

**Université Laval**  
**Financial Statements**  
**April 30, 2021**

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Raymond Chabot  
Grant Thornton

## 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, 2021 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, 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. 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;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 LLP<sup>1</sup>*

Québec  
September 28, 2021

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<sup>1</sup> CPA auditor, CA public accountancy permit no. A109631

## Université Laval Operations

Year ended April 30, 2021  
(in thousands of dollars)

	Operating fund		Restricted fund		Capital assets fund		Endowment fund		Subscription fund		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Revenues</b>												
Subsidies – ministère de l'Enseignement supérieur (MES) (Note 6)	457,357	449,818	30,747	12,702	46,195	47,389	-	-	-	-	534,299	509,909
Tuition fees	142,229	123,624	-	-	-	-	-	-	-	-	142,229	123,624
Community services	11,310	12,135	9,400	8,284	-	-	-	-	-	-	20,710	20,419
External services	39,816	38,084	-	-	2,229	1,653	-	-	-	-	42,045	39,737
Net investment income (Note 23)	8,417	4,139	1,637	(60)	423	256	5,020	(214)	1,467	(81)	16,964	4,040
Student services and assistance	21,965	27,614	11,148	10,542	-	-	-	-	-	-	33,113	38,156
Ancillary services	8,118	18,530	-	-	-	-	-	-	-	-	8,118	18,530
Contributions from La Fondation de l'Université Laval	26	170	14,487	17,627	-	-	-	-	-	-	14,513	17,797
Donations from other organizations	-	-	-	-	128	56	307	412	-	-	435	468
Other subsidies and revenues	12,464	13,638	200,717	207,569	26,848	28,738	-	-	-	-	240,029	249,945
	<b>701,702</b>	<b>687,752</b>	<b>268,136</b>	<b>256,664</b>	<b>75,823</b>	<b>78,092</b>	<b>5,327</b>	<b>198</b>	<b>1,467</b>	<b>(81)</b>	<b>1,052,455</b>	<b>1,022,625</b>
<b>Expenses</b>												
Teaching and independent research	418,504	414,073	2,768	2,384	-	-	-	-	-	-	421,272	416,457
Community services	8,548	10,141	15,443	16,759	-	-	-	-	-	-	23,991	26,900
Research	11,673	12,751	217,230	209,735	-	-	-	-	-	-	228,903	222,486
Support services	154,561	155,902	2,255	5,789	-	-	620	476	100	98	157,536	162,265
Student services and assistance	22,983	27,845	32,282	23,502	-	-	-	-	-	-	55,265	51,347
Ancillary services	10,008	14,463	-	-	-	-	-	-	-	-	10,008	14,463
Renovations and redevelopment	-	-	-	-	964	857	-	-	-	-	964	857
Interest on long-term debt	8	93	-	-	18,606	20,159	-	-	-	-	18,614	20,252
Future employee benefits	8,842	1,627	-	-	-	-	-	-	-	-	8,842	1,627
Amortization of the intangible capital asset	-	-	-	-	-	53	-	-	-	-	-	53
Amortization of tangible capital assets (Note 13)	-	-	-	-	74,679	72,563	-	-	-	-	74,679	72,563
	<b>635,127</b>	<b>636,895</b>	<b>269,978</b>	<b>258,169</b>	<b>94,249</b>	<b>93,632</b>	<b>620</b>	<b>476</b>	<b>100</b>	<b>98</b>	<b>1,000,074</b>	<b>989,270</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>66,575</b>	<b>50,857</b>	<b>(1,842)</b>	<b>(1,505)</b>	<b>(18,426)</b>	<b>(15,540)</b>	<b>4,707</b>	<b>(278)</b>	<b>1,367</b>	<b>(179)</b>	<b>52,381</b>	<b>33,355</b>

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

**Université Laval**  
**Changes in Fund Balances**

Year ended April 30, 2021  
(in thousands of dollars)

