

Université Laval
Financial Statements
April 30, 2019

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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 (hereinafter the "University"), which comprise the statement of financial position as at April 30, 2019 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 the University as at April 30, 2019 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 the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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 the University's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Raymond Chabot Grant Thornton LLP

Québec
September 25, 2019

¹ CPA auditor, CA public accountancy permit no. A109631

Université Laval Operations

Year ended April 30, 2019
(in thousands of dollars)

	Operating fund		Restricted fund		Capital assets fund		Endowment fund		Subscription fund		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues												
Subsidies – ministère de l'Éducation et de l'Enseignement supérieur (MEES) (Note 3)	445,880	435,869	12,521	11,955	59,369	46,253	-	-	-	-	517,770	494,077
Tuition fees	116,200	112,273	-	-	-	-	-	-	-	-	116,200	112,273
Community services	12,708	13,588	12,163	10,406	-	-	-	-	-	-	24,871	23,994
External services	30,940	32,196	-	-	2,570	2,822	-	-	-	-	33,510	35,018
Net investment income (Note 21)	5,015	1,479	940	550	302	125	2,929	1,758	815	474	10,001	4,386
Student services and assistance	28,034	27,002	9,243	9,977	-	-	-	-	-	-	37,277	36,979
Ancillary services	20,659	20,244	-	-	-	-	-	-	-	-	20,659	20,244
Contributions from La Fondation de l'Université Laval	197	417	17,935	18,840	-	-	-	-	-	-	18,132	19,257
Donations from other organizations	-	-	-	-	1,090	275	390	140	-	-	1,480	415
Other subsidies and revenues	12,700	11,279	184,781	186,943	10,046	5,335	-	-	-	-	207,527	203,557
Changes in deferred contributions related to capital assets	-	-	-	-	3,027	32,603	-	-	-	-	3,027	32,603
	672,333	654,347	237,583	238,671	76,404	87,413	3,319	1,898	815	474	990,454	982,803
Expenses												
Teaching and independent research	400,051	392,111	2,023	1,882	-	-	-	-	-	-	402,074	393,993
Community services	10,608	11,963	18,792	18,643	-	-	-	-	-	-	29,400	30,606
Research	12,745	13,386	197,877	198,294	-	-	-	-	-	-	210,622	211,680
Support services	149,782	147,078	590	2,305	1,323	-	1,845	480	97	93	153,637	149,956
Student services and assistance	26,979	25,712	19,695	18,780	-	-	-	-	-	-	46,674	44,492
Ancillary services	14,052	13,407	-	-	-	-	-	-	-	-	14,052	13,407
Renovations and redevelopment	-	-	-	-	1,260	1,094	-	-	-	-	1,260	1,094
Interest on long-term debt	100	155	-	-	19,596	18,138	-	-	-	-	19,696	18,293
Future employee benefits	4,198	1,557	-	-	-	-	-	-	-	-	4,198	1,557
Amortization of the intangible capital asset	-	-	-	-	52	53	-	-	-	-	52	53
Amortization of tangible capital assets (Note 10)	-	-	-	-	71,194	69,024	-	-	-	-	71,194	69,024
	618,515	605,369	238,977	239,904	93,425	88,309	1,845	480	97	93	952,859	934,155
Excess (deficiency) of revenues over expenses	53,818	48,978	(1,394)	(1,233)	(17,021)	(896)	1,474	1,418	718	381	37,595	48,648

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

Université Laval

Changes in Fund Balances

Year ended April 30, 2019
(in thousands of dollars)

