

Université Laval
Financial Statements
April 30, 2023

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Independent Auditor's Report

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To the Members of the Board of Directors of
Université Laval

Opinion

We have audited the financial statements of Université Laval, which comprise the statement of financial position as at April 30, 2023, 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, 2023, 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 LLP¹

Québec
September 27, 2023

¹ CPA auditor, public accountancy permit no. A119912

Université Laval

Operations

Year ended April 30, 2023

(in thousands of dollars)

	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Subscription Fund		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues												
Subsidies – ministère de l'Enseignement supérieur (MES) (Note 4)	512 066	509 156	30 405	29 458	46 070	45 876	-	-	-	-	588 541	584 490
Tuition fees	157 317	149 955	-	-	-	-	-	-	-	-	157 317	149 955
Community services	18 383	14 967	10 380	9 296	-	-	-	-	-	-	28 763	24 263
External services	44 840	45 129	-	-	1 493	3 203	-	-	-	-	46 333	48 332
Net investment income (Note 21)	16 494	2 386	446	107	1 018	73	1 639	(34)	457	59	20 054	2 591
Student services and assistance	29 695	27 496	9 792	10 618	-	-	-	-	-	-	39 487	38 114
Ancillary services	18 178	13 245	-	-	-	-	-	-	-	-	18 178	13 245
Contributions from La Fondation de l'Université Laval	150	-	18 592	20 043	-	-	-	-	-	-	18 742	20 043
Donations from other organizations	-	-	-	-	817	102	-	329	-	-	817	431
Other subsidies and revenues	14 905	12 078	235 236	221 115	27 935	27 280	-	-	-	-	278 076	260 473
	812 028	774 412	304 851	290 637	77 333	76 534	1 639	295	457	59	1 196 308	1 141 937
Expenses												
Teaching and independent research	463 167	448 455	2 841	2 404	-	-	-	-	-	-	466 008	450 859
Community services	11 333	10 895	19 197	17 189	-	-	-	-	-	-	30 530	28 084
Research	13 454	12 027	251 315	241 801	-	-	-	-	-	-	264 769	253 828
Support services	171 601	162 354	2 793	2 403	1 418	270	421	1 740	105	180	176 338	166 947
Student services and assistance	29 581	27 227	30 620	28 090	-	-	-	-	-	-	60 201	55 317
Ancillary services	13 484	11 021	-	-	-	-	-	-	-	-	13 484	11 021
Renovations and redevelopment	-	-	-	-	2 813	1 989	-	-	-	-	2 813	1 989
Interest on long-term debt	-	-	-	-	16 125	17 726	-	-	-	-	16 125	17 726
Future employee benefits	14 954	4 993	-	-	-	-	-	-	-	-	14 954	4 993
Amortization of tangible capital assets (Note 11)	-	-	-	-	79 355	77 363	-	-	-	-	79 355	77 363
	717 574	676 972	306 766	291 887	99 711	97 348	421	1 740	105	180	1 124 577	1 068 127
Excess (deficiency) of revenues over expenses	94 454	97 440	(1 915)	(1 250)	(22 378)	(20 814)	1 218	(1 445)	352	(121)	71 731	73 810

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

Université Laval

Changes in Fund Balances

Year ended April 30, 2023
(in thousands of dollars)

	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Subscription Fund		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances (negative), beginning of year	(509 930)	(225 390)	–	–	392 972	316 926	34 679	37 407	10 318	11 015	(71 961)	139 958
Excess (deficiency) of revenues over expenses	94 454	97 440	(1 915)	(1 250)	(22 378)	(20 814)	1 218	(1 445)	352	(121)	71 731	73 810
Remeasurements and other items related to the pension and other postretirement benefit plans	(94 434)	(285 995)	–	–	–	–	–	–	–	–	(94 434)	(285 995)
Endowment contributions	–	–	–	–	–	–	314	–	–	–	314	–
Contributions restricted to the acquisition of capital assets not subject to amortization	–	–	–	–	561	266	–	–	–	–	561	266
Interfund transfers (Note 5)	(102 182)	(95 985)	1 915	1 250	102 349	96 594	(1 882)	(1 283)	(200)	(576)	–	–
Fund balances (negative), end of year	(612 092)	(509 930)	–	–	473 504	392 972	34 329	34 679	10 470	10 318	(93 789)	(71 961)

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

Université Laval

Cash Flows

Year ended April 30, 2023

(in thousands of dollars)

