

Université Laval
Financial Statements
April 30, 2018

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Independent Auditor's Report

To the Members of the Board of Directors of
Université Laval

We have audited the accompanying financial statements of Université Laval, which comprise the statement of financial position as at April 30, 2018 and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian accounting standards for not-for-profit organizations. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Université Laval as at April 30, 2018 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.

Raymond Cholet Grant Thornton LLP¹

Québec
September 26, 2018

¹ CPA auditor, CA public accountancy permit no. A109631

Université Laval

Operations

Year ended April 30, 2018
(in thousands of dollars)

	Operating fund		Restricted fund		Capital assets fund		Endowment fund		Subscription fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues												
Subsidies – ministère de l'Éducation et de l'Enseignement supérieur (MEES) (Note 3)	435,869	417,846	11,955	9,779	46,253	52,856	–	–	–	–	494,077	480,481
Tuition fees	112,273	110,674	–	–	–	–	–	–	–	–	112,273	110,674
Community services	13,588	12,183	10,406	10,905	–	–	–	–	–	–	23,994	23,088
External services	32,196	25,298	–	–	2,822	1,083	–	–	–	–	35,018	26,381
Net investment income (Note 21)	1,479	4,969	550	1,215	125	7	1,758	3,865	474	988	4,386	11,044
Student services and assistance	27,002	25,881	9,977	9,919	–	–	–	–	–	–	36,979	35,800
Ancillary services	20,244	19,127	–	–	–	–	–	–	–	–	20,244	19,127
Donations												
La Fondation de l'Université Laval	417	1,854	18,840	12,804	–	–	–	–	–	–	19,257	14,658
Other organizations	–	–	–	–	275	590	140	630	–	–	415	1,220
Other subsidies and revenues	11,279	11,278	186,943	174,662	5,335	6,287	–	–	–	–	203,557	192,227
Changes in deferred contributions related to capital assets	–	–	–	–	32,603	(39,889)	–	–	–	–	32,603	(39,889)
	654,347	629,110	238,671	219,284	87,413	20,934	1,898	4,495	474	988	982,803	874,811
Expenses												
Teaching and independent research	392,111	378,568	1,882	1,379	–	–	–	–	–	–	393,993	379,947
Community services	11,963	10,000	18,643	17,530	–	–	–	–	–	–	30,606	27,530
Research	13,386	11,040	198,294	182,900	–	–	–	–	–	–	211,680	193,940
Support services	147,078	133,573	2,305	1,865	–	–	480	500	93	86	149,956	136,024
Student services and assistance	25,712	25,032	18,780	17,035	–	–	–	–	–	–	44,492	42,067
Ancillary services	13,407	12,418	–	–	–	–	–	–	–	–	13,407	12,418
Renovations and redevelopment	–	–	–	–	1,094	864	–	–	–	–	1,094	864
Interest on long-term debt	155	580	–	–	18,138	18,552	–	–	–	–	18,293	19,132
Future employee benefits	1,557	5,195	–	–	–	–	–	–	–	–	1,557	5,195
Amortization of the intangible capital asset	–	–	–	–	53	53	–	–	–	–	53	53
Amortization of tangible capital assets (Note 10)	–	–	–	–	69,024	64,621	–	–	–	–	69,024	64,621
	605,369	576,406	239,904	220,709	88,309	84,090	480	500	93	86	934,155	881,791
Excess (deficiency) of revenues over expenses	48,978	52,704	(1,233)	(1,425)	(896)	(63,156)	1,418	3,995	381	902	48,648	(6,980)

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

Université Laval
Changes in Fund Balances

Year ended April 30, 2018
(in thousands of dollars)

	Operating fund		Restricted fund		Capital assets fund		Endowment fund		Subscription fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances (negative), beginning of year	(187,646)	(388,431)	-	-	35,724	51,779	36,485	34,918	9,159	8,257	(106,278)	(293,477)
Excess (deficiency) of revenues over expenses	48,978	52,704	(1,233)	(1,425)	(896)	(63,156)	1,418	3,995	381	902	48,648	(6,980)
Remeasurements and other items related to the pension and other postretirement benefits plan	(12,043)	194,179	-	-	-	-	-	-	-	-	(12,043)	194,179
Interfund transfers (Note 4)	(44,788)	(46,098)	1,233	1,425	45,034	47,101	(1,399)	(2,428)	(80)	-	-	-
Fund balances (negative), end of year	(195,499)	(187,646)	-	-	79,862	35,724	36,504	36,485	9,460	9,159	(69,673)	(106,278)

