
Financial statements of
Université de Montréal

April 30, 2017

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Independent auditor's report

To the Board Members of
Université de Montréal

We have audited the accompanying financial statements of Université de Montréal, which comprise the statement of financial position as at April 30, 2017, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Université de Montréal as at April 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Deloitte LLP*¹

September 25, 2017

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

Université de Montréal
Statement of operations and changes in fund balances
Year ended April 30, 2017
(Amounts in thousands of dollars)

	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Grants from the ministère de l'Éducation et de l'Enseignement supérieur	504,009	495,800	11,239	10,647	43,123	42,095	—	—	558,371	548,542
Other government grants and contracts	23,328	21,184	113,735	115,958	16,139	18,289	—	—	153,202	155,431
Other non-governmental contributions and contracts	2,591	1,210	48,492	47,398	7,072	7,887	—	—	58,155	56,495
Tuition fees	130,943	130,968	—	—	—	—	—	—	130,943	130,968
Student services	11,409	11,769	—	—	—	—	—	—	11,409	11,769
Physical education and sports centre	14,193	13,851	—	—	—	—	—	—	14,193	13,851
Ancillary services	23,858	23,203	—	—	—	—	—	—	23,858	23,203
Investment income	5,342	5,796	7,461	5,386	—	586	—	—	12,803	11,768
External sales	28,717	28,411	—	—	—	—	—	—	28,717	28,411
Other revenue	27,782	28,214	—	—	129	—	—	—	27,911	28,214
	772,172	760,406	180,927	179,389	66,463	68,857	—	—	1,019,562	1,008,652
Expenses										
Teaching and research	474,718	468,401	137,196	134,775	—	—	—	—	611,914	603,176
Teaching and research support	74,648	73,569	14	31	—	—	—	—	74,662	73,600
Student services	12,819	12,422	2,059	2,773	—	—	—	—	14,878	15,195
Physical education and sports centre	14,592	14,387	—	—	—	—	—	—	14,592	14,387
Scholarships – graduate programs	8,592	8,576	31,363	31,833	—	—	—	—	39,955	40,409
Community services	—	—	4,431	5,307	—	—	—	—	4,431	5,307
Administration	56,607	55,141	—	—	—	—	—	—	56,607	55,141
Facilities management	57,765	56,890	—	—	—	—	—	—	57,765	56,890
Ancillary services	18,460	17,874	—	—	—	—	—	—	18,460	17,874
Bad debts on tuition fees	2,036	1,336	—	—	—	—	—	—	2,036	1,336
Interest on bank overdrafts and bank loans and financial charges	1,135	1,473	—	—	1,529	2,029	—	—	2,664	3,502
Interest on debt	—	—	—	—	24,190	25,400	—	—	24,190	25,400
Vacation liability and waiting period given time	838	323	—	—	—	—	—	—	838	323
Other employee future benefits unallocated	(3,869)	(12,461)	—	—	—	—	—	—	(3,869)	(12,461)
Amortization of capital assets	—	—	—	—	88,734	90,109	—	—	88,734	90,109
Bond discount amortization	—	—	—	—	3	4	—	—	3	4
Other contributions and restricted amounts	—	—	2,590	1,459	3,271	28,211	—	—	5,861	29,670
	718,341	697,931	177,653	176,178	117,727	145,753	—	—	1,013,721	1,019,862
Excess (deficiency) of revenue over expenses before the following items:	53,831	62,475	3,274	3,211	(51,264)	(76,896)	—	—	5,841	(11,210)
Change in unrealized fair value of investments	4,410	(3,109)	—	—	—	(414)	—	—	4,410	(3,523)
Change in fair value of derivative financial instruments	824	(103)	—	—	3,518	161	—	—	4,342	58
Excess (deficiency) of revenue over expenses	59,065	59,263	3,274	3,211	(47,746)	(77,149)	—	—	14,593	(14,675)
Fund balances, beginning of year	(235,681)	(86,302)	7,069	6,559	165,696	184,423	300,077	301,731	237,161	406,411
Endowments	—	—	—	—	—	—	15,458	14,261	15,458	14,261
Investment income added to endowment capital	—	—	—	—	—	—	5,607	5,017	5,607	5,017
Change in unrealized fair value of investments added to (deducted from) endowment capital	—	—	—	—	—	—	22,158	(14,576)	22,158	(14,576)
Change in revaluations and other items recognized relating to benefit plans	224,155	(159,277)	—	—	—	—	—	—	224,155	(159,277)
Interfund transfers	(53,935)	(49,365)	(3,185)	(2,701)	60,690	58,422	(3,570)	(6,356)	—	—
Fund balances, end of year	(6,396)	(235,681)	7,158	7,069	178,640	165,696	339,730	300,077	519,132	237,161

