
Financial statements of Université de Montréal

April 30, 2022

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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, 2022, 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, 2022, 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

September 26, 2022

¹ CPA auditor, public accountancy permit No. A120628

Université de Montréal
Statement of operations and changes in fund balance

As at April 30, 2022
(In thousands of dollars)

	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Grants from the ministère de l'Enseignement supérieur	608,883	577,408	12,564	25,225	53,962	46,768	—	—	675,409	649,401
Other government grants and contracts	25,022	25,608	138,989	130,990	23,397	18,724	—	—	187,408	175,322
Other non-governmental contributions and contracts	476	771	63,451	48,283	2,904	2,566	—	—	66,831	51,620
Donations	134	107	17,357	15,087	2,706	2,965	—	—	20,197	18,159
Tuition fees	159,200	156,728	—	—	—	—	—	—	159,200	156,728
Student services	13,532	12,277	—	—	—	—	—	—	13,532	12,277
Physical education and sports centre	17,172	12,503	—	—	—	—	—	—	17,172	12,503
Investment income	17,104	10,528	—	—	—	—	—	—	17,104	10,528
Ancillary services	8,123	5,301	11,465	9,596	—	—	—	—	19,588	14,897
Investment income	32,634	22,765	—	—	—	—	—	—	32,634	22,765
Gain on disposal of capital assets	—	—	—	—	552	27	—	—	552	27
Other revenues	40,026	34,269	—	—	—	—	—	—	40,026	34,269
	922,306	858,265	243,826	229,181	83,521	71,050	—	—	1,249,653	1,158,496
Expenses										
Teaching and research	554,054	520,873	169,269	160,151	—	—	—	—	723,323	681,024
Teaching and research support	101,310	96,349	1,273	2,299	—	—	—	—	102,583	98,648
Student services	14,598	13,096	4,618	7,174	—	—	—	—	19,216	20,270
Physical education and sports centre	17,221	13,653	—	—	—	—	—	—	17,221	13,653
Scholarships – graduate programs	8,424	9,507	44,177	44,230	—	—	—	—	52,601	53,737
Community services	—	—	10,450	8,370	—	—	—	—	10,450	8,370
Administration	73,213	65,544	—	—	—	—	—	—	73,213	65,544
Facilities management	64,709	60,860	—	—	—	—	—	—	64,709	60,860
Ancillary services	17,116	16,243	—	—	—	—	—	—	17,116	16,243
Bad debts on tuition fees	1,147	1,566	—	—	—	—	—	—	1,147	1,566
Interest on bank overdrafts and bank loans and financial charges	197	328	—	—	762	697	—	—	959	1,025
Interest on debt	—	—	—	—	24,490	25,550	—	—	24,490	25,550
Vacation liability	1,072	3,476	—	—	—	—	—	—	1,072	3,476
Other unallocated employee future benefits	(23,653)	2,215	—	—	—	—	—	—	(23,653)	2,215
Other contributions and restricted amounts	—	—	554	738	11,885	5,242	—	—	12,439	5,980
Unusual expenses resulting from the pandemic	4,781	5,326	—	—	—	—	—	—	4,781	5,326
Amortization of capital assets	—	—	—	—	98,263	95,327	—	—	98,263	95,327
	834,189	809,036	230,341	222,962	135,400	126,816	—	—	1,199,930	1,158,814
Excess (deficiency) of revenue over expenses before the following items	88,117	49,229	13,485	6,219	(51,879)	(55,766)	—	—	49,723	(318)
Change in unrealized fair value of investments	(2,461)	6,294	—	—	—	—	—	—	(2,461)	6,294
Change in fair value of derivative financial instruments	—	—	—	—	22,414	22,259	—	—	22,414	22,259
Excess (deficiency) of revenue over expenses	85,656	55,523	13,485	6,219	(29,465)	(33,507)	—	—	69,676	28,235
Fund balances, beginning of year	228,919	(254,449)	6,197	6,070	258,695	240,142	390,317	328,635	884,128	320,398
Endowments	—	—	—	—	82	—	17,004	10,512	17,086	10,512
Investment income (losses) added to (deducted from) endowment capital	—	—	—	—	—	—	9,936	(1,604)	9,936	(1,604)
Change in fair value of derivative financial instruments unrealized (deducted from) added to endowment capital	—	—	—	—	—	—	(16,832)	44,344	(16,832)	44,344
Change in remeasurements and other recognized items related to defined benefit plans	(269,643)	482,243	—	—	—	—	—	—	(269,643)	482,243
Interfund transfers	(58,019)	(54,398)	(5,916)	(6,092)	61,306	52,060	2,629	8,430	—	—
Fund balances, end of year	(13,087)	228,919	13,766	6,197	290,618	258,695	403,054	390,317	694,351	884,128

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

Université de Montréal
Statement of financial position
As at April 30, 2022
(In thousands of dollars)