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

Université Laval

Cash Flows

Year ended April 30, 2018

(in thousands of dollars)

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	48,648	(6,980)
Non-cash items		
Net change in fair value of investments	4,843	(5,770)
Increase in accrued benefit liability	(8,145)	(5,449)
Amortization of deferred contributions related to capital assets	(84,466)	(19,844)
Amortization of tangible capital assets	69,024	64,621
Amortization of the intangible capital asset	53	53
Amortization of deferred financing costs	1	8
Loss on disposal of tangible capital assets	4	–
Net change in working capital items (Note 5)	(4,882)	79,530
Cash flows from operating activities	<u>25,080</u>	<u>106,169</u>
INVESTING ACTIVITIES		
Net change in notes receivable	656	238
Investments	(5,588)	1,772
Tangible capital assets (a)	(110,918)	(86,125)
Proceeds on disposal of tangible capital assets	22	–
Cash flows from investing activities	<u>(115,828)</u>	<u>(84,115)</u>
FINANCING ACTIVITIES		
Net change in bank loans	(8,000)	(36,000)
Long-term debt	119,587	144,527
Repayment of long-term debt	(67,467)	(136,127)
Deferred contributions related to capital assets (a)	95,172	16,602
Cash flows from financing activities	<u>139,292</u>	<u>(10,998)</u>
Net increase in cash	<u>48,544</u>	<u>11,056</u>
Cash (bank overdraft), beginning of year	<u>10,095</u>	<u>(961)</u>
Cash end of year	<u><u>58,639</u></u>	<u><u>10,095</u></u>

(a) Tangible capital assets acquired during the year include donations with an approximate value of \$275,032 (\$590,114 as at April 30, 2017).

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

Université Laval
Financial Position


April 30, 2018

(in thousands of dollars)

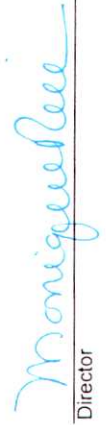
	Operating fund		Restricted fund		Capital assets fund		Endowment fund		Subscription fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS												
Current												
Cash	58,639	10,095	-	-	-	-	-	-	-	-	58,639	10,095
Accounts receivable and other amounts receivable (Note 6)	71,115	73,675	22,171	50,772	159,283	131,578	-	-	-	-	252,569	256,025
Prepaid expenses (Note 7)	4,799	6,007	651	-	-	-	-	-	-	-	5,450	6,007
Interfund advances, without interest	-	-	157,845	138,353	27,092	(7,566)	-	-	-	-	-	-
	134,553	89,777	180,667	189,125	186,375	124,012	-	-	-	-	316,658	272,127
Long-term												
Notes receivable (Note 8)	335	991	-	-	-	-	-	-	-	-	335	991
Investments (Note 9)	37,659	37,353	11,325	11,258	-	-	38,312	38,241	9,460	9,159	96,756	96,011
Tangible capital assets (Note 10)	-	-	-	-	907,782	865,639	-	-	-	-	907,782	865,639
Intangible capital asset (Note 11)	-	-	-	-	105	158	-	-	-	-	105	158
	172,547	128,121	191,992	200,383	1,094,262	989,809	38,312	38,241	9,460	9,159	1,321,636	1,234,926
LIABILITIES												
Current												
Bank loans (Note 12)	-	-	-	-	20,000	28,000	-	-	-	-	20,000	28,000
Accounts payable and other operating liabilities (Note 13)	131,417	138,664	12,509	13,489	20,819	15,606	1,808	1,756	-	-	166,553	169,515
Deferred revenues (Note 14)	6,277	4,799	-	-	-	-	-	-	-	-	6,277	4,799
Deferred contributions (Note 15)	-	-	179,483	186,894	-	-	-	-	-	-	179,483	186,894
Interfund advances, without interest	184,937	130,787	-	-	-	-	-	-	-	-	-	-
Current portion of long-term debt (Note 16)	-	-	-	-	53,261	67,316	-	-	-	-	53,261	67,316
	322,631	274,250	191,992	200,383	94,080	110,922	1,808	1,756	-	-	425,574	456,524
Long-term												
Long-term debt (Note 16)	-	-	-	-	567,692	501,517	-	-	-	-	567,692	501,517
Accrued benefit liability (Note 17)	45,415	41,517	-	-	-	-	-	-	-	-	45,415	41,517
Deferred contributions related to capital assets (Note 18)	-	-	-	-	352,628	341,646	-	-	-	-	352,628	341,646
	368,046	315,767	191,992	200,383	1,014,400	954,085	1,808	1,756	-	-	1,391,309	1,341,204
FUND BALANCES												
(NEGATIVE) (NOTE 20)	(225,872)	(217,705)	-	-	-	-	-	-	9,460	9,159	(216,412)	(208,546)
Internally restricted	30,373	30,059	-	-	-	-	2,738	2,736	-	-	33,111	32,795
Restricted as endowments	-	-	-	-	-	-	33,766	33,749	-	-	33,766	33,749
Invested in capital assets	(195,499)	(187,646)	-	-	79,862	35,724	-	-	-	-	79,862	35,724
	172,547	128,121	191,992	200,383	1,094,262	989,809	38,312	38,241	9,460	9,159	1,321,636	1,234,926

