

Université Laval
Financial Statements
April 30, 2020

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Raymond Chabot
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Independent Auditor's Report

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To the Members of the Board of Directors of
Université Laval

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Université Laval as at April 30, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Université Laval 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 Université Laval'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 Université Laval or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Université Laval'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Université Laval'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 Université Laval'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 Université Laval 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.

Raymond Chabot Grant Thornton LLP¹

Québec
September 3, 2020

¹ CPA auditor, CA public accountancy permit no. A109631

Université Laval

Operations

Year ended April 30, 2020
(in thousands of dollars)

	Operating fund		Restricted fund		Capital assets fund		Endowment fund		Subscription fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues												
Subsidies – ministère de l'Éducation et de l'Enseignement supérieur (MEES) (Note 6)	449,818	443,679	12,702	12,521	61,678	59,369	–	–	–	–	524,198	515,569
Tuition fees	123,624	116,200	–	–	–	–	–	–	–	–	123,624	116,200
Community services	12,135	12,708	8,284	12,163	–	–	–	–	–	–	20,419	24,871
External services	38,084	30,940	–	–	1,653	2,570	–	–	–	–	39,737	33,510
Net investment income (Note 24)	4,139	5,015	(60)	940	256	302	(214)	2,929	(81)	815	4,040	10,001
Student services and assistance	27,614	28,034	10,542	9,243	–	–	–	–	–	–	38,156	37,277
Ancillary services	18,530	20,659	–	–	–	–	–	–	–	–	18,530	20,659
Contributions from La Fondation de l'Université Laval	170	197	17,627	17,935	–	–	–	–	–	–	17,797	18,132
Donations from other organizations	–	–	–	–	718	1,090	412	390	–	–	1,130	1,480
Other subsidies and revenues	13,638	12,700	207,569	184,781	5,665	5,840	–	–	–	–	226,872	203,321
Changes in deferred contributions related to capital assets	–	–	–	–	14,144	14,797	–	–	–	–	14,144	14,797
	687,752	670,132	256,664	237,583	84,114	83,968	198	3,319	(81)	815	1,028,647	995,817
Expenses												
Teaching and independent research	414,073	400,051	2,384	2,023	–	–	–	–	–	–	416,457	402,074
Community services	10,141	10,608	16,759	18,792	–	–	–	–	–	–	26,900	29,400
Research	12,751	12,745	209,735	197,877	–	–	–	–	–	–	222,486	210,622
Support services	155,902	146,612	5,789	590	–	1,323	476	1,845	98	97	162,265	150,467
Student services and assistance	27,845	26,979	23,502	19,695	–	–	–	–	–	–	51,347	46,674
Ancillary services	14,463	14,080	–	–	–	–	–	–	–	–	14,463	14,080
Renovations and redevelopment	–	–	–	–	857	1,260	–	–	–	–	857	1,260
Interest on long-term debt	93	100	–	–	20,159	19,596	–	–	–	–	20,252	19,696
Future employee benefits	1,627	2,064	–	–	–	–	–	–	–	–	1,627	2,064
Amortization of the intangible capital asset	–	–	–	–	53	52	–	–	–	–	53	52
Amortization of tangible capital assets (Note 13)	–	–	–	–	72,563	70,810	–	–	–	–	72,563	70,810
	636,895	613,239	258,169	238,977	93,632	93,041	476	1,845	98	97	989,270	947,199
Excess (deficiency) of revenues over expenses	50,857	56,893	(1,505)	(1,394)	(9,518)	(9,073)	(278)	1,474	(179)	718	39,377	48,618

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

Université Laval
Changes in Fund Balances

Year ended April 30, 2020

(in thousands of dollars)

	Operating fund		Restricted fund		Capital assets fund		Endowment fund		Subscription fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restated fund balances (negative), beginning of year (Note 3)	(239,348)	(195,499)	-	-	121,072	82,119	36,619	36,504	10,108	9,460	(71,549)	(67,416)
Excess (deficiency) of revenues over expenses	50,857	56,893	(1,505)	(1,394)	(9,518)	(9,073)	(278)	1,474	(179)	718	39,377	48,618
Remeasurements and other items related to the pension and other postretirement benefit plans	(4,684)	(52,751)	-	-	-	-	-	-	-	-	(4,684)	(52,751)
Interfund transfers (Note 7)	(44,813)	(47,991)	1,505	1,394	45,138	48,026	(1,580)	(1,359)	(250)	(70)	-	-
Fund balances (negative), end of year	<u>(237,988)</u>	<u>(239,348)</u>	<u>-</u>	<u>-</u>	<u>156,692</u>	<u>121,072</u>	<u>34,761</u>	<u>36,619</u>	<u>9,679</u>	<u>10,108</u>	<u>(36,856)</u>	<u>(71,549)</u>

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

Université Laval

Cash Flows

Year ended April 30, 2020

(in thousands of dollars)

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	39,377	48,618
Non-cash items		
Net change in fair value of investments	5,483	(3,403)
Increase in accrued benefit liability	(3,333)	(70,108)
Amortization of deferred contributions related to capital assets	(82,205)	(81,096)
Amortization of tangible capital assets	72,563	70,810
Amortization of the intangible capital asset	53	52
Loss on disposal and write-off of capital assets	-	1,295
Net change in working capital items (Note 8)	6,395	53,240
Cash flows from operating activities	<u>38,333</u>	<u>19,408</u>
INVESTING ACTIVITIES		
Net change in notes receivable	23	32
Investments	(78,309)	(3,545)
Tangible capital assets (a)	<u>(86,723)</u>	<u>(100,099)</u>
Cash flows from investing activities	<u>(165,009)</u>	<u>(103,612)</u>
FINANCING ACTIVITIES		
Net change in bank loans	-	(20,000)
Long-term debt	131,668	126,680
Repayment of long-term debt	(113,399)	(57,645)
Deferred contributions related to capital assets (a)	78,807	78,618
Cash flows from financing activities	<u>97,076</u>	<u>127,653</u>
Net increase (decrease) in cash	<u>(29,600)</u>	43,449
Cash, beginning of year	<u>102,088</u>	<u>58,639</u>
Cash, end of year	<u>72,488</u>	<u>102,088</u>

(a) Tangible capital assets acquired during the year include donations with an approximate value of \$717,825 (\$1,090,004 as at April 30, 2019).

During the year, Université Laval acquired tangible capital assets of which an amount of \$4,939,464 (\$11,582,481 as at April 30, 2019) is included in accounts payable and other operating liabilities.

