
Financial statements of
Université de Montréal

April 30, 2019

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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, 2019, 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, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP*¹

September 23, 2019

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

Université de Montréal
Statement of operations and changes in fund balances

Year ended April 30, 2019

(amounts are in thousands of dollars)

	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Grants from the ministère de l'Éducation et de l'Enseignement supérieur	546,876	524,060	12,900	12,757	44,778	41,913	—	—	604,554	578,730
Other government grants and contracts	23,612	22,966	130,690	119,605	16,970	16,386	—	—	171,272	158,957
Other non-governmental contributions and contracts	3,016	1,406	59,971	54,517	5,985	6,342	—	—	68,972	62,265
Tuition fees	141,310	135,294	—	—	—	—	—	—	141,310	135,294
Student services	12,902	12,054	—	—	—	—	—	—	12,902	12,054
Physical education and sports centre	17,663	15,029	—	—	—	—	—	—	17,663	15,029
Ancillary services	22,594	23,000	—	—	—	—	—	—	22,594	23,000
Investment income	6,846	6,193	9,529	8,639	—	—	—	—	16,375	14,832
External sales	32,765	29,951	—	—	—	—	—	—	32,765	29,951
Gain on disposal of capital assets	—	—	—	—	600	36,909	—	—	600	36,909
Other revenue	31,570	30,488	—	—	—	—	—	—	31,570	30,488
	839,154	800,441	213,090	195,518	68,333	101,550	—	—	1,120,577	1,097,509
Expenses										
Teaching and research	506,755	485,727	161,291	149,895	—	—	—	—	668,046	635,622
Teaching and research support	86,812	77,639	1,196	124	—	—	—	—	88,008	77,763
Student services	13,385	12,898	4,262	3,850	—	—	—	—	17,647	16,748
Physical education and sports centre	16,911	14,796	—	—	—	—	—	—	16,911	14,796
Scholarships – graduate programs	8,776	8,690	36,519	33,963	—	—	—	—	45,295	42,653
Community services	—	—	5,038	4,299	—	—	—	—	5,038	4,299
Administration	62,718	58,684	—	—	—	—	—	—	62,718	58,684
Facilities management	62,005	56,796	—	—	—	—	—	—	62,005	56,796
Ancillary services	17,773	18,647	—	—	—	—	—	—	17,773	18,647
Bad debts on tuition fees	1,144	1,191	—	—	—	—	—	—	1,144	1,191
Interest on bank overdrafts and bank loans and financial charges	437	245	—	—	2,182	2,206	—	—	2,619	2,451
Interest on debt	—	—	—	—	23,795	23,052	—	—	23,795	23,052
Vacation liability and waiting period given time	1,665	1,281	—	—	—	—	—	—	1,665	1,281
Other employee future benefits unallocated	(8,296)	(18,387)	—	—	—	—	—	—	(8,296)	(18,387)
Amortization of capital assets	—	—	—	—	85,498	86,839	—	—	85,498	86,839
Other contributions and restricted amounts	—	—	949	592	6,276	4,958	—	—	7,225	5,550
Loss on repurchase of capital lease obligation	—	—	—	—	5,142	—	—	—	5,142	—
	770,085	718,207	209,255	192,723	122,893	117,055	—	—	1,102,233	1,027,985
Excess (deficiency) of revenue over expenses before the following items:	69,069	82,234	3,835	2,795	(54,560)	(15,505)	—	—	18,344	69,524
Change in unrealized fair value of investments	(568)	(1,245)	—	—	—	—	—	—	(568)	(1,245)
Change in fair value of derivative financial instruments	(190)	1,487	—	—	(3,531)	9,366	—	—	(3,721)	10,853
Excess (deficiency) of revenue over expenses	68,311	82,476	3,835	2,795	(58,091)	(6,139)	—	—	14,055	79,132
Fund balances, beginning of year	(68,202)	(6,396)	6,125	7,158	233,689	178,640	342,543	339,730	514,155	519,132
Endowments	—	—	—	—	—	—	8,057	7,872	8,057	7,872
Investment income added to endowment capital	—	—	—	—	—	—	1,140	4,739	1,140	4,739
Change in unrealized fair value of investments deducted from endowment capital	—	—	—	—	—	—	(3,679)	(6,956)	(3,679)	(6,956)
Change in revaluations and other items recognized relating to benefit plans	(39,405)	(89,764)	—	—	—	—	—	—	(39,405)	(89,764)
Interfund transfers	(54,099)	(54,518)	(3,850)	(3,828)	60,319	61,188	(2,370)	(2,842)	—	—
Fund balances, end of year	(93,395)	(68,202)	6,110	6,125	235,917	233,689	345,691	342,543	494,323	514,155