	2023	2022
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	71 731	73 810
Non-cash items		
Net change in fair value of investments	(737)	10 857
Net change in defined benefit liability	12 206	635
Amortization of deferred contributions related to capital assets	(29 217)	(29 837)
Amortization of tangible capital assets	79 355	77 363
Loss (gain) on disposal of capital assets	(203)	241
Net change in working capital items (Note 6)	21 836	22 514
Cash flows from operating activities	<u>154 971</u>	<u>155 583</u>
INVESTING ACTIVITIES		
Net change in notes receivable	(4)	24
Investments	(215 840)	(203 032)
Tangible capital assets (a)	(101 754)	(86 271)
Proceeds from disposal of capital assets	400	444
Cash flows from investing activities	<u>(317 198)</u>	<u>(288 835)</u>
FINANCING ACTIVITIES		
Net change in bank loans	16 853	33 629
Long-term debt	22 906	26 217
Repayment of long-term debt	(106 162)	(76 466)
Deferred contributions related to capital assets	25 248	65 861
Endowment contributions	314	-
Cash flows from financing activities	<u>(40 841)</u>	<u>49 241</u>
Net decrease in cash	(203 068)	(84 011)
Cash, beginning of year	<u>221 311</u>	<u>305 322</u>
Cash, end of year	<u>18 243</u>	<u>221 311</u>

(a) Tangible capital assets acquired during the year include donations with an approximate value of \$1,377,847 (\$368,275 in 2022).

During the year, Université Laval acquired tangible capital assets of which an amount of \$10,457,665 (\$9,433,507 as at April 30, 2022) 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, 2023

(in thousands of dollars)

	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Subscription Fund		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS												
Current												
Cash	18 243	221 311	–	–	–	–	–	–	–	–	18 243	221 311
Accounts receivable and other amounts receivable (Note 7)	83 587	86 717	50 335	52 483	81 823	61 009	–	–	–	–	215 745	200 209
Prepaid expenses (Note 8)	7 411	6 275	1 333	1 613	–	–	–	–	–	–	8 744	7 888
Investments (Note 10)	412 324	200 000	–	–	–	–	–	–	–	–	412 324	200 000
Interfund advances, without interest or terms of repayment	–	–	291 043	292 992	302 422	252 133	–	–	–	–	–	–
	521 565	514 303	342 711	347 088	384 245	313 142	–	–	–	–	655 056	629 408
Long-term												
Accounts receivable and other amounts receivable (Note 7)	–	–	–	–	525 052	562 152	–	–	–	–	525 052	562 152
Notes receivable (Note 9)	225	221	–	–	–	–	–	–	–	–	225	221
Investments (Note 10)	50 900	46 618	10 510	10 481	1 745	1 686	36 296	36 565	10 470	10 318	109 921	105 668
Tangible capital assets (Note 11)	–	–	–	–	981 520	956 916	–	–	–	–	981 520	956 916
	572 690	561 142	353 221	357 569	1 892 562	1 833 896	36 296	36 565	10 470	10 318	2 271 774	2 254 365

Université Laval
Financial Position

April 30, 2023
(in thousands of dollars)

	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Subscription Fund		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
LIABILITIES												
Current												
Bank loans (Note 12)	-	-	-	-	50 842	33 989	-	-	-	-	50 842	33 989
Accounts payable and other operating liabilities (Note 13)	162 636	160 569	20 802	17 821	14 072	13 209	1 967	1 886	-	-	199 477	193 485
Deferred revenues (Note 14)	12 403	8 914	-	-	-	-	-	-	-	-	12 403	8 914
Deferred contributions (Note 15)	-	-	332 419	339 748	-	-	-	-	-	-	332 419	339 748
Interfund advances, without interest or terms of reimbursement	593 465	545 125	-	-	-	-	-	-	-	-	-	-
Current portion of long-term debt (Note 16)	-	4 857	-	-	76 620	59 336	-	-	-	-	76 620	64 193
	768 504	719 465	353 221	357 569	141 534	106 534	1 967	1 886	-	-	671 761	640 329
Long-term												
Long-term debt (Note 16)	-	41 969	-	-	488 284	541 998	-	-	-	-	488 284	583 967
Defined benefit liability (Note 17)	416 278	309 638	-	-	-	-	-	-	-	-	416 278	309 638
Deferred contributions related to capital assets (Note 18)	-	-	-	-	789 240	792 392	-	-	-	-	789 240	792 392
	1 184 782	1 071 072	353 221	357 569	1 419 058	1 440 924	1 967	1 886	-	-	2 365 563	2 326 326
FUND BALANCES (NEGATIVE) (NOTE 20)												
Unrestricted	(658 978)	(553 101)	-	-	-	-	-	-	10 470	10 318	(648 508)	(542 783)
Internally restricted	46 886	43 171	-	-	-	-	2 224	2 747	-	-	49 110	45 918
Restricted as endowments	-	-	-	-	-	-	32 105	31 932	-	-	32 105	31 932
Invested in capital assets	-	-	-	-	473 504	392 972	-	-	-	-	473 504	392 972
	(612 092)	(509 930)	-	-	473 504	392 972	34 329	34 679	10 470	10 318	(93 789)	(71 961)
	572 690	561 142	353 221	357 569	1 892 562	1 833 896	36 296	36 565	10 470	10 318	2 271 774	2 254 365