	Operating fund		Restricted fund		Capital assets fund		Endowment fund		Subscription fund		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances (negative), beginning of year	(195,499)	(187,646)	-	-	79,862	35,724	36,504	36,485	9,460	9,159	(69,673)	(106,278)
Excess (deficiency) of revenues over expenses	53,818	48,978	(1,394)	(1,233)	(17,021)	(896)	1,474	1,418	718	381	37,595	48,648
Remeasurements and other items related to the pension and other postretirement benefits plans	(50,617)	(12,043)	-	-	-	-	-	-	-	-	(50,617)	(12,043)
Interfund transfers (Note 4)	(47,050)	(44,788)	1,394	1,233	47,085	45,034	(1,359)	(1,399)	(70)	(80)	-	-
Fund balances (negative), end of year	(239,348)	(195,499)	-	-	109,926	79,862	36,619	36,504	10,108	9,460	(82,695)	(69,673)

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

Université Laval

Cash Flows

Year ended April 30, 2019

(in thousands of dollars)

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	37,595	48,648
Non-cash items		
Net change in fair value of investments	(3,403)	4,843
Increase in accrued benefit liability	(70,108)	(8,145)
Amortization of deferred contributions related to capital assets	(73,532)	(84,466)
Amortization of tangible capital assets	71,194	69,024
Amortization of the intangible capital asset	52	53
Amortization of deferred financing costs	-	1
Loss on disposal of capital assets	1,295	4
Net change in working capital items (Note 5)	64,868	(12,471)
Cash flows from operating activities	<u>27,961</u>	<u>17,491</u>
INVESTING ACTIVITIES		
Net change in notes receivable	32	656
Investments	(3,545)	(5,588)
Tangible capital assets (a)	(103,364)	(103,329)
Proceeds on disposal of capital assets	-	22
Cash flows from investing activities	<u>(106,877)</u>	<u>(108,239)</u>
FINANCING ACTIVITIES		
Net change in bank loans	(20,000)	(8,000)
Long-term debt	126,680	119,587
Repayment of long-term debt	(55,511)	(67,467)
Deferred contributions related to capital assets (a)	71,196	95,172
Cash flows from financing activities	<u>122,365</u>	<u>139,292</u>
Net increase in cash	<u>43,449</u>	<u>48,544</u>
Cash, beginning of year	<u>58,639</u>	<u>10,095</u>
Cash, end of year	<u><u>102,088</u></u>	<u><u>58,639</u></u>

(a) Tangible capital assets acquired during the year include donations with an approximate value of \$1,090,004 (\$275,032 as at April 30, 2018).

During the year, the University acquired tangible capital assets of which an amount of \$11,582,481 (\$13,559,933 as at April 30, 2018) is included in accounts payable and other operating liabilities.

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

Université Laval
Financial Position

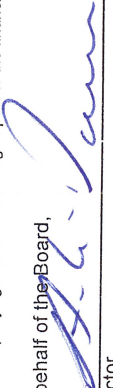
April 30, 2019

(in thousands of dollars)