	Operating fund		Restricted fund		Capital assets fund		Endowment fund		Subscription fund		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Restated fund balances (negative), beginning of year (Note 3)	(237,988)	(239,348)	-	-	272,471	242,211	34,761	36,619	9,679	10,108	78,923	49,590
Excess (deficiency) of revenues over expenses	66,575	50,857	(1,842)	(1,505)	(18,426)	(15,540)	4,707	(278)	1,367	(179)	52,381	33,355
Remeasurements and other items related to the pension and other postretirement benefit plans	8,297	(4,684)	-	-	-	-	-	-	-	-	8,297	(4,684)
Contributions restricted to the acquisition of capital assets not subject to amortization	-	-	-	-	357	662	-	-	-	-	357	662
Interfund transfers (Note 7)	(62,274)	(44,813)	1,842	1,505	62,524	45,138	(2,061)	(1,580)	(31)	(250)	-	-
Fund balances (negative), end of year	<u>(225,390)</u>	<u>(237,988)</u>	-	-	<u>316,926</u>	<u>272,471</u>	<u>37,407</u>	<u>34,761</u>	<u>11,015</u>	<u>9,679</u>	<u>139,958</u>	<u>78,923</u>

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

## Université Laval

### Cash Flows

Year ended April 30, 2021

(in thousands of dollars)

	2021	2020
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	52,381	33,355
Non-cash items		
Net change in fair value of investments	(10,773)	5,483
Net change in defined benefit liability	4,030	(3,333)
Amortization of deferred contributions related to capital assets	(29,025)	(29,908)
Amortization of tangible capital assets	74,679	72,563
Amortization of the intangible capital asset	-	53
Gain on disposal of capital assets	(749)	-
Net change in working capital items (Note 8)	116,667	15,930
Cash flows from operating activities	<u>207,210</u>	<u>94,143</u>
<b>INVESTING ACTIVITIES</b>		
Net change in notes receivable	35	23
Investments	73,810	(78,309)
Tangible capital assets (a)	(76,072)	(86,723)
Proceeds on disposal of capital assets	1,920	-
Cash flows from investing activities	<u>(307)</u>	<u>(165,009)</u>
<b>FINANCING ACTIVITIES</b>		
Net change in bank loans	360	-
Long-term debt	48,955	131,668
Repayment of long-term debt	(60,937)	(113,399)
Deferred contributions related to capital assets	37,553	22,997
Cash flows from financing activities	<u>25,931</u>	<u>41,266</u>
<b>Net increase (decrease) in cash</b>	<b>232,834</b>	<b>(29,600)</b>
Cash, beginning of year	<u>72,488</u>	<u>102,088</u>
Cash, end of year	<u><u>305,322</u></u>	<u><u>72,488</u></u>

(a) Tangible capital assets acquired during the year include donations with an approximate value of \$484,707 (\$717,825 as at April 30, 2020).

During the year, Université Laval acquired tangible capital assets of which an amount of \$5,799,493 (\$4,939,464 as at April 30, 2020) is included in accounts payable and other operating liabilities.

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

**Université Laval**  
**Financial Position**

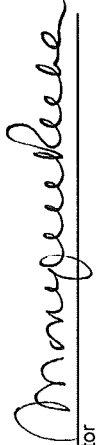
April 30, 2021

(in thousands of dollars)