	Notes	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets											
Current assets											
Cash		51,319	—	62,050	56,246	24,376	15,878	1,025	1,778	138,770	73,902
Investments	3	115,745	180,518	6,394	5,414	—	—	28,003	19,271	150,142	205,203
Accounts receivable	4	97,588	88,858	111,726	117,442	206,535	184,786	150	164	415,999	391,250
Inventories		6,032	5,755	—	—	—	—	—	—	6,032	5,755
Expenses attributable to the following year		6,459	7,025	1,372	205	1	12	—	—	7,832	7,242
Derivative financial instruments – exchange contracts	15	—	—	—	—	—	—	85	1,310	85	1,310
Advances to other funds	5	51,525*	84,092*	358,150*	333,471*	74,210*	62,482*	—	—	—	—
		328,668	366,248	539,692	512,778	305,122	263,158	29,263	22,523	718,860	684,662
Investments	3	—	—	4,193	1,933	—	—	388,420	379,753	392,613	381,686
Accounts receivable	4	—	—	2,237	2,505	926,816	897,861	—	—	929,053	900,366
Capital assets	6	—	—	—	—	1,481,766	1,477,763	—	—	1,481,766	1,477,763
Defined benefit asset of the primary pension plan program	11	326,425	567,781	—	—	—	—	—	—	326,425	567,781
Derivative financial instruments - interest rate swap contracts	15	—	—	—	—	11,131	—	—	—	11,131	—
Other assets		—	—	—	—	230	239	—	—	230	239
		655,093	934,029	546,122	517,216	2,725,065	2,639,021	417,683	402,276	3,860,078	4,012,497
Liabilities											
Current assets											
Bank overdrafts		—	72,856	—	—	—	—	—	—	—	72,856
Bank loans	7	—	—	—	—	49,090	3,641	—	—	49,090	3,641
Accounts payable and accrued liabilities	8	129,347	125,792	17,249	18,138	47,359	41,468	1,500	—	195,455	185,398
Deferred revenues		10,225	9,086	24,465	28,006	—	—	—	—	34,690	37,092
Deferred contributions	9	—	—	416,431	401,716	455	446	—	—	416,886	402,162
Derivative instruments – interest rate swap contracts	15	—	—	—	—	—	—	174	2	174	2
Current portion of debt	10	—	—	—	—	85,647	78,454	—	—	85,647	78,454
Advances from other funds	5	345,531*	322,566*	74,211*	62,482*	51,188*	83,040*	12,955*	11,957*	—	—
		485,103	530,300	532,356	510,342	233,739	207,049	14,629	11,959	781,942	779,605
Grants to be repaid or paid		8,552	4,919	—	677	—	—	—	—	8,552	5,596
Debt	10	—	—	—	—	794,165	820,489	—	—	794,165	820,489
Deferred contributions	9	—	—	—	—	387,005	339,513	—	—	387,005	339,513
Deferred contributions pertaining to capital assets	9	—	—	—	—	1,019,538	1,001,992	—	—	1,019,538	1,001,992
Accrued defined benefit obligation of complementary retirement program	11	85,651	84,831	—	—	—	—	—	—	85,651	84,831
Accrued benefit obligation of post-employment benefit plan	11	88,874	85,060	—	—	—	—	—	—	88,874	85,060
Derivative financial instruments - interest rate swap contracts	15	—	—	—	—	—	11,283	—	—	—	11,283
		668,180	705,110	532,356	511,019	2,434,447	2,380,326	14,629	11,959	3,165,727	3,128,369
Commitments and contingencies	18 and 19										
Fund balances											
Invested in capital assets	12 and 13	—	—	—	—	233,802	215,083	—	—	233,802	215,083
Externally restricted		—	—	—	—	—	—	344,590	334,688	344,590	334,688
Internally restricted		17,516	16,999	13,766	6,197	56,816	43,612	58,464	55,629	146,562	122,437
Remeasurement and other recognized items related to defined benefit plans		245,737	515,380	—	—	—	—	—	—	245,737	515,380
Deficiency – Employee future benefits		(93,837)	(117,490)	—	—	—	—	—	—	(93,837)	(117,490)
Deficiency – Operating activities		(182,503)	(185,970)	—	—	—	—	—	—	(182,503)	(185,970)
		(13,087)	228,919	13,766	6,197	290,618	258,695	403,054	390,317	694,351	884,128
		655,093	934,029	546,122	517,216	2,725,065	2,639,021	417,683	402,276	3,860,078	4,012,497

* 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, 2022
(In thousands of dollars)

	Notes	2022	2021
		\$	\$
Operating activities			
Excess of revenues over expenses		69,676	28,235
Adjustments for:			
Change in unrealized fair value of investments		2,461	(6,294)
Amortization of capital assets		98,263	95,327
Gain on disposal of capital assets		(552)	(27)
Amortization of deferred contributions pertaining to capital assets		(42,976)	(51,567)
Change in asset and obligations related to employee future benefits		(23,653)	2,215
Change in the fair value of derivative financial instruments excluding those related to the Endowment Fund		(22,414)	(22,259)
		80,805	45,630
Net change in non-cash working capital items and long-term accounts receivable, deferred contributions and grants payable	17	12,488	148,386
		93,293	194,016
Investing activities			
Net change in investments		24,841	(136,799)
Derivative financial instruments – exchange contracts		1,397	(1,737)
Acquisition of capital and other assets		(96,229)	(96,191)
Proceeds from disposal of capital assets		560	50
		(69,431)	(234,677)
Financing activities			
Net change in bank loans		45,449	(12,132)
Increase in debt		46,626	68,081
Repayment of debt		(65,979)	(63,594)
Net change in unamortized debt issuance costs		222	272
Increase in deferred contributions pertaining to capital assets		60,522	46,465
Endowments received		17,086	10,512
Investment income (losses) added to (deducted from) endowment capital		9,936	(1,604)
		113,862	48,000
Net increase in cash and cash equivalents		137,724	7,339
Cash and cash equivalents, beginning of year		1,046	(6,293)
Cash and cash equivalents, end of year		138,770	1,046
Cash and cash equivalents comprise			
Cash		138,770	73,902
Bank overdrafts		—	(72,856)
		138,770	1,046

Additional information is presented in Note 17.