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

Université de Montréal
Statement of financial position
As at April 30, 2019
(amounts are in thousands of dollars)

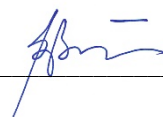
	Notes	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets											
Current assets											
Cash		—	—	43,702	41,024	9,096	10,441	1,518	943	54,316	52,408
Investments	3	5,000	19,990	3,073	3,050	—	—	16,439	19,336	24,512	42,376
Accounts receivable	4	95,925	104,060	125,952	118,118	276,650	187,710	459	348	498,986	410,236
Inventories		5,517	4,892	—	—	—	—	—	—	5,517	4,892
Expenses attributable to the next year		5,164	2,958	457	234	466	537	—	—	6,087	3,729
Advances to other funds	5	—	—	209,626*	201,608*	—	—	—	—	—	—
		111,606	131,900	382,810	364,034	286,212	198,688	18,416	20,627	589,418	513,641
Investments	3	—	—	2,528	5,897	—	—	346,724	341,969	349,252	347,866
Accounts receivable	4	39	442	3,315	4,245	760,225	789,587	—	—	763,579	794,274
Capital assets	6	—	—	—	—	1,442,970	1,336,569	—	—	1,442,970	1,336,569
Deferred costs		—	—	—	—	—	72	—	—	—	72
Derivative financial instruments	16	73	263	—	—	—	—	—	—	73	263
Primary defined benefit pension plan asset	12	246,677	267,944	—	—	—	—	—	—	246,677	267,944
Other assets		—	—	—	—	308	370	—	—	308	370
		358,395	400,549	388,653	374,176	2,489,715	2,325,286	365,140	362,596	3,392,277	3,260,999
Liabilities											
Current liabilities											
Bank overdrafts		58,139	35,097	—	—	—	—	—	—	58,139	35,097
Bank loans	7	—	—	—	—	25,822	42,363	—	—	25,822	42,363
Accounts payable and accrued liabilities	8	108,548	99,151	25,234	24,691	59,371	64,285	326	59	193,479	188,186
Deferred revenue		10,784	10,997	11,501	9,467	—	—	—	—	22,285	20,464
Deferred contributions	9	—	—	319,463	298,707	399	463	—	—	319,862	299,170
Current portion of debt	10	—	—	—	—	141,045	76,699	—	—	141,045	76,699
Current portion of capital lease obligations	11	—	—	—	—	20	31,467	—	—	20	31,467
Advances from other funds	5	89,166*	154,535*	—	—	101,337*	27,079*	19,123*	19,994*	—	—
		266,637	299,780	356,198	332,865	327,994	242,356	19,449	20,053	760,652	693,446
Grants payable		21,349	15,009	26,345	35,186	—	—	—	—	47,694	50,195
Debt	10	—	—	—	—	669,558	680,042	—	—	669,558	680,042
Capital lease obligations	11	—	—	—	—	20	40	—	—	20	40
Deferred contributions	9	—	—	—	—	207,280	185,263	—	—	207,280	185,263
Deferred contributions pertaining to capital assets	9	—	—	—	—	1,027,337	965,818	—	—	1,027,337	965,818
Accrued defined benefit obligation of complementary retirement program	12	89,188	78,766	—	—	—	—	—	—	89,188	78,766
Accrued benefit obligation of post-employment benefit plan	12	74,616	75,196	—	—	—	—	—	—	74,616	75,196
Derivative financial instruments	16	—	—	—	—	21,609	18,078	—	—	21,609	18,078
		451,790	468,751	382,543	368,051	2,253,798	2,091,597	19,449	20,053	2,897,954	2,746,844
Commitments and contingencies	19 and 20										
Fund balances											
Invested in capital assets		—	—	—	—	194,839	158,860	—	—	194,839	158,860
Externally restricted		—	—	—	—	—	—	302,791	297,317	302,791	297,317
Internally restricted		13,970	12,015	6,110	6,125	41,078	74,829	42,900	45,226	104,058	138,195
Revaluation and other items recognized relating to defined benefit plans		205,945	245,350	—	—	—	—	—	—	205,945	245,350
Deficiency – Defined benefit plans		(123,072)	(131,368)	—	—	—	—	—	—	(123,072)	(131,368)
Deficiency – Operating activities		(190,238)	(194,199)	—	—	—	—	—	—	(190,238)	(194,199)
		(93,395)	(68,202)	6,110	6,125	235,917	233,689	345,691	342,543	494,323	514,155
		358,395	400,549	388,653	374,176	2,489,715	2,325,286	365,140	362,596	3,392,277	3,260,999

