

**Université Laval**  
**Financial Statements**  
**April 30, 2022**

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Raymond Chabot  
Grant Thornton

## Independent Auditor's Report

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To the Members of the Board of Directors of  
Université Laval

### Opinion

We have audited the financial statements of Université Laval, which comprise the statement of financial position as at April 30, 2022, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Université Laval as at April 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for opinion

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

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

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

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

Those charged with governance are responsible for overseeing Université Laval's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Université Laval's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Université Laval's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Université Laval to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

*Raymond Chabot Grant Thornton LLP<sup>1</sup>*

Québec  
September 28, 2022

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<sup>1</sup> CPA auditor, public accountancy permit no. A119912

## Université Laval Operations

Year ended April 30, 2022  
(in thousands of dollars)

	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Subscription Fund		Total
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
<b>Revenues</b>											
Subsidies – ministère de l'Enseignement supérieur (MES) (Note 4)	509 156	457 357	29 458	30 747	45 876	46 195	-	-	-	-	584 490
Tuition fees	149 955	142 229	-	-	-	-	-	-	-	-	149 955
Community services	14 967	11 310	9 296	9 400	-	-	-	-	-	-	20 710
External services	45 129	39 816	-	-	3 203	2 229	-	-	-	-	48 332
Net investment income (Note 21)	2 386	8 417	107	1 637	73	423	(34)	5 020	59	1 467	2 591
Student services and assistance	27 496	21 965	10 618	11 148	-	-	-	-	-	-	38 114
Ancillary services	13 245	8 118	-	-	-	-	-	-	-	-	13 245
Contributions from La Fondation de l'Université Laval	-	26	20 043	14 487	-	-	-	-	-	-	20 043
Donations from other organizations	12 078	12 464	221 115	200 717	102	128	329	307	-	-	431
Other subsidies and revenues	774 412	701 702	290 637	268 136	76 534	75 823	295	5 327	59	1 467	260 473
											1 141 937
<b>Expenses</b>											
Teaching and independent research	448 455	418 504	2 404	2 768	-	-	-	-	-	-	450 859
Community services	10 895	8 548	17 189	15 443	-	-	-	-	-	-	28 084
Research	12 027	11 673	241 801	217 230	-	-	-	-	-	-	253 828
Support services	162 354	154 561	2 403	2 255	241	-	1 740	620	180	100	166 918
Student services and assistance	27 227	22 983	28 090	32 282	-	-	-	-	-	-	55 317
Ancillary services	11 021	10 008	-	-	-	-	-	-	-	-	11 021
Renovations and redevelopment	-	-	-	-	1 989	964	-	-	-	-	1 989
Interest on long-term debt	-	8	-	-	17 755	18 606	-	-	-	-	17 755
Future employee benefits	4 993	8 842	-	-	-	-	-	-	-	-	4 993
Amortization of tangible capital assets (Note 11)	-	-	-	-	77 363	74 679	-	-	-	-	77 363
	676 972	635 127	291 887	269 978	97 348	94 249	1 740	620	180	100	1 068 127
<b>Excess (deficiency) of revenues over expenses</b>	<b>97 440</b>	<b>66 575</b>	<b>(1 250)</b>	<b>(1 842)</b>	<b>(20 814)</b>	<b>(18 426)</b>	<b>(1 445)</b>	<b>4 707</b>	<b>(121)</b>	<b>1 367</b>	<b>73 810</b>
											1 052 455

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

## Université Laval

### Changes in Fund Balances

Year ended April 30, 2022  
(in thousands of dollars)

	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Subscription Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Fund balances (negative), beginning of year	(225 390)	(237 988)	-	-	316 926	272 471	37 407	34 761	11 015	9 679	139 958	78 923
Excess (deficiency) of revenues over expenses	97 440	66 575	(1 250)	(1 842)	(20 814)	(18 426)	(1 445)	4 707	(121)	1 367	73 810	52 381
Remeasurements and other items related to the pension and other postretirement benefit plans	(285 995)	8 297	-	-	-	-	-	-	-	-	(285 995)	8 297
Contributions restricted to the acquisition of capital assets not subject to amortization	-	-	-	-	266	357	-	-	-	-	266	357
Interfund transfers (Note 5)	(95 985)	(62 274)	1 250	1 842	96 594	62 524	(1 283)	(2 061)	(576)	(31)	-	-
Fund balances (negative), end of year	(509 930)	(225 390)	-	-	392 972	316 926	34 679	37 407	10 318	11 015	(71 961)	139 958