	Operating fund		Restricted fund		Capital assets fund		Endowment fund		Subscription fund		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>												
Current												
Cash	305,322	72,488	-	-	-	-	-	-	-	-	305,322	72,488
Accounts receivable and other amounts receivable (Note 9)	61,973	47,459	32,225	31,697	178,852	201,526	-	-	-	-	273,050	280,682
Prepaid expenses (Note 10)	5,178	3,976	1,285	285	-	-	-	-	-	-	6,463	4,261
Investments (Note 12)	-	75,000	-	-	136,301	67,966	-	-	-	-	-	75,000
Interfund advances, without interest	-	-	273,878	192,863	315,153	269,492	-	-	-	-	-	-
	<b>372,473</b>	<b>198,923</b>	<b>307,388</b>	<b>224,845</b>	<b>315,153</b>	<b>269,492</b>	-	-	-	-	<b>584,835</b>	<b>432,431</b>
Long-term												
Notes receivable (Note 11)	245	280	-	-	-	-	-	-	-	-	245	280
Investments (Note 12)	47,398	41,183	12,288	11,255	3,102	2,717	39,690	36,696	11,015	9,679	113,493	101,530
Tangible capital assets (Note 13)	-	-	-	-	944,690	943,123	-	-	-	-	944,690	943,123
	<b>420,116</b>	<b>240,386</b>	<b>319,676</b>	<b>236,100</b>	<b>1,262,945</b>	<b>1,215,332</b>	<b>39,690</b>	<b>36,696</b>	<b>11,015</b>	<b>9,679</b>	<b>1,643,263</b>	<b>1,477,364</b>
<b>LIABILITIES</b>												
Current												
Bank loans (Note 14)	360	-	-	-	-	-	-	-	-	-	360	-
Accounts payable and other operating liabilities (Note 15)	143,560	121,165	14,978	11,574	11,021	9,658	2,283	1,935	-	-	171,842	144,332
Deferred revenues (Note 16)	14,138	9,723	-	-	-	-	-	-	-	-	14,138	9,723
Deferred contributions (Note 17)	-	-	304,698	224,526	-	-	-	-	-	-	304,698	224,526
Interfund advances, without interest	410,179	260,829	-	-	-	-	-	-	-	-	-	-
Current portion of long-term debt (Note 18)	5,121	5,121	-	-	60,730	55,817	-	-	-	-	65,851	60,938
	<b>573,358</b>	<b>396,838</b>	<b>319,676</b>	<b>236,100</b>	<b>71,751</b>	<b>65,475</b>	<b>2,283</b>	<b>1,935</b>	-	-	<b>556,889</b>	<b>439,519</b>
Long-term												
Long-term debt (Note 18)	49,140	54,261	-	-	583,418	595,192	-	-	-	-	632,558	649,453
Defined benefit liability (Note 19)	23,008	27,275	-	-	-	-	-	-	-	-	23,008	27,275
Deferred contributions related to capital assets (Note 20)	-	-	-	-	290,850	282,194	-	-	-	-	290,850	282,194
	<b>645,506</b>	<b>478,374</b>	<b>319,676</b>	<b>236,100</b>	<b>946,019</b>	<b>942,861</b>	<b>2,283</b>	<b>1,935</b>	-	-	<b>1,503,305</b>	<b>1,398,441</b>
<b>FUND BALANCES</b>												
(NEGATIVE) (NOTE 22)												
Unrestricted	(263,123)	(270,644)	-	-	-	-	-	-	11,015	9,679	(252,108)	(260,965)
Internally restricted	37,733	32,656	-	-	-	-	2,682	2,631	-	-	40,415	35,287
Restricted as endowments	-	-	-	-	-	-	34,725	32,130	-	-	34,725	32,130
Invested in capital assets	-	-	-	-	316,926	272,471	-	-	-	-	316,926	272,471
	<b>(225,390)</b>	<b>(237,988)</b>	<b>-</b>	<b>-</b>	<b>316,926</b>	<b>272,471</b>	<b>37,407</b>	<b>34,761</b>	<b>11,015</b>	<b>9,679</b>	<b>139,958</b>	<b>78,923</b>
	<b>420,116</b>	<b>240,386</b>	<b>319,676</b>	<b>236,100</b>	<b>1,262,945</b>	<b>1,215,332</b>	<b>39,690</b>	<b>36,696</b>	<b>11,015</b>	<b>9,679</b>	<b>1,643,263</b>	<b>1,477,364</b>

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

On behalf of the Board,



Director



# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

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### **1 - UNIVERSITÉ LAVAL'S GOVERNING STATUTES AND OBJECTIVES**

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

Université Laval'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.

Université Laval (hereinafter the "University") is a tax-exempt organization as defined in the *Income Tax Act*.

### **2 - ACCOUNTING CHANGE**

The University applied the changes to Section 3065, "Leases", of part III of the *CPA Canada Handbook – Accounting*. The purpose of these changes is to provide a practical expedient for accounting for rent concessions (as a deferral or waiver of lease payments) granted as a direct consequence of the COVID-19 pandemic allowing the University to elect not to account for these concessions as a new lease, under certain conditions.

These conditions are met for every operating lease the University has granted such concessions and for which it has elected to apply this practical expedient. As such, the University continues to treat these leases in accordance with their initial terms and accounts for a loss due to the waiver of lease payments in the net operating results for the period relating to these payments. For the year ended April 30, 2021, a total amount of \$1,391,802 has been recognized as a loss as a result of these concessions.

### **3 - PRIOR YEAR ADJUSTMENTS**

The University has restated its financial statements for prior years regarding deferred contributions related to capital assets and the subsidy receivable from the MES. The impact of the restatement on the financial statements as at April 30, 2020 is an increase in accounts receivable and other amounts receivable of \$46,826,292, a decrease in deferred contributions related to capital assets of \$68,953,076, a decrease in the excess of revenues over expenses of \$6,022,183, an increase in contributions restricted to the acquisition of capital assets not subject to amortization of \$661,848, as well as an increase in fund balances of \$121,139,703 as at May 1, 2019 and of \$115,779,368 as at April 30, 2020.