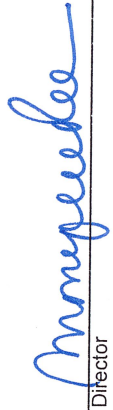
	Operating fund		Restricted fund		Capital assets fund		Endowment fund		Subscription fund		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS												
Current												
Cash	102,088	58,639	-	-	-	-	-	-	-	-	102,088	58,639
Accounts receivable and other												
receivable (Note 6)	58,321	71,115	26,015	22,171	142,814	159,283	-	-	-	-	227,150	252,569
Prepaid expenses (Note 7)	4,455	4,799	468	651	-	-	-	-	-	-	4,923	5,450
Interfund advances, without interest	-	-	184,155	157,845	23,726	27,092	-	-	-	-	-	-
Long-term	164,864	134,553	210,638	180,667	166,540	186,375	-	-	-	-	334,161	316,658
Notes receivable (Note 8)	303	335	-	-	-	-	-	-	-	-	303	335
Investments (Note 9)	40,492	37,659	11,931	11,325	2,572	-	38,601	38,312	-	9,460	103,704	96,756
Tangible capital assets (Note 10)	-	-	-	-	937,769	907,782	-	-	-	-	937,769	907,782
Intangible capital asset (Note 11)	-	-	-	-	53	105	-	-	-	-	53	105
	205,559	172,547	222,569	191,992	1,106,934	1,094,262	38,601	38,312	10,108	9,460	1,375,990	1,321,636
LIABILITIES												
Current												
Bank loans (Note 12)	-	-	-	-	-	20,000	-	-	-	-	-	20,000
Accounts payable and other												
operating liabilities (Note 13)	135,159	131,417	12,371	12,509	18,007	20,819	1,982	1,808	-	-	167,519	166,553
Deferred revenues (Note 14)	11,540	6,277	-	-	-	-	-	-	-	-	11,540	6,277
Deferred contributions (Note 15)	-	-	210,198	179,483	-	-	-	-	-	-	210,198	179,483
Interfund advances, without interest	207,881	184,937	-	-	-	-	-	-	-	-	-	-
Current portion of long-term												
debt (Note 16)	5,121	-	-	-	108,278	53,261	-	-	-	-	113,399	53,261
Long-term	359,701	322,631	222,569	191,992	126,285	94,080	1,982	1,808	-	-	502,656	425,574
Long-term debt (Note 16)												
Accrued benefit liability (Note 17)	59,382	-	-	-	519,341	567,692	-	-	-	-	578,723	567,692
Deferred contributions related	25,924	45,415	-	-	-	-	-	-	-	-	25,924	45,415
to capital assets (Note 18)	-	-	-	-	351,382	352,628	-	-	-	-	351,382	352,628
	445,007	368,046	222,569	191,992	997,008	1,014,400	1,982	1,808	-	-	1,458,685	1,391,309
FUND BALANCES												
(NEGATIVE) (NOTE 20)												
Unrestricted	(271,786)	(225,872)	-	-	-	-	-	-	10,108	9,460	(261,678)	(216,412)
Internally restricted	32,438	30,373	-	-	-	-	2,710	2,738	-	-	35,148	33,111
Restricted as endowments	-	-	-	-	-	-	33,909	33,766	-	-	33,909	33,766
Invested in capital assets	(239,348)	(195,499)	-	-	109,926	79,862	36,619	36,504	10,108	9,460	109,926	79,862
	205,659	172,547	222,569	191,992	1,106,934	1,094,262	38,601	38,312	10,108	9,460	1,375,990	(69,673)
												1,321,636

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, 2019

(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.

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

Funds classification

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

Operating fund

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

Restricted fund

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

Capital assets fund

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

Endowment fund

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

Subscription fund

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

Basis of presentation

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

Université Laval

Notes to Financial Statements

April 30, 2019

(amounts in the tables are in thousands of dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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 date of the statement of financial position date. 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 and intangible capital assets

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

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

Université Laval

Notes to Financial Statements

April 30, 2019

(amounts in the tables are in thousands of dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Write-down

When 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.

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, 2019

(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.

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.

Interest on debts

Operating fund

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

Capital assets fund

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

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, 2019

(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.

Financial assets and liabilities

Initial measurement

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

Subsequent measurement

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

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

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

Derivative financial instruments

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

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

Université Laval

Notes to Financial Statements

April 30, 2019

(amounts in the tables are in thousands of dollars)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

3 - SUBSIDIES – MEES

Operating fund

This item does not include the \$3,383,700 (\$3,379,400 as at April 30, 2018) subsidy for student services and assistance, which is included under this category.

A \$6,000,000 subsidy receivable was accounted for following accelerated credits from the MEES, what represents a \$2,280,000 decrease compared to the \$8,280,000 subsidy receivable that was recognized in this regard in 2018.