* 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, 2019
(amounts are in thousands of dollars)

	Notes	2019	2018
		\$	\$
Operating activities			
Excess of revenue over expenses		14,055	79,132
Adjustments for			
Change in unrealized fair value of investments		568	1,245
Gain on disposal of investments		(10,068)	(11,994)
Amortization of capital assets		85,498	86,839
Gain on disposal of capital assets		(600)	(36,909)
Amortization of deferred contributions pertaining to capital assets		(45,333)	(45,371)
Change in asset and obligations related to defined benefit plans		(8,296)	(18,387)
Change in fair value of financial instruments		3,721	(10,853)
		39,545	43,702
Net change in non-cash working capital items and long-term accounts receivable, deferred contributions and grants payable	18	(9,455)	(9,392)
		30,090	34,310
Investing activities			
Net change in investments		22,299	(17,871)
Acquisition of capital assets		(196,098)	(184,312)
Proceed from disposal of capital assets		600	43,652
Net change in deferred costs		72	173
		(173,127)	(158,358)
Financing activities			
Net change in bank loans		(16,541)	(166,404)
Increase in debt		131,041	162,843
Repayment of debt and capital lease obligations		(108,371)	(40,495)
Net change in unamortized issuance costs		(275)	(652)
Increase in deferred contributions pertaining to capital assets		106,852	164,919
Endowments received		8,057	7,872
Investment income added to endowment capital		1,140	4,739
		121,903	132,822
Net (decrease) increase in cash and cash equivalents		(21,134)	8,774
Cash and cash equivalents, beginning of year		17,311	8,537
Cash and cash equivalents, end of year		(3,823)	17,311
Cash and cash equivalents comprise			
Cash		54,316	52,408
Bank overdrafts		(58,139)	(35,097)
		(3,823)	17,311

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 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:

Consolidation

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

Fund accounting

The University presents its financial information by fund.

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

Operating Fund

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

Restricted Fund

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

Capital Assets Fund

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

Endowment Fund

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

2. Accounting policies (continued)

Revenue recognition

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

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

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

The University's main revenues, other than contributions, are tuition fees, services offered to students and external sales. These revenues are recognized as revenue of the Operating Fund in the year in which the underlying service is rendered.

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

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

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

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

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

Financial instruments

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

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

2. Accounting policies (continued)

Financial instruments (continued)

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 statement of financial position as assets (or liabilities). As at April 30, 2019, the fair value of the interest rate swap contracts is included in "Derivative financial instruments" as assets and as liabilities and the fair value of foreign exchange forward contracts is included in investments.

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

Capital assets

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

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

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

2. Accounting policies (continued)

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.

Pension plan and post-employment benefit plan

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

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

Use of estimates

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

Université de Montréal**Notes to the financial statements**

April 30, 2019

(table amounts are in thousands of dollars)

3. Investments

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

Université de Montréal**Notes to the financial statements**

April 30, 2019

(table amounts are in thousands of dollars)

3. Investments (continued)

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

3. Investments (continued)

Investment income is detailed and broken down as follows:

	2019		
	Operating Fund	Restricted Fund	Total
	\$	\$	\$
Interest and dividends	3,246	121	3,367
Investment income earned on resources from Endowment Fund	3,600	12,471	16,071
Change in "Deferred contributions"	—	(3,063)	(3,063)
	6,846	9,529	16,375

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

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

	2019	2018
	\$	\$
Interest and dividends	8,317	10,792
Gains on disposal of investments	10,068	11,994
	18,385	22,786
Trustee and investment managers' fees	(1,174)	(1,218)
	17,211	21,568
Portion presented under "Investment income" of the Operating Fund	3,600	4,268
Portion presented under "Investment income" of the Restricted Fund	12,471	12,561
Investment income added to endowment capital	1,140	4,739
	17,211	21,568

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, part of the change in unrealized fair value of resources held by the Endowment Fund is then used to meet the exact amount of the distribution established under the Policy.