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, 2018

(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 Québec National Assembly, sanctioned on September 1, 1971.

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

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

2 - SIGNIFICANT ACCOUNTING POLICIES

a) Funds classification

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

i) 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.

ii) 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.

iii) Capital assets fund

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

iv) 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.

v) Subscription fund

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

b) Basis of presentation

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

Université Laval

Notes to Financial Statements

April 30, 2018

(amounts in the tables are in thousands of dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) 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.

d) Principles of consolidation

The accounts of entities that are wholly-owned by the University have not been consolidated in the financial statements. However, Note 25 provides information regarding those entities.

e) 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.

f) 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. 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.

g) Tangible and intangible capital assets

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

	<u>Years</u>
Major improvements – building services	25
Major improvements – interior redevelopment	30
Major improvements – structure and architecture	40
Landscaping under \$30,000	10
Landscaping over \$30,000	20
Buildings with a wooden structure	40
Buildings, excluding those with a wooden structure	50

Université Laval

Notes to Financial Statements

April 30, 2018

(amounts in the tables are in thousands of dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>Years</u>
Library documents	10
Audiovisual and communication equipment	5
Computer equipment	3
Specialized equipment	10
Automotive equipment	5
Furniture	5
Leasehold improvements	Remaining lease term
Right to use the high bandwidth telecommunications network	17
Other assets subject to amortization	20

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

h) Write-down

When the University recognizes that a tangible or intangible capital asset no longer has any long-term service potential, the excess of the net carrying amount of the capital asset over its residual value is recognized as an expense in the statement of operations.

i) Contributions recognition

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

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

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.

Université Laval

Notes to Financial Statements

April 30, 2018

(amounts in the tables are in thousands of dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment income

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

j) Revenue recognition

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

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

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

k) Interest on debts

i) Operating fund

This fund includes interest on the bank loans attributable to the operating fund.

ii) Capital assets fund

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

l) 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.

Université Laval

Notes to Financial Statements

April 30, 2018

(amounts in the tables are in thousands of dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

m) Financial assets and liabilities

i) 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.

ii) 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.

n) Derivative financial instruments

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

Université Laval

Notes to Financial Statements

April 30, 2018

(amounts in the tables are in thousands of dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3 - SUBSIDIES – MEES

Operating fund

This item does not include the \$3,379,400 (\$2,739,700 as at April 30, 2017) subsidy for student services and assistance, which is included under this category.

A 8.280 million dollar subsidy receivable was accounted for following accelerated credits from the MEES, what represents a 1.988 million dollar decrease compared to the 10.268 million dollar subsidy receivable that was recognized in this regard in 2017.

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.