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

Université Laval
Financial Position

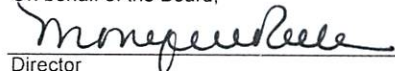
April 30, 2020

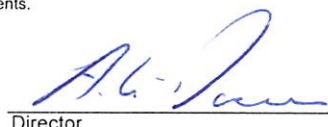
(in thousands of dollars)

	Operating fund		Restricted fund		Capital assets fund		Endowment fund		Subscription fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS												
Current												
Cash	72,488	102,088	-	-	-	-	-	-	-	-	72,488	102,088
Accounts receivable and other amounts receivable (Note 9)	47,459	58,321	31,697	26,015	154,700	159,286	-	-	-	-	233,856	243,622
Prepaid expenses (Note 10)	3,976	4,455	285	468	-	-	-	-	-	-	4,261	4,923
Investments (Note 12)	75,000	-	-	-	-	-	-	-	-	-	75,000	-
Interfund advances, without interest	-	-	192,863	184,155	67,966	23,726	-	-	-	-	-	-
	198,923	164,864	224,845	210,638	222,666	183,012	-	-	-	-	385,605	350,633
Long-term												
Notes receivable (Note 11)	280	303	-	-	-	-	-	-	-	-	280	303
Investments (Note 12)	41,183	40,492	11,255	11,931	2,717	2,572	36,696	38,601	9,679	10,108	101,530	103,704
Tangible capital assets (Note 13)	-	-	-	-	943,123	934,888	-	-	-	-	943,123	934,888
Intangible capital asset (Note 14)	-	-	-	-	-	53	-	-	-	-	-	53
	240,386	205,659	236,100	222,569	1,168,506	1,120,525	36,696	38,601	9,679	10,108	1,430,538	1,389,581
LIABILITIES												
Current												
Accounts payable and other operating liabilities (Note 16)	121,165	135,159	11,574	12,371	9,658	18,007	1,935	1,982	-	-	144,332	167,519
Deferred revenues (Note 17)	9,723	11,540	-	-	-	-	-	-	-	-	9,723	11,540
Deferred contributions (Note 18)	-	-	224,526	210,198	-	-	-	-	-	-	224,526	210,198
Interfund advances, without interest	260,829	207,881	-	-	-	-	-	-	-	-	-	-
Current portion of long-term debt (Note 19)	5,121	5,121	-	-	55,817	108,278	-	-	-	-	60,938	113,399
	396,838	359,701	236,100	222,569	65,475	126,285	1,935	1,982	-	-	439,519	502,656
Long-term												
Long-term debt (Note 19)	54,261	59,382	-	-	595,192	519,341	-	-	-	-	649,453	578,723
Accrued benefit liability (Note 20)	27,275	25,924	-	-	-	-	-	-	-	-	27,275	25,924
Deferred contributions related to capital assets (Note 21)	-	-	-	-	351,147	353,827	-	-	-	-	351,147	353,827
	478,374	445,007	236,100	222,569	1,011,814	999,453	1,935	1,982	-	-	1,467,394	1,461,130
FUND BALANCES (NEGATIVE) (NOTE 23)												
Unrestricted	(270,644)	(271,786)	-	-	-	-	-	-	9,679	10,108	(260,965)	(261,678)
Internally restricted	32,656	32,438	-	-	-	-	2,631	2,710	-	-	35,287	35,148
Restricted as endowments	-	-	-	-	-	-	32,130	33,909	-	-	32,130	33,909
Invested in capital assets	-	-	-	-	156,692	121,072	-	-	-	-	156,692	121,072
	(237,988)	(239,348)	-	-	156,692	121,072	34,761	36,619	9,679	10,108	(36,856)	(71,549)
	240,386	205,659	236,100	222,569	1,168,506	1,120,525	36,696	38,601	9,679	10,108	1,430,538	1,389,581

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

On behalf of the Board,


Director


Director

Université Laval

Notes to Financial Statements

April 30, 2020

(amounts in the tables are in thousands of dollars)

1 - UNIVERSITÉ LAVAL'S GOVERNING STATUTES AND OBJECTIVES

Université Laval (hereinafter the "University") was incorporated pursuant to Bill 115 of the Quebec National Assembly, sanctioned on September 1, 1971.

The University's mission is to contribute to the development of society through the training of competent, responsible individuals who are agents of change and through the advancement and sharing of knowledge in a dynamic environment that promotes research and creativity.

The University is a tax-exempt organization as defined in the *Income Tax Act*.

2 - ACCOUNTING CHANGES

On May 1, 2019, the University applied Section 4433, "Tangible Capital Assets Held by Not-for-profit Organizations", of Part III of the *CPA Canada Handbook – Accounting*. This section replaces Section 4431 of the same name. In accordance with this new section, not-for-profit organizations are now required to comply with the guidance in sections 3061, "Property, Plant and Equipment", and 3110, "Asset Retirement Obligations", and with the reporting requirements of Section 3063, "Impairment of Long-lived Assets", of Part II of the *CPA Canada Handbook – Accounting*, except for the guidance in Section 4433.

Application of Section 3061 by not-for-profit organizations now requires that they consider the guidance on componentization of the cost of an item of property, plant and equipment made up of significant separable component parts. For its part, Section 4433 presents new tangible capital assets impairment standards.

On May 1, 2019, the University also applied Section 4441, "Collections Held by Not-for-profit Organizations", of Part III of the *CPA Canada Handbook – Accounting*. This section replaces Section 4440 of the same name. In accordance with this new section, not-for-profit organizations are now required to recognize all of their collections in the statement of financial position either at cost or at nominal value. This new section provides guidance on the write-down of collections or collection items which are recognized at cost. For their part, the recommendations of Section 4440 provided that an organization was not required to recognize its collections in the statement of financial position, but did not prohibit it from doing so and it did not provide any guidance on the write-down of collections or collection items. Lastly, the new section provides for new disclosures about the disposal of collection items, the use of the proceeds on such disposal and the write-down of collections or collection items.

In accordance with the transitional provisions, these new sections, applicable to years beginning on or after January 1, 2019, have been applied prospectively.

Application of these new sections did not have any impact on the University's financial statements.

Université Laval

Notes to Financial Statements

April 30, 2020

(amounts in the tables are in thousands of dollars)

3 - PRIOR YEAR ADJUSTMENTS

The University restated its financial statements for the previous year regarding the double capitalization of capital asset acquisitions. The effects of this adjustment on the financial statements as at April 30, 2019 are a \$2,880,573 reduction in tangible capital assets and the excess of revenues over expenses, and a reduction of fund balances in the same amount.

The University also restated its financial statements for the previous year regarding deferred contributions related to capital assets and the subsidy receivable from the MEES. The effects of this adjustment on the financial statements as at April 30, 2019 are a \$16,472,193 increase in accounts receivable and other amounts receivable, a \$2,444,987 increase in deferred contributions related to capital assets, a \$11,770,114 increase in the excess of revenues over expenses and a \$2,257,092 increase in fund balances as at May 1, 2018 and \$14,027,206 as at April 30, 2019.