The change in unrealized fair value on resources from the Endowment Fund totals a negative amount of \$4,247,000 (negative amount of \$8,201,000 in 2018) and is broken down as follows:

	2019	2018
	\$	\$
Portion presented in the statement of operations of the Operating Fund and transferred to the Endowment Fund (Note 15)	(568)	(1,245)
Portion presented directly as a change in the fund balances of the Endowment Fund	(3,679)	(6,956)
	(4,247)	(8,201)

4. Accounts receivable

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

	2019	2018
	\$	\$
Operating Fund		
Grant receivable from MEES	67,368	78,901
Tuition fees and other fees	15,974	12,664
Sales and other	18,271	17,291
Interest and dividends	13	13
	101,626	108,869
Provision for bad debt	(5,662)	(4,367)
	95,964	104,502
Less: amount receivable in more than one year	(39)	(442)
Current portion receivable	95,925	104,060
Restricted Fund		
Grants, contracts and other	129,267	122,363
Less: amounts receivable in more than one year	(3,315)	(4,245)
Current portion receivable	125,952	118,118

4. Accounts receivable (continued)

	2019	2018
	\$	\$
Capital Assets Fund		
Grants	1,032,989	973,619
Interest and dividends	369	151
Other	3,517	3,527
	1,036,875	977,297
Less: long-term grants receivable	(760,225)	(789,587)
Current portion receivable	276,650	187,710
Endowment Fund		
Interest and dividends	33	333
Other	426	15
Current portion receivable	459	348
Total of current portion of cashable accounts receivable	498,986	410,236
Total of long-term cashable accounts receivable	763,579	794,274

Donations receivable

The donations receivable from the subscription campaigns for an amount of \$54,455,100 (\$56,155,300 in 2018) are pledged commitments and are not recorded in the statement of financial position. The estimated realizable value of these commitments is \$53,114,700 (\$54,710,000 in 2018), of which \$20,185,900 (\$23,471,900 in 2018) during the following year, and is based on the collection history.

5. Advances to (from) other funds

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

Université de Montréal**Notes to the financial statements**

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(table amounts are in thousands of dollars)

6. Capital assets

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

Université de Montréal**Notes to the financial statements**

April 30, 2019

(table amounts are in thousands of dollars)

6. Capital assets (continued)

			2018
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	39,721	—	39,721
Land improvements	16,282	7,639	8,643
Buildings			
Buildings	653,767	359,524	294,243
Major improvements to buildings	628,545	197,865	430,680
Building under a capital lease	34,498	7,474	27,024
Leasehold improvements	21,925	14,512	7,413
Machinery and equipment			
Computer equipment	35,688	24,768	10,920
Multimedia communication equipment	24,007	21,027	2,980
Office furniture and equipment	26,352	24,244	2,108
Specialized teaching and research support equipment	218,913	119,376	99,537
Library documents	261,674	217,576	44,098
Rolling stock	1,447	792	655
Telecommunication networks	13,057	7,246	5,811
Software – other than initial versions	8,694	6,574	2,120
Computer development	101,255	54,598	46,657
Communication equipment under capital leases	10,287	8,156	2,131
Specialized teaching equipment under capital leases	157	118	39
Current projects	308,075	—	308,075
Works of art	3,714	—	3,714
	2,408,058	1,071,489	1,336,569

Interest capitalized during the year amounts to \$1,267,940 (\$305,470 in 2018).

7. Bank loans

	2019	2018
	\$	\$
Capital Assets Fund		
Bank credit facilities – Financement-Québec*	7,821	23,098
Promissory note, 1.99% (1.72% in 2018), renewable in May 2019 (May 2018 in 2018)	18,001	19,265
	25,822	42,363

7. Bank loans (continued)

The University has authorized bank credit facilities of \$275,000,000, namely \$10,000,000 in the form of a line of credit and \$265,000,000 in bankers' acceptances. The line of credit bears interest at the lending institution's preferred rate minus 0.50 points (3.45% as at April 30, 2019; 2.95% as at April 30, 2018) and is renewable on January 31, 2020, whereas the bankers' acceptances are issued at the market rate. As at April 30, 2019, the line of credit was not used (nil as at April 30, 2018) and the bankers' acceptances were not used (nil as at April 30, 2018). The bankers' acceptances are renewable on January 31, 2020.