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:

	2019	2018
	\$	\$
Projects		
Operating fund	(47,050)	(44,788)
Restricted fund	1,394	1,233
Capital assets fund	47,085	45,034
Endowment fund	(1,359)	(1,399)
Subscription fund	(70)	(80)
	—	—

Université Laval

Notes to Financial Statements

April 30, 2019

(amounts in the tables are in thousands of dollars)

5 - INFORMATION ON CASH FLOWS

The net change in working capital items is as follows:

	2019	2018
	\$	\$
Accounts receivable and other amounts receivable	25,419	3,456
Prepaid expenses	527	557
Accounts payable and other operating liabilities	2,944	(10,551)
Deferred revenues	5,263	1,478
Deferred contributions	30,715	(7,411)
	<u>64,868</u>	<u>(12,471)</u>

6 - ACCOUNTS RECEIVABLE AND OTHER AMOUNTS RECEIVABLE

	2019	2018
	\$	\$
Operating fund		
Sales, independent businesses and other	5,754	6,650
Subsidy – MEES (1)	49,319	61,237
Tuition fees and other expenses	3,248	3,228
	<u>58,321</u>	<u>71,115</u>
Restricted fund		
Subsidies, contracts and other (2)	<u>26,015</u>	<u>22,171</u>
Capital assets fund		
Subsidies (3)	142,445	158,967
Other	369	316
	<u>142,814</u>	<u>159,283</u>
	<u>227,150</u>	<u>252,569</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, 2018). The amount of the impairment loss related to accounts receivable is \$579,206 for the year (\$563,416 for the year ended April 30, 2018).

- (1) The subsidy – MEES receivable consists of the total final subsidy balance for the year 2018-2019 of \$53,563,046, net of the adjustment resulting from the change in the student population of \$-4,244,400 (as at April 30, 2018: consisting of the total final subsidy balance for the year 2017-2018 of \$60,403,943 and the account receivable related to the change in the student population of \$833,200).
- (2) Subsidies receivable from the restricted fund are generally from governments and government bodies.

Université Laval

Notes to Financial Statements

April 30, 2019

(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 \$5,876,981 (\$8,000,047 as at April 30, 2018) amount related to the interest on the temporary financing of capital assets, which is repaid by the MEES.

7 - PREPAID EXPENSES

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

8 - NOTES RECEIVABLE

	2019	2018
	\$	\$
Amount receivable from La Boutique Rouge et Or – Université Laval, bearing interest at a fixed rate of 3.3%	274	291
Other amounts receivable, without interest	29	44
	<u>303</u>	<u>335</u>

9 - INVESTMENTS

						2019
	Operating fund	Restricted fund	Capital assets fund	Endowment fund	Subscription fund	Total
	\$	\$	\$	\$	\$	\$
Master trust fund	1,449	11,931	2,572	38,601	10,108	64,661
Shares	19,782	–	–	–	–	19,782
Fixed-interest securities	19,186	–	–	–	–	19,186
Money market securities and other	75	–	–	–	–	75
	<u>40,492</u>	<u>11,931</u>	<u>2,572</u>	<u>38,601</u>	<u>10,108</u>	<u>103,704</u>

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April 30, 2019

(amounts in the tables are in thousands of dollars)

9 - INVESTMENTS (Continued)

						2018
	Operating fund	Restricted fund	Capital assets fund	Endowment fund	Subscription fund	Total
	\$	\$	\$	\$	\$	\$
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>–</u>	<u>38,312</u>	<u>9,460</u>	<u>96,756</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., 670,102 class “C” preferred shares (570,102 shares as at April 30, 2018) 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, 2019

(amounts in the tables are in thousands of dollars)

10 - TANGIBLE CAPITAL ASSETS

	2019		
	Cost	Accumulated amortization	Unamortized cost
	\$	\$	\$
Major improvements	361,732	58,645	303,087
Landscaping	46,777	11,443	35,334
Buildings	577,646	262,185	315,461
Library documents	84,952	40,126	44,826
Audiovisual and communication equipment	6,652	2,628	4,024
Computer equipment	52,795	24,519	28,276
Specialized equipment	176,216	92,628	83,588
Automotive equipment	2,065	997	1,068
Furniture	5,114	2,194	2,920
Leasehold improvements	740	586	154
Other assets subject to amortization	-	-	-
Assets not subject to amortization	6,648	-	6,648
Projects in progress	98,274	-	98,274
Land	14,109	-	14,109
	1,433,720	495,951	937,769
			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