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

Université de Montréal
Notes to the financial statements

April 30, 2022

(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:

Adoption of amendments made to Section 3856, "Financial Instruments," for financial instruments originated or exchanged in a related party transaction

On May 1, 2021, the University adopted amendments to Section 3856, *Financial Instruments*, of the *CPA Canada Handbook* ("Section 3856") with respect to financial instruments originated or exchanged in a related party transaction (hereinafter referred to as "amendments to financial instruments in a related party transaction").

The amendments made to Section 3856 provide guidance on measuring a financial instrument in a related party transaction. The amendments require that such a financial instrument be initially measured at cost. Cost depends on whether or not the instrument has repayment terms.

The adoption of these amendments did not have any material impact on the disclosures or on the amounts reported in the University's financial statements.

Consolidation

Not-for-profit entities controlled by the University are not consolidated. The combined financial information of these entities is presented in Note 16.

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

Restricted Fund

The Restricted Fund reflects externally restricted resources that are primarily directed towards research-related 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.

2. Accounting policies (continued)

Fund accounting (continued)

Capital Assets Fund

The Capital Assets Fund represents the 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 applies the deferral method of accounting for contributions. Under this method, contributions restricted to future year 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 revenues 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 contribution date.

Deferred revenues represent receipts for which the services have not been rendered.

The University's main sources of revenue, other than contributions, come from tuition fees, student services, the physical education and sports centre, ancillary services, and external sales. These revenues are recognized as Operating Fund revenue in the year in which the underlying service is rendered.

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

Contributions received as endowments are presented as direct increases to the Endowment Fund balance.

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.

Contributions raised from fund-raising campaigns are recorded to the appropriate fund, based on the donor's restriction, when the donations are received. Unrestricted contributions are presented in the Operating Fund in "Donations."

The portion of revenues received regarding 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

Initial measurement

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 recognized at fair value are expensed as incurred. With respect to other financial instruments, transaction costs 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 discount or premium related to an instrument measured at amortized cost is amortized over the expected life of the instrument using the straight-line method and recognized as interest expense or income.

With respect to financial assets recognized at cost or amortized cost, the University recognizes an impairment loss, when applicable, in the Statement of Operations and Changes in Fund Balances 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.

Subsequent measurement

All financial instruments are measured at amortized cost, except for investments, which are measured at fair value at the Statement of Financial Position date. Fair value fluctuations, including dividends and interest earned, dividends and interest accrued, and gains and losses realized on disposal as well as unrealized gains and losses, are included in investment income.

Transaction costs

Transaction costs related to financial instruments measured at fair value after their initial recognition are expensed as incurred. With respect to other financial instruments, transaction costs 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 instrument using the straight-line method and recognized in the Statement of Operations as other income or interest expense.

Impairment

With respect to financial assets recognized at amortized cost, the University recognizes an impairment loss, when applicable, in the Statement of Operations 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 in the period the reversal occurs.

2. Accounting policies (continued)

Derivative financial instruments

The University uses interest rate swap contracts to manage its interest rate risk pertaining to long-term debt as well as foreign exchange forward contracts to manage the foreign exchange risk arising from 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). Fair value is determined by using stock market quotes and the prices obtained from financial institutions for identical or similar derivative financial instruments.

Capital assets

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

Amortization is recorded as an expense in the Statement of Operations and Changes in Fund Balances 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
Material 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
IT 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 construction until it is put into service.

2. Accounting policies (continued)

Capital assets (continued)

Fully amortized capital assets 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 fair value or to the replacement cost of the capital asset. Write-downs of capital assets should be recognized as an expense in the Statement of Operations and Fund Balances. Write-downs are not 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 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.

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 measure the accrued defined benefit obligations and post-employment obligations by using the actuarial valuation for funding purposes. This periodic actuarial valuation is based on the actual projected benefit method prorated on services (which incorporates management's best estimate of future salary levels, other cost increases, 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 funded. The University recognizes:

- in the Statement of Financial Position, the accrued defined 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 determined discount rate, 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 make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements as well as revenues and expenses for the year then ended. Among the main financial statement items requiring management to make estimates are the grants receivable from or payable to MES, the useful lives of capital assets, the accrued liabilities, grants payable, the fair value of investments and derivative financial instruments, the defined benefit asset or accrued benefit obligations, and liabilities within the legal contingencies. Actual results may differ from these estimates.

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(tabular amounts are in thousands of dollars)

3. Investments

	2022			
	Operating Fund	Restricted Fund	Endowment Fund	Total
	\$	\$	\$	\$
Cash and fund units – money market	115,745	4,648	28,003	148,396
Strippable coupons and Canadian bonds, nominal value of \$6,137,300, 0.85% to 4.00%, maturing from May 2022 to March 2025	—	5,922	—	5,922
Bond pooled fund units				
Canada	—	—	106,475	106,475
United States	—	—	18,318	18,318
	—	—	124,793	124,793
Equities				
Canada	—	16	91,423	91,439
United States	—	—	39,567	39,567
	—	—	130,990	131,006
Equity pooled fund units				
Foreign	—	—	40,968	40,968
Investment in a partnership				
Canada	—	1	—	1
Real estate securities	—	—	4,703	4,703
Hedge funds				
United States	—	—	12,964	12,964
Foreign	—	—	73,846	73,846
	—	—	86,810	86,810
	115,745	10,587	416,423	542,755
Less: Current portion	115,745	6,394	28,003	150,142
	—	4,193	388,420	392,613