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

# Université Laval

## Cash Flows

Year ended April 30, 2022

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	73 810	52 381
Non-cash items		
Net change in fair value of investments	10 857	(10 773)
Net change in defined benefit liability	635	4 030
Amortization of deferred contributions related to capital assets	(29 837)	(29 025)
Amortization of tangible capital assets	77 363	74 679
Loss (gain) on disposal of capital assets	241	(749)
Net change in working capital items (Note 6)	<u>26 772</u>	<u>116 667</u>
Cash flows from operating activities	<u>159 841</u>	<u>207 210</u>
<b>INVESTING ACTIVITIES</b>		
Net change in notes receivable	24	35
Investments	(203 032)	73 810
Tangible capital assets (a)	(86 271)	(76 072)
Proceeds from disposal of capital assets	<u>444</u>	<u>1 920</u>
Cash flows from investing activities	<u>(288 835)</u>	<u>(307)</u>
<b>FINANCING ACTIVITIES</b>		
Net change in bank loans	33 629	360
Long-term debt	26 217	48 955
Repayment of long-term debt	(76 466)	(60 937)
Deferred contributions related to capital assets	<u>61 603</u>	<u>37 553</u>
Cash flows from financing activities	<u>44 983</u>	<u>25 931</u>
<b>Net increase (decrease) in cash</b>	<b>(84 011)</b>	<b>232 834</b>
Cash, beginning of year	<u>305 322</u>	<u>72 488</u>
Cash, end of year	<u><u>221 311</u></u>	<u><u>305 322</u></u>

(a) Tangible capital assets acquired during the year include donations with an approximate value of \$368,275 (\$484,707 in 2021).

During the year, Université Laval acquired tangible capital assets of which an amount of \$9,433,507 (\$5,799,493 as at April 30, 2021) 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, 2022

(in thousands of dollars)

	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Subscription Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>												
Current												
Cash	221 311	305 322	-	-	-	-	-	-	-	-	221 311	305 322
Accounts receivable and other amounts receivable (Note 7)	86 717	61 973	52 483	32 225	153 487	178 852	-	-	-	-	292 687	273 050
Prepaid expenses (Note 8)	6 275	5 178	1 613	1 285	-	-	-	-	-	-	7 888	6 463
Investments (Note 10)	200 000	-	-	-	-	-	-	-	-	-	200 000	-
Interfund advances, without interest or terms of repayment	-	-	292 992	273 878	252 133	136 661	-	-	-	-	-	-
	514 303	372 473	347 088	307 388	405 620	315 513	-	-	-	-	721 886	584 835
Long-term												
Notes receivable (Note 9)	221	245	-	-	-	-	-	-	-	-	221	245
Investments (Note 10)	46 618	47 398	10 481	12 288	1 686	3 102	36 565	39 690	11 015	11 015	105 668	113 493
Tangible capital assets (Note 11)	-	-	-	-	956 916	944 690	-	-	-	-	956 916	944 690
	561 142	420 116	357 569	319 676	1 364 222	1 263 305	36 565	39 690	11 015	11 015	1 784 691	1 643 263
<b>LIABILITIES</b>												
Current												
Bank loans (Note 12)	-	-	-	-	33 989	360	-	-	-	-	33 989	360
Accounts payable and other operating liabilities (Note 13)	160 569	143 560	17 821	14 978	13 209	11 021	1 886	2 283	-	-	193 485	171 842
Deferred revenues (Note 14)	8 914	14 138	-	-	-	-	-	-	-	-	8 914	14 138
Deferred contributions (Note 15)	-	-	339 748	304 698	-	-	-	-	-	-	339 748	304 698
Interfund advances, without interest or terms of reimbursement	545 125	410 539	-	-	-	-	-	-	-	-	-	-
Current portion of long-term debt (Note 16)	4 857	5 121	-	-	59 336	60 730	-	-	-	-	64 193	65 851
	719 465	573 358	357 569	319 676	106 534	72 111	1 886	2 283	-	-	640 329	556 889
Long-term												
Long-term debt (Note 16)	41 969	49 140	-	-	541 998	583 418	-	-	-	-	583 967	632 558
Defined benefit liability (Note 17)	309 638	23 008	-	-	-	-	-	-	-	-	309 638	23 008
Deferred contributions related to capital assets (Note 18)	-	-	-	-	322 718	290 850	-	-	-	-	322 718	290 850
	1 071 072	645 506	357 569	319 676	971 250	946 379	1 886	2 283	-	-	1 856 652	1 503 305
<b>FUND BALANCES (NEGATIVE) (NOTE 20)</b>												
Unrestricted	(553 101)	(263 123)	-	-	-	-	-	-	10 318	11 015	(542 783)	(252 108)
Internally restricted	43 171	37 733	-	-	-	-	2 747	2 682	-	-	45 918	40 415
Restricted as endowments	-	-	-	-	31 932	-	34 725	34 725	-	-	31 932	34 725
Invested in capital assets	-	-	-	-	392 972	316 926	-	-	-	-	392 972	316 926
	(509 930)	(225 390)	-	-	392 972	316 926	34 679	37 407	10 318	11 015	(71 961)	(139 958)
	561 142	420 116	357 569	319 676	1 364 222	1 263 305	36 565	39 690	10 318	11 015	1 784 691	1 643 263

