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# Financial statements of Université de Montréal

April 30, 2021

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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, 2021, 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, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

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

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

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

*Deloitte LLP*

September 28, 2021

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<sup>1</sup> CPA Auditor, CA, public accountancy permit No. A120628

**Université de Montréal**
**Statement of operations and changes in fund balances**

Year ended April 30, 2021

(In thousands of dollars)

	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>										
Grants from the ministère de l'Enseignement supérieur	577,408	567,633	25,225	15,839	46,768	45,809	—	—	649,401	629,281
Other government grants and contracts	25,608	25,016	130,990	135,576	18,724	17,643	—	—	175,322	178,235
Other non-governmental contributions and contracts	771	1,022	48,283	48,104	2,566	2,848	—	—	51,620	51,974
Donations	107	132	15,087	18,890	2,965	2,879	—	—	18,159	21,901
Tuition fees	156,728	146,549	—	—	—	—	—	—	156,728	146,549
Student services	12,277	12,526	—	—	—	—	—	—	12,277	12,526
Physical education and sports centre	12,503	17,635	—	—	—	—	—	—	12,503	17,635
Ancillary services	10,528	20,437	—	—	—	—	—	—	10,528	20,437
Investment income	5,301	6,389	9,596	10,731	—	—	—	—	14,897	17,120
External sales	22,765	30,102	—	—	—	—	—	—	22,765	30,102
Gain on disposal of capital assets	—	—	—	—	27	35	—	—	27	35
Other revenues	34,269	33,102	—	—	—	—	—	—	34,269	33,102
	<b>858,265</b>	<b>860,543</b>	<b>229,181</b>	<b>229,140</b>	<b>71,050</b>	<b>69,214</b>	<b>—</b>	<b>—</b>	<b>1,158,496</b>	<b>1,158,897</b>
<b>Expenses</b>										
Teaching and research	520,873	509,649	160,151	172,511	—	—	—	—	681,024	682,160
Teaching and research support	96,349	92,786	2,299	920	—	—	—	—	98,648	93,706
Student services	13,096	13,384	7,174	3,165	—	—	—	—	20,270	16,549
Physical education and sports centre	13,653	17,440	—	—	—	—	—	—	13,653	17,440
Scholarships – graduate programs	9,507	9,741	44,230	39,617	—	—	—	—	53,737	49,358
Community services	—	—	8,370	5,981	—	—	—	—	8,370	5,981
Administration	65,544	64,069	—	—	—	—	—	—	65,544	64,069
Facilities management	60,860	55,033	—	—	—	—	—	—	60,860	55,033
Ancillary services	16,243	17,807	—	—	—	—	—	—	16,243	17,807
Bad debts on tuition fees	1,566	1,259	—	—	—	—	—	—	1,566	1,259
Interest on bank overdrafts and bank loans and financial charges	328	249	—	—	697	2,438	—	—	1,025	2,687
Interest on debt	—	—	—	—	25,550	23,906	—	—	25,550	23,906
Vacation liability	3,476	2,384	—	—	—	—	—	—	3,476	2,384
Other unallocated employee future benefits	2,215	(7,797)	—	—	—	—	—	—	2,215	(7,797)
Other contributions and restricted amounts	—	—	738	752	5,242	5,576	—	—	5,980	6,328
Unusual pandemic-related costs	5,326	1,081	—	—	—	—	—	—	5,326	1,081
Amortization of capital assets	—	—	—	—	95,327	89,954	—	—	95,327	89,954
Loss on disposal of capital assets	—	—	—	—	—	290	—	—	—	290
	<b>809,036</b>	<b>777,085</b>	<b>222,962</b>	<b>222,946</b>	<b>126,816</b>	<b>122,164</b>	<b>—</b>	<b>—</b>	<b>1,158,814</b>	<b>1,122,195</b>
(Deficiency) excess of revenues over expenses before the undernoted:	<b>49,229</b>	<b>83,458</b>	<b>6,219</b>	<b>6,194</b>	<b>(55,766)</b>	<b>(52,950)</b>	<b>—</b>	<b>—</b>	<b>(318)</b>	<b>36,702</b>
Change in unrealized fair value of investments	6,294	(4,070)	—	—	—	—	—	—	6,294	(4,070)
Change in fair value of derivative financial instruments	—	(73)	—	—	22,259	(11,933)	—	—	22,259	(12,006)
<b>Excess (deficiency) of revenues over expenses</b>	<b>55,523</b>	<b>79,315</b>	<b>6,219</b>	<b>6,194</b>	<b>(33,507)</b>	<b>(64,883)</b>	<b>—</b>	<b>—</b>	<b>28,235</b>	<b>20,626</b>
Fund balances, beginning of year	<b>(254,449)</b>	<b>(93,395)</b>	<b>6,070</b>	<b>6,110</b>	<b>240,142</b>	<b>235,917</b>	<b>328,635</b>	<b>345,691</b>	<b>320,398</b>	<b>494,323</b>
Endowments	—	—	—	—	—	—	10,512	9,401	10,512	9,401
Investment losses deducted from endowment capital	—	—	—	—	—	—	(1,604)	(1,579)	(1,604)	(1,579)
Change in fair value of investments and unrealized derivative financial instruments added to (deducted from) endowment capital	—	—	—	—	—	—	44,344	(29,565)	44,344	(29,565)
Change in remeasurements and other recognized items related to defined benefit plans	482,243	(172,808)	—	—	—	—	—	—	482,243	(172,808)
Interfund transfers	(54,398)	(67,561)	(6,092)	(6,234)	52,060	69,108	8,430	4,687	—	—
<b>Fund balances, end of year</b>	<b>228,919</b>	<b>(254,449)</b>	<b>6,197</b>	<b>6,070</b>	<b>258,695</b>	<b>240,142</b>	<b>390,317</b>	<b>328,635</b>	<b>884,128</b>	<b>320,398</b>