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

Université de Montréal
Statement of financial position
As at April 30, 2017
(Amounts in thousands of dollars)

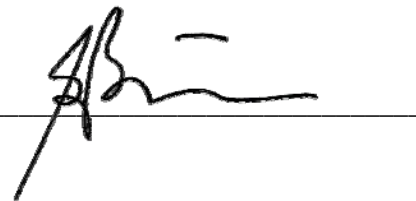
	Notes	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets											
Current assets											
Cash		—	—	31,249	29,537	21,199	10,073	897	893	53,345	40,503
Investments	3	—	—	2,489	1,117	—	—	22,872	22,400	25,361	23,517
Accounts receivable	4	116,601	108,267	110,787	92,022	167,883	87,143	795	3,312	396,066	290,744
Inventories		4,020	4,126	18	18	—	—	—	—	4,038	4,144
Expenses attributable to the next year		3,856	4,639	270	368	441	438	—	—	4,567	5,445
Advances to other funds	5	4,729*	30,788*	194,755*	121,712*	—	—	—	—	—	—
		129,206	147,820	339,568	244,774	189,523	97,654	24,564	26,605	483,377	364,353
Investments	3	—	—	2,434	3,699	—	—	340,783	294,246	343,217	297,945
Accounts receivable	4	1,042	—	3,405	3,005	847,134	867,207	—	—	851,581	870,212
Capital assets	6	—	—	—	—	1,215,263	1,177,691	—	—	1,215,263	1,177,691
Deferred costs		—	—	—	—	245	418	—	—	245	418
Defined benefit pension plan asset	12	336,135	103,308	—	—	—	—	—	—	336,135	103,308
Other assets		—	—	—	—	432	496	—	—	432	496
		466,383	251,128	345,407	251,478	2,252,597	2,143,466	365,347	320,851	3,230,250	2,814,423
Liabilities											
Current liabilities											
Bank overdrafts		44,808	43,017	—	—	—	—	—	—	44,808	43,017
Bank loans	7	164,950	204,912	—	—	43,817	—	—	—	208,767	204,912
Accounts payable and accrued liabilities	8	81,766	74,817	7,349	6,460	33,349	21,100	214	2,636	122,678	105,013
Deferred revenue		10,877	8,634	10,552	9,133	—	—	—	—	21,429	17,767
Deferred contributions	9	—	—	273,098	228,816	368	476	—	—	273,466	229,292
Current portion of debt	10	—	—	—	—	39,992	292,670	—	—	39,992	292,670
Current portion of capital lease obligations	11	—	—	—	—	525	562	—	—	525	562
Advances from other funds	5	—	—	—	—	174,081*	134,362*	25,403*	18,138*	—	—
		302,401	331,380	290,999	244,409	292,132	449,170	25,617	20,774	711,665	893,233
Grants payable		18,377	7,407	47,250	—	—	—	—	—	65,627	7,407
Debt	10	—	—	—	—	594,528	430,132	—	—	594,528	430,132
Capital lease obligations	11	—	—	—	—	31,507	32,032	—	—	31,507	32,032
Deferred contributions	9	—	—	—	—	282,620	235,711	—	—	282,620	235,711
Deferred contributions pertaining to capital assets	9	—	—	—	—	845,727	799,764	—	—	845,727	799,764
Accrued defined benefit obligation of complementary retirement program	12	72,572	72,740	—	—	—	—	—	—	72,572	72,740
Accrued benefit obligation of post-employment benefit plan	12	78,204	73,233	—	—	—	—	—	—	78,204	73,233
Derivative financial instruments	16	1,225	2,049	—	—	27,443	30,961	—	—	28,668	33,010
		472,779	486,809	338,249	244,409	2,073,957	1,977,770	25,617	20,774	2,711,118	2,577,262
Commitments and contingencies	19 and 20	—	—	—	—	—	—	—	—	—	—
Fund balances											
Invested in capital assets	13 and 14	—	—	—	—	134,277	130,735	—	—	134,277	130,735
Externally restricted		—	—	—	—	—	—	291,594	248,006	291,594	248,006
Internally restricted		12,250	12,898	7,158	7,069	44,363	34,961	48,136	52,071	111,907	106,999
Revaluation and other items recognized relating to defined benefit plans		335,114	110,959	—	—	—	—	—	—	335,114	110,959
Deficiency – Defined benefit plans		(149,755)	(153,624)	—	—	—	—	—	—	(149,755)	(153,624)
Deficiency – Operating activities		(204,005)	(205,914)	—	—	—	—	—	—	(204,005)	(205,914)
		(6,396)	(235,681)	7,158	7,069	178,640	165,696	339,730	300,077	519,132	237,161
		466,383	251,128	345,407	251,478	2,252,597	2,143,466	365,347	320,851	3,230,250	2,814,423