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, 2022

(amounts in the tables are in thousands of dollars)

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

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

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

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

### **2 - ACCOUNTING CHANGE**

On May 1, 2021, the University applied the changes to Section 3856, Financial Instruments, of Part II of the CPA Canada Handbook – Accounting and Section 4460, Disclosure of Related Party Transactions by Not-for-Profit Organizations, of Part III of the CPA Canada Handbook – Accounting. The purpose of these changes is to provide additional recommendations on the accounting treatment of financial instruments originated or exchanged in a related party transaction.

The changes require that financial assets originated or acquired and financial liabilities issued or assumed in a related party transaction be initially measured at cost, with the exception of certain specific financial instruments that are initially measured at fair value. The cost of a financial asset originated or acquired or of a financial liability issued or assumed in these circumstances depends on whether the instrument has repayment terms. When the financial instrument has repayment terms, its cost is determined using the undiscounted cash flows, excluding interest and dividend payments, and less any impairment losses previously recognized by the transferor. The cost of a financial instrument that does not have repayment terms is determined using the consideration transferred or received in the transaction.

The changes generally require that financial assets and liabilities from related party transactions be subsequently measured using the cost method, except for investments in equity instruments that are quoted in an active market which are measured at fair value.

The changes provide additional guidance on how to measure the impairment loss of a financial asset originated or acquired in a related party transaction subsequently measured using the cost method.

The changes also require that an organization recognizes the effect of the forgiveness of a financial asset originated or created in a related party transaction or the extinguishment of a financial liability issued or assumed in a related party transaction in operations or in accordance with the accounting method used to recognize contributions.

In accordance with the transitional provisions, these changes, that are applicable for fiscal years beginning on or after January 1, 2021, have been applied retrospectively taking certain relief measures into account.

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

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### **2 - ACCOUNTING CHANGE (continued)**

Application of the changes did not have any impact on the financial statements for the year ended April 30, 2021.

### **3 - SIGNIFICANT ACCOUNTING POLICIES**

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

#### **Funds classification**

The University presents its financial information by funds:

##### *Operating Fund*

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

##### *Restricted Fund*

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

##### *Capital Assets Fund*

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

##### *Endowment Fund*

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

##### *Subscription Fund*

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

#### **Accounting estimates**

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

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

### 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Principles of consolidation

The accounts of entities that are controlled by the University have not been consolidated in the financial statements. However, Notes 24 and 25 provide information regarding those entities.

#### Ancillary services

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

The objective of the University's budget policy is to ensure the profitability of these services. Expenses for the land, building and information technology divisions are recorded in ancillary services as well as a charge for administrative expenses.

#### Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the date of the statement of financial position. Non-monetary assets and liabilities are translated at historical exchange rates, with the exception of those recognized at fair value, which are translated at the exchange rate in effect at the date of the statement of financial position. Revenues and expenses in foreign currency are translated at the exchange rate in effect at the transaction date and exchange gains and losses on financial assets and liabilities are included in the statement of operations. Exchange gains or losses on financial assets and liabilities measured at fair value are included in the net change in fair value presented in the net investment income.