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

**Université de Montréal**  
**Statement of financial position**

As at April 30, 2021  
(In thousands of dollars)

	Notes	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>											
<b>Current assets</b>											
Cash		—	—	56,246	51,440	15,878	11,151	1,778	976	73,902	63,567
Investments	3	180,518	60,000	5,414	2,922	—	—	19,271	16,387	205,203	79,309
Accounts receivable	4	88,858	100,642	117,442	128,540	184,786	183,617	164	715	391,250	413,514
Inventories		5,755	5,889	—	—	—	—	—	—	5,755	5,889
Expenses attributable to the following year	15	7,025	5,312	205	145	12	43	—	—	7,242	5,500
Derivative financial instruments – exchange contracts		—	—	—	—	—	—	1,310	761	1,310	761
Advances to other funds	5	84,092	91,990*	333,471	249,551*	62,482	59,049*	—	5,319*	—	—
		<b>366,248</b>	263,833	<b>512,778</b>	432,598	<b>263,158</b>	253,860	<b>22,523</b>	24,158	<b>684,662</b>	568,540
Investments	3	—	—	1,933	3,061	—	—	379,753	317,082	381,686	320,143
Accounts receivable	4	—	35	2,505	2,300	897,861	849,312	—	—	900,366	851,647
Capital assets	6	—	—	—	—	1,477,763	1,472,982	—	—	1,477,763	1,472,982
Defined benefit asset of the primary pension plan program	11	567,781	90,084	—	—	—	—	—	—	567,781	90,084
Other assets		—	—	—	—	239	247	—	—	239	247
		<b>934,029</b>	353,952	<b>517,216</b>	437,959	<b>2,639,021</b>	2,576,401	<b>402,276</b>	341,240	<b>4,012,497</b>	3,303,643
<b>Liabilities</b>											
<b>Current assets</b>											
Bank overdrafts		72,856	69,860	—	—	—	—	—	—	72,856	69,860
Bank loans	7	—	—	—	—	3,641	15,773	—	—	3,641	15,773
Accounts payable and accrued liabilities	8	125,792	97,714	18,138	24,322	41,468	37,518	—	240	185,398	159,794
Deferred revenues		9,086	7,982	28,006	12,590	—	—	—	—	37,092	20,572
Deferred contributions	9	—	—	401,716	331,787	446	439	—	—	402,162	332,226
Derivative financial instruments – exchange contracts	15	—	—	—	—	—	—	2	1,190	2	1,190
Current portion of debt	10	—	—	—	—	78,454	62,991	—	—	78,454	62,991
Current portion of capital-lease obligations		—	—	—	—	—	20	—	—	—	20
Advances due to other funds	5	322,566	240,404*	62,482	62,340*	83,040	91,990*	11,957	11,175*	—	—
		<b>530,300</b>	415,960	<b>510,342</b>	431,039	<b>207,049</b>	208,731	<b>11,959</b>	12,605	<b>779,605</b>	662,426
Grants payable		4,919	20,219	677	850	—	—	—	—	5,596	21,069
Debt	10	—	—	—	—	820,489	831,173	—	—	820,489	831,173
Deferred contributions	9	—	—	—	—	339,513	255,719	—	—	339,513	255,719
Deferred contributions pertaining to capital assets	9	—	—	—	—	1,001,992	1,007,094	—	—	1,001,992	1,007,094
Accrued defined benefit obligation of complementary retirement program	11	84,831	91,084	—	—	—	—	—	—	84,831	91,084
Accrued benefit obligation of post-employment benefit plan	11	85,060	81,138	—	—	—	—	—	—	85,060	81,138
Derivative financial instruments – interest rate swap contracts	15	—	—	—	—	11,283	33,542	—	—	11,283	33,542
		<b>705,110</b>	608,401	<b>511,019</b>	431,889	<b>2,380,326</b>	2,336,259	<b>11,959</b>	12,605	<b>3,128,369</b>	2,983,245
Commitments and contingencies	18 and 19										
<b>Fund balances</b>											
Invested in capital assets	12 and 13	—	—	—	—	215,083	200,192	—	—	215,083	200,192
Externally restricted		—	—	—	—	—	—	334,688	280,735	334,688	280,735
Internally restricted		16,994	14,988	6,197	6,070	43,612	39,950	55,629	47,900	122,432	108,908
Remeasurement and other recognized items related to defined benefits plans		515,380	33,137	—	—	—	—	—	—	515,380	33,137
Deficiency – Employee future benefits		(117,490)	(115,275)	—	—	—	—	—	—	(117,490)	(115,275)
Deficiency – Operating activities		(185,965)	(187,299)	—	—	—	—	—	—	(185,965)	(187,299)
		<b>228,919</b>	(254,449)	<b>6,197</b>	6,070	<b>258,695</b>	240,142	<b>390,317</b>	328,635	<b>884,128</b>	320,398
		<b>934,029</b>	353,952	<b>517,216</b>	437,959	<b>2,639,021</b>	2,576,401	<b>402,276</b>	341,240	<b>4,012,497</b>	3,303,643

\* 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.

