – Operating activities		(187,299)	(190,238)	—	—	—	—	—	—	(187,299)	(190,238)
		(254,449)	(93,395)	6,070	6,110	240,142	235,917	328,635	345,691	320,398	494,323
		353,992	516,039	437,959	441,519	2,576,401	2,540,940	344,530	366,781	3,303,643	3,392,277

* 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, 2020

(In thousands of dollars)

	Notes	2020	2019
		\$	\$
Operating activities			
Excess of revenue over expenses		20,626	14,055
Adjustments for			
Change in unrealized fair value of investments		4,070	568
Gain on disposal of investments		(5,980)	(10,068)
Amortization of capital assets		89,954	85,498
Net loss (gain) on disposal of capital assets		255	(600)
Amortization of deferred contributions pertaining to capital assets		(48,258)	(45,333)
Change in asset and obligations related to defined benefit plans		(7,797)	(8,296)
Change in fair value of derivative financial instruments		12,006	3,721
		64,876	39,545
Net change in non-cash working capital items and long-term accounts receivable, deferred contributions and grants payable	18	18,242	(9,455)
		83,118	30,090
Investing activities			
Net change in investments		(53,343)	22,299
Acquisition of capital assets		(142,930)	(196,098)
Proceeds from disposal of capital assets		1,356	600
Net change in deferred costs		—	72
		(194,917)	(173,127)
Financing activities			
Net change in bank loans		(10,049)	(16,541)
Increase in debt		224,927	131,041
Repayment of debt and capital lease obligations		(141,066)	(108,371)
Net change in unamortized issuance costs		(320)	(275)
Increase in deferred contributions pertaining to capital assets		28,015	106,852
Endowments received		9,401	8,057
Investment (losses) income (deducted from) added to endowment capital		(1,579)	1,140
		109,329	121,903
Net decrease in cash and cash equivalents		(2,470)	(21,134)
Cash and cash equivalents, beginning of year		(3,823)	17,311
Cash and cash equivalents, end of year		(6,293)	(3,823)
Cash and cash equivalents comprise			
Cash		63,567	54,316
Bank overdrafts		(69,860)	(58,139)
		(6,293)	(3,823)

Additional information is presented in Note 18.

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

Université de Montréal
Notes to the financial statements

April 30, 2020

(tabular amounts are in thousands of dollars)

1. Status and purpose of Université de Montréal

Université de Montréal (the "University") is incorporated under *Act 234* of the National Assembly of Quebec, promulgated on March 27, 2018, which took effect on September 28, 2018.

The University is a registered charity, which is not subject to income taxes, within the meaning of the *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:

Changes in accounting policies

The University has adopted changes to Section 4433 of the *CPA Canada Handbook*, "Tangible capital assets held by not-for-profit organizations," and Section 4434, "Intangible assets held by not-for-profit organizations," for the fiscal year beginning on May 1, 2019. The University has applied these changes prospectively in accordance with the transitional provisions. The changes to Section 4433 relate to the requirements to allocate the cost of tangible capital assets made up of significant separable component parts and the inclusion of partial impairment. Changes to Section 4434 provide additional guidance for the recognition of partial impairment when conditions indicate that an intangible asset is impaired as well as the required impairment disclosures. The adoption of these changes had no impact on disclosures or the amounts recognized in the University's financial statements during the current period.

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 Operating Fund and three other 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.

Université de Montréal
Notes to the financial statements

April 30, 2020

(tabular amounts are in thousands of dollars)

2. Accounting policies (continued)

Fund accounting (continued)

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.

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, services offered to students and external sales. These revenues are recognized as revenue of the Operating Fund in the year in which the underlying service is rendered.

Operating grants from the Government of Quebec 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 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.

2. Accounting policies (continued)

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.

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 and foreign exchange contracts are recognized at fair value in the statement of financial position as assets (or liabilities). As at April 30, 2020, 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 contracts is in accounts receivable and accounts payable.

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.

Université de Montréal
Notes to the financial statements

April 30, 2020

(tabular amounts are in thousands of dollars)

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'Enseignement supérieur (MES) guidelines:

Land improvements	10 and 20 years
Buildings	
Buildings	20, 40 or 50 years
Major improvements to buildings	25, 30 or 40 years
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.

When conditions indicate that a capital asset is impaired, its net carrying value should be written down to the fair value or replacement cost of the capital asset. Write-downs of capital assets should be recognized as an expense in the statement of operations. A write-down shall not be reversed.