#### Tangible capital assets

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

	<u>Periods</u>
Major improvements – building services	25 years
Major improvements – interior redevelopment	30 years
Major improvements – structure and architecture	40 years
Landscaping under \$30,000	10 years
Landscaping over \$30,000	20 years
Buildings with a wooden structure	40 years
Buildings, excluding those with a wooden structure	50 years
Library documents	10 years
Audiovisual and communication equipment	5 years
Computer equipment	3 years
Specialized equipment	10 years
Automotive equipment	5 years
Furniture	5 years
Leasehold improvements	Remaining lease term
Other assets subject to amortization	20 years

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

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### **3 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

#### **Write-down**

When conditions indicate that a tangible capital asset is impaired, the net carrying amount of the tangible capital asset is written down to the tangible capital asset's fair value or replacement cost. The write-down is accounted for in the statement of operations and cannot be reversed.

#### **Contributions recognition**

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

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

#### *Donations*

Donated real property, equipment, supplies and services received by the University are recorded at their fair value when fair value can be reasonably estimated and if the University would have had to otherwise acquire these supplies and services for its normal operations.

Donations collected in connection with financing campaigns are forwarded to La Fondation de l'Université Laval, an organization that is controlled by the University and was created to support the University in the pursuit of its objectives.

#### *Research subsidies, contracts and other revenues*

Research subsidies from external organizations are included in the Restricted Fund. These subsidies are generally granted to researchers, but are paid to the University as agent.

#### *Investment income*

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

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

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### 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition

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

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

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

#### Interest on debts

##### *Operating Fund*

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

##### *Capital Assets Fund*

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

#### Pension plans

The University accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension benefits. More specifically, the University recognizes its obligations under the defined benefit plans on the statement of financial position, net of the fair value of plan assets. The University determines the defined benefit obligations using the most recent actuarial valuation prepared for funding purposes, which is extrapolated until the University's year-end. The total defined benefit plan cost includes current service cost and finance cost and is recognized in operations. Remeasurements and other items, which include actuarial gains and losses relating to obligations, the difference between the actual return on plan assets and interest income deducted from the finance cost as well as past service cost, are recognized separately on the statement of changes in fund balances. Remeasurements and other items are not reclassified to the statement of operations in a subsequent year.

The University also offers a defined contribution plan to its lecturers, research professionals and certain employees who do not meet the criteria for the participation to defined benefit plans. Expenses related to the defined contribution plan are accounted for when disbursements are due, in accordance with the terms and conditions of the plan.

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

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### **3 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Financial assets and liabilities**

##### *Initial measurement*

Upon initial measurement, the University's financial assets and liabilities from transactions not concluded with related parties and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. The University's financial assets and liabilities from related party transactions are measured at cost.

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

##### *Subsequent measurement*

At each reporting date, the University measures its financial assets and liabilities from transactions not concluded with related parties at amortized cost (including any impairment in the case of financial assets), except for portfolio investments in equity instruments that are quoted in an active market, that is mutual fund investments and shares which are measured at fair value and investments in the master trust fund which the University has elected to measure at fair value by designating that fair value measurement shall apply. With respect to the financial assets and liabilities from related party transactions, the University measures them using the cost method (including any impairment in the case of financial assets).

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

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

#### **Derivative financial instruments**

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

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

### 3 - 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. 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.

### 4 - SUBSIDIES – MES

#### Operating Fund

This item does not include the \$3,495,400 (\$3,444,400 in 2021) subsidy for student services and assistance, which is included under this category.

#### Capital Assets Fund

A substantial portion of subsidies for this fund includes amounts allocated for interest, and provisioning of the long-term debt sinking fund.