3. Investments (continued)

				2021
	Operating Fund	Restricted Fund	Endowment Fund	Total
	\$	\$	\$	\$
Cash and fund units – money market	180,518	4,241	18,469	203,228
Strippable coupons and Canadian bonds, nominal value of \$3,300,300, 1.95% to 4.00%, maturing from June 2021 to December 2022	—	3,086	802	3,888
Bond pooled fund units				
Canada	—	—	105,085	105,085
United States	—	—	17,992	17,992
	—	—	123,077	123,077
Equities				
Canada	—	19	87,336	87,355
United States	—	—	57,071	57,071
Foreign	—	—	17,317	17,317
	—	19	161,724	161,743
Equity pooled fund units				
Foreign	—	—	5,148	5,148
Investment in a partnership				
Canada	—	1	—	1
Real estate securities	—	—	4,087	4,087
Hedge funds				
United States	—	—	9,684	9,684
Foreign	—	—	76,033	76,033
	—	—	85,717	85,717
	180,518	7,347	399,024	586,889
Less: Current portion	180,518	5,414	19,271	205,203
	—	1,933	379,753	381,686

3. Investments (continued)

Investment income is detailed and broken down as follows:

	2022		
	Operating Fund	Restricted Fund	Total
	\$	\$	\$
Interest and dividends	2,930	272	3,202
Investment income earned on Endowment Fund resources	5,193	14,495	19,688
Change in "Deferred contributions"	—	(3,302)	(3,302)
	8,123	11,465	19,588

	2021		
	Operating Fund	Restricted Fund	Total
	\$	\$	\$
Interest and dividends	2,101	117	2,218
Investment income earned on Endowment Fund resources	3,200	12,190	15,390
Change in "Deferred contributions"	—	(2,711)	(2,711)
	5,301	9,596	14,897

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

	2022	2021
	\$	\$
Interest and dividends	9,296	10,254
Gain on disposal of investments	21,271	4,568
	30,567	14,822
Trustee and investment managers' fees	(929)	(1,024)
	29,638	13,798
Portion presented under "Investment income" of the Operating Fund	5,193	3,200
Portion presented with general revenues from "Student Services" of the Operating Fund	14	12
Portion presented under "Investment income" of the Restricted Fund	14,495	12,190
Investment income (losses) added to (deducted from) endowment capital	9,936	(1,604)
	29,638	13,798

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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 Endowment Fund resources totalled a negative amount of \$19,043,900 (positive of \$50,638,000 in 2021) and is broken down as follows:

	2022	2021
	\$	\$
Portion presented in the statement of operations of the Operating Fund and transferred (from) to the Endowment Fund (Note 14)	(2,212)	6,294
Portion presented directly as a change in the fund balances of the Endowment Fund	(16,832)	44,344
	(19,044)	50,638

4. Accounts receivable

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

	2022	2021
	\$	\$
Operating Fund		
Grant receivable from MES	71,128	60,522
Tuition fees and other fees	16,925	15,361
Sales and other*	16,150	19,147
Interest and dividends	172	76
	104,375	95,106
Provision for bad debt	(6,787)	(6,248)
Current portion receivable	97,588	88,858
Restricted Fund		
Grants, contracts and other	113,963	119,947
Less: Long-term portion receivable	2,237	2,505
Current portion receivable	111,726	117,442
Capital Assets Fund		
Grants	1,132,229	1,076,207
Interest and dividends	267	294
Other	855	6,146
	1,133,351	1,082,647
Less: Long-term portion receivable	926,916	897,861
Current portion receivable	206,535	184,786
Endowment Fund		
Interest and dividends	22	25
Other	128	139
Current portion receivable	150	164
Total of current portion of cashable accounts receivable	415,999	391,250
Total of long-term cashable accounts receivable	929,053	900,366

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

4. Accounts receivable (continued)

Donations receivable

Donations receivable from subscription campaigns, totalling \$244,882,700 (\$102,582,800 in 2021), are pledged commitments and are not recorded in the Statement of Financial Position. The estimated realizable value of these commitments is \$234,703,800 (\$89,734,600 in 2021), of which \$42,430,700 (\$33,485,500 in 2021) during the following year and is based on the collection history.

5. Advances to (due to) 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 (due to) other funds are non interest-bearing and do not include terms of repayment (or reimbursement).

6. Capital assets

	2022		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	47,409	—	47,409
Land improvements	76,093	13,686	62,407
Buildings			
Buildings	1,011,214	430,499	580,715
Major improvements to buildings	768,789	294,105	474,684
Leasehold improvements	19,891	18,145	1,746
Machinery and equipment			
Computer equipment	43,789	30,224	13,565
Multimedia communication equipment	24,749	21,166	3,583
Office furniture and equipment	34,248	25,470	8,778
Specialized teaching and research equipment	202,657	104,761	97,896
Library documents	293,358	250,998	42,360
Rolling stock	2,094	1,065	1,029
Telecommunication networks	8,524	5,836	2,688
Software – Other than initial versions	8,654	4,828	3,826
IT development	110,639	93,733	16,906
Communication equipment under capital leases	10,496	10,247	249
Specialized teaching and research equipment under capital leases	157	157	—
Current projects	118,658	—	118,658
Works of art	5,267	—	5,267
	2,786,686	1,304,920	1,481,766

6. Capital assets (continued)

	2021		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	47,203	—	47,203
Land improvements	19,384	10,898	8,486
Buildings			
Buildings	1,007,914	412,365	595,549
Major improvements to buildings	731,138	268,948	462,190
Leasehold improvements	19,814	16,635	3,179
Machinery and equipment			
Computer equipment	41,809	26,780	15,029
Multimedia communication equipment	24,751	21,105	3,646
Office furniture and equipment	34,630	24,042	10,588
Specialized teaching and research equipment	198,875	101,720	97,155
Library documents	285,113	242,582	42,531
Rolling stock	2,049	1,139	910
Telecommunication networks	13,130	9,795	3,335
Software – Other than initial versions	7,019	3,837	3,182
IT development	105,446	84,653	20,793
Communication equipment under capital leases	10,496	10,199	297
Specialized teaching and research equipment under capital leases	157	157	—
Current projects	158,695	—	158,695
Works of art	4,995	—	4,995
	2,712,618	1,234,855	1,477,763

7. Bank loans

	2022	2021
	\$	\$
Capital Assets Fund		
Bank credit facilities – Financement-Québec*	49,090	3,641

* The University has an authorized line of credit of \$450,609,300 with Financement-Québec, namely \$61,486,300 in the form of a line of credit for the "Science complex on the new Outremont campus" related to a grant in the same amount allocated by the ministère de l'Économie et de l'Innovation ("MEI") and several lines of credit totalling \$389,123,000 for the temporary financing of the acquisitions of capital assets that are financed by the MES.