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.

Université de Montréal
Notes to the financial statements

April 30, 2020

(tabular amounts are in thousands of dollars)

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 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 the University's management to 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 MES, 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 these estimates.

Université de Montréal
Notes to the financial statements
April 30, 2020
(tabular amounts are in thousands of dollars)

3. Investments

	2020			
	Operating Fund	Restricted Fund	Endowment Fund	Total
	\$	\$	\$	\$
Cash and fund units – money market	60,000	3,378	16,387	79,765
Strippable coupons and Canadian bonds, nominal value of \$3,300,300, 1.95% to 4.00%, maturing from June 2021 to December 2022	—	2,585	830	3,415
Bond pooled fund units				
Canada	—	—	98,036	98,036
United States	—	—	6,495	6,495
	—	—	104,531	104,531
Equity				
Canada	—	19	67,022	67,041
United States	—	—	14,407	14,407
Foreign	—	—	13,657	13,657
	—	19	95,086	95,105
Equity pooled fund units				
Canada	—	—	147	147
Foreign	—	—	37,987	37,987
	—	—	38,134	38,134
Investments in limited partnerships				
Canada	—	1	—	1
Real estate securities	—	—	4,209	4,209
Funds coverage				
United States	—	—	5,705	5,705
Foreign	—	—	68,587	68,587
	—	—	74,292	74,292
	60,000	5,983	333,469	399,452
Less: current portion	(60,000)	(2,922)	(16,387)	(79,309)
	—	3,061	317,082	320,143

3. Investments (continued)

	2019			
	Operating Fund	Restricted Fund	Endowment Fund	Total
	\$	\$	\$	\$
Cash and fund units – money market	5,000	2,126	16,033	23,159
Strippable coupons and Canadian bonds, nominal value of \$4,734,180, 3.75% to 5.00%, maturing from July 2019 to June 2021	—	3,450	1,242	4,692
Bond pooled fund units				
Canada	—	—	115,730	115,730
Equity				
Canada	—	24	71,610	71,634
United States	—	—	19,842	19,842
Foreign	—	—	22,414	22,414
	—	24	113,866	113,890
Equity pooled fund units				
Foreign	—	—	76,151	76,151
Investments in limited partnerships				
Canada	—	1	—	1
Real estate securities	—	—	7,897	7,897
Funds coverage				
United States	—	—	4,643	4,643
Foreign	—	—	27,601	27,601
	—	—	32,244	32,244
	5,000	5,601	363,163	373,764
Less: current portion	(5,000)	(3,073)	(16,439)	(24,512)
	—	2,528	346,724	349,252

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(tabular amounts are in thousands of dollars)

3. Investments (continued)

Investment income is detailed and broken down as follows:

	2020		
	Operating Fund	Restricted Fund	Total
	\$	\$	\$
Interest and dividends	3,332	132	3,464
Investment income earned on resources from Endowment Fund	3,057	11,449	14,506
Change in "Deferred contributions"	—	(850)	(850)
	6,389	10,731	17,120
	2019		
	Operating Fund	Restricted Fund	Total
	\$	\$	\$
Interest and dividends	3,246	121	3,367
Investment income earned on resources from Endowment Fund	3,600	12,471	16,071
Change in "Deferred contributions"	—	(3,063)	(3,063)
	6,846	9,529	16,375

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

	2020	2019
	\$	\$
Interest and dividends	8,176	8,317
Gain on disposal of investments	5,980	10,068
	14,156	18,385
Trustee and investment managers' fees	(1,217)	(1,174)
	12,939	17,211
Portion presented under "Investment income" of the Operating Fund	3,057	3,600
Portion presented with general revenues from "Student Services" of the Operating Fund	12	—
Portion presented under "Investment income" of the Restricted Fund	11,449	12,471
Investment (losses) income (deducted from) added to endowment capital	(1,579)	1,140
	12,939	17,211

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3. Investments (continued)

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, a portion 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 \$33,634,600 (negative amount of \$4,247,000 in 2019) and is broken down as follows:

	2020	2019
	\$	\$
Portion presented in the statement of operations of the Operating Fund and transferred to the Endowment Fund (Note 15)	(4,070)	(568)
Portion presented directly as a change in the fund balances of the Endowment Fund	(29,565)	(3,679)
	(33,635)	(4,247)