### 5 - INTERFUND TRANSFERS

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

	2022	2021
	\$	\$
Projects		
Operating Fund	(95 985)	(62 274)
Restricted Fund	1 250	1 842
Capital Assets Fund	96 594	62 524
Endowment Fund	(1 283)	(2 061)
Subscription Fund	(576)	(31)
	-	-

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

April 30, 2022

(amounts in the tables are in thousands of dollars)

**6 - INFORMATION ON CASH FLOWS**

The net change in working capital items is as follows:

	<b>2022</b>	<b>2021</b>
	\$	\$
Accounts receivable and other amounts receivable	(19 637)	7 632
Prepaid expenses	(1 425)	(2 202)
Accounts payable and other operating liabilities	18 008	26 650
Deferred revenues	(5 224)	4 415
Deferred contributions	35 050	80 172
	<b>26 772</b>	<b>116 667</b>

**7 - ACCOUNTS RECEIVABLE AND OTHER AMOUNTS RECEIVABLE**

	<b>2022</b>	<b>2021</b>
	\$	\$
Operating Fund		
Sales, independent businesses and other	7 367	10 735
Subsidy – MES (1)	76 564	46 360
Tuition fees and other expenses	2 786	4 878
	<b>86 717</b>	<b>61 973</b>
Restricted Fund		
Subsidies, contracts and other (2)	52 483	32 225
Capital Assets Fund		
Subsidies (3)	153 439	178 688
Other	48	164
	<b>153 487</b>	<b>178 852</b>
	<b>292 687</b>	<b>273 050</b>

Accounts receivable and other amounts receivable are presented in the financial statements net of an allowance for impairment of \$9,161,000, that is \$8,570,000 for tuition fees and \$591,000 for general billing (\$5,455,200 as at April 30, 2021, that is \$3,366,000 for tuition fees and \$2,089,200 for general billing). The amount of the impairment loss related to accounts receivable and other amounts receivable is \$4,091,030 for the year (\$3,188,901 in 2021).

- (1) The subsidy – MES receivable consists of the total final subsidy balance for the year 2021-2022 of \$48,195,573, and an account receivable resulting from the change in the student population of \$28,367,899 (as at April 30, 2021: consisting of the total final subsidy balance for the year 2020-2021 of \$55,813,913, net of the adjustment resulting from the change in the student population of \$9,453,738).
- (2) Subsidies receivable from the Restricted Fund are generally from governments and government bodies.



# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

### 7 - 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 3, "Significant Accounting Policies", for more information) and amounts received to this day or paid directly by the MES in repayment of the long-term debt. Subsidies receivable also include an amount of \$4,405,947 (\$4,668,832 as at April 30, 2021) related to the interest on the temporary financing of capital assets, which is repaid by the MES.

#### Conditional subsidy

According to the financial framework proposed by the MES, the University is committed to balancing its budget and respecting the remuneration framework of senior administrative personnel. Non-compliance with this commitment could result in changes in the subsidies granted. As at April 30, 2022, an amount of \$45,795,344 has been recorded as revenue and is receivable on that date (\$46,038,400 receivable as at April 30, 2021). It was cashed on July 27, 2022.

### 8 - PREPAID EXPENSES

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

### 9 - NOTES RECEIVABLE

Amount receivable from La Boutique Rouge et Or – Université Laval, 3.3%  
Other amounts receivable, without interest

2022	2021
\$	\$
218	237
3	8
<b>221</b>	<b>245</b>

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

### 10 - INVESTMENTS

						2022
	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund	Subscription Fund	Total
	\$	\$	\$	\$	\$	\$
Master trust fund	1 517	10 481	1 686	36 565	10 318	60 567
Shares	22 619	-	-	-	-	22 619
Fixed-interest securities	22 442	-	-	-	-	22 442
Money market securities and other	200 040	-	-	-	-	200 040
	<u>246 618</u>	<u>10 481</u>	<u>1 686</u>	<u>36 565</u>	<u>10 318</u>	<u>305 668</u>
Current portion	200 000	-	-	-	-	200 000
	<u>46 618</u>	<u>10 481</u>	<u>1 686</u>	<u>36 565</u>	<u>10 318</u>	<u>105 668</u>
						2021
	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund	Subscription Fund	Total
	\$	\$	\$	\$	\$	\$
Master trust fund	1 536	12 288	3 102	39 690	11 015	67 631
Shares	24 392	-	-	-	-	24 392
Fixed-interest securities	21 112	-	-	-	-	21 112
Money market securities and other	358	-	-	-	-	358
	<u>47 398</u>	<u>12 288</u>	<u>3 102</u>	<u>39 690</u>	<u>11 015</u>	<u>113 493</u>