* 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, 2017
(Amounts in thousands of dollars)

	Notes	2017	2016
		\$	\$
Operating activities			
Excess (deficiency) of revenue over expenses		14,593	(14,675)
Adjustments for			
Change in unrealized fair value of investments		(4,410)	3,523
Gain on disposal of investments		(13,847)	(13,534)
Amortization of capital assets		88,734	90,109
(Gain) loss on disposal of capital assets		(156)	793
Bond discount amortization		3	4
Amortization of deferred contributions pertaining to capital assets		(47,814)	(46,978)
Change in asset and obligations related to defined benefit plans		(3,869)	(12,461)
Change in fair value of financial instruments		(4,342)	(58)
		28,892	6,723
Net changes in non-cash working capital items and long-term accounts receivable	18	73,153	5,360
		102,045	12,083
Investing activities			
Net change in investments		(6,701)	38,466
Acquisition of capital assets		(115,256)	(97,668)
Proceed from disposal of capital assets		940	29,558
		(121,017)	(29,644)
Financing activities			
Net change in bank loans		3,855	(5,849)
Increase in debt		204,956	209,936
Repayment of debt and capital lease obligations		(293,197)	(264,636)
Net change in unamortized issuance costs		(606)	(162)
Increase in deferred contributions pertaining to capital assets		93,777	60,897
Endowments received		15,458	14,261
Investment income added to endowment capital		5,607	5,017
Net change in deferred costs		173	173
		30,023	19,637
Net increase in cash and cash equivalents		11,051	2,076
Cash and cash equivalents, beginning of year		(2,514)	(4,590)
Cash and cash equivalents, end of year		8,537	(2,514)
Cash and cash equivalents comprise			
Cash		53,345	40,503
Bank overdrafts		(44,808)	(43,017)
		8,537	(2,514)

Additional information is presented in Note 18.

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

1. Status and purpose of Université de Montréal

Université de Montréal (the "University") is incorporated under *Act 15-16 Elizabeth II*, Chapter 129, promulgated on September 1, 1967 in replacement of its first charter received in 1920 from the Québec Parliament. It is a registered charity, which is not subject to income taxes, within the meaning of the *Canadian Income Tax Act*. The University offers teaching services and carries on research activities associated with teaching.

2. Accounting policies

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

Consolidation

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

Fund accounting

The University presents its financial information by fund.

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

Operating Fund

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

Restricted Fund

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

Capital Assets Fund

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

Endowment Fund

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

2. Accounting policies (continued)

Revenue recognition

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

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

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

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

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

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

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

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

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

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

Financial instruments

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

2. Accounting policies (continued)

Financial instruments (continued)

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

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

Derivative financial instruments

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

Consequently, interest rate swap contracts are recognized at fair value in the statements of financial position as assets (or liabilities). As at April 30, 2017, the fair value of the interest rate swap contracts is included in "Derivative financial instruments" as liabilities and the fair value of foreign exchange forward contracts is included in investments.

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

Capital assets

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

2. Accounting policies (continued)

Capital assets (continued)

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

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

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

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

Translation of foreign currencies

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

2. Accounting policies (continued)

Pension plan and post-employment benefit plan

The University uses the immediate recognition approach regarding the accounting of the pension plan and the post-employment benefit plan.

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

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

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

Use of estimates

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

3. Investments

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

3. Investments (continued)

	2016				
	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund	Total
	\$	\$	\$	\$	\$
Cash and fund units – money market	—	—	—	20,539	20,539
Mortgage-backed Canadian securities, nominal value of \$5,485,000, 1.40% to 2.30%, maturing from June 2016 to July 2056	—	—	—	3,030	3,030
Strippable coupons and Canadian bonds, nominal value of \$67,294,000, 0.25% to 5.00%, maturing from May 2016 to December 2047	—	4,805	—	65,143	69,948
Bond mutual fund units Canada	—	—	—	33,407	33,407
Equity					
Canada	—	10	—	65,687	65,697
United States	—	—	—	21,425	21,425
Foreign	—	—	—	15,879	15,879
	—	10	—	102,991	103,001
Interests in limited partnerships Foreign	—	—	—	64,630	64,630
Investments in limited partnerships					
Canada	—	1	—	—	1
Foreign	—	—	—	891	891
	—	1	—	891	892
Real estate securities	—	—	—	6,769	6,769
Exchange forward contracts	—	—	—	525	525
Funds coverage					
Foreign	—	—	—	18,721	18,721
	—	4,816	—	316,646	321,462
Less: current portion	—	(1,117)	—	(22,400)	(23,517)
	—	3,699	—	294,246	297,945