### **4 - IMPACTS RESULTING FROM THE COVID-19 PANDEMIC**

In March 2020, the decree of a COVID-19 state of pandemic and the numerous measures put in place by the federal, provincial and municipal governments to protect the public had impacts on the University's operations.

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

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### **4 - IMPACTS RESULTING FROM THE COVID-19 PANDEMIC (Continued)**

These events are likely to cause changes to the assets or liabilities in the coming year or to have an 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.

#### *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.

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

### 5 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Principles of consolidation

The accounts of entities that are controlled by the University have not been consolidated in the financial statements. However, Notes 26 and 27 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.

#### Tangible capital assets

Tangible capital assets are recorded in the capital assets fund at acquisition cost and amortized in accordance with instructions issued by the MES 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
Other assets subject to amortization	20 years

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

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### **5 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

#### **Write-down**

When conditions indicate that a tangible capital asset is impaired, the net carrying amount of the tangible capital asset is written down to the tangible 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 of 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 presented as direct increases in the appropriate fund balances.

#### *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 presented 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.

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

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### 5 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 receipts 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 MES.

#### 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.

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

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### 5 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

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 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.

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

### 5 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 – MES

#### Operating fund

This item does not include the \$3,444,400 (\$3,364,000 as at April 30, 2020) subsidy for student services and assistance, which is included under this category.

#### 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.

### 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>2021</u>	<u>2020</u>
	\$	\$
Projects		
Operating fund	(62,274)	(44,813)
Restricted fund	1,842	1,505
Capital assets fund	62,524	45,138
Endowment fund	(2,061)	(1,580)
Subscription fund	(31)	(250)
	<u>—</u>	<u>—</u>

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

### 8 - INFORMATION ON CASH FLOWS

The net change in working capital items is as follows:

	2021	2020
	\$	\$
Accounts receivable and other amounts receivable	7,632	19,301
Prepaid expenses	(2,202)	662
Accounts payable and other operating liabilities	26,650	(16,544)
Deferred revenues	4,415	(1,817)
Deferred contributions	80,172	14,328
	<u>116,667</u>	<u>15,930</u>

### 9 - ACCOUNTS RECEIVABLE AND OTHER AMOUNTS RECEIVABLE

	2021	2020
	\$	\$
Operating fund		
Sales, independent businesses and other	10,735	6,889
Subsidy – MES (1)	46,360	37,125
Tuition fees and other expenses	4,878	3,445
	<u>61,973</u>	<u>47,459</u>
Restricted fund		
Subsidies, contracts and other (2)	32,225	31,697
Capital assets fund		
Subsidies (3)	178,688	201,070
Other	164	456
	<u>178,852</u>	<u>201,526</u>
	<u>273,050</u>	<u>280,682</u>

### 9 - ACCOUNTS RECEIVABLE AND OTHER AMOUNTS RECEIVABLE (Continued)

Accounts receivable and other amounts receivable are presented in the financial statements net of an allowance for impairment of \$5,455,200, that is \$3,366,000 for tuition fees and \$2,089,200 for general billing (\$3,095,000 as at April 30, 2020, that is \$1,825,000 for tuition fees and \$1,270,000 for general billing). The amount of the impairment loss related to the accounts receivable and other amounts receivable is \$3,188,901 for the year (\$1,524,335 in 2020).

- (1) The subsidy – MES receivable consists of the total final subsidy balance for the year 2020-2021 of \$55,813,913, net of the adjustment resulting from the change in the student population of \$9,453,738 (as at April 30, 2020: consisting 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).
- (2) Subsidies receivable from the restricted fund are generally from governments and government bodies.



# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

### 9 - ACCOUNTS RECEIVABLE AND OTHER AMOUNTS RECEIVABLE (Continued)

- (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 MES in repayment of the long-term debt. Subsidies receivable also include a \$4,668,832 (\$5,958,350 as at April 30, 2020) amount related to the interest on the temporary financing of capital assets, which is repaid by the MES.

#### Conditional subsidy

According to the financial framework proposed by the MES, the University is committed to balancing its budget and respecting the remuneration framework of senior administrative personnel. Non-compliance with this commitment could result in changes in the subsidies granted. As at April 30, 2021, an amount of \$46,038,400 has been recorded as revenue and is receivable on that date (\$46,278,600 receivable as at April 30, 2020). It was cashed on July 29, 2021.