For the Board of the University

Rector \_\_\_\_\_

Vice-rector of Finance and Infrastructures \_\_\_\_\_

**Université de Montréal**  
**Statement of cash flows**

Year ended April 30, 2021

(In thousands of dollars)

	Notes	<b>2021</b>	2020
		\$	\$
<b>Operating activities</b>			
Excess of revenues over expenses		<b>28,235</b>	20,626
Adjustments for:			
Change in unrealized fair value of investments		<b>(6,294)</b>	4,070
Amortization of capital and other assets		<b>95,327</b>	89,954
Net (gain) loss on disposal of capital assets		<b>(27)</b>	255
Amortization of deferred contributions pertaining to capital assets		<b>(51,567)</b>	(48,258)
Change in asset and obligations related to employee future benefits		<b>2,215</b>	(7,797)
Change in fair value of derivative financial instruments excluding those related to the Endowment Fund		<b>(22,259)</b>	12,006
		<b>45,630</b>	70,856
Net change in non-cash working capital items and long-term accounts receivable, deferred contributions and grants payable	17	<b>148,386</b>	17,813
		<b>194,016</b>	88,669
<b>Investing activities</b>			
Net change in investments		<b>(136,799)</b>	(59,323)
Derivative financial instruments – exchange contracts		<b>(1,737)</b>	429
Acquisition of capital and other assets		<b>(96,191)</b>	(142,930)
Proceeds from disposal of capital assets		<b>50</b>	1,356
		<b>(234,677)</b>	(200,468)
<b>Financing activities</b>			
Net change in bank loans		<b>(12,132)</b>	(10,049)
Increase in debt		<b>68,081</b>	224,927
Repayment of debt and capital lease obligations		<b>(63,594)</b>	(141,066)
Net change in unamortized debt issuance costs		<b>272</b>	(320)
Increase in deferred contributions pertaining to capital assets		<b>46,465</b>	28,015
Endowments received		<b>10,512</b>	9,401
Investment losses deducted from endowment capital		<b>(1,604)</b>	(1,579)
		<b>48,000</b>	109,329
Net increase (decrease) in cash and cash equivalents		<b>7,339</b>	(2,470)
Cash and cash equivalents, beginning of year		<b>(6,293)</b>	(3,823)
<b>Cash and cash equivalents, end of year</b>		<b>1,046</b>	(6,293)
Cash and cash equivalents comprise			
Cash		<b>73,902</b>	63,567
Bank overdrafts		<b>(72,856)</b>	(69,860)
		<b>1,046</b>	(6,293)

Additional information is presented in Note 17.

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

# Université de Montréal

## Notes to the financial statements

April 30, 2021

(tabular amounts are in thousands of dollars)

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### 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 significant accounting policies described below.

#### *Consolidation*

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

#### *Fund accounting*

The University presents its financial information by fund.

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

#### *Operating Fund*

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

#### *Restricted Fund*

The Restricted Fund reflects externally restricted resources that are primarily directed towards research-related activities. The surplus generated by activities financed externally are restricted to research or a similar activity and presented as an internal restricted fund in the fund balances.

#### *Capital Assets Fund*

The Capital Assets Fund presents the assets and liabilities and 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 is to be added to the endowments, in accordance with the donors' instructions. Other realized investment income from Endowment Fund resources are presented in the Restricted Fund or in the Operating Fund, depending on the nature of any restrictions stipulated by the donors.



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

April 30, 2021

(tabular amounts are in thousands of dollars)

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**2. Accounting policies (continued)**

*Revenue recognition*

The University applies the deferral method of accounting for contributions. Under this method, contributions restricted to future year expenses are deferred and recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as 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 contribution date.

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

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

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

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

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

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

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

*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, and gains and losses realized on disposal, are included in investment income. Unrealized gains and losses are presented separately in the Statement of Operations and Changes in Fund Balances.

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

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

April 30, 2021

(tabular amounts are in thousands of dollars)

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**2. Accounting policies (continued)**

*Financial instruments (continued)*

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

*Derivative financial instruments*

The University uses interest rate swap contracts to manage its debt-related interest rate risk, and it uses foreign exchange forward contracts to manage the foreign exchange risk arising from currency investments. The University has chosen not to prepare the documentation required to apply hedge accounting. Consequently, the interest rate swap contracts and foreign exchange forward contracts are recognized at fair value in the Statement of Financial Position as assets (or liabilities). Fair value is determined using stock market quotes and prices obtained from financial institutions for identical or similar derivative financial instruments.

*Capital assets*

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

The University records amortization expense in the Statement of Operations and Changes in Fund Balances of the Capital Assets Fund using the straight-line method and over the following terms, which also correspond to the ministère de l'Enseignement supérieur (MES) guidelines:

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

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

April 30, 2021

(tabular amounts are in thousands of dollars)

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## **2. Accounting policies (continued)**

### *Capital assets (continued)*

Interest on temporary loans for new construction is added to the cost of construction until it is put into service.

Fully amortized capital assets are written off as soon as they are no longer being used.

When conditions indicate that a capital asset is impaired, its net carrying value is written down to fair value or to the replacement cost of the capital asset. Write-downs of capital assets are recorded as an expense in the Statement of Operations and Changes in Fund Balances. Write-downs are not reversed.