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4. Accounts receivable

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

	2020	2019
	\$	\$
Operating Fund		
Grant receivable from MES	72,549	67,368
Tuition fees and other fees	16,883	15,974
Sales and other*	17,301	18,271
Interest and dividends	18	13
	106,751	101,626
Provision for bad debt	(6,074)	(5,662)
	100,677	95,964
Less: long-term portion receivable	(35)	(39)
Current portion receivable	100,642	95,925
Restricted Fund		
Grants, contracts and other	130,840	129,267
Less: long-term portion receivable	(2,300)	(3,315)
Current portion receivable	128,540	125,952
Capital Assets Fund		
Grants	1,030,285	1,032,989
Interest and dividends	298	369
Other	2,346	3,517
	1,032,929	1,036,875
Less: long-term grants receivable	(849,312)	(760,225)
Current portion receivable	183,617	276,650
Endowment Fund		
Interest and dividends	72	33
Other	1,404	426
Current portion receivable	1,476	459
Total of current portion of cashable accounts receivable	414,275	498,986
Total of long-term cashable accounts receivable	851,647	763,579

* Accounts receivable related to external sales, GST/QST and other items not related to the MES grant or tuition fees.

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4. Accounts receivable (continued)

Donations receivable

The donations receivable from the subscription campaigns for an amount of \$66,639,000 (\$54,455,100 in 2019) are pledged commitments and are not recorded in the statement of financial position. The estimated realizable value of these commitments is \$63,690,000 (\$53,114,700 in 2019), of which \$24,826,600 (\$20,185,900 in 2019) 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 (from) other funds are non-interest-bearing and do not include terms of repayment (or reimbursement).

6. Capital assets

	2020		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	47,201	—	47,201
Land improvements	17,511	9,693	7,818
Buildings			
Buildings	1,002,009	394,040	607,969
Major improvements to buildings	699,701	244,825	454,876
Leasehold improvements	18,102	15,224	2,878
Machinery and equipment			
Computer equipment	39,069	25,987	13,082
Multimedia communication equipment	24,954	21,258	3,696
Office furniture and equipment	36,259	24,437	11,822
Specialized teaching and research support equipment	201,955	102,148	99,807
Library documents	277,531	234,207	43,324
Rolling stock	1,869	1,053	816
Telecommunication networks	12,634	8,704	3,930
Software – other than initial versions	6,079	3,014	3,065
Computer development	102,905	75,062	27,843
Communication equipment under capital leases	10,494	10,123	371
Specialized teaching and research support equipment under capital leases	157	149	8
Current projects	140,032	—	140,032
Works of art	4,444	—	4,444
	2,642,906	1,169,924	1,472,982

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(tabular amounts are in thousands of dollars)

6. Capital assets (continued)

	2019		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	47,722	—	47,722
Land improvements	16,317	8,637	7,680
Buildings			
Buildings	688,279	378,928	309,351
Major improvements to buildings	657,931	221,868	436,063
Leasehold improvements	17,172	14,008	3,164
Machinery and equipment			
Computer equipment	35,803	24,493	11,310
Multimedia communication equipment	24,963	21,406	3,557
Office furniture and equipment	25,947	23,804	2,143
Specialized teaching and research support equipment	209,175	110,541	98,634
Library documents	269,407	225,948	43,459
Rolling stock	1,927	959	968
Telecommunication networks	12,805	7,985	4,820
Software – other than initial versions	6,833	5,173	1,660
Computer development	102,562	64,789	37,773
Communication equipment under capital leases	10,491	9,194	1,297
Specialized teaching and research support equipment under capital leases	157	133	24
Current projects	429,313	—	429,313
Works of art	4,032	—	4,032
	<u>2,560,836</u>	<u>1,117,866</u>	<u>1,442,970</u>

Interest capitalized during the year amounts to \$884,580 (\$1,267,940 in 2019).

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April 30, 2020

(tabular amounts are in thousands of dollars)

7. Bank loans

	2020	2019
	\$	\$
Capital Assets Fund		
Bank credit facilities – Financement-Québec*	15,773	7,821
Promissory note (1.99% in 2019), matured in May 2019	–	18,001
	15,773	25,822

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 points (2.05% as at April 30, 2020; 3.45% as at April 30, 2019) and is renewable on January 31, 2021, whereas the bankers' acceptances are issued at the market rate. As at April 30, 2020, the line of credit was not used (nil as at April 30, 2019) and the bankers' acceptances were not used (nil as at April 30, 2019). The bankers' acceptances are renewable on January 31, 2021.