### 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

	2021	2020
	\$	\$
Amount receivable from La Boutique Rouge et Or – Université Laval, 3.3%	237	255
Other amounts receivable, without interest	8	25
	<u>245</u>	<u>280</u>

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

### 12 - INVESTMENTS

						2021
	Operating fund	Restricted fund	Capital assets fund	Endowment fund	Subscription fund	Total
	\$	\$	\$	\$	\$	\$
Master trust fund	1,536	12,288	3,102	39,690	11,015	67,631
Shares	24,392	-	-	-	-	24,392
Fixed-interest securities	21,112	-	-	-	-	21,112
Money market securities and other	358	-	-	-	-	358
	<u>47,398</u>	<u>12,288</u>	<u>3,102</u>	<u>39,690</u>	<u>11,015</u>	<u>113,493</u>
						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>

### 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;
- ARNA Therapeutics Inc., 246,122 preferred shares;
- LensVector Inc., 870,102 class "C" preferred shares (770,102 shares as at April 30, 2020) and 250,000 class "B" preferred shares;

## Université Laval

### Notes to Financial Statements

April 30, 2021

(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 \$98,179;
- 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;
- Diamentis Inc., 500,170 common shares;
- Sovar, limited partnership, 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

	2021		
	Cost	Accumulated amortization	Unamortized cost
	\$	\$	\$
Major improvements	460,191	85,755	374,436
Landscaping	47,851	16,204	31,647
Buildings	596,048	284,728	311,320
Library documents	89,682	44,184	45,498
Audiovisual and communication equipment	6,270	3,077	3,193
Computer equipment	57,728	28,541	29,187
Specialized equipment	162,255	83,992	78,263
Automotive equipment	1,989	1,029	960
Furniture	6,187	2,848	3,339
Leasehold improvements	16	2	14
Assets not subject to amortization	7,666	–	7,666
Projects in progress	45,378	–	45,378
Land	13,789	–	13,789
	<b>1,495,050</b>	<b>550,360</b>	<b>944,690</b>

## Université Laval

### Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

#### 13 - TANGIBLE CAPITAL ASSETS (Continued)

	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
Assets not subject to amortization	7,310	-	7,310
Projects in progress	91,539	-	91,539
Land	14,109	-	14,109
	<u>1,459,447</u>	<u>516,324</u>	<u>943,123</u>

The amortization expense for tangible capital assets is as follows:

	2021	2020
	\$	\$
Major improvements	14,382	12,728
Landscaping	2,400	2,361
Buildings	11,447	11,413
Library documents	8,831	8,654
Audiovisual and communication equipment	1,236	1,201
Computer equipment	18,007	16,922
Specialized equipment	16,762	17,618
Automotive equipment	397	404
Furniture	1,215	1,108
Leasehold improvements	2	154
	<u>74,679</u>	<u>72,563</u>

#### 14 - 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, 2021, these bank loans are unused (unused as at April 30, 2020). If these credit facilities had been used by the University as at April 30, 2021, the interest rate would have been approximately 0.4% (0.6% as at April 30, 2020).

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

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

### 14 - BANK LOANS (Continued)

The University also has a credit facility, for an authorized amount of \$3,616,741 (\$0 as at April 30, 2020), which bears interest at the average one-month banker's acceptance rate minus 0.1% (0.3125%), for the temporary financing of operations in the capital assets fund related to the project of development of research areas dedicated to cutting-edge microbiome research, until such debt is converted to long-term financing. As at April 30, 2021, \$360,000 has been used (\$0 as at April 30, 2020).

Each year, the MES authorizes a maximum temporary loan amount, which totalled \$125,000,000 as at April 30, 2021 (\$108,000,000 as at April 30, 2020).

### 15 - ACCOUNTS PAYABLE AND OTHER OPERATING LIABILITIES

Government remittances total \$11,069,146 (\$9,407,657 as at April 30, 2020).