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

Université Laval

Notes to Financial Statements

April 30, 2019

(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:

	2019	2018
	\$	\$
Major improvements	11,430	9,410
Landscaping	2,341	2,210
Buildings	11,411	11,476
Library documents	8,395	8,453
Audiovisual and communication equipment	1,164	996
Computer equipment	16,979	16,985
Specialized equipment	17,811	17,883
Automotive equipment	385	349
Furniture	964	860
Leasehold improvements	314	224
Intangible assets	-	178
	<u>71,194</u>	<u>69,024</u>

11 - INTANGIBLE CAPITAL ASSET

	2019	2018
	\$	\$
Right to use the high bandwidth telecommunications network managed by the Réseau d'informations scientifiques du Québec (RISQ) inc.	<u>53</u>	<u>105</u>

12 - BANK LOANS

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

The bank loan bears interest at an average rate of 1.8% (1.6% as at April 30, 2018). As at April 30, 2019, no amount was used from the capital assets fund (\$20,000,000 as at April 30, 2018).

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

Each year, the MEES authorizes a maximum temporary loan amount, which totalled \$115,000,000 as at April 30, 2019 (\$200,000,000 as at April 30, 2018).

13 - ACCOUNTS PAYABLE AND OTHER OPERATING LIABILITIES

Government remittances total \$7,474,576 (\$6,585,248 as at April 30, 2018).

Université Laval

Notes to Financial Statements

April 30, 2019

(amounts in the tables are in thousands of dollars)

14 - DEFERRED REVENUES

	2019	2018
	\$	\$
Revenues collected in advance on land rental	1,131	1,197
Tuition fees and other revenues	9,016	3,840
Room deposits	690	567
Sport activity deposits (SAS)	703	673
	<u>11,540</u>	<u>6,277</u>

15 - DEFERRED CONTRIBUTIONS

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

	2019	2018
	\$	\$
Balance, beginning of year	179,483	186,894
Amounts recognized as revenue	(197,877)	(198,294)
Amounts received for next year	228,592	190,883
Balance, end of year	<u>210,198</u>	<u>179,483</u>

16 - LONG-TERM DEBT

	2019	2018
	\$	\$
Operating fund		
Group of loans, variable rates based on three-month CDOR plus 0.61%, payable in principal monthly instalments of \$360,683, maturing in 2031 and 2032 (1)	55,184	-
Group of loans, variable rates based on three-month CDOR plus 0.57%, payable in principal monthly instalments of \$66,091, maturing, in 2030 and 2031 (1)	9,319	-
	<u>64,503</u>	-
Current portion	5,121	-
	<u>59,382</u>	-

Capital assets fund

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

Bonds and loans, weighted average rate of 2.91% (2.84% as at April 30, 2018), maturing in tranches until 2043	585,056	577,163
Loan, 6.875%, payable in blended monthly instalments of \$6,433, maturing in 2021	127	193

Université Laval

Notes to Financial Statements

April 30, 2019

(amounts in the tables are in thousands of dollars)

16 - LONG-TERM DEBT (Continued)

	2019	2018
	\$	\$
Loan, variable rate based on CDOR plus 0.24%, payable in blended monthly instalments of \$107,220, maturing in 2026 (1)	8,098	8,972
Loan, variable rate based on CDOR plus 0.96%, payable in blended monthly instalments of \$20,238, maturing in 2029 (1)	2,469	2,712
Group of loans, variable rate based on CDOR plus 0.59% and 0.71%, payable in blended monthly instalments of \$59,000, maturing in 2021 and 2026 (1)	3,885	4,861
Group of loans, variable rate based on CDOR plus 0.61% to 0.69%, payable in blended monthly instalments of \$103,000, maturing in 2024 and 2027 (1)	8,151	9,387
Loan, variable rate based on CDOR plus 0.63%, payable in principal monthly instalments of \$21,000, plus interest, maturing in 2035 (1)	5,539	5,791
Loan, variable rate based on CDOR plus 0.63%, payable in principal monthly instalments of \$30,000, plus interest, maturing in 2036 (1)	6,090	6,450
Loan, variable rate based on CDOR plus 0.58%, payable in principal monthly instalments of \$25,000, plus interest, maturing in 2026 (1)	2,250	2,550
Loan, 2.9025% capitalized semiannually, payable in principal monthly instalments of \$25,208, plus interest, maturing in 2027	2,571	2,874
Loan, variable rate based on CDOR plus 0.77%, payable in principal monthly instalments of \$19,444, plus interest, maturing in 2033 (1)	3,383	–
	627,619	620,953
Current portion	108,278	53,261
	519,341	567,692
	578,723	567,692