4 - INTERFUND TRANSFERS

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

	2018	2017
	\$	\$
Projects		
Operating fund	(44,788)	(46,098)
Restricted fund	1,233	1,425
Capital assets fund	45,034	47,101
Endowment fund	(1,399)	(2,428)
Subscription fund	(80)	–
	–	–

Université Laval

Notes to Financial Statements

April 30, 2018

(amounts in the tables are in thousands of dollars)

5 - INFORMATION ON CASH FLOWS

The net change in working capital items is as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
Accounts receivable and other amounts receivable	3,456	30,172
Prepaid expenses	557	2,730
Accounts payable and other operating liabilities	(2,962)	20,494
Deferred revenues	1,478	(512)
Deferred contributions	(7,411)	26,646
	<u>(4,882)</u>	<u>79,530</u>

6 - ACCOUNTS RECEIVABLE AND OTHER AMOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
	\$	\$
Operating fund		
Sales, independent businesses and other	6,650	14,835
Subsidy – MEES (1)	61,237	55,397
Tuition fees and other expenses	3,228	3,443
	<u>71,115</u>	<u>73,675</u>
Restricted fund		
Subsidies, contracts and other (2)	<u>22,171</u>	<u>50,772</u>
Capital assets fund		
Subsidies (3)	158,967	131,577
Other	316	1
	<u>159,283</u>	<u>131,578</u>
	<u>252,569</u>	<u>256,025</u>

Accounts receivable and other amounts receivable are presented in the financial statements net of an impairment allowance of \$900,000 (\$900,000 as at April 30, 2017). The amount of the impairment loss related to accounts receivable is \$563,416 for the year (\$573,817 for the year ended April 30, 2017).

- (1) The subsidy – MEES receivable consists of the total final subsidy balance for the year 2017-2018 of \$60,403,943, net of the adjustment resulting from the change in the student population of \$833,200 (as at April 30, 2017: consisting of the total final subsidy balance for the year 2016-2017 of \$57,242,950 and the account receivable related to the change in the student population of \$1,846,100).
- (2) Subsidies receivable from the restricted fund are generally from governments and government bodies.

Université Laval

Notes to Financial Statements

April 30, 2018

(amounts in the tables are in thousands of dollars)

6 - 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 2, "Significant Accounting Policies", for more information) and amounts received to this day or paid directly by the MEES in repayment of the long-term debt. Subsidies receivable also include a \$8,000,047 amount related to the interest on the temporary financing of capital assets, which is repaid by the MEES.

7 - PREPAID EXPENSES

Operating fund

These expenses are supplies and services from the different faculties to be used in the coming year, advances to projects, as well as prepaid contributions related to pension plans.

8 - NOTES RECEIVABLE

	<u>2018</u>	<u>2017</u>
	\$	\$
Amount receivable from La Boutique Rouge et Or – Université Laval, bearing interest at a fixed rate of 3.3%	291	305
Amounts receivable collected during the year		
La Fondation de l'Université Laval or CHU de Québec – Université Laval	–	600
CHU de Québec	–	12
Association des étudiants en sciences de l'administration de l'Université Laval	–	19
Other amounts receivable, without interest	44	55
	<u>335</u>	<u>991</u>

9 - INVESTMENTS

	<u>2018</u>				
	<u>Operating fund</u>	<u>Restricted fund</u>	<u>Endowment fund</u>	<u>Subscription fund</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Master trust fund	1,435	11,325	38,312	9,460	60,532
Shares	18,055	–	–	–	18,055
Fixed-interest securities	18,099	–	–	–	18,099
Money market securities and other	70	–	–	–	70
	<u>37,659</u>	<u>11,325</u>	<u>38,312</u>	<u>9,460</u>	<u>96,756</u>

Université Laval

Notes to Financial Statements

April 30, 2018

(amounts in the tables are in thousands of dollars)

9 - INVESTMENTS (Continued)

					2017
	Operating fund	Restricted fund	Endowment fund	Subscription fund	Total
	\$	\$	\$	\$	\$
Master trust fund	1,456	11,258	38,241	9,159	60,114
Shares	17,959	–	–	–	17,959
Fixed-interest securities	16,724	–	–	–	16,724
Money market securities and other	1,214	–	–	–	1,214
	<u>37,353</u>	<u>11,258</u>	<u>38,241</u>	<u>9,159</u>	<u>96,011</u>

Shares assigned to the Université Laval

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

- BioVec Pharma Inc., 50 common shares, voting, participating, without par value;
- Amylix Pharmaceuticals Inc., 67,425 preferred shares;
- ImStar Therapeutics Inc., 246,122 common shares;
- LensVector Inc., 570,102 class “C” preferred shares and 250,000 class “B” preferred shares;
- Robotiq inc., debenture convertible in common shares, interest rate of 7%, with a par value of \$98,178;
- Gestion Sovar inc., 50 common shares, voting, participating, without par value;
- InflammatoRx Inc., 50 common shares, voting, participating, without par value;
- Fortaleza Energy Inc., 15,873 common shares;
- Diamantis Inc., 500,170 common shares.