### 16 - DEFERRED REVENUES

	2021	2020
	\$	\$
Revenues collected in advance on land rental	997	1,064
Tuition fees and other revenues	12,687	8,073
Room deposits	276	193
Sport activity deposits	178	393
	<u>14,138</u>	<u>9,723</u>

### 17 - DEFERRED CONTRIBUTIONS

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

	2021	2020
	\$	\$
Balance, beginning of year	224,526	210,198
Amounts recognized as revenue	(217,230)	(209,735)
Amounts received for next year	297,402	224,063
Balance, end of year	<u>304,698</u>	<u>224,526</u>

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

### 18 - LONG-TERM DEBT

	2021	2020
	\$	\$
<b>Operating fund</b>		
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)	46,528	50,856
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)	7,733	8,526
	<u>54,261</u>	<u>59,382</u>
Current portion	5,121	5,121
	<u>49,140</u>	<u>54,261</u>
<b>Capital assets fund</b>		
Debts secured by the Government of Quebec from annual appropriations voted by the National Assembly		
Bonds and loans, weighted average rate of 2.74% (2.85% as at April 30, 2020), maturing in tranches until 2044	610,858	613,065
Loan, repaid during the year	—	56
Loan, variable rate based on CDOR plus 0.24%, payable in blended monthly instalments of \$107,220, maturing in 2026 (1)	6,221	7,184
Loan, variable rate based on CDOR plus 0.96%, payable in principal monthly instalments of \$20,238 plus interests, maturing in 2029 (1)	1,983	2,226
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)	2,469	3,177
Group of loans, variable rates based on CDOR plus 0.61% and 0.69%, payable in blended monthly instalments of \$103,000, maturing in 2024 and 2027 (1)	5,679	6,915
Loan, variable rate based on CDOR plus 0.63%, payable in principal monthly instalments of \$21,000, plus interest, maturing in 2035 (1)	5,035	5,287
Loan, variable rate based on CDOR plus 0.63%, payable in principal monthly instalments of \$30,000, plus interest, maturing in 2036 (1)	5,370	5,730

## Université Laval

### Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

#### 18 - LONG-TERM DEBT (Continued)

	2021	2020
	\$	\$
Loan, variable rate based on CDOR plus 0.58%, payable in principal monthly instalments of \$25,000, plus interest, maturing in 2026 (1)	1,650	1,950
Loan, 2.9025% capitalized semiannually, payable in principal monthly instalments of \$25,208, plus interest, maturing in 2027	1,966	2,269
Loan, variable rate based on CDOR plus 0.77%, payable in principal monthly instalments of \$19,444, plus interest, maturing in 2033 (1)	2,917	3,150
	<b>644,148</b>	651,009
Current portion	<b>60,730</b>	55,817
	<b>583,418</b>	595,192
	<b>632,558</b>	649,453

(1) These loans are subject to interest rate swaps, as described in Note 21.

The estimated instalments on long-term debt for the next five years are \$65,851,270 in 2022, \$63,305,264 in 2023, \$79,135,005 in 2024, \$52,599,651 in 2025 and \$50,748,674 in 2026.

The portion subsidized by the Government of Quebec included in estimated instalments for the next five years is \$56,182,926 in 2022, \$53,801,168 in 2023, \$69,556,198 in 2024, \$43,577,601 in 2025 and \$41,667,960 in 2026.

#### 19 - UNIVERSITÉ LAVAL'S PENSION PLANS

##### Defined benefit pension plans

The University measures its defined benefit obligations and the fair value of plan assets for accounting purposes as at April 30 of each year. Complete actuarial valuations of the pension plans for funding purposes were performed as at December 31, 2019, in accordance with the Act respecting the restructuring of university-sector defined benefit pension plans and amending various legislative provisions. The next valuations will be performed as at December 31, 2022.

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

	2021	2020
	\$	\$
<b>Pension plans</b>		
Defined benefit obligations	3,556,255	3,278,166
Fair value of plan assets	3,572,766	3,432,168
Funded statute – surplus	(16,511)	(154,002)
Valuation allowance	(38,111)	(179,759)
Defined benefit liability	<b>21,600</b>	25,757

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

### 19 - UNIVERSITÉ LAVAL'S PENSION PLANS (Continued)

	2021	2020
	\$	\$
<b>Other benefit plans</b>		
Defined benefit obligations	1,408	1,518
Fair value of plan assets	-	-
Funded statute – deficit and defined benefit liability	<u>1,408</u>	<u>1,518</u>
	<u><u>23,008</u></u>	<u><u>27,275</u></u>

#### *Pension plan asset components*

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

	2021	2020
	%	%
<b>Asset category</b>		
Debt securities	44.77	42.85
Equity securities	28.77	36.58
Real estate funds	14.97	8.75
Other investment vehicles	11.49	11.82
	<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 \$40,322,700 (\$43,824,600 as at April 30, 2020).