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

On behalf of the Board,



Director



Director

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

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 CHANGES

Subsidies receivable

According to its previous accounting policies, the University recognized on the basis of their net amount the balance of subsidies receivable and deferred contributions relating to capital assets financed or that should be financed by loans and for which work has been performed or the acquisition has been made. The University has restated its financial statements for prior periods to recognize these subsidies receivable as an asset (for their gross amount) when the amount to be received can be reasonably estimated and the final receipt of the amount is reasonably assured.

As at April 30, 2022, in the Capital Assets Fund, this change resulted in a decrease of accounts receivable and other amounts receivable of \$92,478,355 in current assets and in an increase of \$562,152,517 in long-term assets, as well as an increase of \$469,674,162 in deferred contributions related to capital assets.

Employee future benefits

On May 1, 2022, the University applied the changes to Section 3463, Reporting Employee Future Benefits by Not-for-Profit Organizations, of Part III of the *CPA Canada Handbook – Accounting*. The purpose of these changes is, in particular, to remove the possibility of using a funding valuation for defined benefit pension plans without a funding valuation requirement.

In accordance with the transitional provisions, these changes, that are applicable for fiscal years beginning on or after January 1, 2022, have been applied retrospectively, but without restatement of the previous year's comparative financial statements. Any adjustment must be applied against the opening balance of the current year's fund balances.

The application of these changes had no impact on the financial statements as of May 1, 2022.

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES

The University's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the significant accounting policies described below:

Funds classification

The University presents its financial information by 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.

Accounting estimates

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

Principles of consolidation

The accounts of entities that are controlled by the University have not been consolidated in the financial statements. However, Notes 25 and 26 provide information regarding those entities.

Ancillary services

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

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of 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 restricted to the acquisition of capital assets 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 in which 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.

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.

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest on debts

Operating Fund

This fund includes interest on long-term debts attributable to the Operating Fund.

Capital Assets Fund

Interest on bank loans and debts secured by the Government of Quebec is reimbursed by the MES.

Pension plans

Defined benefit plans

The University offers the following to its eligible employees:

- Defined benefit pension plans (collectively hereinafter the “pension plans”);
- Another defined benefit plan, i.e. a health insurance plan for retirees (hereinafter the “other benefit plan”).

The University recognizes its obligations under each defined benefit plan as employees render the services necessary to earn the pension benefits. For each defined benefit plan, the University determines its defined benefit obligations using the projected benefit method prorated on services.

The balance of the pension plans obligations is based on the most recent actuarial valuation for funding purposes, which is extrapolated to the University's year-end date. The University recognizes its obligations in respect of these pension plans in the statement of financial position, net of the fair value of the plan assets. If the fair value of the assets exceeds the defined benefit obligations, the defined benefit asset must be adjusted, if necessary, to take into account any valuation allowance.

The balance of the other benefit plan obligation is based on the most recent actuarial valuation for accounting purposes, which is prepared using management's best estimate assumptions as at the date of the full actuarial valuation and is extrapolated to the University's year-end date.

The cost of all these defined benefit plans comprises the current service cost and the interest cost, i.e. the net interest on the defined benefit liability or asset.

Remeasurements and other items, recognized in the statement of changes in fund balances, correspond to the difference between the actual return on pension plan assets and the return calculated using the discount rate used to determine the defined benefit obligations, to actuarial gains and losses, to the impact of valuation allowances (if any) in the case of a net defined benefit asset, to past service cost (which is recognized immediately on the date of plan amendments) and to gains and losses arising from settlements and curtailments. Remeasurements and other items are not reclassified in the statement of operations in a subsequent year.

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Defined contribution plan

The University also offers a defined contribution plan to its lecturers, research professionals and certain other employees who do not meet the criteria for participation in the defined benefit plans. The costs of the defined contribution pension plan are recognized when payments are due, in accordance with the terms of the plan.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the University's financial assets and liabilities from transactions not concluded with related parties and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) 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. The University's financial assets and liabilities from related party transactions are measured at cost.

Transaction costs relating to financial assets and liabilities that will be subsequently measured at fair value and those relating to financial assets and liabilities from related party transactions are recognized in operations in the year they are incurred.

Subsequent measurement

At each reporting date, the University measures its financial assets and liabilities from transactions not concluded with related parties 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 fund which the University has elected to measure at fair value by designating that fair value measurement shall apply. With respect to the financial assets and liabilities from related party transactions, the University measures them using the cost method (including any impairment in the case of financial assets).