### *Translation of foreign currencies*

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

### *Pension plan and post-employment benefit plan*

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

- in the Statement of Financial Position, the accrued defined benefit obligations, reduced by the fair value of plan assets and adjusted for any valuation allowance (either the defined benefit asset or the accrued defined benefit obligation);
- in the Statement of Operations, the cost of the plan for the year;
- in the Statement of Changes in Fund Balances, revaluations and other items arising in particular from the difference between the actual return on plan assets and the return calculated using the determined discount rate, actuarial gains and losses, past services, settlement, compression and asset ceiling for defined benefit.

### *Use of estimates*

The preparation of these financial statements requires the University's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements as well as the revenues and expenses of the year then ended. Among the main financial statement items requiring management to make estimates are the grants receivable from or payable to MES, the useful lives of capital assets, the accrued liabilities, grants payable, the fair value of investments and derivative financial instruments, the defined benefit asset or accrued defined benefit obligations, and liabilities for legal contingencies. Actual results may differ from these estimates.

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(tabular amounts are in thousands of dollars)

**3. Investments**

	<b>2021</b>			
	<b>Operating Fund</b>	<b>Restricted Fund</b>	<b>Endowment Fund</b>	<b>Total</b>
	\$	\$	\$	\$
Cash and fund units – money market	<b>180,518</b>	<b>4,241</b>	<b>18,469</b>	<b>203,228</b>
Strippable coupons and Canadian bonds, nominal value of \$3,791,300, 1.20% to 4.00%, maturing from June 2021 to June 2023	–	<b>3,086</b>	<b>802</b>	<b>3,888</b>
Bond pooled fund units				
Canada	–	–	<b>105,085</b>	<b>105,085</b>
United States	–	–	<b>17,992</b>	<b>17,992</b>
	–	–	<b>123,077</b>	<b>123,077</b>
Equities				
Canada	–	<b>19</b>	<b>87,336</b>	<b>87,355</b>
United States	–	–	<b>57,071</b>	<b>57,071</b>
Foreign	–	–	<b>17,317</b>	<b>17,317</b>
	–	<b>19</b>	<b>161,724</b>	<b>161,743</b>
Equity pooled fund units				
Foreign	–	–	<b>5,148</b>	<b>5,148</b>
Investment in a partnership				
Canada	–	<b>1</b>	–	<b>1</b>
Real estate securities	–	–	<b>4,087</b>	<b>4,087</b>
Hedge funds				
United States	–	–	<b>9,684</b>	<b>9,684</b>
Foreign	–	–	<b>76,033</b>	<b>76,033</b>
	–	–	<b>85,717</b>	<b>85,717</b>
	<b>180,518</b>	<b>7,347</b>	<b>399,024</b>	<b>586,889</b>
Less: Current portion	<b>180,518</b>	<b>5,414</b>	<b>19,271</b>	<b>205,203</b>
	–	<b>1,933</b>	<b>379,753</b>	<b>381,686</b>

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(tabular amounts are in thousands of dollars)

**3. Investments (continued)**

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

### 3. Investments (continued)

Investment income is detailed and broken down as follows:

	<b>2021</b>		
	<b>Operating Fund</b>	<b>Restricted Fund</b>	<b>Total</b>
	\$	\$	\$
Interest and dividends	<b>2,101</b>	<b>117</b>	<b>2,218</b>
Investment income earned from Endowment Fund resources	<b>3,200</b>	<b>12,190</b>	<b>15,390</b>
Change in "Deferred contributions"	—	<b>(2,711)</b>	<b>(2,711)</b>
	<b>5,301</b>	<b>9,596</b>	<b>14,897</b>
	2020		
	Operating Fund	Restricted Fund	Total
	\$	\$	\$
Interest and dividends	3,332	150	3,482
Investment income earned from Endowment Fund resources	3,057	11,449	14,506
Change in "Deferred contributions"	—	(868)	(868)
	6,389	10,731	17,120

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

	<b>2021</b>	2020
	\$	\$
Interest and dividends	<b>10,254</b>	8,176
Gains on disposal of investments	<b>4,568</b>	5,980
	<b>14,822</b>	14,156
Trustee and investment manager fees	<b>(1,024)</b>	(1,217)
	<b>13,798</b>	12,939
Portion presented under "Investment income" of the Operating Fund	<b>3,200</b>	3,057
Portion presented with general revenues from "Student Services" of the Operating Fund	<b>12</b>	12
Portion presented under "Investment income" of the Restricted Fund	<b>12,190</b>	11,449
Investment losses deducted from endowment capital	<b>(1,604)</b>	(1,579)
	<b>13,798</b>	12,939

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**3. Investments (continued)**

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

The change in the unrealized fair value on Endowment Fund resources totaled a positive amount of \$50,638,000 (negative amount of \$33,634,600 in 2020) and is broken down as follows:

	<b>2021</b>	2020
	<b>\$</b>	\$
Portion presented in the Statement of Operations of the Operating Fund and then transferred to the Endowment Fund (Note 15)	<b>6,294</b>	(4,070)
Portion presented directly as a change in the fund balances of the Endowment Fund	<b>44,344</b>	(29,565)
	<b>50,638</b>	(33,635)