4 - IMPACTS RESULTING FROM THE COVID-19 PANDEMIC

During the year, the emergence of a new strain of coronavirus (COVID-19) resulted in a major global health crisis which continues to impact global economy and financial markets at the financial statements completion date.

These events are likely to cause significant changes to the assets or liabilities in the coming year or have a significant impact on future operations. The University took and will continue to take measures following these events to minimize their impact. However, it is impossible to determine the financial impact of these events at this time.

5 - SIGNIFICANT ACCOUNTING POLICIES

Funds classification

For accounting purposes, accounts with similar characteristics are grouped in one of the following funds:

Operating fund

This fund includes amounts without external restrictions that can be used to achieve the University's fundamental objectives, such as teaching, research, community services, etc.

Restricted fund

This fund includes amounts which can only be used in accordance with the restrictions imposed by the donor. Only external restrictions are considered as restricting the use of these funds.

Capital assets fund

This fund includes amounts which can only be used for transactions relating to capital assets and the financing thereof.

Université Laval

Notes to Financial Statements

April 30, 2020

(amounts in the tables are in thousands of dollars)

5 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment fund

This fund includes donations to the University. The principal must be maintained at all times and the income derived from such principal can generally only be used as specified by the donor.

Subscription fund

This fund includes amounts collected through financing campaigns and is not externally restricted.

Basis of presentation

The University's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the University may undertake in the future. Actual results may differ from these estimates.

Principles of consolidation

The accounts of entities that are controlled by the University have not been consolidated in the financial statements. However, Notes 27 and 28 provide information regarding those entities.

Ancillary services

Ancillary services include services for residences, parking, reprography and the Montmorency forest (forest management).

The objective of the University's budget policy is to ensure the profitability of these services. Expenses for the land, building and information technology divisions are recorded in ancillary services as well as a charge for administrative expenses.

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the date of the statement of financial position. Non-monetary assets and liabilities are translated at historical exchange rates, with the exception of those recognized at fair value, which are translated at the exchange rate in effect at the date of the statement of financial position. Revenues and expenses in foreign currency are translated at the exchange rate in effect at the transaction date and exchange gains and losses on financial assets and liabilities are included in the statement of operations. Exchange gains or losses on financial assets and liabilities measured at fair value are included in the net change in fair value presented in the net investment income.

Université Laval

Notes to Financial Statements

April 30, 2020

(amounts in the tables are in thousands of dollars)

5 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible and intangible capital assets

Capital assets are recorded in the capital assets fund at acquisition cost and amortized in accordance with instructions issued by the MEES according to the straight-line method and the following periods:

	<u>Periods</u>
Major improvements – building services	25 years
Major improvements – interior redevelopment	30 years
Major improvements – structure and architecture	40 years
Landscaping under \$30,000	10 years
Landscaping over \$30,000	20 years
Buildings with a wooden structure	40 years
Buildings, excluding those with a wooden structure	50 years
Library documents	10 years
Audiovisual and communication equipment	5 years
Computer equipment	3 years
Specialized equipment	10 years
Automotive equipment	5 years
Furniture	5 years
Leasehold improvements	Remaining lease term
Right to use the high bandwidth telecommunications network	17 years
Other assets subject to amortization	20 years

Projects in progress are not amortized; amortization will begin from the date they are put into service.

Write-down

When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the capital asset's fair value or replacement cost. The write-down is accounted for in the statement of operations and cannot be reversed.

Contributions recognition

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

Endowment contributions and contributions in capital assets that are not subject to amortization are reported as direct increases in the appropriate fund balances.

Université Laval

Notes to Financial Statements

April 30, 2020

(amounts in the tables are in thousands of dollars)

5 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations

Donated real property, equipment, supplies and services received by the University are recorded at their fair value when fair value can be reasonably estimated and if the University would have had to otherwise acquire these supplies and services for its normal operations.

Donations collected in connection with financing campaigns are forwarded to La Fondation de l'Université Laval, an organization that is controlled by the University and was created to support the University in the pursuit of its objectives.

Research subsidies, contracts and other revenues

Research subsidies from external organizations are included in the restricted fund. These subsidies are generally granted to researchers, but are paid to the University as agent.

Investment income

Restricted investment income is recognized as revenue of the appropriate fund in the year the related expenses are incurred. Investment income earned on endowment fund resources is therefore reported in the restricted fund or the operating fund, depending on the nature of any restrictions imposed by contributors. Unrestricted interest income is recognized in the operating fund when it is earned.

Revenue recognition

The University's principal sources of revenues, other than contributions, are tuition fees, community services, external services and student services and assistance. Revenues are recognized when the following conditions are fulfilled:

- There is evidence of the existence of an agreement;
- Services have been supplied;
- Sale price is or can be determined;
- Collection is reasonably assured.

Revenues are recognized as the services are supplied. Deferred revenues represent collections for which revenues are not yet earned.

Interest on debts

Operating fund

This fund includes interest on the bank loans and long-term debts attributable to the operating fund.

Capital assets fund

Interest on debts secured by the Government of Quebec is reimbursed by the MEES.

Université Laval

Notes to Financial Statements

April 30, 2020

(amounts in the tables are in thousands of dollars)

5 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension plans

The University accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension benefits. More specifically, the University recognizes its obligations under the defined benefit plans on the statement of financial position, net of the fair value of plan assets. The University determines the defined benefit obligations using the most recent actuarial valuation prepared for funding purposes, which is extrapolated until the University's year-end. The total defined benefit plan cost includes current service cost and finance cost and is recognized in operations under "Future employee benefits". Remeasurements and other items, which include actuarial gains and losses relating to obligations, the difference between the actual return on plan assets and interest income deducted from the finance cost as well as past service cost, are recognized separately on the statement of changes in fund balances. Remeasurements and other items are not reclassified to the statement of operations in a subsequent year.

The University also offers a defined contribution plan to its lecturers, research professionals and certain employees who do not meet the criteria for the participation to defined benefit plans. Expenses related to the defined contribution plan are accounted for when disbursements are due, in accordance with the terms and conditions of the plan.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the University's financial assets and liabilities are measured at fair value, which, in the case of financial assets or liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

Subsequent measurement

At each reporting date, the University measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets), except for portfolio investments in equity instruments that are quoted in an active market, that is mutual fund investments and shares which are measured at fair value and investments in the master trust which the University has elected to measure at fair value by designating that fair value measurement shall apply.

Transaction costs relating to financial assets and liabilities that are measured at amortized cost are amortized using the effective interest rate method over the term of the related financial instrument. Amortization of transaction costs related to long-term debt is recognized in operations as interest expenses on long-term debt.