### Shares assigned to the University

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

- BioVec Pharma Inc., 50 common shares, voting, participating, without par value;
- ARNA Therapeutics Inc., 246,122 preferred shares;
- LensVector Inc., 970,102 class "C" preferred shares (870,102 shares as at April 30, 2021) and 250,000 class "B" preferred shares;

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

### 10 - INVESTMENTS (continued)

- Robotiq inc., debenture convertible in common shares, interest rate of 7%, with a par value of \$4,193;
- InflammatoRx Inc., 50 common shares, voting, participating, without par value;
- DiaMentis Inc., 500,170 common shares;
- Sovar, limited partnership, 1 class “B” common share, 4 class “Gel A” preferred shares, 1 class “Gel B” preferred share, 191,504 preferred shares and 1 “UL” preferred share.

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

### 11 - TANGIBLE CAPITAL ASSETS

		2022	
	Cost	Accumulated amortization	Unamortized cost
	\$	\$	\$
Major improvements	505 489	101 792	403 697
Landscaping	49 127	17 479	31 648
Buildings	596 131	296 129	300 002
Library documents	91 645	45 600	46 045
Audiovisual and communication equipment	6 820	3 500	3 320
Computer equipment	57 578	26 966	30 612
Specialized equipment	154 992	76 444	78 548
Automotive equipment	1 745	882	863
Furniture	7 149	3 711	3 438
Leasehold improvements	16	5	11
Assets not subject to amortization	7 932	–	7 932
Projects in progress	36 838	–	36 838
Land	13 962	–	13 962
	<b>1 529 424</b>	<b>572 508</b>	<b>956 916</b>

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

### 11 - TANGIBLE CAPITAL ASSETS (continued)

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

The amortization expense for tangible capital assets is as follows:

	2022	2021
	\$	\$
Major improvements	16 094	14 382
Landscaping	2 437	2 400
Buildings	11 402	11 447
Library documents	9 066	8 831
Audiovisual and communication equipment	1 309	1 236
Computer equipment	19 262	18 007
Specialized equipment	16 079	16 762
Automotive equipment	377	397
Furniture	1 334	1 215
Leasehold improvements	3	2
	<u>77 363</u>	<u>74 679</u>

### 12 - BANK LOANS

The University has a \$105,000,000 opening of credit with three financial institutions from which it is only authorized to draw a maximum of \$50,000,000, as required by the MES.

As at April 30, 2022, these bank loans are unused (unused as at April 30, 2021). If these credit facilities had been used by the University as at April 30, 2022, the interest rate would have been approximately 2.3% (1.8% as at April 30, 2021).

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

### 12 - BANK LOANS (continued)

The University also has credit facilities with Financement-Québec, for an authorized amount of \$248,690,741 (\$3,616,741 as at April 30, 2021), which bears interest at the average three-month treasury bills rate plus 0.02%. This temporary financing is dedicated to the Plan quinquennal des investissements universitaires as well as those made as part of the project to develop research spaces dedicated to cutting-edge research on the microbiome. This temporary financing is in effect until such debt is converted to long-term financing. As at April 30, 2022, \$33,262,400 has been used for the entire Plan quinquennal des investissements universitaires as well as \$726,400 (\$360,000 as at April 30, 2021) for microbiome research.

### 13 - ACCOUNTS PAYABLE AND OTHER OPERATING LIABILITIES

Government remittances total \$11,265,184 (\$11,069,146 as at April 30, 2021).

### 14 - DEFERRED REVENUES

	<u>2022</u>	<u>2021</u>
	\$	\$
Revenues collected in advance on land rental	931	997
Tuition fees and other revenues	6 800	12 687
Room deposits	460	276
Sport activity deposits	723	178
	<u>8 914</u>	<u>14 138</u>

### 15 - DEFERRED CONTRIBUTIONS

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Balance, beginning of year	304 698	224 526
Amounts recognized as revenue	(241 801)	(217 230)
Amounts received for next year	276 851	297 402
Balance, end of year	<u>339 748</u>	<u>304 698</u>