* The University has an authorized line of credit of \$61,486,300 with Financement-Québec for the "Science complex on the new Outremont campus" related to the grant in the same amount which was allocated by the ministère de l'Économie et de l'Innovation ("MEI"). The line of credit bears interest at the average monthly rate of bankers' acceptances increased by 0.30% for issuance and management costs (2.28250% as at April 30, 2019; 1.94125% as at April 30, 2018). The line of credit will be replaced with a promissory note at the end of the claim period for the costs that are financed by the MEI.

8. Accounts payable and accrued liabilities

	2019	2018
	\$	\$
Accounts payable and accrued liabilities	110,860	117,526
Salaries and employee benefits	35,178	26,193
Accumulated vacation of staff and unpaid leave to be remitted in time	38,264	36,599
Government remittances	9,177	7,868
	193,479	188,186

9. Deferred contributions

Deferred contributions

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

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

9. Deferred contributions (continued)

Deferred contributions (continued)

			2018
	Restricted Fund	Capital Assets Fund	Total
	\$	\$	\$
Balance, beginning of year (short- and long-term)	273,098	282,988	556,086
Grants received during the year	169,251	82,807	252,058
Donations received during the year	24,345	4,208	28,553
Restricted investment income for the year	12,673	—	12,673
Amount recognized as revenue during the year	(180,660)	(19,358)	(200,018)
Amount transferred as deferred contributions pertaining to capital assets	—	(164,919)	(164,919)
Balance, end of year (short- and long-term)	298,707	185,726	484,433

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.

	2019	2018
	\$	\$
Balance, beginning of year	965,818	846,270
Amount transferred from deferred contributions	106,852	164,919
Amount recognized as revenue during the year	(45,333)	(45,371)
Balance, end of year	1,027,337	965,818

10. Debt

	2019	2018
	\$	\$
Loans financed by the MEES		
Loan for the residences, 6.8750%, repayable in blended monthly instalments of \$25,000, maturing on February 1, 2021	513	767
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	92,582	101,865
Loan, 2.2220%, interest payable semi-annually, principal repayable in annual instalments of \$661,200, the balance of \$2,355,200 paid at maturity on June 1, 2018	—	2,355
Loan, 2.9760%, interest payable annually, principal repayable in annual variable instalments of \$257,897 to \$298,626, maturing on December 20, 2022	1,144	1,409
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	37,800	39,600
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	62,090	67,317
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	5,227	5,671
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	32,560	34,040
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	45,049	52,366
Amounts to be carried forward	276,965	305,390

10. Debt (continued)

	2019	2018
	\$	\$
Loans financed by the MEES (continued)		
Amounts carried forward	276,965	305,390
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	157,396	166,213
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	1,472	1,577
Loan, 2.3640%, repayable in blended annual instalments of \$606,836, maturing on June 1, 2026	4,376	4,868
Loan, 2.9330%, interest payable semi-annually, principal repayable in annual instalments of \$951,919, maturing on December 1, 2042	22,846	23,798
Loan, 1.9260%, interest payable semi-annually, principal repayable in annual instalments of \$781,156, the balance of \$750,752 payable at maturity on October 1, 2021	2,313	3,094
Loan, 2.7870%, interest payable semi-annually, principal repayable in annual instalments of \$9,789,139, the balance of \$46,729,312 payable at maturity on September 1, 2027	125,042	134,832
Loan, 2.4090%, interest payable semi-annually, principal repayable in annual instalments of \$661,200, the balance of \$371,600 payable at maturity on December 1, 2021	1,694	—
Loan, 3.1370%, interest payable semi-annually, principal repayable in annual instalments of \$2,112,840, maturing on December 1, 2043	52,821	—
Loan, 2.8760%, repayable in blended quarterly instalments of \$807,184, maturing on March 1, 2034	39,026	—
	683,951	639,772
Unamortized issuance costs	(3,711)	(3,436)
	680,240	636,336