#### *Future employee benefit costs recognized during the year*

	2021	2020
	\$	\$
Pension plans	44,279	40,413
Other plans	74	79

#### *Significant assumptions*

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

	Pension plans	
	2021	2020
	%	%
Inflation rate	2.00	2.00
Discount rate	4.82 - 6.30	4.55 - 6.35
Expected long-term rate of return on plans assets	4.82 - 6.30	4.55 - 6.35
Compensation increase rate	3.00 - 3.50	3.00 - 3.50



# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

### 19 - UNIVERSITÉ LAVAL'S PENSION PLANS (Continued)

	Other benefit plans	
	2021	2020
	%	%
Inflation rate	—	—
Discount rate	5.15	5.15
Expected long-term rate of return on plan assets	—	—
Compensation increase rate	—	—
Increase in medical costs rate	5.00	5.00

### 20 - 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.

	2021	2020
	\$	\$
Balance, beginning of year	282,194	289,049
Amounts received during the year	37,553	22,997
Contributions received in capital assets	485	718
Contributions restricted to the acquisition of capital assets not subject to amortization	(357)	(662)
Amounts recognized as revenue	(29,025)	(29,908)
Balance, end of year	290,850	282,194

### 21 - 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 dates	Fixed weighted average interest rate	2021
			Notional amount
		%	\$
Operating fund			
Long-term debt	09-11-2030, 09-12-2030 and 09-01-2031	3.03	7,733
Long-term debt	09-11-2031, 09-12-2031 and 09-01-2032	3.03	46,528
			54,261

**Université Laval**  
**Notes to Financial Statements**

April 30, 2021

(amounts in the tables are in thousands of dollars)

**21 - CASH FLOW HEDGING SWAPS (Continued)**

			2021
	Maturity dates	Fixed weighted average interest rate %	Notional amount \$
Capital assets fund			
Long-term debt	19-10-2026	4.57	6,221
Long-term debt	20-10-2026	1.49	1,650
Long-term debt	31-12-2021 and 31-12-2026	2.01	2,469
Long-term debt	29-02-2024 and 28-02-2027	2.22	5,679
Long-term debt	05-06-2029	2.63	1,983
Long-term debt	24-10-2033	3.03	2,917
Long-term debt	18-11-2035	2.64	5,035
Long-term debt	03-03-2036	1.80	5,370
			<u>31,324</u>
			<u>85,585</u>
			2020
	Maturity dates	Fixed weighted average interest rate %	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
			<u>59,382</u>

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

### 21 - CASH FLOW HEDGING SWAPS (Continued)

			2020
	Maturity dates	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

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

### 22 - OPERATING FUND BALANCE

	2021	2020
	\$	\$
<b>Unrestricted</b>		
Future employee benefits		
Pension plans	(21,601)	(25,757)
Other benefit plans	(1,408)	(1,518)
Vacations payable, accumulated overtime and other employee benefits payable	(46,973)	(44,131)
Operations	(193,141)	(199,238)
	(263,123)	(270,644)
<b>Internally restricted (1)</b>	37,733	32,656
	(225,390)	(237,988)

**Université Laval**  
**Notes to Financial Statements**

April 30, 2021

(amounts in the tables are in thousands of dollars)

**22 - OPERATING FUND BALANCE (Continued)**

	<u>2021</u>	<u>2020</u>
	\$	\$
<b>(1) Balance of the internally restricted fund</b>		
<i>Special programs</i>		
Budget carried over to multiple-faculty entities	159	129
Unrestricted research projects	29,860	25,792
Special research budget	4,875	3,748
Other	2,839	2,987
	<u>37,733</u>	<u>32,656</u>

**23 - NET INVESTMENT INCOME**

	<u>2021</u>	<u>2020</u>
	\$	\$
Investments measured at fair value		
Net change in fair value		
From restricted resources	2,690	(1,561)
From resources held as endowments (a)	3,969	(2,526)
Unrestricted	4,114	(1,396)
	<u>10,773</u>	<u>(5,483)</u>
Other investment income		
From restricted resources	837	1,400
From resources held as endowments (a)	1,051	2,312
Unrestricted	4,303	5,811
	<u>6,191</u>	<u>9,523</u>
	<u>16,964</u>	<u>4,040</u>

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

**24 - 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 \$98,607,780.

**Leases**

The University has entered into lease agreements for premises expiring between May 2021 and June 2025, which call for lease payments made from the operating fund totalling \$9,428,939. Minimum lease payments for the next five years are \$3,047,697 in 2022, \$2,571,207 in 2023, \$2,330,446 in 2024, \$1,409,104 in 2025 and \$70,485 in 2026.