* 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 et de l'Innovation ("MEI"). The line of credit bears interest at the average monthly rate of bankers' acceptances increased by 0.10% for issuance and management costs (0.59750% as at April 30, 2020; 2.28250% as at April 30, 2019). 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 MEI.

8. Accounts payable and accrued liabilities

	2020	2019
	\$	\$
Accounts payable and accrued liabilities	89,523	110,860
Salaries and employee benefits	20,493	35,178
Accumulated vacation of staff and unpaid leave to be remitted in time	40,648	38,264
Government remittances	10,320	9,177
	160,984	193,479

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9. Deferred contributions

Deferred contributions

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

	2020		
	Restricted Fund	Capital Assets Fund	Total
	\$	\$	\$
Balance, beginning of year (short- and long-term)	319,463	207,679	527,142
Grants received during the year	186,877	95,690	282,567
Donations received during the year	22,847	1,724	24,571
Restricted investment income for the year	11,595	—	11,595
Amount recognized as revenue during the year	(208,995)	(20,920)	(229,915)
Amount transferred as deferred contributions pertaining to capital assets	—	(28,015)	(28,015)
Balance, end of year (short- and long-term)	331,787	256,158	587,945

	2019		
	Restricted Fund	Capital Assets Fund	Total
	\$	\$	\$
Balance, beginning of year (short- and long-term)	298,707	185,726	484,433
Grants received during the year	201,902	148,251	350,153
Donations received during the year	18,110	2,954	21,064
Restricted investment income for the year	12,592	—	12,592
Amount recognized as revenue during the year	(211,848)	(22,400)	(234,248)
Amount transferred as deferred contributions pertaining to capital assets	—	(106,852)	(106,852)
Balance, end of year (short- and long-term)	319,463	207,679	527,142

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.

	2020	2019
	\$	\$
Balance, beginning of year	1,027,337	965,818
Amount transferred from deferred contributions	28,015	106,852
Amount recognized as revenue during the year	(48,258)	(45,333)
Balance, end of year	1,007,094	1,027,337

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10. Debt

	2020	2019
	\$	\$
Loans financed by the MES		
Loan for the residences, 6.8750%, repayable in blended monthly instalments of \$25,000, maturing on February 1, 2021	241	513
Loan, 2.1470%, interest payable semi-annually, principal repayable in annual instalments of \$9,283,661, the balance of \$9,028,749 payable at maturity on October 1, 2028	83,298	92,582
Loan, 2.9760%, interest payable annually, principal repayable in annual variable instalments of \$281,614 to \$298,626, maturing on December 20, 2022	870	1,144
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	36,000	37,800
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	56,862	62,090
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	4,784	5,227
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	31,080	32,560
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	37,733	45,049
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	148,578	157,396
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	1,367	1,472
Amounts to be carried forward	400,813	435,833

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10. Debt (continued)

	2020	2019
	\$	\$
Loans financed by the MES (continued)		
Amounts carried forward	400,813	435,833
Loan, 2.3640%, repayable in blended annual instalments of \$606,836, maturing on June 1, 2026	3,873	4,376
Loan, 2.9330%, interest payable semi-annually, principal repayable in annual instalments of \$951,919, maturing on December 1, 2042	21,894	22,846
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	1,532	2,313
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	115,253	125,042
Loan, 2.4090%, interest payable semi-annually, principal repayable in annual instalments of \$661,200, the balance of \$371,600 payable at maturity on December 1, 2021	1,033	1,694
Loan, 3.1370%, interest payable semi-annually, principal repayable in annual instalments of \$2,112,840, maturing on December 1, 2043	50,708	52,821
Loan, 2.8760%, repayable in blended quarterly instalments of \$807,184, maturing on March 1, 2034	36,829	39,026
Loan, 2.4390%, interest payable semi-annually, repayable in annual instalments of \$3,564,532, maturing on October 1, 2039	71,291	—
Loan, 2.3460%, interest payable semi-annually, repayable in annual instalments of \$422,533, maturing on October 1, 2034	6,338	—
	709,564	683,951
Unamortized issuance costs	(4,031)	(3,711)
	705,533	680,240

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10. Debt (continued)