(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 \$113,399,209 in 2020, \$52,276,951 in 2021, \$52,290,978 in 2022, \$49,744,971 in 2023 and \$65,574,712 in 2024.

The portion subsidized by the Government of Quebec included in instalments for the next five years is \$103,729,179 in 2020, \$42,557,902 in 2021, \$42,622,633 in 2022, \$40,240,874 in 2023 and \$55,995,905 in 2024.

Université Laval

Notes to Financial Statements

April 30, 2019

(amounts in the tables are in thousands of dollars)

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, 2017, in accordance with the *Act respecting the restructuring of university-sector defined benefit pension plans* and amending various legislative provisions. The next evaluations will be performed as at December 31, 2020.

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

	Pension plan	
	2019	2018
	\$	\$
Accrued benefit obligations	3,276,232	3,092,233
Fair value of plan assets	3,368,127	3,096,849
Funded statute – surplus	(91,895)	(4,616)
Valuation allowance	(116,202)	(48,294)
Accrued benefit liability	<u>24,307</u>	<u>43,678</u>
	Other benefit plans	
	2019	2018
	\$	\$
Accrued benefit obligations	1,617	1,737
Fair value of plan assets	–	–
Funded statute – deficit and accrued benefit liability	<u>1,617</u>	<u>1,737</u>

Pension plan asset components

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

	2019	2018
	%	%
Asset category		
Debt securities	39.48	40.87
Equity securities	34.46	36.96
Real estate funds	13.51	12.19
Other investment vehicles	12.55	9.98
	<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 \$108,539,200 (\$45,272,800 as at April 30, 2018).

Université Laval

Notes to Financial Statements

April 30, 2019

(amounts in the tables are in thousands of dollars)

17 - UNIVERSITÉ LAVAL'S PENSION PLANS (Continued)

Future employee benefit costs recognized during the year

	2019	2018
	\$	\$
Pension plans	37,231	35,833
Other plans	1,200	1,295

Significant assumptions

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

	Pension plan	
	2019	2018
	%	%
Inflation rate	2.00	2.00
Discount rate	4.55 - 6.35	5.05 - 6.45
Expected long-term rate of return on plan assets	4.55 - 6.35	5.05 - 6.45
Compensation increase rate	3.00 - 3.35	3.00 - 3.50

	Other benefit plans	
	2019	2018
	%	%
Inflation rate	-	-
Discount rate	4.89 - 5.15	5.30
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.

	2019	2018
	\$	\$
Balance, beginning of year	352,628	341,646
Amounts received during the year	71,196	95,172
Contributions received in capital assets	1,090	276
Amounts recognized as revenue	(73,532)	(84,466)
Balance, end of year	351,382	352,628

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April 30, 2019

(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.