10. Debt (continued)

	2019	2018
	\$	\$
Other loans		
Loan for renovation and redevelopment work and for the construction of new pavilions, bearing interest at the average quarterly interest rate of bankers' acceptances (effective rate of 2.01500% as at April 30, 2019; 1.73750% as at April 30, 2018) plus stamping fees fixed at 0.77000%, repayable in blended quarterly instalments of \$1,705,953, maturing on October 1, 2035, financed by the Operating Fund*	71,614	74,130
Loan for renovation of residences, bearing interest at the variable indexed rate at CDOR 1 month (effective rate of 1.98250% as at April 30, 2019; 1.64125% as at April 30, 2018) plus stamping fees fixed at 0.20000%, repayable in blended monthly instalments of \$55,281, maturing on May 31, 2030, financed by the Operating Fund*	5,494	5,844
Loan for renovation of residences, bearing interest at the variable indexed rate at CDOR 1 month (effective rate of 1.98250% as at April 30, 2019; 1.64125% as at April 30, 2018) plus stamping fees fixed at 0.70000%, repayable in blended quarterly instalments of \$245,000, maturing on March 30, 2020, financed by the Operating Fund*	938	1,813
Loan for a land purchase, bearing interest at the average monthly rate of bankers' acceptances (effective rate of 1.641250% as at April 30, 2018) plus stamping fees fixed at 0.38000%, interest payable monthly, principal repaid on April 26, 2019, financed by the Operating Fund*	—	23,000
Amounts to be carried forward	78,046	104,787

10. Debt (continued)

	2019	2018
	\$	\$
Other loans (continued)		
Amounts carried forward	78,046	104,787
Loan for the Cité du Savoir de Laval building, bearing interest at the variable indexed rate at CDOR 3 months (effective rate of 2.01000% as at April 30, 2019; 1.67333% as at April 30, 2018), principal repayable in quarterly instalments following a pre-established payment schedule, maturing June 1, 2021, financed by the Operating Fund*	14,098	14,538
Loan for the purchase of the building located at 3190, rue Sicotte, Saint-Hyacinthe, bearing interest at the variable indexed rate at CDOR 3 months (effective rate of 2.01000% as at April 30, 2019; 2.53000% as at April 30, 2018), principal repayable in quarterly instalments of \$20,000 plus interest, the balance of \$760,000 payable at maturity on August 15, 2022, financed by the Operating Fund*	1,000	1,080
Loan for the repurchasing of the building of the Cité du Savoir de Laval capital lease, bearing interest at the variable indexed rate at CDOR 3 months (effective rate of 2.01000% as at April 30, 2019), principal repayable in blended quarterly instalments of \$607,355, the balance of \$5,235,500 payable at maturity on May 25, 2041, financed by the Operating Fund*	37,219	—
	130,363	120,405
	810,603	756,741
Current portion	141,045	76,699
	669,558	680,042

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

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

	\$
2020	141,045
2021	47,680
2022	59,955
2023	62,575
2024	38,787

11. Capital lease obligations

	2019	2018
	\$	\$
Obligation related to the rental of dental equipment, implicit rate of 7.90%, repayable in blended monthly instalments of \$1,389, maturing on January 1, 2021	30	44
Obligation related to the rental of dental equipment, implicit rate of 7.90%, repayable in blended monthly instalments of \$457, maturing on January 1, 2021	10	14
Obligation related to the rental of the building of the Cité du Savoir de Laval, implicit rate of 7.25%, repayable in blended monthly instalments of \$233,977, paid on July 17, 2018 following the purchase of the building on that day by the University	—	31,449
	40	31,507
Current portion	20	31,467
	20	40

Payments required over the next financial years are as follows:

	Principal	Interest	Total
	\$	\$	\$
2020	20	2	22
2021	20	2	22

12. Defined benefit asset (accrued benefit obligations)

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

	2019	2018
	\$	\$
Defined benefit asset of the primary pension plan	246,677	267,944
Accrued defined benefit obligation of complementary retirement program	(89,188)	(78,766)
Post-employment accrued benefit obligations	(74,616)	(75,196)

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 plan's obligations are provided by the participants and the University.