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

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Notes to Financial Statements

April 30, 2018

(amounts in the tables are in thousands of dollars)

10 - TANGIBLE CAPITAL ASSETS

	2018		
	Cost	Accumulated amortization	Unamortized cost
	\$	\$	\$
Major improvements	309,451	47,215	262,236
Landscaping	46,551	9,102	37,449
Buildings	577,580	250,774	326,806
Library documents	81,973	37,528	44,445
Audiovisual and communication equipment	4,991	2,111	2,880
Computer equipment	49,082	25,978	23,104
Specialized equipment	171,449	90,818	80,631
Automotive equipment	1,669	862	807
Furniture	4,529	1,970	2,559
Leasehold improvements	765	297	468
Other assets subject to amortization	3,536	2,241	1,295
Assets not subject to amortization	5,982	–	5,982
Projects in progress	105,011	–	105,011
Land	14,109	–	14,109
	1,376,678	468,896	907,782

	2017		
	Cost	Accumulated amortization	Unamortized cost
	\$	\$	\$
Major improvements	238,227	37,805	200,422
Landscaping	41,572	6,892	34,680
Buildings	548,607	239,298	309,309
Library documents	85,096	40,985	44,111
Audiovisual and communication equipment	4,975	2,641	2,334
Computer equipment	52,830	26,869	25,961
Specialized equipment	176,809	95,336	81,473
Automotive equipment	1,764	765	999
Furniture	4,077	2,307	1,770
Leasehold improvements	393	73	320
Other assets subject to amortization	3,750	2,277	1,473
Assets not subject to amortization	5,786	–	5,786
Projects in progress	142,893	–	142,893
Land	14,108	–	14,108
	1,320,887	455,248	865,639

Université Laval

Notes to Financial Statements

April 30, 2018

(amounts in the tables are in thousands of dollars)

10 - TANGIBLE CAPITAL ASSETS (Continued)

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

	2018	2017
	\$	\$
Major improvements	9,410	7,224
Landscaping	2,210	1,847
Buildings	11,476	10,078
Library documents	8,453	8,715
Audiovisual and communication equipment	996	1,089
Computer equipment	16,985	16,689
Specialized equipment	17,883	17,451
Automotive equipment	349	318
Furniture	860	950
Leasehold improvements	224	70
Intangible assets	178	190
	<u>69,024</u>	<u>64,621</u>

11 - INTANGIBLE CAPITAL ASSET

	2018	2017
	\$	\$
Right to use the high bandwidth telecommunications network managed by the Réseau d'informations scientifiques du Québec (RISQ) inc.	<u>105</u>	<u>158</u>

12 - 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, 2018, a \$20,000,000 (\$28,000,000 as at April 30, 2017) amount is entirely used for the capital assets fund, at the average rate of 1.6% (1.2% as at April 30, 2017).

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

A portion of this financing is subject to interest rate swaps which are described in Note 19.

Each year, the MEES authorizes a maximum temporary loan amount, which totalled \$200,000,000 as at April 30, 2018 (\$306,000,000 as at April 30, 2017).

13 - ACCOUNTS PAYABLE AND OTHER OPERATING LIABILITIES

Government remittances total \$6,585,248 (\$5,424,559 as at April 30, 2017).

Université Laval

Notes to Financial Statements

April 30, 2018

(amounts in the tables are in thousands of dollars)

14 - DEFERRED REVENUES

	<u>2018</u>	<u>2017</u>
	\$	\$
Operating fund		
Revenues collected in advance on land rental	1,197	1,264
Tuition fees and other revenues	3,840	2,372
Room deposits	567	557
Sport activity deposits (SAS)	673	606
	<u>6,277</u>	<u>4,799</u>

15 - DEFERRED CONTRIBUTIONS

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

	<u>2018</u>	<u>2017</u>
	\$	\$
Balance, beginning of year	186,894	160,248
Amounts recognized as revenue	(198,294)	(182,900)
Amounts received for next year	190,883	209,546
Balance, end of year	<u>179,483</u>	<u>186,894</u>