The lines of credit bear interest at the average rate of Quebec 3-month Treasury bills plus 0.02% (average 1-month bankers' acceptance rate less 0.10% as at April 30, 2021). The effective rate was 1.473% as at April 30, 2022 (0.41250% as at April 30, 2021). The line of credit of \$61,486,300 will be replaced with a promissory note at the end of the claim period for an amount totalling the costs that are financed by the MEI. The lines of credit totalling \$389,123,000 will also be replaced at the end of the period with promissory notes following a schedule pre-established by the MES.

7. Bank loans (continued)

The University has authorized bank credit facilities of \$135,000,000, namely, \$10,000,000 in the form of a line of credit and \$125,000,000 in bankers' acceptances. The line of credit bears interest at the lending institution's preferred rate minus 0.50 points (effective rate of 2.7000% as at April 30, 2022; 2.45000% as at April 30, 2021) and is renewable on January 31, 2023, whereas the bankers' acceptances are issued at the market rate. As at April 30, 2022, the line of credit was not used (nil also as at April 30, 2021) and the bankers' acceptances were not used (nil as at April 30, 2021). The bank credit facilities on the bankers' acceptances are renewable on January 31, 2023.

8. Accounts payable and accrued liabilities

	2022	2021
	\$	\$
Accounts payable and accrued liabilities	94,828	86,013
Salaries and employee benefits	50,579	43,270
Accumulated vacation of staff and unpaid leave to be remitted in time	45,196	44,124
Government remittances	4,852	11,991
	195,455	185,398

9. Deferred contributions

Deferred contributions

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

	2022		
	Restricted Fund	Capital Assets Fund	Total
	\$	\$	\$
Balance, beginning of year (short and long-term)	401,716	339,959	741,675
Reclassification	—	(11,077)	(11,077)
Grants received during the year	199,314	141,230	340,544
Donations received during the year	27,297	6,786	34,083
Restricted investment income for the year	14,767	—	14,767
Amount recognized as revenue during the year	(226,663)	(28,916)	(255,579)
Amount transferred as deferred contributions pertaining to capital assets	—	(60,522)	(60,522)
Balance, end of year (short and long-term)	416,431	387,460	803,891

9. Deferred contributions (continued)

	2021		
	Restricted Fund	Capital Assets Fund	Total
	\$	\$	\$
Balance, beginning of year (short and long-term)	331,787	256,158	587,945
Grants received during the year	246,575	147,088	393,663
Donations received during the year	23,205	2,662	25,867
Restricted investment income for the year	12,307	—	12,307
Amount recognized as revenue during the year	(212,158)	(19,484)	(231,642)
Amount transferred as deferred contributions pertaining to capital assets	—	(46,465)	(46,465)
Balance, end of year (short and long-term)	401,716	339,959	741,675

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.

	2022	2021
	\$	\$
Balance, beginning of year	1,001,992	1,007,094
Reclassification	10,916	—
Amount transferred from deferred contributions	60,522	46,465
Amount recognized as revenue during the year	(53,892)	(51,567)
Balance, end of year	1,019,538	1,001,992

10. Debt

	2022	2021
	\$	\$
Loans financed by the MES		
Loan, 2.1470%, interest payable semi-annually, principal repayable in annual instalments of \$9,283,661, balance of \$9,028,749 payable at maturity on October 1, 2028	64,731	74,014
Loan, 2.9760%, interest payable annually, principal repayable in annual variable instalments of \$289,995 to \$298,626, maturing on December 20, 2022	299	589
Loan, 3.4120%, interest payable semi-annually, principal repayable in annual instalments of \$1,800,000, balance of \$10,800,000 payable at maturity on June 1, 2034	32,400	34,200
Loan, 3.1090%, interest payable semi-annually, principal repayable in annual instalments of \$5,227,600, balance of \$15,041,200 payable at maturity on March 1, 2029	46,407	51,634
Loan, 2.4150%, interest payable semi-annually, principal repayable in annual instalments of \$443,200, balance of \$795,200 payable at maturity on March 1, 2030	3,898	4,341
Loan, 3.2300%, interest payable semi-annually, principal repayable in annual instalments of \$1,480,000, balance of \$10,360,000 payable at maturity on June 1, 2034	28,120	29,600
Loan, 1.9410%, interest payable semi-annually, principal repayable in annual instalments of \$7,316,856, balance of \$23,098,863 payable at maturity on March 1, 2023	23,099	30,416
Loan, 2.1300%, interest payable semi-annually, principal repayable in annual instalments of \$8,817,251, balance of \$95,674,739 payable at maturity on September 1, 2026	130,944	139,761
Amounts to be carried forward	329,898	364,555