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(amounts in the tables are in thousands of dollars)

5 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

With respect to financial assets measured at amortized cost, the University assesses whether there are any indications of impairment. When there is an indication of impairment, and if the University determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

Derivative financial instruments

The University uses interest rate swaps to manage its interest rate risk exposure resulting from its bank loans and long-term debt. It does not use these derivative financial instruments for trading or speculative purposes.

The University has elected to use hedge accounting to recognize the interest rate swaps it uses to provide protection against interest rate fluctuations on its variable interest rate debt.

At the inception of the hedging relationship, the University formally documented the hedging relationship, identifying the hedged item, the related hedging item, the nature of the specific risk exposure being hedged and the intended term of the hedging relationship. Both at the inception of the hedging relationship and throughout its term, the University has reasonable assurance that the critical terms of the hedging item and the hedged item will remain the same. For hedged items that are an anticipated transaction, the University determines that it is probable that the anticipated transaction will occur at the time and in the amount designated, as documented at the inception of the hedging relationship.

The University discontinues hedge accounting when the hedged item or the hedging item ceases to exist or the critical terms of the hedging item cease to match those of the hedged item.

6 - SUBSIDIES – MEES

Operating fund

This item does not include the \$3,364,000 (\$3,383,700 as at April 30, 2019) subsidy for student services and assistance, which is included under this category.

A \$3,000,000 subsidy receivable was accounted for following accelerated credits from the MEES, what represents a \$3,000,000 decrease compared to the \$6,000,000 subsidy receivable that was recognized in this regard in 2019.

Capital assets fund

A substantial portion of subsidies for this fund includes amounts allocated for interest, repayment of matured bonds and provisioning of the long-term debt sinking fund.

Université Laval

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April 30, 2020

(amounts in the tables are in thousands of dollars)

7 - INTERFUND TRANSFERS

During the year, in accordance with a decision of the Board of Directors, unrestricted resources were restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
	\$	\$
Projects		
Operating fund	(44,813)	(47,991)
Restricted fund	1,505	1,394
Capital assets fund	45,138	48,026
Endowment fund	(1,580)	(1,359)
Subscription fund	(250)	(70)
	<u>—</u>	<u>—</u>

8 - INFORMATION ON CASH FLOWS

The net change in working capital items is as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Accounts receivable and other amounts receivable	9,766	13,791
Prepaid expenses	662	527
Accounts payable and other operating liabilities	(16,544)	2,944
Deferred revenues	(1,817)	5,263
Deferred contributions	14,328	30,715
	<u>6,395</u>	<u>53,240</u>

9 - ACCOUNTS RECEIVABLE AND OTHER AMOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
	\$	\$
Operating fund		
Sales, independent businesses and other	6,889	6,589
Subsidy – MEES (1)	37,125	49,319
Tuition fees and other expenses	3,445	2,413
	<u>47,459</u>	<u>58,321</u>
Restricted fund		
Subsidies, contracts and other (2)	<u>31,697</u>	<u>26,015</u>
Capital assets fund		
Subsidies (3)	154,244	158,917
Other	456	369
	<u>154,700</u>	<u>159,286</u>
	<u>233,856</u>	<u>243,622</u>

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Notes to Financial Statements

April 30, 2020

(amounts in the tables are in thousands of dollars)

9 - ACCOUNTS RECEIVABLE AND OTHER AMOUNTS RECEIVABLE (Continued)

The accounts receivable and other amounts receivable are presented in the financial statements net of an allowance for impairment of \$3,095,000, that is \$1,825,000 for tuition fees and \$1,270,000 for general billing (\$2,025,000 as at April 30, 2019, that is \$1,435,000 for tuition fees and \$590,000 for general billing). The amount of the impairment loss related to the accounts receivable and other amounts receivable is \$1,524,335 for the year (\$579,206 in 2019).

- (1) The subsidy – MEES receivable consists of the total final subsidy balance for the year 2019-2020 of \$45,599,631, net of the adjustment resulting from the change in the student population of \$-8,474,738 (as at April 30, 2019: consisting of the total final subsidy balance for the year 2018-2019 of \$53,563,046, net of the adjustment resulting from the change in the student population of \$-4,244,400).
- (2) Subsidies receivable from the restricted fund are generally from governments and government bodies.
- (3) Subsidies receivable represent the difference between subsidy revenues accounted for according to the deferral method (see Note 5, "Significant Accounting Policies", for more information) and amounts received to this day or paid directly by the MEES in repayment of the long-term debt. Subsidies receivable also include a \$5,958,350 (\$5,876,981 as at April 30, 2019) amount related to the interest on the temporary financing of capital assets, which is repaid by the MEES.

10 - PREPAID EXPENSES

These expenses are supplies and services from the different faculties to be used in the coming year and advances to projects.

11 - NOTES RECEIVABLE

	2020	2019
	\$	\$
Amount receivable from La Boutique Rouge et Or – Université Laval, 3.3%	255	274
Other amounts receivable, without interest	25	29
	280	303

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(amounts in the tables are in thousands of dollars)

12 - INVESTMENTS

						2020
	Operating fund	Restricted fund	Capital assets fund	Endowment fund	Subscription fund	Total
	\$	\$	\$	\$	\$	\$
Master trust fund	1,368	11,255	2,717	36,696	9,679	61,715
Shares	19,902	-	-	-	-	19,902
Fixed-interest securities	19,747	-	-	-	-	19,747
Money market securities and other	75,166	-	-	-	-	75,166
	<u>116,183</u>	<u>11,255</u>	<u>2,717</u>	<u>36,696</u>	<u>9,679</u>	<u>176,530</u>
Current portion	75,000	-	-	-	-	75,000
	<u>41,183</u>	<u>11,255</u>	<u>2,717</u>	<u>36,696</u>	<u>9,679</u>	<u>101,530</u>
						2019
	Operating fund	Restricted fund	Capital assets fund	Endowment fund	Subscription fund	Total
	\$	\$	\$	\$	\$	\$
Master trust fund	1,449	11,931	2,572	38,601	10,108	64,661
Shares	19,782	-	-	-	-	19,782
Fixed-interest securities	19,186	-	-	-	-	19,186
Money market securities and other	75	-	-	-	-	75
	<u>40,492</u>	<u>11,931</u>	<u>2,572</u>	<u>38,601</u>	<u>10,108</u>	<u>103,704</u>

Shares assigned to the University

In connection with the signing of license agreements entitling private businesses to exploit intellectual property it owns, the University was granted shares in the following companies:

- BioVec Pharma Inc., 50 common shares, voting, participating, without par value;
- Amylix Pharmaceuticals Inc., 67,425 preferred shares;
- ImStar Therapeutics Inc., 246,122 common shares;
- LensVector Inc., 770,102 class "C" preferred shares (670,102 shares as at April 30, 2019) and 250,000 class "B" preferred shares;

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(amounts in the tables are in thousands of dollars)

12 - INVESTMENTS (Continued)

- Robotiq inc., debenture convertible in common shares, interest rate of 7%, with a par value of \$98,178;
- Gestion Sovar inc., 50 common shares, voting, participating, without par value;
- InflammatoRx Inc., 50 common shares, voting, participating, without par value;
- Fortaleza Energy Inc., 15,873 common shares;
- Diamantis Inc., 500,170 common shares;
- Sovar, société en commandite, 1 class "B" common share, 4 class "Gel A" preferred shares, 1 class "Gel B" preferred share, 191,504 preferred shares and 1 "UL" preferred share.