**Université de Montréal**  
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**4. Accounts receivable**

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

	2021	2020
	\$	\$
<b>Operating Fund</b>		
Grant receivable from MES	60,522	72,549
Tuition fees and other fees	15,361	16,883
Sales and other*	19,147	17,301
Interest and dividends	76	18
	<b>95,106</b>	106,751
Provision for bad debt	<b>(6,248)</b>	(6,074)
	<b>88,858</b>	100,677
Less: Long-term portion receivable	—	35
Current portion receivable	<b>88,858</b>	100,642
<b>Restricted Fund</b>		
Grants, contracts and other	119,947	130,840
Less: Long-term portion receivable	2,505	2,300
Current portion receivable	<b>117,442</b>	128,540
<b>Capital Assets Fund</b>		
Grants	1,076,207	1,030,285
Interest and dividends	294	298
Other	6,146	2,346
	<b>1,082,647</b>	1,032,929
Less: Long-term grants receivable	<b>897,861</b>	849,312
Current portion receivable	<b>184,786</b>	183,617
<b>Endowment Fund</b>		
Interest and dividends	25	72
Other	139	643
Current portion receivable	<b>164</b>	715
Total of current portion of cashable accounts receivable	<b>391,250</b>	413,514
Total of long-term cashable accounts receivable	<b>900,366</b>	851,647

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



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**Notes to the financial statements**

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**4. Accounts receivable (continued)**

*Donations receivable*

Donations receivable from subscription campaigns, totalling \$102,582,800 (\$66,639,000 in 2020), are pledged commitments and are not recorded in the Statement of Financial Position. The estimated realizable value of these commitments is \$89,734,600 (\$63,690,000 in 2020), of which \$33,485,500 (\$24,826,600 in 2020) during the following year and is based on the collection history.

**5. Advances to (due to) other funds**

The University manages all of 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 entirely through a central bank account presented in the Operating Fund. Advances to (due to) other funds are non-interest-bearing and do not include terms of repayment (or reimbursement).

**6. Capital assets**

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

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(tabular amounts are in thousands of dollars)

**6. Capital assets (continued)**

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

Interest capitalized on current projects during the year amounted to \$1,960 (\$884,580 in 2020).

**7. Bank loans**

	2021	2020
	\$	\$
<b>Capital Assets Fund</b>		
Bank credit facilities – Financement-Québec*	<b>3,641</b>	15,773

\* 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 a grant in the same amount allocated by the ministère de l'Économie et de l'Innovation ("MEI"). The line of credit bears interest at the average 1-month bankers' acceptance rate less 0.10% (effective rate of 0.41250% as at April 30, 2021; 0.59750% as at April 30, 2020). 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.

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(tabular amounts are in thousands of dollars)

**7. Bank loans (continued)**

The University has authorized bank credit facilities of \$190,000,000, namely, \$10,000,000 in the form of a line of credit and \$180,000,000 in bankers' acceptances. The line of credit bears interest at the lending institution's prime rate less 0.50 points (effective rate of 2.45000% as at April 30, 2021; 2.55000% as at April 30, 2020) and is renewable on January 31, 2022, whereas the bankers' acceptances are issued at the market rate. As at April 30, 2021, the line of credit was not used (nil as at April 30, 2020) and the bankers' acceptances were not used (nil as at April 30, 2020). The credit facility for bankers' acceptances is renewable on January 31, 2022.

**8. Accounts payable and accrued liabilities**

	<b>2021</b>	2020
	\$	\$
Accounts payable and accrued liabilities	<b>86,013</b>	88,333
Salaries and employee benefits	<b>43,270</b>	20,493
Accumulated vacation of staff and unpaid leave to be remitted in time	<b>44,124</b>	40,648
Government remittances	<b>11,991</b>	10,320
	<b>185,398</b>	159,794

**9. Deferred contributions**

*Deferred contributions*

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

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

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

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(tabular amounts are in thousands of dollars)

**9. Deferred contributions (continued)**

	2020		
	Restricted Fund	Capital Assets Fund	Total
	\$	\$	\$
Balance, beginning of year (short- and long-term)	319,463	207,679	527,142
Grants received during the year	186,873	95,690	282,563
Donations received during the year	22,847	1,724	24,571
Restricted investment income for the year	11,599	—	11,599
Amount recognized as revenue during the year	(208,995)	(20,920)	(229,915)
Amount transferred as deferred contributions pertaining to capital assets	—	(28,015)	(28,015)
Balance, end of year (short- and long-term)	331,787	256,158	587,945

*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.

	2021	2020
	\$	\$
Balance, beginning of year	<b>1,007,094</b>	1,027,337
Amount transferred from deferred contributions	<b>46,465</b>	28,015
Amount recognized as revenue during the year	<b>(51,567)</b>	(48,258)
Balance, end of year	<b>1,001,992</b>	1,007,094

**Université de Montréal**  
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**10. Debt**

	<b>2021</b>	2020
	\$	\$
<b>Loans financed by MES</b>		
Loan for residences, 6.8750%, repayable in blended monthly instalments of \$25,000, matured on February 1, 2021	—	241
Loan, 2.1470%, interest payable semi-annually, principal repayable in annual instalments of \$9,283,661, the balance of \$9,028,749 payable at maturity on October 1, 2028	<b>74,014</b>	83,298
Loan, 2.9760%, interest payable annually, principal repayable in annual variable instalments of \$289,995 to \$298,626, maturing on December 20, 2022	<b>589</b>	870
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	<b>34,200</b>	36,000
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	<b>51,634</b>	56,862
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	<b>4,341</b>	4,784
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	<b>29,600</b>	31,080
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	<b>30,416</b>	37,733
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	<b>139,761</b>	148,578
Amounts to be carried forward	<b>364,555</b>	399,446