10. Debt (continued)

	2022	2021
	\$	\$
Loans financed by the MES (continued)		
Amounts carried forward	329,898	364,555
Loan, 2.7530%, interest payable semi-annually, principal repayable in annual instalments of \$105,080, balance of \$105,880 payable at maturity on September 1, 2032	1,157	1,262
Loan, 2.8760%, repayable in blended quarterly instalments of \$807,184, balance of \$795,536 payable at maturity on March 1, 2034	32,428	34,660
Loan, 2.3640%, repayable in blended annual instalments of \$606,836, maturing on June 1, 2026	2,830	3,358
Loan, 2.9330%, interest payable semi-annually, principal payable in annual instalments of \$951,919 payable at maturity on December 1, 2042	19,990	20,942
Loan, 1.9260%, interest payable semi-annually, principal repayable in annual instalments of \$781,156, balance of \$750,752 payable at maturity on October 1, 2021	—	751
Loan, 2.7870%, interest payable semi-annually, principal repayable in annual instalments of \$9,789,139, balance of \$46,729,312 payable at maturity on September 1, 2027	95,675	105,464
Loan, 2.4090%, interest payable semi-annually, principal repayable in annual instalments of \$661,200, balance of \$371,600 payable at maturity on December 1, 2021	—	372
Loan, 3.1370%, interest repayable in semi-annual instalments, principal repayable in annual instalments of \$2,112,840, maturing on December 1, 2043	46,482	48,595
Loan, 2.4390%, interest payable semi-annually, principal repayable in annual instalments of \$3,564,532, maturing on October 1, 2039	64,161	67,726
Loan, 2.3460%, interest payable semi-annually, repayable in annual instalments of \$422,533, maturing on October 1, 2034	5,493	5,915
Amounts to be carried forward	598,114	653,600

10. Debt (continued)

	2022	2021
	\$	\$
Loans financed by the MES (continued)		
Amounts carried forward	598,114	653,600
Loan, 0.7690%, interest payable semi-annually, principal repayable in annual instalments of \$259,117, maturing on November 1, 2025	1,036	1,296
Loan, 1.7100%, interest payable semi-annually, principal repayable in annual instalments of \$70,767, maturing on November 1, 2035	991	1,062
Loan, 1.9540%, interest payable semi-annually, principal repayable in annual instalments of \$1,319,610, maturing on November 1, 2040	25,073	26,392
Loan, 1.3450%, interest payable annually, principal and interest repayable in annual instalments of \$358,279, maturing on November 17, 2030	3,018	3,331
Loan, 2.5920%, interest payable semi-annually, principal repayable in annual instalments of \$1,426,895, maturing on October 1, 2041	28,538	—
Loan, 2.4280%, interest payable semi-annually, principal repayable in annual instalments of \$646,677, maturing on October 1, 2036	9,700	—
Loan, 1.4990%, interest payable semi-annually, principal repayable in annual instalments of \$1,677,656, maturing on October 1, 2026	8,388	—
	674,858	685,681
Unamortized issuance costs	(3,537)	(3,759)
	671,321	681,922
Other loans		
Loan for renovation and redevelopment work and for the construction of pavilions, bearing interest at the variable indexed rate at 3-month CDOR plus 0.4300% (effective rate of 2.2425% as at April 30, 2022; 0.8650% as at April 30, 2021), repayable in blended quarterly instalments of \$1,705,953, balance of \$30,921,459 payable at maturity on January 3, 2030, financed by the Operating Fund*	63,171	66,155
Amounts to be carried forward	63,171	66,155

10. Debt (continued)

	2022	2021
	\$	\$
Other loans (continued)		
Amounts carried forward	63,171	66,155
Loan for renovation of residences, bearing interest at the variable indexed rate at 1-month CDOR (effective rate of 1.3325% as at April 30, 2022; 0.4125% as at April 30, 2021) 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*	4,320	4,733
Loan for the Cité du Savoir de Laval building, bearing interest at the variable indexed rate at 3-month CDOR (effective rate of 1.8125% as at April 30, 2022) financed by the Operating Fund*	—	13,032
Loan for the purchase of 3190 Rue Sicotte, Saint-Hyacinthe, bearing interest at the variable indexed rate at 3-month CDOR (effective rate of 1.8125% as at April 30, 2022; 0.4350% as at April 30, 2021), repayable in blended quarterly instalments of \$20,000, balance of \$760,000 payable at maturity on August 15, 2022, financed by the Operating Fund	760	840
Loan for the repurchasing of the capital lease of the Cité du Savoir de Laval building, bearing interest at the variable indexed rate at 3-month CDOR plus 0.7200% (effective rate of 2.5325% as at April 30, 2022; 1.1550% as at April 30, 2021), repayable in blended quarterly instalments of \$607,355, balance of \$5,792,382 payable at maturity on January 25, 2039, financed by the Operating Fund*	33,655	34,885
Loan for the construction of the MIL complex, bearing interest at the variable indexed rate at 3-month CDOR plus 0.5400% (effective rate of 2.3525% as at April 30, 2022; 0.9750% as at April 30, 2021), repayable in blended quarterly instalments of \$1,254,803, balance of \$45,785,084 payable at maturity on April 1, 2035, financed by the Operating Fund*	94,111	97,376
Amounts to be carried forward	196,017	217,021

10. Debt (continued)

	2022	2021
Other loans (continued)		
Amounts carried forward	196,017	217,021
Loan for the Cité du Savoir de Laval building capital lease, bearing interest at the variable indexed rate at 3-month CDOR plus 62 points (effective rate of 2.4325% as at April 30, 2022), repayable in quarterly instalments, the amount of which is variable and determined using a payment schedule predetermined by the bank, maturing on June 1, 2036, financed by the Operating Fund*	12,474	—
	208,491	217,021
	879,812	898,943
Less: current portion of debt	85,647	78,454
	794,165	820,489

* These loans contain the interest rate and swap contracts presented in Note 15.