Transaction costs relating to financial assets and liabilities that are measured at amortized cost are amortized using the effective 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 or using the cost method, 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 or using the cost method is recognized in operations in the year the reversal occurs.

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Asset retirement obligations

The University recognizes an asset retirement obligation when there is a legal obligation associated with the retirement of a tangible capital asset that arises from its acquisition, construction, development or normal operation. The University recognizes a liability for such an obligation in the period in which it arises, provided that it can be reasonably estimated.

The amount recognized for an asset retirement obligation corresponds to management's best estimate of the expenditure required to settle the obligation at the date of the statement of financial position. Asset retirement costs are capitalized as part of the cost of the assets concerned, and are amortized on a straight-line basis from the date of the legal obligation until the planned completion of the asset retirement activities.

The initial measurement of the liability is made by discounting the estimated cash flows required to perform the asset retirement activities. Cash flows are adjusted for inflation and discounted using a discount rate that represents management's best estimate of the funds required to settle the obligation at its known or estimated maturity.

The liability recognized is adjusted each year for new obligations, actual costs incurred, revisions to estimates and accretion expense.

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

4 - SUBSIDIES – MES

Operating Fund

This item does not include the \$3,671,400 (\$3,495,400 in 2022) 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 the reimbursement of interest and capital assets financed by the MES.

5 - INTERFUND TRANSFERS

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

	<u>2023</u>	<u>2022</u>
	\$	\$
Projects		
Operating Fund	(102 182)	(95 985)
Restricted Fund	1 915	1 250
Capital Assets Fund	102 349	96 594
Endowment Fund	(1 882)	(1 283)
Subscription Fund	(200)	(576)
	<u>–</u>	<u>–</u>

6 - INFORMATION ON CASH FLOWS

The net change in working capital items is as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Accounts receivable and other amounts receivable	21 564	(23 895)
Prepaid expenses	(856)	(1 425)
Accounts payable and other operating liabilities	4 968	18 008
Deferred revenues	3 489	(5 224)
Deferred contributions	(7 329)	35 050
	<u>21 836</u>	<u>22 514</u>

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

7 - ACCOUNTS RECEIVABLE AND OTHER AMOUNTS RECEIVABLE

Current

	2023	2022
	\$	\$
Operating Fund		
Subsidy – MES (1)	66 962	76 564
Sales, independent businesses and other	11 265	7 367
Tuition fees and other expenses	5 360	2 786
	<u>83 587</u>	<u>86 717</u>
Restricted Fund		
Subsidies, contracts and other (2)	<u>50 335</u>	<u>52 483</u>
Capital Assets Fund		
Subsidies (3)	78 688	60 961
Other	3 135	48
	<u>81 823</u>	<u>61 009</u>
	<u>215 745</u>	<u>200 209</u>

Long-term

	2023	2022
	\$	\$
Capital Assets Fund		
Subsidies (3)	525 052	562 152
	<u>525 052</u>	<u>562 152</u>

Accounts receivable and other amounts receivable are presented in the financial statements net of an allowance for impairment of \$9,295,000, that is \$8,680,000 for tuition fees and \$615,000 for general billing (\$9,161,000 as at April 30, 2022, that is \$8,570,000 for tuition fees and \$591,000 for general billing). The amount of the impairment loss related to accounts receivable and other amounts receivable is \$1,684,087 for the year (4,091,030 in 2022).

- (1) The subsidy – MES receivable consists of the total final subsidy balance for the year 2022-2023 of \$48,526,016 (\$48,195,573 as at April 30, 2022), and an account receivable resulting from the change in the student population of \$18,436,298 (\$28,367,899 as at April 30, 2022).
- (2) Subsidies receivable from the Restricted Fund are generally from governments and government bodies.
- (3) Subsidies receivable from the Capital Assets Fund represent the amounts to be received in repayment of long-term debt and bank loans. Subsidies receivable also include an amount of \$4,872,413 (\$4,405,947 as at April 30, 2022) related to the interest on the financing of capital assets, which is repaid by the MES.

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

7 - ACCOUNTS RECEIVABLE AND OTHER AMOUNTS RECEIVABLE (continued)

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, 2023, an amount of \$46,982,232 has been recorded as revenue and is receivable on that date (\$45,795,344 receivable as at April 30, 2022). It was cashed on July 27, 2023.