3. Investments (continued)

Investment income is detailed and broken down as follows:

				2017
	Operating Fund	Restricted Fund	Capital Assets Fund	Total
	\$	\$	\$	\$
Interest and dividends	919	79	—	998
Investment income earned on resources from Endowment Fund	4,423	10,604	—	15,027
Change in "Deferred contributions"	—	(3,222)	—	(3,222)
	5,342	7,461	—	12,803
				2016
	Operating Fund	Restricted Fund	Capital Assets Fund	Total
	\$	\$	\$	\$
Interest and dividends	997	60	586	1,643
Investment income earned on resources from Endowment Fund	4,799	10,763	—	15,562
Investment income earned on resources from the Endowment Fund – prior years adjustment	—	(67)	—	(67)
Change in "Deferred contributions"	—	(5,370)	—	(5,370)
	5,796	5,386	586	11,768

3. Investments (continued)

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

	2017	2016
	\$	\$
Interest and dividends	7,799	7,991
Gain on disposal of investments	13,847	13,534
	21,646	21,525
Trustee and investment managers' fees	(1,012)	(1,013)
	20,634	20,512
Portion presented under "Investment income" of the Operating Fund	4,423	4,799
Portion presented under "Investment income" of the Restricted Fund	10,604	10,763
Portion presented under "Investment income" of the Restricted Fund for prior years adjustment	—	(67)
Investment income added to endowment capital	5,607	5,017
	20,634	20,512

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

The change in unrealized fair value on resources from the Endowment Fund totals a positive amount of \$26,568,000 (negative amount of \$17,685,000 in 2016) and is broken down as follows:

	2017	2016
	\$	\$
Portion presented in the statement of operations of the Operating Fund and transferred to the Endowment Fund	4,410	(3,109)
Portion presented directly as a change in the fund balances of the Endowment Fund	22,158	(14,576)
	26,568	(17,685)

4. Accounts receivable

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

	2017	2016
	\$	\$
Operating Fund		
Grant receivable from MEES	93,780	84,731
Tuition fees and other fees	11,955	13,393
Sales and other	16,375	14,284
Interest and dividends	5	4
	122,115	112,412
Provision for bad debt	(4,472)	(4,145)
Less: amount receivable in more than one year	(1,042)	—
Current portion receivable	116,601	108,267
Restricted Fund		
Grants, contracts and other	114,192	95,027
Less: amounts receivable in more than one year	(3,405)	(3,005)
Current portion receivable	110,787	92,022
Capital Assets Fund		
Grants	1,009,689	951,655
Interests and dividends	165	32
Other	5,163	2,663
	1,015,017	954,350
Less: grants receivable in more than one year	(847,134)	(867,207)
Current portion receivable	167,883	87,143
Endowment Fund		
Interests and dividends	545	2,673
Other	250	639
Current portion receivable	795	3,312
Total accounts receivable cashable within one year	396,066	290,744
Total accounts receivable cashable in more than one year	851,581	870,212

Donations receivable

The donations receivable from the subscription campaigns for an amount of \$60,337,100 (\$49,985,400 in 2016) are pledged commitments and are not recorded in the statement of financial position. The estimated realizable value of these commitments is \$58,621,200 (\$48,728,300 in 2016), of which \$20,052,600 (\$17,764,300 in 2016) during the following year, and is based on the collection history.

5. Advances to (from) other funds

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

6. Capital assets

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

6. Capital assets (continued)

			2016
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	41,410	—	41,410
Land improvements	15,641	5,725	9,916
Buildings			
Buildings	654,272	336,348	317,924
Major improvements to buildings	567,353	157,224	410,129
Building under capital lease	34,498	5,175	29,323
Leasehold improvements	20,222	10,478	9,744
Machinery and equipment			
Computer equipment	39,311	28,192	11,119
Multimedia communication equipment	23,916	20,499	3,417
Office furniture and equipment	26,068	22,943	3,125
Teaching equipment and research support	250,744	150,018	100,726
Library documents	241,844	200,701	41,143
Rolling stock	1,462	681	781
Telecommunication networks	15,017	6,779	8,238
Softwares – other than initial versions	11,988	7,057	4,931
Computer development	99,111	34,525	64,586
Communication equipment under capital leases	10,722	6,212	4,510
Specialized teaching equipment under capital leases	157	86	71
Current projects	113,206	—	113,206
Works of art	3,392	—	3,392
	<u>2,170,334</u>	<u>992,643</u>	<u>1,177,691</u>

Interest capitalized during the year amounts to \$167,870 (\$524,512 in 2016).