	2020	2019
	\$	\$
Other loans		
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 2.0150% as at April 30, 2019) plus stamping fees fixed at 0.7700%, repayable in blended quarterly instalments of \$1,705,953, repaid during the year	—	71,614
Loan for the renovation and redevelopment work and for the construction of new pavilions, bearing interest at the variable indexed rate at CDOR 3 months (effective rate of 0.6675% as at April 30, 2020), plus 0.4300%, repayable in blended quarterly instalments of \$1,705,953, the balance of \$30,921,459 payable at maturity on January 3, 2030, financed by the Operating Fund*	68,970	—
Loan for renovation of residences, bearing interest at the variable indexed rate at CDOR 1 month (effective rate of 0.5975% as at April 30, 2020; 1.9825% as at April 30, 2019) plus stamping fees fixed at 0.2000%, repayable in blended monthly instalments of \$55,281, maturing on May 31, 2030, financed by the Operating Fund*	5,124	5,494
Loan for renovation of residences, bearing interest at the variable indexed rate at CDOR 1 month (effective rate of 1.9825% as at April 30, 2019) plus stamping fees fixed at 0.7000%, repayable in blended quarterly instalments of \$245,000, matured on March 30, 2020, financed by the Operating Fund, repaid during the year*	—	938
Loan for the Cité du Savoir de Laval building, bearing interest at the variable indexed rate at CDOR 3 months (effective rate of 0.6675% as at April 30, 2020; 2.0100% as at April 30, 2019), principal repayable in quarterly instalments following a pre-established payment schedule, maturing on June 1, 2021, financed by the Operating Fund*	13,545	14,098
Amounts to be carried forward	87,639	92,144

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10. Debt (continued)

	2020	2019
	\$	\$
Other loans (continued)		
Amounts carried forward	87,639	92,144
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 0.6675% as at April 30, 2020; 2.0100% as at April 30, 2019), 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	920	1,000
Loan for the repurchasing of the building of the Cité du Savoir de Laval capital lease, bearing interest at the variable indexed rate at CDOR 3 months (effective rate of 2.0100% as at April 30, 2019), principal repayable in blended quarterly instalments of \$607,355, repaid during the year	—	37,219
Loan for the repurchasing of the building of the Cité du Savoir de Laval capital lease, bearing interest at the variable indexed rate at CDOR 3 months plus 0.7200% (effective rate of 0.6675% as at April 30, 2020), principal repayable in blended quarterly instalments of \$607,355, the balance of \$5,792,382 payable at maturity on January 25, 2039, financed by the Operating Fund*	36,072	—
Loan for the construction of the MIL complex, bearing interest at the variable indexed rate at CDOR 3 months plus 0.5400% (effective rate of 0.6675% as at April 30, 2020), principal repayable in blended quarterly instalments of \$798,423, the balance of \$29,132,825 payable at maturity on April 1, 2035, financed by the Operating Fund*	64,000	—
	188,631	130,363
	894,164	810,603
Current portion	62,991	141,045
	831,173	669,558

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

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

	\$
2021	62,991
2022	75,303
2023	77,961
2024	54,212
2025	54,599

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11. Capital lease obligations

	2020	2019
	\$	\$
Obligation related to the rental of dental equipment, implicit rate of 7.90%, repayable in blended monthly instalments of \$1,389, maturing on January 1, 2021	15	30
Obligation related to the rental of dental equipment, implicit rate of 7.90%, repayable in blended monthly instalments of \$457, maturing on January 1, 2021	5	10
	20	40
Current portion	20	20
	—	20

Payment over the forthcoming year is as follows:

	Principal	Interest	Total
	\$	\$	\$
2021	20	2	22

12. Defined benefit asset (accrued benefit obligations)

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

	2020	2019
	\$	\$
Defined benefit asset of the primary pension plan	90,084	246,677
Accrued defined benefit obligation of complementary retirement program	(91,084)	(89,188)
Post-employment accrued benefit obligations	(81,138)	(74,616)

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

Pension plan

The University offers to all of its employees a defined benefit contributory pension plan as well as a complementary program. These two plans provide pensions based on length of service and final years' earnings. The funds necessary to meet the plan's 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 11.32% of the participants' salary for the 2020 calendar year (11.32% for calendar year 2019). The University paid an actual contribution of 11.43% for the calendar year 2020 (11.43% for calendar year 2019). This rate does not include benefit payable for the financing of the complementary retirement program of approximately 0.78% of the participants' salary (0.78% in 2019).