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

Pension plan (continued)

According to the most recent actuarial valuation, the University has the obligation to pay a minimum contribution equal to 11.32% of the participants' salary for the 2019 calendar year (11.43% for calendar year 2018). The University paid an actual contribution of 11.43% for the calendar year 2019 (11.43% for calendar year 2018). This rate does not include benefit payable for the financing of the complementary retirement program of approximately 0.80% of the participants' salary (0.70% in 2018).

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, 2017. The data was extrapolated as at April 30, 2019.

Information on the pension plan is as follows:

	2019	2018
	\$	\$
Primary pension plan:		
Fair value of the pension assets	4,274,919	4,031,307
Accrued benefit obligations	(4,028,242)	(3,763,363)
Defined benefit asset recorded	246,677	267,944
Complementary program:		
Accrued defined benefit obligations and accrued benefit obligation recorded	(89,188)	(78,766)

Composition of pension plan assets as at December 31:

	2019	2018
	%	%
Money market securities	2.0	1.1
Bonds	29.1	32.0
Equity	29.6	29.8
Pooled funds and other investments	39.3	37.1
	100.0	100.0

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

	2019	2018
	\$	\$
Expense for the year recognized in the statement of operations	45,992	33,640
Contributions paid by the University during the year	58,262	55,786

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

Post-employment benefit plan

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

The University evaluates its accrued benefit obligation for purposes of accounting through extrapolation as at April 30 of each year. Post-employment benefits were subject to a complete evaluation for accounting purposes as at January 1, 2018 and were extrapolated as at April 30, 2019.

The information related to this plan is presented as follows:

	2019	2018
	\$	\$
Accrued defined benefit obligations and accrued benefit obligation recorded	(74,616)	(75,196)

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

	2019	2018
	\$	\$
Expense for the year recognized in the statement of operations	7,930	8,242
Contributions paid by the University during the year	3,956	4,483

Assumptions

The University has retained the following significant actuarial assumptions:

	2019		2018	
	Primary pension plan and complementary program	Post-employment benefit plan	Primary pension plan and complementary program	Post-employment benefit plan
	%	%	%	%
Accrued benefit obligations as at April 30				
Discount rate	5.30	5.30	5.75	5.75
Rate of compensation increase	2.75	2.75	2.75	2.75
Rate of health care cost increase	—	4.92	—	6.50
Benefit costs for the year ended April 30				
Discount rate	5.75	5.75	5.75	5.75
Rate of compensation increase	2.75	2.75	2.75	2.75
Rate of tuition fees increase	—	2.00	—	2.00
Rate of health care cost increase	—	6.50	—	6.50

13. Internally and externally restricted fund balances

Main categories of externally restricted amounts

	2019	2018
	\$	\$
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	236,826	228,741
External endowments from which the income is related to the Operating Fund or is used at the discretion of the University	1,934	1,933
Accumulated unrealized gain on investments related to external endowment capital	30,216	33,935
Accumulated investment income added to endowment capital ⁽¹⁾	33,815	32,708
	302,791	297,317

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

Main categories of internally restricted amounts

	2019	2018
	\$	\$
Operating Fund		
Research-related internal activities	13,554	11,564
Redevelopment activities for Student Services and the Physical education and sports centre	416	451
	13,970	12,015
Restricted Fund		
Surplus generated on research activities primarily restricted for research purposes or for purposes identical to those of the initial externally restricted contribution	6,110	6,125
Capital Assets Fund		
Future capital asset acquisitions	41,078	74,829
Endowment Fund		
Internal restrictions of which the revenue can be used at the University's discretion	35,378	37,189
Accumulated unrealized gain on investments related to internal capital endowments	7,522	8,037
	42,900	45,226

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 2019, the internally restricted amount for the year is \$27,911,900 (\$22,830,400 in 2018). The fund balance restricted to research activities totals \$13,554,450 as at April 30, 2019 (\$11,564,300 as at April 30, 2018).

In 2019, the University did not restrict any amount, from its Operating Fund revenue, to create reserves for the amortization of certain capital assets (also nil in 2018). The fund balance restricted to creating reserves for the amortization of certain capital assets totals \$416,000 as at April 30, 2019 (\$450,500 as at April 30, 2018).