8 - PREPAID EXPENSES

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

9 - NOTES RECEIVABLE

	<u>2023</u>	<u>2022</u>
	\$	\$
Amount receivable from La Boutique Rouge et Or – Université Laval, 3.3%	225	218
Other amounts receivable, without interest	–	3
	<u>225</u>	<u>221</u>

10 - INVESTMENTS

						<u>2023</u>
	<u>Operating</u>	<u>Restricted</u>	<u>Capital Assets</u>	<u>Endowment</u>	<u>Subscription</u>	<u>Total</u>
	Fund	Fund	Fund	Fund	Fund	Fund
	\$	\$	\$	\$	\$	\$
Master trust fund	1 564	10 510	1 745	36 296	10 470	60 585
Shares	26 098	–	–	–	–	26 098
Fixed-interest securities	23 238	–	–	–	–	23 238
Money market securities and other	412 324	–	–	–	–	412 324
	<u>463 224</u>	<u>10 510</u>	<u>1 745</u>	<u>36 296</u>	<u>10 470</u>	<u>522 245</u>
Current portion	412 324	–	–	–	–	412 324
	<u>50 900</u>	<u>10 510</u>	<u>1 745</u>	<u>36 296</u>	<u>10 470</u>	<u>109 921</u>

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

10 - INVESTMENTS (continued)

	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund	Subscription Fund	2022 Total
	\$	\$	\$	\$	\$	\$
Master trust fund	1 517	10 481	1 686	36 565	10 318	60 567
Shares	22 619	–	–	–	–	22 619
Fixed-interest securities	22 442	–	–	–	–	22 442
Money market securities and other	200 040	–	–	–	–	200 040
	<u>246 618</u>	<u>10 481</u>	<u>1 686</u>	<u>36 565</u>	<u>10 318</u>	<u>305 668</u>
Current portion	200 000	–	–	–	–	200 000
	<u>46 618</u>	<u>10 481</u>	<u>1 686</u>	<u>36 565</u>	<u>10 318</u>	<u>105 668</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;
- ARNA Therapeutics Inc., 246,122 preferred shares;
- LensVector Inc., 1,070,102 class “C” preferred shares (970,102 shares as at April 30, 2022) and 250,000 class “B” preferred shares;
- InflammatoRx Inc., 50 common shares, voting, participating, without par value;
- DiaMentis Inc., 500,170 common shares;
- Sovar, limited partnership, 1 class “B” common share, 4 class “Gel A” preferred shares, 1 class “Gel C” preferred share, 191,504 preferred shares and 1 “UL” preferred share;
- Depix Technologies Inc., 48,000 common shares.

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

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

11 - TANGIBLE CAPITAL ASSETS

	2023		
	Cost	Accumulated amortization	Unamortized cost
	\$	\$	\$
Major improvements	535 033	119 117	415 916
Landscaping	52 814	19 990	32 824
Buildings	603 714	307 394	296 320
Library documents	92 775	46 022	46 753
Audiovisual and communication equipment	7 327	3 372	3 955
Computer equipment	67 620	32 308	35 312
Specialized equipment	156 958	74 091	82 867
Automotive equipment	2 225	1 139	1 086
Furniture	8 376	3 614	4 762
Leasehold improvements	16	8	8
Assets not subject to amortization	8 493	-	8 493
Projects in progress	39 278	-	39 278
Land	13 946	-	13 946
	1 588 575	607 055	981 520
			2022
	Cost	Accumulated amortization	Unamortized cost
	\$	\$	\$
Major improvements	505 489	101 792	403 697
Landscaping	49 127	17 479	31 648
Buildings	596 131	296 129	300 002
Library documents	91 645	45 600	46 045
Audiovisual and communication equipment	6 820	3 500	3 320
Computer equipment	57 578	26 966	30 612
Specialized equipment	154 992	76 444	78 548
Automotive equipment	1 745	882	863
Furniture	7 149	3 711	3 438
Leasehold improvements	16	5	11
Assets not subject to amortization	7 932	-	7 932
Projects in progress	36 838	-	36 838
Land	13 962	-	13 962
	1 529 424	572 508	956 916

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

11 - TANGIBLE CAPITAL ASSETS (continued)

The amortization expense for tangible capital assets is as follows:

	2023	2022
	\$	\$
Major improvements	17 351	16 094
Landscaping	2 555	2 437
Buildings	11 296	11 402
Library documents	9 221	9 066
Audiovisual and communication equipment	1 415	1 309
Computer equipment	20 954	19 262
Specialized equipment	14 624	16 079
Automotive equipment	384	377
Furniture	1 552	1 334
Leasehold improvements	3	3
	<u>79 355</u>	<u>77 363</u>

12 - BANK LOANS

The University has a \$105,000,000 opening of credit with three financial institutions from which it is only authorized to draw a maximum of \$28,617,000, as required by the MES.

As at April 30, 2023, these bank loans are unused (unused as at April 30, 2022). If these credit facilities had been used by the University as at April 30, 2023, the weighted average interest rate would have been approximately 5.9% (2.3% as at April 30, 2022).