7. Bank loans

	2017	2016
	\$	\$
Operating Fund		
Bank credit facilities*, 0.89% to 2.20% (0.98% to 2.20% in 2016)	64,950	79,934
Promissory notes, 0.95% (1.00% in 2016) renewable in May 2017	100,000	124,978
	164,950	204,912
Capital Assets Fund		
Promissory note, 0.95%, renewable in May 2017	43,817	—
	208,767	204,912

* The University has authorized bank credit facilities of \$275,000,000, namely \$10,000,000 in the form of a line of credit and \$265,000,000 in bankers' acceptances. The line of credit bears interest at the lending institution's preferred rate minus 0.50 point (2.20% as at April 30, 2017; 2.20% as at April 30, 2016) and is renewable on October 1, 2017, whereas the bankers' acceptances are issued at the market rate. As at April 30, 2017, the line of credit was not used (nil as at April 30, 2016). The credit facilities are renewable on October 1, 2017.

8. Accounts payable and accrued liabilities

	2017	2016
	\$	\$
Accounts payable and accrued liabilities	66,131	52,860
Salaries and employee benefits	14,076	10,763
Accumulated vacation of staff and unpaid leave to be remitted in time	35,318	34,480
Government remittances	7,153	6,910
	122,678	105,013

9. Deferred contributions

Deferred contributions

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

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

	2016		
	Restricted Fund	Capital Assets Fund	Total
	\$	\$	\$
Balance, beginning of year (short-term and long-term)	219,615	240,283	459,898
Grants received during the year	151,293	54,945	206,238
Donations received during the year	12,794	2,649	15,443
Restricted investment income for the year	10,756	586	11,342
Amount recognized as revenue during the year	(165,642)	(1,379)	(167,021)
Amount transferred as deferred contributions pertaining to capital assets	—	(60,897)	(60,897)
Balance, end of year (short-term and long-term)	228,816	236,187	465,003

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.

	2017	2016
	\$	\$
Balance, beginning of year	799,764	785,845
Amount transferred from deferred contributions	93,777	60,897
Amount recognized as revenue during the year	(47,814)	(46,978)
Balance, end of year	845,727	799,764

10. Debt

	2017	2016
	\$	\$
Bonds		
Series 23D, 4.5000%, matured March 8, 2017	—	2,627
Unamortized discounts on bonds	—	(3)
	—	2,624
Loans financed by the MEES		
Loan for the residences, 6.8750%, repayable in blended monthly instalments of \$25,000, capital and interest, maturing on February 1, 2021	1,004	1,226
Loan, 3.3505%, interest payable semi-annually, principal repayable in annual instalments of \$955,720, matured on June 2, 2016	—	15,221
Loan, 2.8491%, interest payable semi-annually, principal repayable in annual instalments of \$4,234,160, matured on December 1, 2016	—	67,829
Loan, 2.0800%, interest payable semi-annually, principal repayable in annual instalments of \$6,660,499, matured on April 25, 2017	—	88,698
Loan, 1.9068%, interest payable semi-annually, principal repayable in annual instalments of \$1,566,400, matured on April 25, 2017	—	26,734
Loan, 2.1700%, interest payable semi-annually, principal repayable in annual instalments of \$1,562,240, matured on April 25, 2017	—	29,189
Loan, 2.0840%, interest payable semi-annually, principal repayable in annual instalments of \$781,156, matured on April 25, 2017	—	3,875
Loan, 2.3980%, interest payable semi-annually, principal repayable in annual instalments of \$9,283,661, the balance of \$92,581,696 payable at maturity on May 29, 2019	111,149	120,433
Amounts to be carried forward	112,153	353,205

10. Debt (continued)

	2017	2016
	\$	\$
Loans financed by the MEES (continued)		
Amounts carried forward	112,153	353,205
Loan, 2.2220%, interest payable semi-annually, principal repayable in annual instalments of \$661,200, the balance of \$2,355,200 payable at maturity on June 1, 2018	3,016	3,678
Loan, 2.9760%, interest payable annually, principal repayable in annual variable instalments of \$257,897 to \$298,626, maturing on December 20, 2022	1,667	1,918
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	41,400	43,200
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	72,545	77,772
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	6,114	6,557
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	35,520	37,000
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	59,683	67,000
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	175,030	—
Amounts to be carried forward	507,128	590,330