15. Interfund transfers

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

15. Interfund transfers (continued)

	2018			
	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund
	\$	\$	\$	\$
Contributions to the Capital Assets Fund for future projects	(14,741)	—	14,741	—
Contributions to the acquisitions of capital assets and to the debt service	(42,619)	(3,828)	46,447	—
Internally restricted endowments	(607)	—	—	607
Recovery of internal restriction	2,427	—	—	(2,427)
Transfer of accumulated unrealized gain of endowments related to the Operating Fund	1,245	—	—	(1,245)
Re-capitalized investment income ⁽¹⁾	(223)	—	—	223
	<u>(54,518)</u>	<u>(3,828)</u>	<u>61,188</u>	<u>(2,842)</u>

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

16. Financial instruments

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

Market risk

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

Credit risk

The University grants credit to students in the normal course of its activities and maintains provisions for future bad debt. A significant portion of accounts receivable is comprised of grants receivable from 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, 2019, interests held by the University denominated in foreign currencies amount to a fair value of \$150,651,000 in Canadian dollars (\$149,371,000 as at April 30, 2018). In addition, as at April 30, 2019, the University had liquidated its foreign exchange contracts (negative fair value of \$811,200 as at April 30, 2018). These contracts were listed with the investments of the Endowment Fund as at April 30, 2018.

16. Financial instruments (continued)

Interest rate risk

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

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

Under these interest rate swap contracts entered into by the University, the University must disburse interest at fixed rates as consideration for variable rates. These interest rate swap contracts have different maturities and are broken down as follows as at April 30, 2019:

a) *Operating Fund*

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

b) *Capital Assets Fund*

Maturity date	Nominal amount	Pays or receives	Fixed rate	Variable rate
	\$		%	
March 30, 2020	10,000	Pays, fixed Receives, variable	7.160	CDOR 1 month +0.70%
June 1, 2021	16,932	Pays, fixed Receives, variable	4.180	CDOR 3 months
May 31, 2030	9,000	Pays, fixed Receives, variable	5.500	CDOR 1 month +0,20%
October 1, 2035	105,936	Pays, fixed Receives, variable	5.130	CDOR 3 months
January 25, 2039	37,219	Pays, fixed Receives, variable	3.485	CDOR 3 months +0.72%

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, 2019, the most significant financial liabilities were the bank overdrafts, bank loans, accounts payable and accrued liabilities, grants payable, debt, capital lease obligations and derivative financial instruments.

17. Controlled non-profit entities and partnership

Controlled non-profit entities

The University controls Fondation universitaire de l'Université de Montréal, Presses de l'Université de Montréal and IRICoR. These entities have not been consolidated in these financial statements. The combined financial data of these entities is as follows:

	2019	2018
	\$	\$
Financial position		
Assets	7,069	4,199
Liabilities	6,681	4,244
Excess (deficiency) of assets over liabilities	388	(45)
	7,069	4,199
Operations		
Revenues	4,065	2,258
Expenses	3,632	2,409
Excess (deficiency) of revenues over expenses	433	(151)

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 \$6,100,606 (\$4,255,192 in 2018) and equivalent expenses attributable to this partnership.

18. Additional information to the statement of cash flows

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

	2019	2018
	\$	\$
Accounts receivable	(58,055)	43,166
Inventories	(625)	(854)
Expenses attributable to the next year	(2,358)	838
Accounts payable and accrued liabilities	9,554	35,666
Deferred revenue	1,821	(1,122)
Deferred contributions	42,709	(71,653)
Grants payable	(2,501)	(15,433)
	(9,455)	(9,392)

18. Additional information to the statement of cash flows (continued)

Non-cash transactions

	2019	2018
	\$	\$
Unpaid capital assets, end of year	54,613	58,874
Unpaid capital assets acquired through capital leases, end of year	40	31,507

19. Commitments

- a) The commitments of the Operating Fund total \$318,923,200 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. This amount is broken down as follows:

	<u>Commitments</u>
	\$
Self-financed units	22,705,900
Other units of the Operating Fund	<u>296,217,300</u>

- b) The commitments of the Restricted Fund total \$1,166,100 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 \$54,941,600. Minimum payments required under these contracts over the next five years are as follows:

	\$
2020	14,297,500
2021	12,419,300
2022	11,046,200
2023	5,836,000
2024	4,606,800

- 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, 2019, the University has agreed to pay by contracts from external suppliers for a total of \$59,457,600 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, 2019, 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.