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

### 16 - LONG-TERM DEBT

	2022	2021
	\$	\$
<b>Operating Fund</b>		
Group of loans, variable rates based on three-month CDOR plus 0.61%, payable in principal monthly instalments of \$360,683, maturing in 2031 and 2032 (1)	42 200	46 528
Group of loans, variable rates based on three-month CDOR plus 0.57%, payable in principal monthly instalments of \$44,061, maturing in 2030 (1)	4 626	5 155
Loan, variable rate based on three-month CDOR plus 0.57%, repaid during the year	—	2 578
	<b>46 826</b>	54 261
Current portion	<b>4 857</b>	5 121
	<b>41 969</b>	49 140

### 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 2.70% (2.74% as at April 30, 2021), maturing in tranches until 2044	580 892	610 858
Loan, variable rate based on CDOR plus 0.71%, payable in blended monthly instalments of \$33,100, maturing in 2026 (1)	1 859	2 256
Group of loans, variable rates based on CDOR plus 0.61% and 0.69%, payable in blended monthly instalments of \$103,000, maturing in 2024 and 2027 (1)	4 443	5 679
Loan, variable rate based on CDOR plus 0.63%, payable in principal monthly instalments of \$21,000, plus interest, maturing in 2035 (1)	4 783	5 035
Loan, variable rate based on CDOR plus 0.63%, payable in principal monthly instalments of \$30,000, plus interest, maturing in 2036 (1)	5 010	5 370
Loan, 2.9025% capitalized semiannually, payable in principal monthly instalments of \$25,208, plus interest, maturing in 2027	1 664	1 966
Loan, variable rate based on CDOR plus 0.77%, payable in principal monthly instalments of \$19,444, plus interest, maturing in 2033 (1)	2 683	2 917

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

### 16 - LONG-TERM DEBT (continued)

	2022	2021
	\$	\$
Loan, variable rate based on CDOR plus 0.24%, repaid during the year	–	6 221
Loan, variable rate based on CDOR plus 0.96%, repaid during the year	–	1 983
Loan, variable rate based on CDOR plus 0.58%, repaid during the year	–	1 650
Loan, variable rate based on CDOR plus 0.59%, repaid during the year	–	213
	<b>601 334</b>	644 148
Current portion	<b>59 336</b>	60 730
	<b>541 998</b>	583 418
	<b>583 967</b>	632 558

(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 \$64,192,692 in 2023, \$79,970,722 in 2024, \$53,381,125 in 2025, \$51,471,484 in 2026 and \$112,541,692 in 2027.

The portion subsidized by the Government of Quebec included in estimated instalments for the next five years is \$56,554,739 in 2023, \$72,309,770 in 2024, \$46,331,173 in 2025, \$44,421,532 in 2026 and \$105,615,095 in 2027.

### 17 - UNIVERSITÉ LAVAL'S PENSION PLANS

#### Defined benefit pension plans

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

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

	2022	2021
	\$	\$
<b>Pension plans</b>		
Defined benefit obligations	<b>3 710 580</b>	3 556 255
Fair value of plan assets	<b>3 402 220</b>	3 572 766
Funded statute – deficit (surplus)	<b>308 360</b>	(16 511)
Valuation allowance	–	(38 111)
Defined benefit liability	<b>308 360</b>	21 600

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

### 17 - UNIVERSITÉ LAVAL'S PENSION PLANS (continued)

	<u>2022</u>	<u>2021</u>
	\$	\$
<b>Other benefit plans</b>		
Defined benefit obligations	1 278	1 408
Fair value of plan assets	-	-
Funded statute – deficit and defined benefit liability	<u>1 278</u>	<u>1 408</u>
	<u><b>309 638</b></u>	<u><b>23 008</b></u>

#### Pension plan asset components

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

	<u>2022</u>	<u>2021</u>
	%	%
Asset category		
Debt securities	42.90	44.77
Equity securities	25.93	28.77
Real estate funds	18.19	14.97
Other investment vehicles	12.98	11.49
	<u>100.00</u>	<u>100.00</u>

#### Total cash payments

Cash payments for future employee benefits, consisting of cash contributed by the University to its funded pension plans and amounts paid directly to beneficiaries for its unfunded other benefit plans, total \$40,767,900 (\$40,322,700 as at April 30, 2021).