The University also has credit facilities with Financement-Québec, for an authorized amount of \$335,139,000 (\$248,690,741 as at April 30, 2022), which bear interest at the average three-month treasury bills rate plus 0.02%. This temporary financing is dedicated to the Plan quinquennal des investissements universitaires as well as to investments made as part of the project to develop research spaces dedicated to cutting-edge research on the microbiome. This temporary financing is in effect until such debt is converted to long-term financing. As at April 30, 2023, \$50,089,526 (\$33,262,400 as at April 30, 2022) has been used for the entire Plan quinquennal des investissements universitaires as well as \$752,914 (\$726,406 as at April 30, 2022) for microbiome research.

13 - ACCOUNTS PAYABLE AND OTHER OPERATING LIABILITIES

Government remittances total \$12,562,597 (\$11,265,184 as at April 30, 2022).

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

14 - DEFERRED REVENUES

	<u>2023</u>	<u>2022</u>
	\$	\$
Tuition fees and other revenues	10 134	6 800
Revenues collected in advance on land rental	864	931
Room deposits	708	460
Sport activity deposits	697	723
	<u>12 403</u>	<u>8 914</u>

15 - DEFERRED CONTRIBUTIONS

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

	<u>2023</u>	<u>2022</u>
	\$	\$
Balance, beginning of year	339 748	304 698
Amounts recognized as revenue	(251 315)	(241 801)
Amounts received for next year	243 986	276 851
Balance, end of year	<u>332 419</u>	<u>339 748</u>

16 - LONG-TERM DEBT

	<u>2023</u>	<u>2022</u>
	\$	\$
Operating Fund		
Group of loans, variable rates based on three-month CDOR plus 0.61%, repaid during the year	-	42 200
Group of loans, variable rates based on three-month CDOR plus 0.57%, repaid during the year	-	4 626
	<u>-</u>	<u>46 826</u>
Current portion	-	4 857
	<u>-</u>	<u>41 969</u>
	-----	-----

Capital Assets Fund

Debts secured by the Government of Quebec from annual appropriations voted by the National Assembly

Group of loans, weighted average rate of 2.80% (2.70% as at April 30, 2022), maturing in tranches until December 2043	547 244	580 892
Loan, variable rate based on CDOR plus 0.71%, payable in principal monthly instalments of \$33,100, plus interest, maturing in December 2026 (1)	1 461	1 859
Group of loans, variable rates based on CDOR plus 0.61% and 0.69%, payable in principal monthly instalments of \$103,000, plus interest, maturing in February 2024 and 2027 (1)	3 207	4 443

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

16 - LONG-TERM DEBT (continued)

	2023	2022
	\$	\$
Loan, variable rate based on CDOR plus 0.63%, payable in principal monthly instalments of \$21,000, plus interest, maturing in November 2035 (1)	4 531	4 783
Loan, variable rate based on CDOR plus 0.63%, payable in principal monthly instalments of \$30,000, plus interest, maturing in March 2036 (1)	4 650	5 010
Loan, 2.9025% capitalized semiannually, payable in principal monthly instalments of \$25,208, plus interest, maturing in October 2027	1 361	1 664
Loan, variable rate based on CDOR plus 0.77%, payable in principal monthly instalments of \$19,444, plus interest, maturing in October 2033 (1)	2 450	2 683
	564 904	601 334
Current portion	76 620	59 336
	488 284	541 998
	488 284	583 967

(1) These loans are subject to interest rate swaps, as described in Note 19.

The estimated instalments on long-term debt for the next five years are \$76,619,998 in 2024, \$50,030,401 in 2025, \$48,120,760 in 2026, \$109,190,968 in 2027 and \$38,072,380 in 2028.

The portion subsidized by the Government of Quebec included in estimated instalments for the next five years is \$73,815,970 in 2024, \$47,837,373 in 2025, \$45,927,732 in 2026, \$107,121,295 in 2027 and \$37,075,801 in 2028.

17 - 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, 2021, in accordance with the *Act respecting the restructuring of university-sector defined benefit pension plans*, amending various legislative provisions. The next valuations will be performed as at December 31, 2024.

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

17 - UNIVERSITÉ LAVAL'S PENSION PLANS (continued)

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

	<u>2023</u>	<u>2022</u>
	\$	\$
Pension plans		
Defined benefit obligations	3 828 968	3 710 580
Fair value of plan assets	3 413 822	3 402 220
Funded statute – deficit and defined benefit liability	<u>415 146</u>	<u>308 360</u>
Other benefit plan		
Defined benefit obligations	1 132	1 278
Fair value of plan assets	–	–
Funded statute – deficit and defined benefit liability	<u>1 132</u>	<u>1 278</u>
	<u>416 278</u>	<u>309 638</u>

Pension plan asset components

At the measurement date, i.e. December 31 of each year, the pension plan assets consist of the following:

	<u>2023</u>	<u>2022</u>
	%	%
Asset category		
Debt securities	35.78	42.90
Equity securities	22.05	25.93
Real estate funds	16.99	18.19
Other investment vehicles	25.18	12.98
	<u>100.00</u>	<u>100.00</u>

Total cash payments

Cash payments for future employee benefits, consisting of cash contributed by the University to its funded pension plans and amounts paid directly to beneficiaries for its unfunded other benefit plans, total \$43,019,400 (\$40,767,900 as at April 30, 2022).