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

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### **24 - COMMITMENTS (Continued)**

#### **Building construction and renovations**

Unrecorded commitments for building construction and renovations assumed by the University's capital assets fund amount to \$17,241,120.

### **25 - 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, 2021, the market value of the foreign investment portfolio amounts to \$14,708,394 for the annuity backing fund and to \$22,261,560 for the master trust fund, for a total amount of \$36,969,954, mainly denominated in U.S. dollars (total amount of \$30,330,115 as at April 30, 2020).

The University is also exposed to currency risk due to accounts receivable and other amounts receivable, as well as accounts payable and other operating liabilities denominated in euros and U.S. dollars. As at April 30, 2021, financial assets denominated in foreign currency comprise accounts receivable and other amounts receivable totalling \$523,088, i.e. US\$266,412 and €132,316 (\$535,348 as at April 30, 2020, i.e. US\$337,897 and €43,022). Financial liabilities denominated in foreign currency comprise accounts payable and other operating liabilities totalling \$2,567,248, i.e. US\$1,985,296 and €86,709 (\$2,681,446 as at April 30, 2020, i.e. US\$1,871,192 and €51,770).

#### **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 21, 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.

#### **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 and other amounts receivable, notes receivable and investments.

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

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### **25 - FINANCIAL RISKS (Continued)**

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, 2021, 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.

### **26 - 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.

# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

### 26 - RELATED ENTITIES (Continued)

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 Laval 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.

### 27 - 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, 2021 and 2020 are as follows:

	2021	2020
	\$	\$
Financial position		
Assets	<b>222,792</b>	191,734
Liabilities	1,858	2,396
Fund balance	<b>220,934</b>	189,338
	<b>222,792</b>	191,734
Restrictions		
Invested in capital assets	78	100
Restricted as endowments	216,067	182,484
Internally restricted	648	2,115
Unrestricted	4,141	4,639
	<b>220,934</b>	189,338

# Université Laval

## Notes to Financial Statements

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(amounts in the tables are in thousands of dollars)

### 27 - CONTROLLED NOT-FOR-PROFIT ORGANIZATIONS (Continued)

	2021	2020
	\$	\$
Earnings		
Revenues	53,698	25,653
University's contributions	(15,840)	(19,791)
	<u>37,858</u>	<u>5,862</u>
Expenses	6,262	6,734
Excess (deficiency) of revenues over expenses	31,596	(872)
Fund balance, beginning of year	189,338	190,210
Fund balance, end of year	<u>220,934</u>	<u>189,338</u>
Cash flows		
Operating activities	(4,118)	267
Investing activities	637	591
Financing activities	2,494	2,136

### 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, 2021 and 2020 are as follows:

	2021	2020
	\$	\$
Financial position		
Assets	<u>2,100</u>	<u>1,557</u>
Liabilities	-	-
Fund balance	<u>2,100</u>	<u>1,557</u>
	<u>2,100</u>	<u>1,557</u>
Operations		
Revenues	-	-
University's contributions	564	453
	<u>564</u>	<u>453</u>
Expenses	21	-
Excess of revenues over expenses	543	453
Fund balance, beginning of year	1,557	1,104
Fund balance, end of year	<u>2,100</u>	<u>1,557</u>



# Université Laval

## Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

### 27 - CONTROLLED NOT-FOR-PROFIT ORGANIZATIONS (Continued)

#### 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

### 28 - 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.

The company's condensed financial statements as at May 31, 2020 and 2019 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:

	2020	2019
	\$	\$
Balance sheet		
Assets	78	48
Liabilities	78	48
Equity	-	-
Earnings		
Revenues	497	481
Expenses	497	481
Net earnings	-	-
Retained earnings, beginning of year	-	-
Retained earnings, end of year	-	-

## Université Laval

### Notes to Financial Statements

April 30, 2021

(amounts in the tables are in thousands of dollars)

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#### 28 - JOINT VENTURE (Continued)

	2020	2019
	\$	\$
Cash flows		
Operating activities	(1)	14
Investing activities	-	-
Financing activities	-	-

#### 29 - 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 University also holds an economic interest in the organization. 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 \$66,516 to the organization. This amount, along with the annual contributions of two other entities, represents 93% of the revenues of the Corporation des services universitaires des Appalaches inc.

##### 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 3% of its revenues.