Since there is no market value for these shares, they are not recorded in the statement of financial position.

13 - TANGIBLE CAPITAL ASSETS

	2020		
	Cost	Accumulated amortization	Unamortized cost
	\$	\$	\$
Major improvements	386,210	71,373	314,837
Landscaping	47,364	13,804	33,560
Buildings	594,747	273,599	321,148
Library documents	86,944	41,702	45,242
Audiovisual and communication equipment	6,093	3,002	3,091
Computer equipment	50,314	24,662	25,652
Specialized equipment	166,992	84,836	82,156
Automotive equipment	1,866	863	1,003
Furniture	5,959	2,483	3,476
Leasehold improvements	–	–	–
Assets not subject to amortization	7,310	–	7,310
Projects in progress	91,539	–	91,539
Land	14,109	–	14,109
	1,459,447	516,324	943,123

Université Laval

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April 30, 2020

(amounts in the tables are in thousands of dollars)

13 - TANGIBLE CAPITAL ASSETS (Continued)

	2019		
	Cost	Accumulated amortization	Unamortized cost
	\$	\$	\$
Major improvements	361,732	58,645	303,087
Landscaping	46,777	11,443	35,334
Buildings	577,646	262,185	315,461
Library documents	84,952	40,126	44,826
Audiovisual and communication equipment	5,918	2,555	3,363
Computer equipment	51,217	24,256	26,961
Specialized equipment	175,263	92,580	82,683
Automotive equipment	2,065	997	1,068
Furniture	5,114	2,194	2,920
Leasehold improvements	740	586	154
Assets not subject to amortization	6,648	-	6,648
Projects in progress	98,274	-	98,274
Land	14,109	-	14,109
	<u>1,430,455</u>	<u>495,567</u>	<u>934,888</u>

During the previous year, the University wrote off tangible capital assets which cost totalled \$3,400,373 and accumulated amortization amounted to \$2,105,354, resulting in a \$1,295,019 loss on write-off.

The amortization expense for tangible and intangible capital assets is as follows:

	2020	2019
	\$	\$
Major improvements	12,728	11,430
Landscaping	2,361	2,341
Buildings	11,413	11,411
Library documents	8,654	8,395
Audiovisual and communication equipment	1,201	1,091
Computer equipment	16,922	16,716
Specialized equipment	17,618	17,763
Automotive equipment	404	385
Furniture	1,108	964
Leasehold improvements	154	314
Intangible assets	-	-
	<u>72,563</u>	<u>70,810</u>

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(amounts in the tables are in thousands of dollars)

14 - INTANGIBLE CAPITAL ASSET

	2020	2019
	\$	\$
Right to use the high bandwidth telecommunications network managed by the Réseau d'informations scientifiques du Québec (RISQ) inc.	-	53

15 - BANK LOANS

The University has a \$155,000,000 opening of credit in addition to the various commercial paper programs effective.

As at April 30, 2020, these bank loans are unused (unused as at April 30, 2019). If these credit facilities had been used by the University as at April 30, 2020, the interest rate would have been approximately 0.6% (1.8% as at April 30, 2019).

This financing must be renegotiated occasionally with the financial institutions based on the University's cash requirements.

Each year, the MEES authorizes a maximum temporary loan amount, which totalled \$108,000,000 as at April 30, 2020 (\$115,000,000 as at April 30, 2019).

16 - ACCOUNTS PAYABLE AND OTHER OPERATING LIABILITIES

Government remittances total \$9,407,657 (\$7,474,576 as at April 30, 2019).

17 - DEFERRED REVENUES

	2020	2019
	\$	\$
Revenues collected in advance on land rental	1,064	1,131
Tuition fees and other revenues	8,073	9,016
Room deposits	193	690
Sport activity deposits (SAS)	393	703
	<u>9,723</u>	<u>11,540</u>

18 - DEFERRED CONTRIBUTIONS

Deferred contributions represent the unspent portion of subsidies allocated to research under external restrictions and are as follows:

	2020	2019
	\$	\$
Balance, beginning of year	210,198	179,483
Amounts recognized as revenue	(209,744)	(197,877)
Amounts received for next year	224,072	228,592
Balance, end of year	<u>224,526</u>	<u>210,198</u>

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April 30, 2020

(amounts in the tables are in thousands of dollars)

19 - LONG-TERM DEBT

	<u>2020</u>	<u>2019</u>
	\$	\$
Operating fund		
Group of loans, variable rates based on three-month CDOR plus 0.61%, payable in principal monthly instalments of \$360,683, maturing in 2031 and 2032 (1)	50,856	55,184
Group of loans, variable rates based on three-month CDOR plus 0.57%, payable in principal monthly instalments of \$66,091, maturing in 2030 and 2031 (1)	<u>8,526</u>	<u>9,319</u>
	<u>59,382</u>	<u>64,503</u>
Current portion	<u>5,121</u>	<u>5,121</u>
	<u>54,261</u>	<u>59,382</u>
Capital assets fund		
Debts secured by the Government of Quebec from annual appropriations voted by the National Assembly		
Bonds and loans, weighted average rate of 2.85% (2.91% as at April 30, 2019), maturing in tranches until 2044	613,065	585,056
Loan, 6.875%, payable in blended monthly instalments of \$6,433, maturing in 2021	56	127
Loan, variable rate based on CDOR plus 0.24%, payable in blended monthly instalments of \$107,220, maturing in 2026 (1)	7,184	8,098
Loan, variable rate based on CDOR plus 0.96%, payable in blended monthly instalments of \$20,238, maturing in 2029 (1)	2,226	2,469
Group of loans, variable rates based on CDOR plus 0.59% and 0.71%, payable in blended monthly instalments of \$59,000, maturing in 2021 and 2026 (1)	3,177	3,885
Group of loans, variable rates based on CDOR plus 0.61% to 0.69%, payable in blended monthly instalments of \$103,000, maturing in 2024 and 2027 (1)	6,915	8,151
Loan, variable rate based on CDOR plus 0.63%, payable in principal monthly instalments of \$21,000, plus interest, maturing in 2035 (1)	5,287	5,539
Loan, variable rate based on CDOR plus 0.63%, payable in principal monthly instalments of \$30,000, plus interest, maturing in 2036 (1)	5,730	6,090