			2019
	Maturity date	Fixed weighted average interest rate %	Notional amount \$
Operating fund			
Long-term debt	09-11-2030, 09-12-2030 and 09-01-2031	3.03	9,319
Long-term debt	09-11-2031, 09-12-2031 and 09-01-2032	3.03	55,184
			<u>64,503</u>
Capital assets fund			
Long-term debt	19-10-2026	4.57	8,098
Long-term debt	20-10-2026	1.49	2,250
Long-term debt	31-12-2021 and 31-12-2026	2.19	3,885
Long-term debt	29-02-2024 and 28-02-2027	2.22	8,151
Long-term debt	05-06-2029	2.63	2,469
Long-term debt	24-10-2033	3.03	3,383
Long-term debt	18-11-2035	2.64	5,539
Long-term debt	03-03-2036	1.80	6,090
			<u>39,865</u>
			<u>104,368</u>

Université Laval

Notes to Financial Statements

April 30, 2019

(amounts in the tables are in thousands of dollars)

19 - CASH FLOW HEDGING SWAPS (Continued)

			2018
	Maturity date	Fixed weighted average interest rate %	Notional amount \$
Operating fund			
Bank loans	15-10-2019	1.76	20,000
			<u>20,000</u>
Capital assets fund			
Long-term debt	19-10-2026	4.57	8,972
Long-term debt	20-10-2026	1.49	2,550
Long-term debt	31-12-2021 and 31-12-2026	2.05	4,861
Long-term debt	29-02-2024 and 28-02-2027	2.22	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>

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

20 - OPERATING FUND BALANCE

	2019	2018
	\$	\$
Unrestricted		
Future employee benefits		
Pension plan	(24,307)	(43,678)
Other plans	(1,617)	(1,737)
Vacations payable, accumulated overtime and other employee benefits payable	(42,215)	(40,582)
Operations	(203,647)	(139,875)
	<u>(271,786)</u>	<u>(225,872)</u>
Internally restricted (1)	32,438	30,373
	<u>(239,348)</u>	<u>(195,499)</u>

Université Laval

Notes to Financial Statements

April 30, 2019

(amounts in the tables are in thousands of dollars)

20 - OPERATING FUND BALANCE (Continued)

	2019	2018
	\$	\$
(1) Balance of the internally restricted fund		
<i>Special programs</i>		
Budget carried over to multiple-faculty entities	128	88
Unrestricted research projects	25,515	23,497
Special research budget	3,645	3,393
Other	3,150	3,395
	<u>32,438</u>	<u>30,373</u>

21 - NET INVESTMENT INCOME

	2019	2018
	\$	\$
Investments measured at fair value		
Net change in fair value		
From restricted resources	674	(622)
From resources held as endowments (a)	1,019	(1,089)
Unrestricted	1,710	(3,132)
	<u>3,403</u>	<u>(4,843)</u>
Other investment income		
From restricted resources	1,227	1,646
From resources held as endowments (a)	1,910	2,847
Unrestricted	3,461	4,736
	<u>6,598</u>	<u>9,229</u>
	<u>10,001</u>	<u>4,386</u>

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

22 - COMMITMENTS

Outstanding purchase orders for goods and services

Unrecorded commitments for outstanding purchase orders for goods and services assumed by the University's operating fund amount to \$5,829,723 (\$5,818,163 in 2018) and those assumed by the restricted fund amount to \$6,398,157 (\$5,686,006 in 2018).

Leases

The University has entered into lease agreements for premises expiring between 2019 and 2025, which call for lease payments made from the operating fund totalling \$9,872,107. Minimum lease payments for the next five years are \$3,330,271 in 2020, \$2,830,925 in 2021, \$1,700,654 in 2022, \$859,778 in 2023 and \$600,250 in 2024.

Université Laval

Notes to Financial Statements

April 30, 2019

(amounts in the tables are in thousands of dollars)

22 - COMMITMENTS (Continued)

Building construction and renovations

Unrecorded commitments for building construction and renovations assumed by the University's capital assets fund amount to \$16,715,468 (\$19,145,534 as at April 30, 2018).

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, 2019, an amount of \$46,767,100 has been recorded as revenue and is receivable on that date (\$38,376,100 receivable as at April 30, 2018). It was cashed on July 26, 2019.

23 - FINANCIAL RISKS

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, 2019, the market value of the foreign investment portfolio amounts to \$12,020,837 for the annuity backing fund and to \$19,674,192 for the master trust fund, for a total amount of \$31,695,029, mainly denominated in U.S. dollars (total amount of \$29,386,208 as at April 30, 2018).