The University evaluates the fair value of assets of the plan as at April 30 and its accrued benefit obligation for purposes of extrapolation as at April 30 of each year for its accounting needs. The most recent actuarial valuation for funding purposes of the plan was performed on December 31, 2017. The data was extrapolated as at April 30, 2020.

Information on the pension plan is as follows:

	2020	2019
	\$	\$
Primary pension plan:		
Fair value of the pension assets	4,238,299	4,274,919
Accrued benefit obligations	(4,148,215)	(4,028,242)
Defined benefit asset recorded	90,084	246,677
Complementary program:		
Accrued defined benefit obligations and accrued benefit obligation recorded	(91,084)	(89,188)

Composition of pension plan assets as at April 30:

	2020	2019
	%	%
Money market securities and cash	6.1	2.1
Bonds	25.7	31.3
Equity	31.1	28.6
Pooled funds and other investments	37.1	38.0
	100.0	100.0

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

	2020	2019
	\$	\$
Expense for the year recognized in the statement of operations	48,949	45,992
Contributions paid by the University during the year	60,108	58,262

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

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, 2020.

The information related to this plan is presented as follows:

	2020	2019
	\$	\$
Accrued defined benefit obligations and accrued benefit obligation recorded	(81,138)	(74,616)

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

	2020	2019
	\$	\$
Expense for the year recognized in the statement of operations	7,608	7,930
Contributions paid by the University during the year	4,246	3,956

Assumptions

The University has retained the following significant actuarial assumptions:

	2020		2019	
	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	5.30	5.30	5.30	5.30
Rate of compensation increase	2.75	2.75	2.75	2.75
Rate of health care cost increase	—	4.92	—	4.92
Benefit costs for the year ended April 30				
Discount rate	6.10	6.10	5.75	5.75
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	—	4.92	—	6.50

13. Internally and externally restricted fund balances

Main categories of externally restricted amounts

	2020	2019
	\$	\$
Endowment Fund		
External endowments from which the income must be used for the purposes specified by the donor and not those related to the Operating Fund	246,243	236,826
External endowments from which the income is related to the Operating Fund or is used at the discretion of the University	1,927	1,927
Accumulated unrealized gain on investments related to external endowment capital	245	30,216
Accumulated investment income added to endowment capital ⁽¹⁾	32,320	33,822
	280,735	302,791

⁽¹⁾ 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.

Main categories of internally restricted amounts

	2020	2019
	\$	\$
Operating Fund		
Research-related internal activities	14,525	13,554
Redevelopment activities for Student Services and the Physical education and sports centre	463	416
	14,988	13,970
Restricted Fund		
Surplus generated on research activities primarily restricted for research purposes or for purposes identical to those of the initial externally restricted contribution	6,070	6,110
Capital Assets Fund		
Future capital asset acquisitions	39,950	41,078
Endowment Fund		
Internal restrictions of which the revenue can be used at the University's discretion	44,035	35,378
Accumulated unrealized gain on investments related to internal capital endowments	3,865	7,522
	47,900	42,900

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14. Fund balances, end of year

The Operating Fund mainly has two types of activities:

- General teaching activities funded from the MES 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 2020, the internally restricted amount for the year is \$26,269,100 (\$27,911,900 in 2019). Internally restricted amounts associated with research activities amount to \$14,524,700 as at April 30, 2020 (\$13,554,450 as at April 30, 2019).

In 2020, 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 2019). The fund balance restricted to creating reserves for the amortization of certain capital assets totals \$463,500 as at April 30, 2020 (\$416,000 as at April 30, 2019).

15. Interfund transfers

	2020			
	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund
	\$	\$	\$	\$
Contributions to the Capital Assets Fund for future projects	(24,207)	—	24,207	—
Contributions to the acquisitions of capital assets and to the debt service	(38,667)	(6,234)	44,901	—
Internally restricted endowment capital	(8,731)	—	—	8,731
Transfer of accumulated unrealized gain of endowments related to the Operating Fund	4,070	—	—	(4,070)
Re-capitalized investment income ⁽¹⁾	(26)	—	—	26
	(67,561)	(6,234)	69,108	4,687

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15. Interfund transfers (continued)

	2019			
	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund
	\$	\$	\$	\$
Contributions to the Capital Assets Fund for future projects	(18,221)	—	18,221	—
Contributions to the acquisitions of capital assets and to the debt service	(38,248)	(3,850)	42,098	—
Internally restricted endowment capital	(771)	—	—	771
Recovery of internal restriction	2,598	—	—	(2,598)
Transfer of accumulated unrealized gains of endowments related to the Operating Fund	568	—	—	(568)
Re-capitalized investment income ⁽¹⁾	(25)	—	—	25
	<u>(54,099)</u>	<u>(3,850)</u>	<u>60,319</u>	<u>(2,370)</u>

⁽¹⁾ 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 MES. The University assesses the risk of default for receipt as low.