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

	\$
2022	85,647
2023	61,940
2024	62,371
2025	62,829
2026	149,907

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

	2022	2021
	\$	\$
Defined benefit asset of the primary pension plan program	326,425	567,781
Accrued defined benefit obligation of the complementary retirement program	(85,651)	(84,831)
Post-employment accrued benefit obligation	(88,874)	(85,060)

Pension plan

The University offers all of its employees a defined benefit contributory pension plan as well as a complementary program. Benefits derived from both of these programs are based on years of service and provide final years' earnings. The funds needed to meet the plan's obligations are provided by the participants and the University.

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

Pension plan (continued)

According to the most recent actuarial valuation, the University has an obligation to pay a minimum contribution equal to 11.17% of the participants' salary for the 2022 calendar year (11.17% for calendar year 2021). The University paid an actual contribution of 11.43% for the calendar year 2022 (11.43% for calendar year 2021). This rate does not include the benefit payable for the financing of the complementary retirement program of approximately 0.59% of the participants' salary (0.78% in 2021).

The University measures the fair value of plan assets as at April 30 and measures its accrued benefit obligation by way of extrapolation as at April 30 for accounting purposes. The most recent actuarial valuation for funding purposes of the plan was performed on December 31, 2019. The data was extrapolated as at April 30, 2022.

Information about the pension plan is detailed as follows:

	2022	2021
	\$	\$
Primary pension plan		
Fair value of the pension plan assets	4,647,411	4,758,756
Accrued defined benefit obligations	(4,320,986)	(4,190,975)
Defined benefit asset	326,425	567,781
Complementary program		
Accrued defined benefit obligations	(85,651)	(84,831)

Composition of pension plan assets as at April 30:

	2022	2021
	%	%
Money market securities and cash	3.6	5.8
Bonds	30.7	28.8
Equity	24.2	29.6
Pooled funds and other investments	41.5	35.8
	100.0	100.0

Other pension plan information is presented as follows:

	2022	2021
	\$	\$
Expense for the year recognized in the Statement of Operations	36,708	59,916
Contributions paid by the University during the year	64,175	61,389

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

Post-employment benefit plan

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

For accounting purposes, the University measures its accrued benefit obligation by way of extrapolation as at April 30 of each year. Post-employment benefits were subject to a complete valuation for accounting purposes as at January 1, 2021. The results of this valuation were extrapolated as at April 30, 2022.

Information related to the plan is presented as follows:

	2022	2021
	\$	\$
Accrued benefit obligations	(88,874)	(85,060)

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

	2022	2021
	\$	\$
Expense for the year recognized in the Statement of Operations	8,505	8,239
Contributions paid by the University during the year	4,691	4,551

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

Assumptions

The University has retained the following significant actuarial assumptions:

	2022		2021	
	Primary pension plan and complementary program	Post-employment benefit plan	Primary pension plan and complementary program	Post-employment benefit plan
	%	%	%	%
Accrued defined benefit obligations as at April 30				
Discount rate	5.45	5.45	5.45	5.45
Rate of compensation increase	2.50	2.50	2.75	2.75
Rate of health care cost increase	—	5.47	—	5.47
Benefit costs for the year ended April 30				
Discount rate	5.90	5.90	5.90	5.90
Rate of compensation increase	2.50	2.50	2.75	2.75
Rate of tuition fees increase	—	2.00	—	2.00
Rate of health care cost increase	—	5.47	—	5.47

12. Internally and externally restricted fund balances

Main categories of externally restricted amounts

	2022	2021
	\$	\$
Endowment Fund		
External endowments whose income must be used for the purposes specified by the donor and not those related to the Operating Fund	273,818	256,777
External endowments whose income is related to the Operating Fund or is used at the University's discretion	1,927	1,927
Accumulated unrealized gain on investments related to external endowment capital	28,483	45,509
Accumulated investment income added to endowment capital ⁽¹⁾	40,362	30,475
	344,590	334,688

⁽¹⁾ Accumulated investment income is presented as an external restriction as a result of the University's funding protocol that donors subscribe to at the time of the donation. The protocol's main purpose is to maintain, in a temporary reserve, the annual revenues not allocated to other funds retained to ensure subsequent distribution should the income of subsequent years be lower than the amounts to be allocated.

Main categories of internal restrictions

	2022	2021
	\$	\$
Operating Fund		
Research-related internal activities	17,136	16,585
Redevelopment activities for Student Services and the Physical education and sports centre	380	414
	17,516	16,999
Restricted Fund		
Surplus generated on research activities primarily restricted for research purposes or for purposes identical to those of the initial externally restricted contribution	13,766	6,197
Capital Assets Fund		
Future capital asset acquisitions	56,816	43,612
Endowment Fund		
Internally restricted capital whose revenue can be used at the University's discretion	50,916	46,076
Accumulated unrealized gain on investments related to internal endowment capital	7,548	9,553
	58,464	55,629

13. End-of-year fund balances of the Operating Fund

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 2022, the internally restricted amount for the year is \$29,683,000 (\$26,596,500 in 2021). Internally restricted amounts associated with research activities amount to \$17,136,000 as at April 30, 2022 (\$16,585,000 as at April 30, 2021).

In 2022, the University did not restrict any amount, from the Operating Fund revenue, to create reserves for the amortization of certain capital assets (also nil in 2021). The fund balance restricted to creating reserves for the amortization of certain capital assets totalled \$379,900 as at April 30, 2022 (\$414,200 as at April 30, 2021).