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**10. Debt (continued)**

	<b>2021</b>	2020
	<b>\$</b>	\$
<b>Loans financed by the MES (continued)</b>		
Amounts carried forward	<b>364,555</b>	399,446
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	<b>1,262</b>	1,367
Loan, 2.8760%, repayable in blended quarterly instalments of \$807,184, the balance of \$795,536 payable at maturity on March 1, 2034	<b>34,660</b>	36,829
Loan, 2.3640%, repayable in blended annual instalments of \$606,836, maturing on June 1, 2026	<b>3,358</b>	3,873
Loan, 2.9330%, interest payable semi-annually, principal repayable in annual instalments of \$951,919, maturing on December 1, 2042	<b>20,942</b>	21,894
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	<b>751</b>	1,532
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	<b>105,464</b>	115,253
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	<b>372</b>	1,033
Loan, 3.1370%, interest payable semi-annually, principal repayable in annual instalments of \$2,112,840, maturing on December 1, 2043	<b>48,595</b>	50,708
Loan, 2.4390%, interest payable semi-annually, principal repayable in annual instalments of \$3,564,532, maturing on October 1, 2039	<b>67,726</b>	71,291
Loan, 2.3460%, interest payable semi-annually, principal repayable in annual instalments of \$422,533, maturing on October 1, 2034	<b>5,915</b>	6,338
Amounts to be carried forward	<b>653,600</b>	709,564

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

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**10. Debt (continued)**

	<b>2021</b>	2020
	\$	\$
<b>Loans financed by the MES (continued)</b>		
Amounts carried forward	<b>653,600</b>	709,564
Loan, 0.7690%, interest payable semi-annually, principal repayable in annual instalments of \$259,117, maturing on November 1, 2025	<b>1,296</b>	—
Loan, 1.7100%, interest payable semi-annually, principal repayable in annual instalments of \$70,767, maturing on November 1, 2035	<b>1,062</b>	—
Loan, 1.9540%, interest payable semi-annually, principal repayable in annual instalments of \$1,319,610, maturing on November 1, 2040	<b>26,392</b>	—
Loan, 1.3450%, interest payable annually, principal and interest repayable in annual instalments of \$358,279, maturing on November 17, 2030	<b>3,331</b>	—
	<b>685,681</b>	709,564
Unamortized debt issuance costs	<b>(3,759)</b>	(4,031)
	<b>681,922</b>	705,533
<b>Other loans</b>		
Loan for renovation and redevelopment work and for the construction of new pavilions, bearing interest at the variable indexed rate at 3-month CDOR plus 0.4300% (effective rate of 0.8650% as at April 30, 2021; 0.6675% as at April 30, 2020), repayable in blended quarterly instalments of \$1,705,953, the balance of \$30,921,459 payable at maturity on January 3, 2030, financed by the Operating Fund*	<b>66,155</b>	68,970
Loan for renovation of residences, bearing interest at the variable indexed rate at 1-month CDOR (effective rate of 0.4125% as at April 30, 2021; 0.5975% as at April 30, 2020) plus stamping fees fixed at 0.2000%, repayable in blended monthly instalments of \$55,281, maturing on May 31, 2030, financed by the Operating Fund*	<b>4,733</b>	5,124
Amounts to be carried forward	<b>70,888</b>	74,094

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

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**10. Debt (continued)**

	<b>2021</b>	2020
	\$	\$
<b>Other loans (continued)</b>		
Amounts carried forward	<b>70,888</b>	74,094
Loan for the Cité du Savoir de Laval building, bearing interest at the variable indexed rate at 3-month CDOR (effective rate of 0.4350% as at April 30, 2021; 0.6675% as at April 30, 2020), repayable in quarterly instalments the amount of which is variable and determined using a payment schedule predetermined by the bank, maturing on June 1, 2021, financed by the Operating Fund*	<b>13,032</b>	13,545
Loan for the purchase of 3190 Rue Sicotte, Saint-Hyacinthe, bearing interest at the variable indexed rate at 3-month CDOR (effective rate of 0.4350% as at April 30, 2021; 0.6675% as at April 30, 2020), 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	<b>840</b>	920
Loan for the repurchasing of the capital lease of the Cité du Savoir de Laval building, bearing interest at the variable indexed rate at 3-month CDOR plus 0.7200% (effective rate of 1.1550% as at April 30, 2021; 0.6675% as at April 30, 2020), repayable in blended quarterly instalments of \$607,355, the balance of \$5,792,382 payable at maturity on January 25, 2039, financed by the Operating Fund*	<b>34,885</b>	36,072
Loan for the construction of the MIL complex, bearing interest at the variable indexed rate at 3-month CDOR plus 0.5400% (effective rate of 0.9750% as at April 30, 2021; 0.6675% as at April 30, 2020), repayable in blended quarterly instalments of \$1,254,803, the balance of \$45,785,084 payable at maturity on April 1, 2035, financed by the Operating Fund*	<b>97,376</b>	64,000
	<b>217,021</b>	188,631
	<b>898,943</b>	894,164
Less: Current portion	<b>78,454</b>	62,991
	<b>820,489</b>	831,173