16 - LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
	\$	\$
Capital assets fund		
Debts secured by the Government of Quebec from annual appropriations voted by the National Assembly		
Bonds and loans, weighted average rate of 2.84% (2.88% as at April 30, 2017), maturing in tranches until 2042	577,163	524,260
Sinking fund	-	(738)
Loan, 6.875%, payable in blended monthly instalments of \$6,433, maturing in 2021	193	255
Loan, variable rate based on CDOR, payable in blended monthly instalments of \$107,220, maturing in 2026 (1)	8,972	9,805
Loan, variable rate based on CDOR, payable in blended monthly instalments of \$20,238, maturing in 2029 (1)	2,712	2,955
Group of loans, variable rate based on CDOR plus 0.30% to 0.69% (effective rates of 1.53% to 1.92%), payable in blended monthly instalments of \$92,400, maturing in 2026 (1)	4,861	5,970
Group of loans, variable rate based on CDOR plus 0.45% to 0.71% (effective rates of 1.68% to 1.94%), payable in blended monthly instalments of \$100,000, maturing in 2027 (1)	9,387	10,623

Université Laval

Notes to Financial Statements

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(amounts in the tables are in thousands of dollars)

16 - LONG-TERM DEBT (Continued)

	2018	2017
	\$	\$
Loan, variable rate based on CDOR, payable in principal monthly instalments of \$21,000, plus interest, maturing in 2035 (1)	5,791	6,043
Loan, variable rate based on CDOR, payable in principal monthly instalments of \$30,000, plus interest, maturing in 2036 (1)	6,450	6,810
Loan, variable rate based on CDOR, payable in principal monthly instalments of \$25,000, plus interest, maturing in 2026 (1)	2,550	2,850
Loan, 2.9025% capitalized semiannually, payable in principal monthly instalments of \$25,208.33, plus interest, maturing in 2027	2,874	–
	620,953	568,833
Current portion	53,261	67,316
	567,692	501,517

(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 \$53,260,815 in 2018-2019, \$105,626,212 in 2019-2020, \$44,503,953 in 2020-2021, \$44,517,978 in 2021-2022 and \$41,971,973 in 2022-2023.

The portion subsidized by the Government of Quebec included in instalments for the next five years is \$48,716,957 in 2018-2019, \$101,310,797 in 2019-2020, \$40,139,519 in 2020-2021, \$40,204,251 in 2021-2022 and \$37,822,493 in 2022-2023.

17 - UNIVERSITÉ LAVAL'S PENSION PLANS

Defined benefit pension plans

The University measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at April 30 of each year. Complete actuarial evaluations of the pension plans for funding purposes were performed as at December 31, 2016, the next evaluations will be performed as at December 31, 2019.

As a result of changes to the restructuring of the pension plans agreements with respect to the *Act respecting the restructuring of university-sector defined benefit pension plans and amending various legislative provisions* entered into with employees of the University, complete actuarial evaluations of the pension plans for funding purposes as at December 31, 2015 and December 31, 2016 were amended during the year.

Following adoption of the *Act respecting the restructuring of university-sector defined benefit pension plans and amending various legislative provisions* in June 2016, during the previous year the University undertook a restructuring of the pension plans that impacted the defined benefit obligations.

Université Laval

Notes to Financial Statements

April 30, 2018

(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

	Pension plan	
	2018	2017
	\$	\$
Accrued benefit obligations	3,092,233	3,005,075
Fair value of plan assets	3,096,849	3,014,414
Funded statute – surplus	(4,616)	(9,339)
Valuation allowance	(48,294)	(49,015)
Accrued benefit liability	<u>43,678</u>	<u>39,676</u>

	Other benefit plans	
	2018	2017
	\$	\$
Accrued benefit obligations	1,737	1,841
Fair value of plan assets	–	–
Funded statute – deficit and accrued benefit liability	<u>1,737</u>	<u>1,841</u>

Pension plan asset components

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

	2018	2017
	%	%
Asset category		
Debt securities	40.87	40.86
Equity securities	36.96	38.11
Real estate funds	12.19	12.66
Other investment vehicles	9.98	8.37
	<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 \$45,272,800 (\$51,876,600 as at April 30, 2017).