14. Interfund transfers

	2022			
	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund
	\$	\$	\$	\$
Contributions to the Capital Assets Fund for future projects	(20,111)	—	20,111	—
Contributions to the acquisitions of capital assets and to the debt service	(35,279)	(5,916)	41,195	—
Internally restricted endowment capital	(4,454)	—	—	4,454
Recovery of internal restrictions	5	—	—	(5)
Transfer of unrealized gains of endowments related to the Operating Fund	2,212	—	—	(2,212)
Re-capitalized investment income ⁽¹⁾	(392)	—	—	392
	(58,019)	(5,916)	61,306	2,629

14. Interfund transfers (continued)

	2021			
	Operating Fund	Restricted Fund	Restricted Fund Capital Assets Fund	Endowment Fund
	\$	\$	\$	\$
Contributions to the Capital Assets Fund for future projects	(11,700)	—	11,700	—
Contributions to the acquisitions of capital assets and to the debt service	(34,268)	(6,092)	40,360	—
Internally restricted endowment capital	(5,482)	—	—	5,482
Recovery of internal restrictions	3,351	—	—	(3,351)
Transfer of unrealized gains of endowments related to the Operating Fund	(6,294)	—	—	6,294
Re-capitalized investment income ⁽¹⁾	(5)	—	—	5
	<u>(54,398)</u>	<u>(6,092)</u>	<u>52,060</u>	<u>8,430</u>

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

15. Financial instruments

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

Credit risk

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises foreign exchange risk, interest rate risk, and other price risk. 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.

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15. 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, 2022, interests held by the University denominated in foreign currencies had a fair value of \$185,663,000 in Canadian dollars (\$183,245,000 as at April 30, 2021).

As at April 30, 2022, the University had foreign exchange contracts under which it has agreed to sell US\$13,357,120 at rates varying between 1.278070 and 1.271614 maturing on May 17, 2022. The University also has foreign exchange contracts under which it has agreed to sell CA\$3,000,000 for U.S. currency purchased at rates varying between 1.250458 and 1.250525 and maturing on May 17, 2022. These contracts are intended for investments cashable in Canadian and U.S. dollars; they are not eligible for hedge accounting. Unrealized gains or losses on derivative foreign exchange contracts are recognized separately in the Statement of Financial Position, in assets or in liabilities, depending on the situation, under these specific items.

Interest rate risk

The bond 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, 2022:

Capital Assets Fund

Maturity date	Initial nominal amount	Pays or receives	Fixed rate	Variable rate
	\$		%	
May 31, 2030	9,000	Pays, fixed Receives, variable	5.5000	1-month CDOR +0.20%
April 1, 2035	100,000	Pays, fixed Receives, variable	1.8242	3-month CDOR +0.54%
October 1, 2035	105,936	Pays, fixed Receives, variable	5.1300	3-month CDOR
June 1, 2036	13,032	Pays, fixed Receives, variable	1.0851	3-month CDOR
January 25, 2039	37,219	Pays, fixed Receives, variable	3.4850	3-month CDOR

Consequently, the treasury risks are minimal.

As these interest rate swap contracts were not accounted for using hedge accounting, they are recorded in the Statement of Financial Position at fair value. This fair value was determined based on the information obtained from the banking counterparty with which these contracts were negotiated.

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15. 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, 2022, the most significant financial liabilities were the bank overdrafts, bank loans, accounts payable and accrued liabilities, grants payable, debt, and derivative financial instruments.

16. Controlled non-profit entities and partnership

Controlled non-profit entities

The University controls 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:

	2022	2021
	\$	\$
Financial position		
Assets	17,137	13,442
Liabilities	14,615	12,031
Excess of assets over liabilities	2,522	1,411
	17,137	13,442
Operations		
Revenues	7,844	8,793
Expenses	6,733	8,086
Excess of revenue over expenses	1,111	707

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 \$10,332,000 (\$9,283,000 in 2021) and equivalent expenses attributable to this partnership.

17. Additional information to the Statement of Cash Flows

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

	2022	2021
	\$	\$
Accounts receivable	(53,436)	(26,455)
Inventories	(277)	134
Expenses attributable to the following year	(590)	(1,742)
Accounts payable and accrued liabilities	4,021	21,672
Deferred revenue	(2,402)	16,520
Deferred contributions	62,216	153,730
Grants payable	2,956	(15,473)
	12,488	148,386

Non-cash transactions

	2022	2021
	\$	\$
Unpaid capital assets, end of year	43,167	37,131

18. Commitments

- (a) The commitments of the Operating Fund total \$313,750,700 with respect to the Capital Assets Fund, as a contribution for asset acquisitions, as well as for renovation, redevelopment, expansion and capital asset construction projects. This amount is broken down as follows:

	Commitments
	\$
Self-financed units	14,997,200
Other units of the Operating Fund	298,753,500

- (b) The commitments of the Restricted Fund totalled \$4,037,900 with respect to the Capital Assets Fund, as a contribution for asset acquisitions, as well as for renovation, redevelopment, expansion and capital asset construction projects.

18. Commitments (continued)

- (c) The University is bound by different leases for physical space, equipment and computer equipment. The total commitments relating to these contracts amounted to \$75,672,600. Minimum payments required under these contracts over the next five years are as follows:

	\$
2022	14,497,500
2023	14,890,300
2024	8,419,800
2025	7,012,700
2026	6,766,000

- (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, 2022, the University has agreed to pay by contracts from external suppliers for a total amount of \$85,820,300.

19. Contingencies

In the normal course of business, the University is involved in various claims mainly concerning the Capital Assets projects. Although, as at April 30, 2022, 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.

20. Comparative figures

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