10. Debt (continued)

	2017	2016
	\$	\$
Loans financed by the MEES (continued)		
Amounts carried forward	507,128	590,330
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	1,577	—
Loan, 2.3640%, principal and interest repayable in annual instalments of \$606,836, maturing on June 1, 2026	5,349	—
	514,054	590,330
Unamortized issuance costs	(2,784)	(2,178)
	511,270	588,152
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 0.940% as at April 30, 2017; 0.900% as at April 30, 2016) plus stamping fees fixed at 0.770%, repayable in quarterly instalments of \$1,705,953, principal and interest, maturing October 1, 2035, financed by the Operating Fund*	76,503	78,705
Loan, interest rate of 1.250%, repayable in monthly instalments of \$187,000, principal and interest calculated over a 25-year amortization period, paid on December 14, 2016, financed by the Operating Fund*	—	4,878
Loan for renovation of residences, bearing interest at the variable indexed rate at CDOR 1 month (effective rate of 0.916% as at April 30, 2017; 0.943% as at April 30, 2016) plus stamping fees fixed at 0.200%, repayable in monthly instalments of \$55,281, principal and interest, maturing May 31, 2030, financed by the Operating Fund*	6,176	6,490
Loan for renovation of residences, bearing interest at the variable indexed rate at CDOR 1 month (effective rate of 0.916% as at April 30, 2017; 0.943% as at April 30, 2016) plus stamping fees fixed at 0.700%, repayable in quarterly instalments of \$245,000, principal and interest, maturing March 30, 2020, financed by the Operating Fund*	2,630	3,390
Amounts to be carried forward	85,309	93,463

10. Debt (continued)

	2017	2016
	\$	\$
Other loans (continued)		
Amounts carried forward	85,309	93,463
Loan for a land purchase, bearing interest at the average monthly rate of bankers' acceptances (effective rate of 1.000% as at April 30, 2016) plus stamping fees fixed at 0.380%, interest payable monthly, principal paid on April 30, 2017, financed by the Operating Fund*	—	22,000
Loan for a land purchase, bearing interest at the average monthly rate of bankers' acceptances (effective rate of 0.890% as at April 30, 2017) plus stamping fees fixed at 0.380%, interest payable monthly, principal repayable on April 26, 2019, financed by the Operating Fund*	23,000	—
Loan for the purchase of the building located at 3190, rue Sicotte, Saint-Hyacinthe, bearing interest at the average quarterly rate of bankers' acceptances (effective rate of 0.980% as at April 30, 2016), principal repayable in quarterly instalments of \$20,000 plus interest, paid on December 21, 2016, financed by the Operating Fund*	—	1,220
Loan for the Cité du Savoir de Laval building, bearing interest at the variable indexed rate at CDOR 3 months (effective rate of 0.941% as at April 30, 2017; 0.902% as at April 30, 2016), principal and interest payable quarterly, maturing June 1, 2021, financed by the Operating Fund*	14,941	15,343
	123,250	132,026
	634,520	722,802
Current portion	39,992	292,670
	594,528	430,132

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

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

	\$
2018	39,992
2019	65,036
2020	123,250
2021	29,947
2022	42,437

11. Capital lease obligations

	2017	2016
	\$	\$
Obligation related to the rental of dental equipment, implicit rate of 7.90%, repayable in monthly instalments of \$1,389, principal and interest, maturing on January 1, 2021	57	68
Obligation related to the rental of dental equipment, implicit rate of 7.90%, repayable in monthly instalments of \$457, principal and interest, maturing on January 1, 2021	19	22
Obligation related to the rental of printing material, implicit rate of 2.30%, repayable in quarterly instalments of \$27,845, principal and interest, paid on February 17, 2017	—	75
Obligation related to the rental of the building of the Cité du Savoir de Laval, implicit rate of 7.25%, repayable in monthly instalments of \$233,977, principal and interest, maturing on June 1, 2041	31,956	32,429
	32,032	32,594
Current portion	525	562
	31,507	32,032

Payments required over the next five years are as follows:

	Principal	Interest	Total
	\$	\$	\$
2018	525	2,305	2,830
2019	564	2,266	2,830
2020	606	2,224	2,830
2021	651	2,179	2,830
2022	678	2,130	2,808

12. Defined benefit asset (accrued benefit obligations)

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

	2017	2016
	\$	\$
Defined benefit asset of the pension plan	336,135	103,308
Accrued defined benefit obligation of complementary retirement program	(72,572)	(72,740)
Post-employment accrued benefit obligations	(78,204)	(73,233)

(a) Pension plan

The University offers to all of its employees a defined benefit contributory pension plan as well as a complementary program. The benefits of these plans are based on length of service and final years' earnings. The funds necessary to meet the plans obligations are provided by the participants and the University. Although the University has the obligation to pay a minimum contribution equal to 10.93% of the participants' salary for the 2017 calendar year (11.4% for calendar year 2016), the University paid an actual contribution of 11.4% for the calendar year 2017 (11.4% for calendar year 2016). This rate does not include benefit payable for the financing of the complementary retirement program of approximately 0.5% of the participants' salary (0.5% in 2016).