Future employee benefit costs recognized during the year

	2018	2017
	\$	\$
Pension plans	35,833	45,046
Other plans	1,295	1,382

Université Laval

Notes to Financial Statements

April 30, 2018

(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 plan	
	2018	2017
	%	%
Inflation rate	2.00	2.00
Discount rate	5.05 - 6.45	5.30 - 5.90
Expected long-term rate of return on plan assets	5.05 - 6.45	5.30 - 5.90
Compensation increase rate	3.00 - 3.50	3.00 - 3.50

	Other benefit plans	
	2018	2017
	%	%
Inflation rate	—	—
Discount rate	5.30	5.50
Expected long-term rate of return on plan assets	—	—
Compensation increase rate	3.00	3.00
Increase in medical costs rate	5.00	5.00

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.

	2018	2017
	\$	\$
Balance, beginning of year	341,646	344,298
Amounts received during the year	95,448	17,192
Amounts recognized as revenue	(84,466)	(19,844)
Balance, end of year	352,628	341,646

Université Laval

Notes to Financial Statements

April 30, 2018

(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.

			2018
	<u>Maturity date</u>	<u>Fixed interest rate</u>	<u>Notional amount</u>
		%	\$
Operating fund			
Bank loans	15-10-2019	1.76	20,000
			<u>20,000</u>
Capital assets fund			
Long-term debt	18-10-2026	4.57	8,972
Long-term debt	20-10-2026	1.49	2,550
Long-term debt	31-12-2026	1.87	4,861
Long-term debt	28-02-2027	2.12	9,387
Long-term debt	05-06-2029	2.63	2,712
Long-term debt	18-11-2035	2.64	5,791
Long-term debt	03-03-2036	1.80	6,450
			<u>40,723</u>
			<u>60,723</u>
			2017
	<u>Maturity date</u>	<u>Fixed interest rate</u>	<u>Notional amount</u>
		%	\$
Operating fund			
Bank loans	15-10-2019	1.76	20,000
			<u>20,000</u>
Capital assets fund			
Long-term debt	18-10-2026	4.57	9,805
Long-term debt	20-10-2026	1.49	2,850
Long-term debt	31-12-2026	1.87	5,970
Long-term debt	28-02-2027	2.12	10,623
Long-term debt	05-06-2029	2.63	2,955
Long-term debt	18-11-2035	2.64	6,043
Long-term debt	03-03-2036	1.80	6,810
			<u>45,056</u>
			<u>65,056</u>

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

Université Laval

Notes to Financial Statements

April 30, 2018

(amounts in the tables are in thousands of dollars)

20 - OPERATING FUND BALANCE

	2018	2017
	\$	\$
Unrestricted		
Future employee benefits		
Pension plan	(43,678)	(39,676)
Other plans	(1,737)	(1,841)
Vacations payable, accumulated overtime and other employee benefits payable	(40,582)	(37,295)
Operations	(139,875)	(138,893)
	<u>(225,872)</u>	<u>(217,705)</u>
Internally restricted (1)	<u>30,373</u>	<u>30,059</u>
	<u>(195,499)</u>	<u>(187,646)</u>
	<u>2018</u>	<u>2017</u>
	\$	\$

(1) Balance of the internally restricted fund

Special programs

Budget carried over to multiple-faculty entities	88	81
Unrestricted research projects	23,497	23,007
Special research budget	3,393	3,347
Other	3,395	3,624
	<u>30,373</u>	<u>30,059</u>

21 - NET INVESTMENT INCOME

	2018	2017
	\$	\$
Investments measured at fair value		
Net change in fair value		
From restricted resources	(622)	1,297
From resources held as endowments (a)	(1,089)	2,304
Unrestricted	(3,132)	2,169
	<u>(4,843)</u>	<u>5,770</u>
Other investment income		
From restricted resources	1,646	906
From resources held as endowments (a)	2,847	1,561
Unrestricted	4,736	2,807
	<u>9,229</u>	<u>5,274</u>
	<u>4,386</u>	<u>11,044</u>

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

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22 - COMMITMENTS

a) 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 \$5,818,163 (\$3,295,168 in 2017) and those assumed by the restricted fund amount to \$5,686,006 (\$6,421,701 in 2017).