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, 2019, financial assets denominated in foreign currency comprise accounts receivable and other amounts receivable totalling \$640,438, i.e. US\$454,831 and €19,873 (\$854,282 as at April 30, 2018, i.e. US\$520,987 and €119,635). Financial liabilities denominated in foreign currency comprise accounts payable and other operating liabilities totalling \$2,330,323, i.e. US\$1,674,751 and €167,885 (\$2,300,894 as at April 30, 2018, i.e. US\$1,676,951 and €95,660).

Interest rate risk

Certain long-term debts bear interest at a variable rate and the University is, therefore, exposed to the cash flow risk resulting from interest rate fluctuations. As detailed in Note 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.

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(amounts in the tables are in thousands of dollars)

23 - FINANCIAL RISKS (Continued)

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.

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, 2019, management estimates that the University's credit risk relating to these financial assets is low and, accordingly, no valuation allowance was recognized.

Liquidity risk

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

Other

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

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

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(amounts in the tables are in thousands of dollars)

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 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.
10. Consortium photonique de l'industrie canadienne inc.

Université Laval

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(amounts in the tables are in thousands of dollars)

25 - CONTROLLED NOT-FOR-PROFIT ORGANIZATIONS

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

La Fondation de l'Université Laval

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

The Foundation condensed financial statements as at April 30, 2019 and 2018 are as follows:

	2019	2018
	\$	\$
Financial position		
Assets	226,840	218,856
Liabilities	2,625	3,275
Fund balance	224,215	215,581
	226,840	218,856
Restrictions		
Invested in capital assets	121	138
Restricted as endowments	214,867	205,194
Internally restricted	4,717	6,175
Unrestricted	4,510	4,074
	224,215	215,581
Operations		
Revenues	36,754	32,760
University's contributions	(20,880)	(21,802)
	15,874	10,958
Expenses	7,240	7,270
Excess of revenues over expenses	8,634	3,688
Fund balance, beginning of year	215,581	211,893
Fund balance, end of year	224,215	215,581
Cash flows		
Operating activities	(4,589)	(1,954)
Investing activities	1,754	14
Financing activities	2,153	1,437

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(amounts in the tables are in thousands of dollars)

25 - 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, 2019 and 2018 are as follows:

	2019	2018
	\$	\$
Financial position		
Assets	1,104	700
Liabilities	-	-
Fund balance	1,104	700
	1,104	700
Operations		
Revenues	-	-
University's contributions	404	267
	404	267
Expenses	-	-
Excess of revenues over expenses	404	267
Fund balance, beginning of year	700	433
Fund balance, end of year	1,104	700

Other organizations

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

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

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

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(amounts in the tables are in thousands of dollars)

26 - 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, 2018 and 2017 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:

	2018	2017
	\$	\$
Balance sheet		
Assets	44	48
Liabilities	44	48
Equity	-	-
	44	48
Operations		
Revenues	415	410
Expenses	415	410
Net earnings	-	-
Retained earnings, beginning of year	-	-
Retained earnings, end of year	-	-
Cash flows		
Operating activities	(9)	(6)
Investing activities	-	-
Financing activities	-	-

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(amounts in the tables are in thousands of dollars)

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

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

Corporation des services universitaires des Appalaches inc.

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

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

Consortium photonique de l'industrie canadienne inc.

The University exercises significant influence over this organization since their research objectives are integrated, as the University is the principal member of the consortium. Furthermore, the implication of full professors and postdoctoral students in the consortium's projects enables the organization to carry out its mission, which is to connect actual and potential users of photonics and accelerate the Canadian industry's growth with this technology.

As a member of the consortium, the University pays a \$5,000 annual contribution.

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 \$100,000 annual contribution to the operating fund of its organization, which represents 5% to 6% of its revenues. In return, the organization is committed to give 50% of its excess of revenues over expenses to the University, up to an amount of \$50,000.

28 - COMPARATIVE FIGURES

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