The University evaluates its accrued benefit obligation and the fair value of assets of the plan for purposes of accounting through extrapolation as at April 30 of each year. The most recent actuarial valuation for funding purposes of the plan was performed on December 31, 2015. The data was extrapolated as at April 30, 2017.

Informations on the pension plan are as follows:

	2017	2016
	\$	\$
Pension plan:		
Fair value of the pension assets	3,937,987	3,518,133
Accrued benefit obligations	(3,601,852)	(3,414,825)
Defined benefit asset recorded	336,135	103,308
Complementary program:		
Accrued defined benefit obligations and accrued benefit obligation recorded	(72,572)	(72,740)

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

(a) Pension plan (continued)

Composition of pension plan assets as at December 31:

	2017	2016
	%	%
Money market securities	1.3	1.0
Bonds	35.1	31.8
Equity	29.1	30.6
Mutual funds and other investments	34.5	36.6
	100.0	100.0

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

	2017	2016
	\$	\$
Expense for the year recognized in the statement of operations	46,965	38,814
Contributions paid by the University during the year	54,201	54,226

(b) 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, 2015 and were extrapolated as at April 30, 2017.

The information related to this plan is presented as follows:

	2017	2016
	\$	\$
Accrued defined benefit obligations and accrued benefit obligation recorded	(78,204)	(73,233)

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

	2017	2016
	\$	\$
Expense for the year recognized in the statement of operations	7,835	7,450
Contributions paid by the University during the year	4,468	4,498

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

(c) Assumptions

The University has retained the following significant actuarial assumptions:

	2017		2016	
	Pension plan and complementary program	Post-employment benefit plan	Pension plan and complementary program	Post-employment benefit plan
	%	%	%	%
Accrued benefit obligations as at April 30				
Discount rate	5.75	5.75	6.00	6.00
Rate of compensation increase	2.75	2.75	2.50	2.50
Rate of health care cost increase	—	6.75	—	7.00
Benefit costs for the year ended April 30				
Discount rate	6.00	6.00	6.00	6.00
Rate of compensation increase	2.75	2.75	2.50	2.50
Rate of tuition fees increase	—	2.00	—	2.00
Rate of health care cost increase	—	6.75	—	7.00

13. Internally and externally restricted fund balances

Main categories of externally restricted amounts

	2017	2016
	\$	\$
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	220,828	205,334
External endowments from which the income is related to the operating fund or is used at the discretion of the University	1,933	1,930
Accumulated unrealized gain on investments related to external endowment capital	41,002	18,478
Accumulated investment income added to endowment capital ⁽¹⁾	27,831	22,264
	291,594	248,006

- (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 are lower than the amounts to be allocated.

Main categories of internally restricted amounts

	2017	2016
	\$	\$
Operating Fund		
Research-related internal activities	11,777	12,217
Redevelopment activities for Student Services and the Physical education and sports centre	473	681
	12,250	12,898
Restricted Fund		
Surplus generated on research activities primarily restricted for research purposes identical to those of the initial externally restricted contribution	7,158	7,069
Capital Assets Fund		
Future capital asset acquisitions (total uninvested reserves of Residences, DGTIC, faculties and Direction des immeubles)	44,363	34,961

13. Internally and externally restricted fund balances (continued)

Main categories of internally restricted amounts (continued)

	2017	2016
	\$	\$
Endowment Fund		
Internal restrictions of which the revenue can be used at the University's discretion	38,965	46,945
Accumulated unrealized gain on investments related to internal capital endowments	9,171	5,126
	48,136	52,071

14. Fund balances, end of year

The Operating Fund mainly has two types of activities:

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

The University has restricted amounts from its Operating Fund revenue for internal research activities. The internally restricted amounts for research-related activities are included in the internally restricted fund balance of the Operating Fund. In 2017, the internally restricted amount for the year is \$21,955,900 (\$20,248,800 in 2016). The fund balance restricted to research activities totals \$11,777,300 as at April 30, 2017 (\$12,217,600 as at April 30, 2016).

The University also restricted amounts from its Operating Fund revenue to create reserves for the amortization of certain capital assets. In 2017, the internally restricted amount for the year is nil (nil in 2016). The fund balance restricted to creating reserves for the amortization of certain capital assets totals \$472,800 as at April 30, 2017 (\$681,200 as at April 30, 2016).