Future employee benefit costs recognized during the year

	<u>2023</u>	<u>2022</u>
	\$	\$
Pension plans	55 174	41 334
Other plan	52	68

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

17 - UNIVERSITÉ LAVAL'S PENSION PLANS (continued)

Significant assumptions

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

	Pension plans	
	2023	2022
	%	%
Inflation rate	2.00	2.00
Discount rate	4.05-5.95	4.89 - 6.05
Expected long-term rate of return on plan assets	4.05-5.95	4.89 - 6.05
Compensation increase rate	3.00-3.50	3.00 - 3.50

	Other benefit plan	
	2023	2022
	%	%
Discount rate	4.40	5.15
Increase in medical costs rate	5.00	5.00

18 - 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.

	2023	2022
	\$	\$
Balance, beginning of year	792 392	756 266
Amounts received during the year	25 248	65 861
Contributions received in capital assets	1 378	368
Contributions restricted to the acquisition of capital assets not subject to amortization	(561)	(266)
Amounts recognized as revenue	(29 217)	(29 837)
Balance, end of year	789 240	792 392

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

19 - 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.

			2023
	Maturity dates	Fixed weighted average interest rate	Notional amount
		%	\$
Capital Assets Fund			
Long-term debt	31-12-2026	2.15	1 461
Long-term debt	29-02-2024 and 28-02-2027	2.22	3 207
Long-term debt	24-10-2033	3.03	2 450
Long-term debt	18-11-2035	2.64	4 531
Long-term debt	03-03-2036	1.80	4 650
			16 299
			2022
	Maturity dates	Fixed weighted average interest rate	Notional amount
		%	\$
Operating Fund			
Long-term debt	09-11-2030 and 09-12-2030	3.03	4 626
Long-term debt	09-11-2031, 09-12-2031 and 09-01-2032	3.03	42 200
			46 826

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

19 - CASH FLOW HEDGING SWAPS (continued)

			2022
	Maturity dates	Fixed weighted average interest rate %	Notional amount \$
Capital Assets Fund			
Long-term debt	31-12-2026	2.15	1 859
Long-term debt	29-02-2024 and 28-02-2027	2.22	4 443
Long-term debt	24-10-2033	3.03	2 683
Long-term debt	18-11-2035	2.64	4 783
Long-term debt	03-03-2036	1.80	5 010
			<u>18 778</u>
			<u><u>65 604</u></u>

Under these swaps recognized as cash flow hedges, the University pays fixed interest rates and receives variable interest rates, which are reviewed monthly for the Capital Assets Fund's swaps and every three months for the Operating Fund's swaps.

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

20 - OPERATING FUND BALANCE

	<u>2023</u>	<u>2022</u>
	\$	\$
Unrestricted		
Future employee benefits		
Pension plans	(415 146)	(308 360)
Other benefit plan	(1 132)	(1 278)
Vacations payable, accumulated overtime and other employee benefits payable	(50 564)	(47 541)
Operations	(192 136)	(195 922)
	<u>(658 978)</u>	<u>(553 101)</u>
Internally restricted (1)	<u>46 886</u>	<u>43 171</u>
	<u>(612 092)</u>	<u>(509 930)</u>

	<u>2023</u>	<u>2022</u>
	\$	\$
(1) Balance of the internally restricted fund		
<i>Special programs</i>		
Budget carried over to multiple-faculty entities	181	171
Unrestricted research projects	38 564	34 598
Special research budget	5 717	5 779
Other	2 424	2 623
	<u>46 886</u>	<u>43 171</u>

21 - NET INVESTMENT INCOME

	<u>2023</u>	<u>2022</u>
	\$	\$
Investments measured at fair value		
Net change in fair value		
From restricted resources	33	(3 353)
From resources held as endowments (a)	414	(5 380)
Unrestricted	290	(2 124)
	<u>737</u>	<u>(10 857)</u>
Other investment income		
From restricted resources	1 888	3 592
From resources held as endowments (a)	1 225	5 346
Unrestricted	16 204	4 510
	<u>19 317</u>	<u>13 448</u>
	<u>20 054</u>	<u>2 591</u>

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

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

22 - COMMITMENTS

Outstanding purchase orders for goods and services

Unrecorded commitments for outstanding purchase orders for goods and services assumed by the University amount to \$57,254,656.