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16. Financial instruments (continued)

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, 2020, interests held by the University denominated in foreign currencies amount to a fair value of \$146,838,000 in Canadian dollars (\$150,651,000 as at April 30, 2019).

As at April 30, 2020, the University has foreign exchange contracts under which it has agreed to sell US\$18,052,791 at rates varying between 1.329430 and 1.329417 maturing on May 13, 2020. The University also has foreign exchange contracts under which it has agreed to sell C\$24,428,498 for U.S. currency purchased at rates varying between 1.342420 and 1.422930 maturing on May 13, 2020. These contracts are intended for investments cashable in Canadian and U.S. dollars; they are not eligible for hedge accounting.

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 MES are secured, principal and interest, by the assignment and transfer of the MES 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, 2020:

a) *Restricted Fund*

Maturity date	Initial nominal amount	Pays or receives	Fixed rate	Variable rate
	\$		%	
June 1, 2021	16,932	Pays, fixed	4.1800	CDOR 3 months
		Receives, variable		
May 31, 2030	9,000	Pays, fixed	5.5000	CDOR 1 month
		Receives, variable		+0.20%
April 1, 2035	100,000	Pays, fixed	1.8242	CDOR 3 months
		Receives, variable		+0.54%
October 1, 2035	105,936	Pays, fixed	5.1300	CDOR 3 months
		Receives, variable		
January 25, 2039	37,219	Pays, fixed	3.4850	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.

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16. Financial instruments (continued)

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, 2020, the most significant financial liabilities were the bank overdrafts, bank loans, accounts payable and accrued liabilities, grants payable, debt, capital lease obligations and derivative financial instruments.

17. Controlled non-profit entities and partnership

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:

	2020	2019
	\$	\$
Financial position		
Assets	12,608	7,095
Liabilities	11,886	6,708
Excess of assets over liabilities	722	387
	12,608	7,095
Operations		
Revenue	4,781	4,065
Expenses	4,446	3,632
Excess of revenue over expenses	335	433

Partnership

The University has formed a partnership with the Corporation de l'École Polytechnique de Montréal and the Corporation de l'École des hautes études commerciales de Montréal. This partnership is known as the Institute for Data Valorization (IVADO). Given its nature, this partnership does not constitute a separate legal entity. Each member of the partnership recognizes in its own financial statements its share of the year's revenues and expenses. The University is the partnership's fiduciary.

The University's financial statements include revenues of \$8,600,800 (\$6,100,606 in 2019) and equivalent expenses attributable to this partnership.

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18. Additional information to the statement of cash flows

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

	2020	2019
	\$	\$
Accounts receivable	(3,357)	(58,055)
Inventories	(372)	(625)
Expenses attributable to the next year	587	(2,358)
Accounts payable and accrued liabilities	(11,081)	9,554
Deferred revenue	(1,713)	1,821
Deferred contributions	60,803	42,709
Grants payable	(26,625)	(2,501)
	18,242	(9,455)

Non-cash transactions

	2020	2019
	\$	\$
Unpaid capital assets, end of year	33,199	54,613
Unpaid capital assets acquired through capital leases, end of year	20	40

19. Commitments

- a) The commitments of the Operating Fund total \$325,922,400 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	26,903,600
Other units of the Operating Fund	<u>299,018,800</u>

- b) The commitments of the Restricted Fund total \$10,957,200 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.

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19. Commitments (continued)

- c) The University is bound by different leases for physical space, equipment and computer equipment. The total commitments relating to these contracts amount to \$43,205,350. Minimum payments required under these contracts over the next five years are as follows:

	\$
2021	13,824,900
2022	13,222,800
2023	7,289,800
2024	5,681,500
2025	1,356,900

- d) The University is committed to a financial institution to ensure, in the event of default, a maximum of \$750,000 in connection with a loan of Presses de l'Université de Montréal, an organization controlled by the University.
- e) As at April 30, 2020, the University has agreed to pay by contracts from external suppliers for a total of \$51,361,500 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, 2020, 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.