15. Interfund transfers

	2017			
	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund
	\$	\$	\$	\$
Contributions to the Capital Assets Fund reserve	(18,765)	—	18,765	—
Contributions to the acquisitions of capital assets and to the debt service	(38,740)	(3,185)	41,925	—
Internally restricted endowments	(2,130)	—	—	2,130
Recovery of internal restriction	10,366	—	—	(10,366)
Transfer of accumulated unrealized gain of endowments related to operating fund	(4,410)	—	—	4,410
Re-capitalized investment income ⁽¹⁾	(256)	—	—	256
	(53,935)	(3,185)	60,690	(3,570)
	2016			
	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund
	\$	\$	\$	\$
Contributions to the Capital Assets Fund reserve	(14,067)	—	14,067	—
Contributions to the acquisitions of capital assets and to the debt service	(41,654)	(2,701)	44,355	—
Internally restricted endowments	(590)	—	—	590
Recovery of internal restriction	4,118	—	—	(4,118)
Transfer of accumulated unrealized gain of endowments related to operating fund	3,109	—	—	(3,109)
Re-capitalized investment income ⁽¹⁾	(281)	—	—	281
	(49,365)	(2,701)	58,422	(6,356)

⁽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 MEES. The University assesses the risk of default for receipt as low.

Foreign exchange risk

This risk arises from the interests held by the University in foreign securities and foreign bonds. The investment policy applied by the Endowment Fund is the tool used to manage this risk. As at April 30, 2017, interests held by the University denominated in foreign currencies amount to fair value of \$146,500,000 in Canadian dollars (\$121,546,000 as at April 30, 2016). In addition, as at April 30, 2017, the University held forward foreign exchange contracts with a fair value negative of \$443,600 (fair value positive of \$524,900 as at April 30, 2016). These contracts are listed with the investments of the Endowment Fund.

Interest rate risk

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

Bonds and loans financed by the MEES are secured, principal and interest, by the assignment and transfer of the MEES grants. Most of the other long-term debt bears interest at a variable rate and is 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, 2017:

a) *Operating Fund*

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

16. Financial instruments (continued)

Interest rate risk (continued)

b) Capital Assets Fund

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

Consequently, the treasury risks are minimal.

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

Liquidity risk

Liquidity risk is the risk that the University will be unable to meet its financial obligations when due. The University monitors its cash balances and cash flows arising from its activities in order to be able to meet its commitments. As at April 30, 2017, the most significant financial liabilities were as follows: bank overdrafts, bank loans, accounts payable and accrued liabilities, grants payable, debt, capital lease obligations and derivative financial instruments.

17. Controlled non-profit entities

The University controls Fondation universitaire de l'Université de Montréal, Société de développement immobilier 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:

	2017	2016
	\$	\$
Financial position		
Assets	2,114	1,986
Liabilities	1,719	1,588
Excess of assets over liabilities	395	398
	2,114	1,986
Operations		
Revenue	1,435	1,688
Expenses	1,438	1,639
(Deficiency) excess of revenue over expenses	(3)	49

18. Additional information to the statement of cash flows

Net change in non-cash working capital items and long-term accounts receivable

	2017	2016
	\$	\$
Accounts receivable	(86,691)	20,424
Inventories	106	153
Expenses attributable to the next year	878	(996)
Accounts payable and accrued liabilities	5,895	(8,966)
Deferred revenue	3,662	(2,057)
Grants payable or receivable	58,220	(8,390)
Deferred contributions	91,083	5,192
	73,153	5,360

Non-cash transactions

	2017	2016
	\$	\$
Capital assets acquired still in accounts payable and accrued liabilities	28,903	17,133
Capital assets acquired through capital leases	32,032	32,594

19. Commitments

- a) The commitments of the Operating Fund total \$323,097,900 with respect to the Capital Assets Fund, as a contribution for asset acquisitions, as well as renovation projects, redevelopment, expansion and construction of capital assets. This amount is broken down as follows:

	<u>Commitments</u>
	\$
Self-financed units	25,969,800
Other units of the Operating Fund	<u>297,128,100</u>

- b) The commitments of the Restricted Fund total \$733,200 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.
- c) The University is bound by different leases for physical space, equipment and computer equipment. The total commitments relating to these contracts amount to \$53,725,800. Minimum payments required under these contracts for the next five years are as follows:

	\$
2018	15,092,700
2019	13,219,100
2020	8,536,000
2021	7,448,100
2022	6,378,900

- d) The University is committed to a financial institution to ensure, in the event of default, a maximum of \$1,000,000 in connection with a loan of Presses de l'Université de Montréal, an organization controlled by the University.
- e) As at April 30, 2017, the University has agreed to pay by contracts from external suppliers for a total of \$247,745,800 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, 2017, 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.