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Notes to Financial Statements

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(amounts in the tables are in thousands of dollars)

19 - LONG-TERM DEBT (Continued)

	2020	2019
	\$	\$
Loan, variable rate based on CDOR plus 0.58%, payable in principal monthly instalments of \$25,000, plus interest, maturing in 2026 (1)	1,950	2,250
Loan, 2.9025% capitalized semiannually, payable in principal monthly instalments of \$25,208, plus interest, maturing in 2027	2,269	2,571
Loan, variable rate based on CDOR plus 0.77%, payable in principal monthly instalments of \$19,444, plus interest, maturing in 2033 (1)	3,150	3,383
	651,009	627,619
Current portion	55,817	108,278
	595,192	519,341
	649,453	578,723

(1) These loans are subject to interest rate swaps, as described in Note 22.

The estimated instalments on long-term debt for the next five years are \$60,937,662 in 2021, \$60,951,688 in 2022, \$58,405,682 in 2023, \$74,235,423 in 2024 and \$47,700,069 in 2025.

The portion subsidized by the Government of Quebec included in estimated instalments for the next five years is \$51,218,612 in 2021, \$51,283,344 in 2022, \$48,901,586 in 2023, \$64,656,616 in 2024 and \$38,678,019 in 2025.

20 - UNIVERSITÉ LAVAL'S PENSION PLANS

Defined benefit pension plans

The University measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at April 30 of each year. Complete actuarial evaluations of the pension plans for funding purposes were performed as at December 31, 2018, in accordance with the *Act respecting the restructuring of university-sector defined benefit pension plans and amending various legislative provisions*. The next evaluations will be performed as at December 31, 2021.

Reconciliation of the funded statute of the employee benefit plans and the amounts recorded in the financial statements

	Pension plan	
	2020	2019
	\$	\$
Accrued benefit obligations	3,278,166	3,276,232
Fair value of plan assets	3,432,168	3,368,127
Funded statute – surplus	(154,002)	(91,895)
Valuation allowance	(179,759)	(116,202)
Accrued benefit liability	25,757	24,307

Université Laval

Notes to Financial Statements

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(amounts in the tables are in thousands of dollars)

20 - UNIVERSITÉ LAVAL'S PENSION PLANS (Continued)

	Other benefit plans	
	2020	2019
	\$	\$
Accrued benefit obligations	1,518	1,617
Fair value of plan assets	—	—
Funded statute – deficit and accrued benefit liability	<u>1,518</u>	<u>1,617</u>

Pension plan asset components

At the measurement date, i.e. April 30 of each year, the pension plan assets consist of the following:

	2020	2019
	%	%
Asset category		
Debt securities	42.85	39.48
Equity securities	36.58	34.46
Real estate funds	8.75	13.51
Other investment vehicles	11.82	12.55
	<u>100.00</u>	<u>100.00</u>

Total cash payments

Cash payments for future employee benefits, consisting of cash contributed by the University to its funded pension plans and amounts paid directly to beneficiaries for its unfunded other benefit plans, total \$43,824,600 (\$108,539,200 as at April 30, 2019).

Future employee benefit costs recognized during the year

	2020	2019
	\$	\$
Pension plans	39,395	37,231
Other plans	1,097	1,200

Significant assumptions

The significant assumptions used are as follows (weighted average):

	Pension plan	
	2020	2019
	%	%
Inflation rate	2.00	2.00
Discount rate	4.50 - 6.30	4.55 - 6.35
Expected long-term rate of return on plan assets	4.50 - 6.30	4.55 - 6.35
Compensation increase rate	3.00 - 3.35	3.00 - 3.35

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20 - UNIVERSITÉ LAVAL'S PENSION PLANS (Continued)

	Other benefit plans	
	2020	2019
	%	%
Inflation rate	—	—
Discount rate	4.89 - 5.15	4.89 - 5.15
Expected long-term rate of return on plan assets	—	—
Compensation increase rate	3.00	3.00
Increase in medical costs rate	5.00	5.00

21 - DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets include the unamortized balance of contributed capital assets and the unamortized balance of capital assets acquired from externally restricted contributions that were restricted for this purpose.

	2020	2019
	\$	\$
Balance, beginning of year	353,827	355,215
Amounts received during the year	78,807	78,618
Contributions received in capital assets	718	1,090
Amounts recognized as revenue	(82,205)	(81,096)
Balance, end of year	351,147	353,827

22 - CASH FLOW HEDGING SWAPS

The University has entered into fixed and variable interest rate swaps to hedge changes in cash flows relating to the variable-rate portion of long-term debt.

	Maturity date	Fixed weighted average interest rate	2020
			Notional amount
		%	\$
Operating fund			
Long-term debt	09-11-2030, 09-12-2030 and 09-01-2031	3.03	8,526
Long-term debt	09-11-2031, 09-12-2031 and 09-01-2032	3.03	50,856
			59,382

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(amounts in the tables are in thousands of dollars)

22 - CASH FLOW HEDGING SWAPS (Continued)

		2020	
	Maturity date	Fixed weighted average interest rate	Notional amount
		%	\$
Capital assets fund			
Long-term debt	19-10-2026	4.57	7,184
Long-term debt	20-10-2026	1.49	1,950
Long-term debt	31-12-2021		
	and 31-12-2026	2.01	3,177
Long-term debt	29-02-2024		
	and 28-02-2027	2.22	6,915
Long-term debt	05-06-2029	2.63	2,226
Long-term debt	24-10-2033	3.03	3,150
Long-term debt	18-11-2035	2.64	5,287
Long-term debt	03-03-2036	1.80	5,730
			35,619
			95,001
			2019
	Maturity date	Fixed weighted average interest rate	Notional amount
		%	\$
Operating fund			
Long-term debt	09-11-2030, 09-12-2030		
	and 09-01-2031	3.03	9,319
Long-term debt	09-11-2031, 09-12-2031		
	and 09-01-2032	3.03	55,184
			64,503

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(amounts in the tables are in thousands of dollars)

22 - CASH FLOW HEDGING SWAPS (Continued)

			2019
	Maturity date	Fixed weighted average interest rate %	Notional amount \$
Capital assets fund			
Long-term debt	19-10-2026	4.57	8,098
Long-term debt	20-10-2026	1.49	2,250
Long-term debt	31-12-2021 and 31-12-2026	2.01	3,885
Long-term debt	29-02-2024 and 28-02-2027	2.22	8,151
Long-term debt	05-06-2029	2.63	2,469
Long-term debt	24-10-2033	3.03	3,383
Long-term debt	18-11-2035	2.64	5,539
Long-term debt	03-03-2036	1.80	6,090
			<u>39,865</u>
			<u>104,368</u>

Under these swaps recognized as cash flow hedges, the University pays fixed interest rates and receives variable interest rates, which are reviewed monthly.