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



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**10. Debt (continued)**

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

	\$
2022	78,454
2023	81,138
2024	57,415
2025	57,829
2026	58,271

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

	<b>2021</b>	2020
	\$	\$
Defined benefit asset of the primary pension plan program	<b>567,781</b>	90,084
Accrued defined benefit obligation of the complementary retirement program	<b>(84,831)</b>	(91,084)
Obligation of the post-employment benefit plan	<b>(85,060)</b>	(81,138)

*Pension plan*

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

According to the most recent actuarial valuation, the University has an obligation to pay a minimum contribution equal to 11.17% of the participants' salary for the 2021 calendar year (11.32% for calendar year 2020). The University paid an actual contribution of 11.43% for calendar year 2021 (11.43% for calendar year 2020). This rate does not include the benefit payable for the financing of the complementary retirement program of approximately 0.78% of the total payroll (0.78% in 2020).

The University measures the fair value of plan assets as at April 30 and measures its accrued defined benefit obligations by way of extrapolation as at April 30 of each year for accounting purposes. The most recent actuarial valuation for plan funding purposes was performed on December 31, 2019. The data was extrapolated as at April 30, 2021.

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

*Pension plan (continued)*

Information about the pension plan is detailed as follows:

	<b>2021</b>	2020
	\$	\$
Primary pension plan program:		
Fair value of the pension plan assets	<b>4,758,756</b>	4,238,299
Accrued defined benefit obligations	<b>(4,190,975)</b>	(4,148,215)
Defined benefit asset	<b>567,781</b>	90,084
Complementary program:		
Accrued defined benefit obligations and accrued defined benefit obligation	<b>(84,831)</b>	(91,084)

Composition of pension plan assets as at April 30:

	<b>2021</b>	2020
	%	%
Money market securities and cash	<b>5.8</b>	6.1
Bonds	<b>28.8</b>	25.7
Equities	<b>29.6</b>	31.1
Pooled funds and other investments	<b>35.8</b>	37.1
	<b>100.0</b>	100.0

Other pension plan information is presented as follows:

	<b>2021</b>	2020
	\$	\$
Expense for the year recognized in the Statement of Operations	<b>59,916</b>	48,949
Contributions paid by the University during the year	<b>61,389</b>	60,108

*Post-employment benefit plan*

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

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

Information related to this plan is presented as follows:

	<b>2021</b>	2020
	\$	\$
Accrued defined benefit obligations and accrued defined benefit obligation recognized	<b>(85,060)</b>	(81,138)

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

*Post-employment benefit plan (continued)*

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

	<b>2021</b>	2020
	\$	\$
Expense for the year recognized in the Statement of Operations	<b>8,239</b>	7,608
Contributions paid by the University during the year	<b>4,551</b>	4,246

*Assumptions*

The University applied the following significant actuarial assumptions:

	<b>2021</b>		2020	
	<b>Primary pension plan and complementary program</b>	<b>Pos-employment benefit plan</b>	Primary pension plan and complementary program	Post-employment benefit plan
	%	%	%	%
Accrued defined benefit obligations as at April 30				
Discount rate	<b>5.45</b>	<b>5.45</b>	5.30	5.30
Rate of compensation increase	<b>2.75</b>	<b>2.75</b>	2.75	2.75
Rate of health care cost increase	—	<b>5.47</b>	—	4.92
Benefit costs for the year ended April 30				
Discount rate	<b>5.90</b>	<b>5.90</b>	6.10	6.10
Rate of compensation increase	<b>2.75</b>	<b>2.75</b>	2.75	2.75
Rate of tuition fees increase	—	<b>2.00</b>	—	2.00
Rate of health care cost increase	—	<b>5.47</b>	—	4.92

## 12. Internally and externally restricted fund balances

### *Main categories of external restrictions*

	2021	2020
	\$	\$
<b>Endowment Fund</b>		
External endowments whose income must be used for the purposes specified by the donor and not those related to the Operating Fund	<b>256,777</b>	246,243
External endowments whose income is related to the Operating Fund or is used at the University's discretion	<b>1,927</b>	1,927
Accumulated unrealized gain on investments related to external endowment capital	<b>45,509</b>	245
Accumulated investment income added to endowment capital <sup>(1)</sup>	<b>30,475</b>	32,320
	<b>334,688</b>	280,735

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

### *Main categories of internal restrictions*

	2021	2020
	\$	\$
<b>Operating Fund</b>		
Research-related internal activities	<b>16,580</b>	14,525
Redevelopment activities for Student Services and the physical education and sports centre	<b>414</b>	463
	<b>16,994</b>	14,988
<b>Restricted Fund</b>		
Surplus generated on research activities primarily restricted for research purposes or for purposes identical to those of the initial externally restricted contribution	<b>6,197</b>	6,070
<b>Capital Assets Fund</b>		
Future capital asset acquisitions	<b>43,612</b>	39,950
<b>Endowment Fund</b>		
Internally restricted capital whose revenue can be used at the University's discretion	<b>46,076</b>	44,035
Accumulated unrealized gain on investments related to internal endowment capital	<b>9,553</b>	3,865
	<b>55,629</b>	47,900

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

The Operating Fund mainly has two types of activities:

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

The University has restricted amounts from its Operating Fund revenue for internal research activities. The internally restricted amounts for research-related activities are included in the internally restricted fund balance of the Operating Fund. In 2021, the internally restricted amount for the year is \$26,591,500 (\$26,269,100 in 2020). Internally restricted amounts associated with research activities amounted to \$16,579,700 as at April 30, 2021 (\$14,524,700 as at April 30, 2020).