Leases

The University has entered into lease agreements for premises expiring between June 2023 and January 2029, which call for lease payments made from the Operating Fund totalling \$7,564,068 for offices. Minimum lease payments for the next five years are \$2,994,896 in 2024, \$1,981,823 in 2025, \$700,354 in 2026, \$710,183 in 2027 and \$665,863 in 2028.

Building construction and renovations

Unrecorded commitments for building construction and renovations assumed by the University's Capital Assets Fund amount to \$11,769,622.

23 - ASSET RETIREMENT OBLIGATIONS

The University's asset retirement obligations mainly concern the removal of asbestos from its buildings.

No asset retirement obligation liability is recognized since the University is unable to make a reasonable estimate of the amount of the obligation.

24 - 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, 2023, the market value of the foreign investment portfolio amounts to \$32,061,166, mainly denominated in U.S. dollars (\$36,206,471 as at April 30, 2022).

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, 2023, financial assets denominated in foreign currency are comprised of accounts receivable and other amounts receivable totalling \$742,078, i.e. US\$353,011 and €175,653 (\$649,511 as at April 30, 2022, i.e. US\$419,749 and €83,433). Financial liabilities denominated in foreign currency are comprised of accounts payable and other operating liabilities totalling \$2,775,655, i.e. US\$1,943,190 and €91,712 (\$2,216,002 as at April 30, 2022, i.e. US\$1,629,534 and €97,466).

Université Laval

Notes to Financial Statements

April 30, 2023

(amounts in the tables are in thousands of dollars)

24 - FINANCIAL RISKS (continued)

Interest rate risk

Some long-term debts and the bank loans 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 19, 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.

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, 2023, 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.

Université Laval

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(amounts in the tables are in thousands of dollars)

24 - FINANCIAL RISKS (continued)

Other

The University is exposed to market risk, credit risk and interest rate risk with respect to its investments, either directly or indirectly 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.

25 - RELATED ENTITIES

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

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

These related entities are the following:

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

26 - 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).

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(amounts in the tables are in thousands of dollars)

26 - CONTROLLED NOT-FOR-PROFIT ORGANIZATIONS (continued)

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's condensed financial statements as at April 30, 2023 and 2022, are as follows:

	2023	2022
	\$	\$
Financial position		
Assets	236 789	224 824
Liabilities	1 583	1 580
Fund balance	235 206	223 244
	236 789	224 824
Restrictions		
Invested in capital assets	43	58
Externally restricted	141 964	130 935
Internally restricted	86 416	85 825
Unrestricted	6 783	6 426
	235 206	223 244
Operations		
Revenues	41 063	33 290
University's contributions	(19 517)	(22 946)
	21 546	10 344
Expenses	9 584	8 034
Excess of revenues over expenses	11 962	2 310
Fund balance, beginning of year	223 244	220 934
Fund balance, end of year	235 206	223 244
Cash flows		
Operating activities	(6 342)	(5 495)
Investing activities	987	995
Financing activities	3 558	4 928

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(amounts in the tables are in thousands of dollars)

26 - CONTROLLED NOT-FOR-PROFIT ORGANIZATIONS (continued)

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, 2023 and 2022, are as follows:

	2023	2022
	\$	\$
Financial position		
Assets	–	3 081
Liabilities	–	–
Fund balance	–	3 081
	–	3 081
Operations		
Revenues	–	–
University's contributions	–	991
	–	991
Expenses	3 081	10
Excess (deficiency) of revenues over expenses	(3 081)	981
Fund balance, beginning of year	3 081	2 100
Fund balance, end of year	–	3 081

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. These organizations are the following:

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

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(amounts in the tables are in thousands of dollars)

27 - 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, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
	\$	\$
Balance sheet		
Assets	<u>141</u>	<u>222</u>
Liabilities	141	222
Equity	–	–
	<u>141</u>	<u>222</u>
Earnings		
Revenues	619	769
Expenses	619	769
Net earnings	–	–
Retained earnings, beginning of year	–	–
Retained earnings, end of year	<u>–</u>	<u>–</u>
Cash flows		
Operating activities	(4)	(45)
Investing activities	–	–
Financing activities	5	18

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(amounts in the tables are in thousands of dollars)

28 - 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 89% 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.

29 - SUBSEQUENT EVENT

As of May 1, 2023, the activities of La Fondation de l'Université Laval are integrated into those of the University. This integration will allow greater consultation in philanthropic development and an improvement in the experience offered to graduates.

On May 1, 2023, the assets and liabilities of La Fondation de l'Université Laval were therefore transferred to the University, with the exception of life insurance policies and capital participations in residual trusts. The impact of this transfer has not been determined at this time.