23 - OPERATING FUND BALANCE

	2020	2019
	\$	\$
Unrestricted		
Future employee benefits		
Pension plan	(25,757)	(24,307)
Other benefit plans	(1,518)	(1,617)
Vacations payable, accumulated overtime and other employee benefits payable	(44,131)	(42,215)
Operations	(199,238)	(203,647)
	<u>(270,644)</u>	<u>(271,786)</u>
Internally restricted (1)	<u>32,656</u>	<u>32,438</u>
	<u>(237,988)</u>	<u>(239,348)</u>

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(amounts in the tables are in thousands of dollars)

23 - OPERATING FUND BALANCE (Continued)

	2020	2019
	\$	\$
(1) Balance of the internally restricted fund		
<i>Special programs</i>		
Budget carried over to multiple-faculty entities	129	128
Unrestricted research projects	25,792	25,515
Special research budget	3,748	3,645
Other	2,987	3,150
	<u>32,656</u>	<u>32,438</u>

24 - NET INVESTMENT INCOME

	2020	2019
	\$	\$
Investments measured at fair value		
Net change in fair value		
From restricted resources	(1,561)	674
From resources held as endowments (a)	(2,526)	1,019
Unrestricted	(1,396)	1,710
	<u>(5,483)</u>	<u>3,403</u>
Other investment income		
From restricted resources	1,400	1,227
From resources held as endowments (a)	2,312	1,910
Unrestricted	5,811	3,461
	<u>9,523</u>	<u>6,598</u>
	<u>4,040</u>	<u>10,001</u>

(a) All net investment income from resources held as endowments is recognized as income for the year.

25 - COMMITMENTS

Outstanding purchase orders for goods and services

Unrecorded commitments for outstanding purchase orders for goods and services assumed by the University's operating fund amount to \$3,815,038 (\$5,829,723 in 2019) and those assumed by the restricted fund amount to \$4,711,803 (\$6,398,157 in 2019).

Leases

The University has entered into lease agreements for premises expiring between September 2020 and March 2025, which call for lease payments made from the operating fund totalling \$6,785,283. Minimum lease payments for the next five years are \$3,059,497 in 2021, \$1,715,529 in 2022, \$859,778 in 2023, \$600,250 in 2024 and \$550,229 in 2025.

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Notes to Financial Statements

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(amounts in the tables are in thousands of dollars)

25 - COMMITMENTS (Continued)

Building construction and renovations

Unrecorded commitments for building construction and renovations assumed by the University's capital assets fund amount to \$14,786,191 (\$16,715,468 as at April 30, 2019).

Conditional subsidy

According to the financial framework proposed by the MEES, the University is committed to balancing its budget. Non-compliance with this commitment could result in changes in the subsidies granted. As at April 30, 2020, an amount of \$46,278,600 has been recorded as revenue and is receivable on that date (\$46,767,100 receivable as at April 30, 2019). It was cashed on July 31, 2020.

26 - FINANCIAL RISKS

The University's main financial risk exposure is detailed as follows.

Currency risk

Currency risk results from the University's equity securities and foreign fund units. The University manages this risk through its investment policies. As at April 30, 2020, the market value of the foreign investment portfolio amounts to \$12,023,085 for the annuity backing fund and to \$18,307,030 for the master trust fund, for a total amount of \$30,330,115, mainly denominated in U.S. dollars (total amount of \$31,695,029 as at April 30, 2019).

The University is also exposed to currency risk due to accounts receivable, other amounts receivable, accounts payable and other operating liabilities denominated in euros and U.S. dollars. As at April 30, 2020, financial assets denominated in foreign currency comprise accounts receivable and other amounts receivable totalling \$535,348, i.e. US\$337,897 and €43,022 (\$640,438 as at April 30, 2019, i.e. US\$454,831 and €19,873). Financial liabilities denominated in foreign currency comprise accounts payable and other operating liabilities totalling \$2,681,446, i.e. US\$1,871,192 and €51,770 (\$2,330,323 as at April 30, 2019, i.e. US\$1,674,751 and €167,885).

Interest rate risk

Certain long-term debts bear interest at a variable rate and the University is, therefore, exposed to the cash flow risk resulting from interest rate fluctuations. As detailed in Note 22, the University uses derivative financial instruments to reduce its exposure to cash flow risk.

Some long-term debts bear interest at a fixed rate and the University is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The University does not use derivative financial instruments to reduce its exposure to this risk. However, most instalments in interest are assumed by the Government of Quebec.

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(amounts in the tables are in thousands of dollars)

26 - FINANCIAL RISKS (Continued)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument fails to fulfil a commitment or obligation, thus subjecting the other party to a financial loss. Each financial instrument is entered into pursuant to an ISDA master agreement and the University verifies the credit rating of each of the counterparties, which are all recognized Canadian financial institutions.

The University's maximum credit risk corresponds to the fair value on the statement of financial position of cash, accounts receivable, notes receivable and investments.

There is a concentration of credit risk when a substantial part of the portfolio is comprised of investments in values with similar characteristics or sensitive to the same economic, political and other factors. The University manages the risks relating to the management of its investments on a continuous basis with the help of the investment and treasury committee and considers that the risk is low.

Accounts receivable and other amounts receivable

The University does not require a guarantee from its customers. The accounts receivable balance is managed and analyzed on an ongoing basis and, accordingly, the University's exposure to doubtful accounts is not significant.

Notes receivable

The notes receivable balance is managed and analyzed to detect any loss in value. As at April 30, 2020, management estimates that the University's credit risk relating to these financial assets is low and, accordingly, no valuation allowance was recognized.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the University has financing sources such as loans for a sufficient authorized amount. The University establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations.

Other

The University is exposed to market risk, credit risk and interest rate risk with respect to its investments, either directly through mutual funds or through its interest in a master trust fund. The University manages its risk related to the management of its investments on an ongoing basis with the assistance of the investment and treasury committee and considers that the risk is low.

In addition, because of its interest in a master trust fund and mutual funds, the University is indirectly exposed to credit, market and interest rate risks.