In 2021, 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 2020). The fund balance restricted to creating reserves for the amortization of certain capital assets totalled \$414,200 as at April 30, 2021 (\$463,500 as at April 30, 2020).

**14. Interfund transfers**

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

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**14. Interfund transfers (continued)**

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

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

**15. Financial instruments**

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

*Credit risk*

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

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises foreign exchange risk, interest rate risk, and other price risk. The University is exposed to market risk from its investing activities. The level of risk to which the University is exposed varies depending on market conditions and the composition of the asset mix. The University manages this risk by applying an investment policy that allows for diversification of investments.

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**15. Financial instruments (continued)**

*Foreign exchange risk*

This risk arises from the interests held by the University in foreign securities and foreign bonds. The investment policy applied by the Endowment Fund is the tool used to manage this risk. As at April 30, 2021, the interests held by the University denominated in foreign currencies had a fair value of \$183,245,000 in Canadian dollars (\$146,838,000 as at April 30, 2020).

As at April 30, 2021, the University had foreign exchange contracts under which it agreed to sell US\$26,594,965 at rates varying between 1.278430 and 1.278445 maturing on May 17, 2021. The University also has foreign exchange contracts under which it has agreed to sell C\$3,000,000 for U.S. currency purchased at rates varying between 1.230191 and 1.230210 maturing on May 17, 2021. These contracts are intended for investments cashable in Canadian and U.S. dollars; they are not eligible for hedge accounting. Unrealized gains or losses on derivative foreign exchange contracts are recognized separately in the Statement of Financial Position, in assets or in liabilities, depending on the situation, under these specific names.

*Interest rate risk*

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

Bonds and loans financed by the MES are secured, principal and interest, by the assignment and transfer of the MES grants. Most of the other 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, 2021:

*Capital Assets Fund*

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

Consequently, the treasury risks are minimal.

As these interest rate swap contracts were not accounted for using hedge accounting, they are recorded in the Statement of Financial Position at fair value. This fair value was determined

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**15. Financial instruments (continued)**

based on the information obtained from the banking counterparty with 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, 2021, the most significant financial liabilities were the bank overdrafts, bank loans, accounts payable and accrued liabilities, grants payable, debt, and derivative financial instruments.

**16. Controlled non-profit entities and partnership**

*Controlled not-for-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:

	<b>2021</b>	2020
	\$	\$
<b>Financial position</b>		
Assets	<b>13,460</b>	12,608
Liabilities	<b>12,031</b>	11,886
Excess of assets over liabilities	<b>1,429</b>	722
	<b>13,460</b>	12,608
<b>Operations</b>		
Revenues	<b>8,793</b>	4,781
Expenses	<b>8,086</b>	4,446
Excess of revenues over expenses	<b>707</b>	335

*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 \$9,283,000 (\$8,600,800 in 2020) and equivalent expenses attributable to this partnership.



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**17. Additional information to the Statement of Cash Flows**

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

	<b>2021</b>	2020
	\$	\$
Accounts receivable	<b>(26,455)</b>	(2,596)
Inventories	<b>134</b>	(372)
Expenses attributable to the following year	<b>(1,742)</b>	587
Accounts payable and accrued liabilities	<b>21,672</b>	(12,271)
Deferred revenues	<b>16,520</b>	(1,713)
Deferred contributions	<b>153,730</b>	60,803
Grants payable	<b>(15,473)</b>	(26,625)
	<b>148,386</b>	17,813

*Non-cash transactions*

	<b>2021</b>	2020
	\$	\$
Unpaid capital assets, end of year	<b>37,131</b>	33,199
Capital assets acquired through capital leases	—	20

**18. Commitments**

- a) The commitments of the Operating Fund totalled \$292,413,800 with respect to the Capital Assets Fund, as a contribution for asset acquisitions, as well as for renovation, redevelopment, expansion and capital asset construction projects. This amount is broken down as follows:

	Commitments
	\$
Self-financed units	25,025,400
Other units of the Operating Fund	<u>267,388,400</u>

- b) The commitments of the Restricted Fund totalled \$10,250,900 with respect to the Capital Assets Fund, as a contribution for asset acquisitions, as well as for renovation, redevelopment, expansion and capital asset construction projects.

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**18. Commitments (continued)**

- c) The University is bound by different leases for physical space, equipment and computer equipment. The total commitments relating to these contracts amounted to \$50,555,500. Minimum payments required under these contracts over the next five years are as follows:

	\$
2022	13,859,900
2023	10,506,600
2024	9,640,400
2025	3,672,100
2026	2,571,900

- d) The University is committed to a financial institution to ensure, in the event of default, a maximum of \$750,000 in connection with a loan of Presses de l'Université de Montréal, an organization controlled by the University.
- e) As at April 30, 2021, the University has contractual commitments totalling \$41,196,800 with external suppliers.

**19. Contingencies**

In the normal course of business, the University is involved in various claims. Although, as at April 30, 2021, the outcome of these outstanding claims cannot be determined with certainty, the University is of the opinion that it will have no significant adverse effect on its financial position, its operations, or its cash flows.

**20. Comparative figures**

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