b) Leases

The University has entered into lease agreements for premises expiring between 2018 and 2023 which call for lease payments made from the operating fund totalling \$8,039,783. Minimum lease payments for the next five years are \$2,896,281 in 2019, \$2,486,790 in 2020, \$1,779,617 in 2021, \$797,663 in 2022 and \$79,432 in 2023.

c) Building construction and renovations

Unrecorded commitments for building construction and renovations assumed by the University's capital assets fund amount to \$32,705,467 (\$56,921,467 as at April 30, 2017).

d) Conditional subsidy

According to the financial framework proposed by the MEES, the University is committed to balancing its budget. Non-compliance with this commitment could result in changes in the subsidies granted. As at April 30, 2018, an amount of \$38,376,100 has been recorded as revenue and is receivable on that date (\$38,524,200 receivable as at April 30, 2017).

23 - FINANCIAL INSTRUMENTS

a) Financial risks

The University's main financial risk exposure is 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, 2018, the market value of the foreign investment portfolio amounts to \$11,058,268 for the annuity backing fund and to \$18,327,940 for the master trust fund, for a total amount of \$29,386,208, mainly denominated in U.S. dollars (total amount of \$29,186,538 as at April 30, 2017).

The University is also exposed to currency risk due to accounts receivable, other amounts receivable, accounts payable and other operating liabilities denominated in euros and U.S. dollars. As at April 30, 2018, financial assets denominated in foreign currency comprise accounts receivable and other amounts receivable totalling \$854,282, i.e. US\$520,987 and €119,635 (\$980,717 as at April 30, 2017, i.e. US\$472,776 and €224,765). Financial liabilities denominated in foreign currency comprise accounts payable and other operating liabilities totalling \$2,300,894, i.e. US\$1,676,951 and €95,660 (\$4,430,578 as at April 30, 2017, i.e. US\$3,111,981 and €120,159).

Université Laval

Notes to Financial Statements

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(amounts in the tables are in thousands of dollars)

23 - FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The bank loan and 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 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.

The University's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

Credit risk

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

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

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

i) *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.

ii) *Notes receivable*

The notes receivable balance is managed and analyzed to detect any loss in value. As at April 30, 2018, management estimates that the University's credit risk relating to these financial assets is low and, accordingly, no valuation allowance was recognized.

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Notes to Financial Statements

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23 - FINANCIAL INSTRUMENTS (Continued)

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. 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.

24 - 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 comprise financial contributions or gratuitous supply of personnel, equipment, space, accounting services or support. With the exception of financial contributions to the controlled entities presented in Note 25, contributions to related entities, in any form, are not significant.

These related entities are the following:

1. Centre de coopération internationale en santé et développement inc. (CCISD)
2. Clubs d'excellence sportifs du Rouge et Or de l'Université Laval
3. Corporation des services universitaires des Appalaches inc.
4. Entrepreneuriat Laval inc.
5. Consortium photonique de l'industrie canadienne inc.
6. La Fondation de l'Université Laval
7. Les Missions commerciales étudiantes
8. Les Presses de l'Université Laval
9. Boutique Rouge et Or – Université Laval
10. ULaval Formation continue
11. Gestion La Fabrique inc.

Université Laval

Notes to Financial Statements

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(amounts in the tables are in thousands of dollars)

25 - CONTROLLED ENTITIES (Continued)

b) Les Presses de l'Université Laval

The University controls Les Presses de l'Université Laval since it appoints the majority of the members of the Board of Directors. This entity edits and publishes books and other forms of knowledge dissemination. It was incorporated on January 1, 1994.

c) Gestion La Fabrique inc.

The University has joint control over Gestion La Fabrique inc., since it owns 50% of the shares of this company. Gestion La Fabrique inc. is in charge of managing the Édifice de la Fabrique, a building owned in undivided shares with the Société en commandite Dominium Corset.

d) Corporation des services universitaires des Appalaches inc.

The University controls the Corporation des services universitaires des Appalaches inc. since it determines its guidelines and orientations. The Corporation develops university services in the Amiante, Beauce and Bellechasse regions. It was incorporated on August 14, 1997.

e) ULaval Formation continue

The University controls ULaval Formation continue since it appoints the majority of the members of the Board of Directors. This entity provides continuous development and remote training to Université Laval. It was incorporated on February 13, 2017.

26 - COMPARATIVE FIGURES

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