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(amounts in the tables are in thousands of dollars)

27 - RELATED ENTITIES

In order to better assume some aspects of its mission, the University supports certain related entities, either by the pursuit of common objectives, the presence of University's representatives on the Board of Directors of these entities, the requirement for these entities to obtain the University's consent in order to modify their structure or their mission, or by the participation of the University to the development of their policies.

The University's support to these entities comprises financial contributions or gratuitous supply of personnel, equipment, space, accounting services or support.

These related entities are the following:

1. La Fondation de l'Université Laval
2. Les Presses de l'Université Laval
3. ULaval Formation continue
4. Les Missions commerciales de l'Université Laval
5. Entrepreneuriat Ulaval inc.
6. Clubs d'excellence sportifs du Rouge et Or de l'Université Laval
7. Boutique Rouge et Or – Université Laval
8. Gestion La Fabrique inc.
9. Corporation des services universitaires des Appalaches inc.

28 - CONTROLLED NOT-FOR-PROFIT ORGANIZATIONS

The financial statements of the controlled not-for-profit organizations are not consolidated and are available on demand. The University controls the following six organizations, all incorporated under Part III of the *Companies Act* (Quebec).

La Fondation de l'Université Laval

The University controls La Fondation de l'Université Laval since their objectives are integrated. The objective of the Foundation is to promote and support the University's teaching, creating and research activities. The Foundation is a registered charity as defined in the *Income Tax Act*.

The Foundation condensed financial statements as at April 30, 2020 and 2019 are as follows:

	2020	2019
	\$	\$
Financial position		
Assets	191,734	192,835
Liabilities	2,396	2,625
Fund balance	189,338	190,210
	191,734	192,835

Université Laval

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(amounts in the tables are in thousands of dollars)

28 - CONTROLLED NOT-FOR-PROFIT ORGANIZATIONS (Continued)

Restrictions		
Invested in capital assets	100	121
Restricted as endowments	182,484	180,928
Internally restricted	2,115	4,717
Unrestricted	4,639	4,444
	<u>189,338</u>	<u>190,210</u>
Operations		
Revenues	24,958	41,585
University's contributions	(19,791)	(20,880)
	<u>5,167</u>	<u>20,705</u>
Expenses	6,039	7,240
Excess (deficiency) of revenues over expenses	(872)	13,465
Fund balance, beginning of year	190,210	176,745
Fund balance, end of year	<u>189,338</u>	<u>190,210</u>
Cash flows		
Operating activities	267	(4,589)
Investing activities	591	1,754
Financing activities	2,136	2,153

ULaval Formation continue

The University controls ULaval Formation continue because it appoints all of the voting members of the Board of Directors. The objective of this organization is to promote and offer non-credit training. It is a tax-exempt organization under the *Income Tax Act*.

The organization's condensed financial statements as at April 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Financial position		
Assets	<u>1,557</u>	<u>1,104</u>
Liabilities	-	-
Fund balance	<u>1,557</u>	<u>1,104</u>
	<u>1,557</u>	<u>1,104</u>

Université Laval

Notes to Financial Statements

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(amounts in the tables are in thousands of dollars)

28 - CONTROLLED NOT-FOR-PROFIT ORGANIZATIONS (Continued)

	2020	2019
	\$	\$
Operations		
Revenues	-	-
University's contributions	453	404
	<u>453</u>	<u>404</u>
Expenses	-	-
Excess of revenues over expenses	453	404
Fund balance, beginning of year	1,104	700
Fund balance, end of year	<u>1,557</u>	<u>1,104</u>

Other organizations

The following four organizations are related parties over which the University has a presumption of control due to its economic interest and their shared objectives.

These organizations are excluded from the consolidation and information to provide because their individual materiality is not significant. The organizations are the following:

1. Les Missions commerciales de l'Université Laval
2. Entrepreneuriat Laval inc.
3. Clubs d'excellence sportifs du Rouge et Or de l'Université Laval
4. Boutique Rouge et Or – Université Laval

29 - JOINT VENTURE

Gestion La Fabrique inc.

The University has joint control over Gestion La Fabrique inc., since it owns 50% of the class "A" outstanding shares, voting and participating, of this company. The University also has the right to appoint 50% of the voting members of the Board of Directors.

The mission of this company is to manage a commercial building in which the University provides teaching activities. It is incorporated under the *Business Corporations Act* (Quebec) and its fiscal status is that of a Canadian-controlled private corporation.

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(amounts in the tables are in thousands of dollars)

29 - JOINT VENTURE (Continued)

The company's condensed financial statements as at May 31, 2019 and 2018 are presented for information purposes only, given that the equity value of the investment in this company is not significant. The financial statements are as follows, according to the 50% interest of the University:

	2019	2018
	\$	\$
Balance sheet		
Assets	48	44
Liabilities	48	44
Equity	-	-
	48	44
Operations		
Revenues	481	415
Expenses	481	415
Net earnings	-	-
Retained earnings, beginning of year	-	-
Retained earnings, end of year	-	-
Cash flows		
Operating activities	14	(9)
Investing activities	-	-
Financing activities	-	-

30 - NOT-FOR-PROFIT ORGANIZATIONS SUBJECT TO SIGNIFICANT INFLUENCE

The following two organizations, incorporated under Part III of the *Companies Act* (Quebec), are tax-exempt entities under the *Income Tax Act*. They are under the significant influence of the University.

Corporation des services universitaires des Appalaches inc.

The University exercises significant influence over this organization due to its capacity to appoint certain members of the Board of Directors. The organization's main objectives are analyzing the regional needs in terms of academic training, promoting the programs, recruiting students and organizing the courses and immediate services in the regions.

The University pays an annual contribution of \$73,278 to the organization. This amount, along with the annual contributions of two other entities, represents 95% of the revenues of the Corporation des services universitaires des Appalaches inc.

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(amounts in the tables are in thousands of dollars)

30 - NOT-FOR-PROFIT ORGANIZATIONS SUBJECT TO SIGNIFICANT INFLUENCE (Continued)

Les Presses de l'Université Laval

The University exercises significant influence over this organization due to its capacity to appoint certain members of the Board of Directors. The mission of the organization is to edit academic and educational books as well as books intended for the general public, in French.

The University pays a \$50,000 annual contribution to the operating fund of this organization, which represents 5% to 6% of its revenues.

31 - CONTINGENCY

On May 15, 2020, a request to exercise a class action has been filed against several universities, including Université Laval. According to this request, it is claimed that the measures taken by the related universities for the 2020 winter session, following the decree of emergency measures by the Government of Quebec as a response to the COVID-19 pandemic, have substantially affected the quality of teaching provided to students. Part of the tuition fees paid by the students for the 2020 winter session (\$30 per university credit) is thus claimed to those universities. At that time, it is impossible to estimate the global amount that this action represents for the universities.

32 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.