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Pension plans	41 334	44 279
Other plans	68	74

#### Significant assumptions

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

	Pension plans	
	<u>2022</u>	<u>2021</u>
	%	%
Inflation rate	2.00	2.00
Discount rate	4.89 - 6.05	4.82 - 6.30
Expected long-term rate of return on plan assets	4.89 - 6.05	4.82 - 6.30
Compensation increase rate	3.00 - 3.50	3.00 - 3.50



# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

### 17 - UNIVERSITÉ LAVAL'S PENSION PLANS (continued)

	Other benefit plans	
	2022	2021
	%	%
Discount rate	5.15	5.15
Increase in medical costs rate	5.00	5.00

### 18 - DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets include the unamortized balance of contributed capital assets and the unamortized balance of capital assets acquired from externally restricted contributions that were restricted for this purpose.

	2022	2021
	\$	\$
Balance, beginning of year	290 850	282 194
Amounts received during the year	61 603	37 553
Contributions received in capital assets	368	485
Contributions restricted to the acquisition of capital assets not subject to amortization	(266)	(357)
Amounts recognized as revenue	(29 837)	(29 025)
Balance, end of year	322 718	290 850

### 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.

	Maturity dates	Fixed weighted average interest rate	2022
			Notional amount
		%	\$
Operating Fund			
Long-term debt	09-11-2030 and 09-12-2030	3.03	4 626
Long-term debt	09-11-2031, 09-12-2031 and 09-01-2032	3.03	42 200
			46 826

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**Notes to Financial Statements**

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**19 - CASH FLOW HEDGING SWAPS (continued)**

			2022
	Maturity dates	Fixed weighted average interest rate %	Notional amount \$
Capital Assets Fund			
Long-term debt	31-12-2026	2.15	1 859
	29-02-2024 and 28-02-2027	2.22	4 443
Long-term debt	24-10-2033	3.03	2 683
Long-term debt	18-11-2035	2.64	4 783
Long-term debt	03-03-2036	1.80	5 010
			<u>18 778</u>
			<u>65 604</u>
			2021
	Maturity dates	Fixed weighted average interest rate %	Notional amount \$
Operating Fund			
Long-term debt	09-11-2030, 09-12-2030 and 09-01-2031	3.03	7 733
Long-term debt	09-11-2031, 09-12-2031 and 09-01-2032	3.03	46 528
			<u>54 261</u>

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

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(amounts in the tables are in thousands of dollars)

**19 - CASH FLOW HEDGING SWAPS (continued)**

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

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

**20 - OPERATING FUND BALANCE**

	2022	2021
	\$	\$
<b>Unrestricted</b>		
Future employee benefits		
Pension plans	(308 360)	(21 601)
Other benefit plans	(1 278)	(1 408)
Vacations payable, accumulated overtime and other employee benefits payable	(47 541)	(46 973)
Operations	(195 922)	(193 141)
	<u>(553 101)</u>	<u>(263 123)</u>
<b>Internally restricted (1)</b>	43 171	37 733
	<u>(509 930)</u>	<u>(225 390)</u>

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**20 - OPERATING FUND BALANCE (continued)**

	<u>2022</u>	<u>2021</u>
	\$	\$
<b>(1) Balance of the internally restricted fund</b>		
<i>Special programs</i>		
Budget carried over to multiple-faculty entities	171	159
Unrestricted research projects	34 598	29 860
Special research budget	5 779	4 875
Other	2 623	2 839
	<u>43 171</u>	<u>37 733</u>

**21 - NET INVESTMENT INCOME**

	<u>2022</u>	<u>2021</u>
	\$	\$
Investments measured at fair value		
Net change in fair value		
From restricted resources	(3 353)	2 690
From resources held as endowments (a)	(5 380)	3 969
Unrestricted	(2 124)	4 114
	<u>(10 857)</u>	<u>10 773</u>
Other investment income		
From restricted resources	3 592	837
From resources held as endowments (a)	5 346	1 051
Unrestricted	4 510	4 303
	<u>13 448</u>	<u>6 191</u>
	<u>2 591</u>	<u>16 964</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 amount to \$113,804,480.

**Leases**

The University has entered into lease agreements for premises expiring between March 2023 and January 2029, which call for lease payments made from the Operating Fund totalling \$9,868,507 for offices. Minimum lease payments for the next five years are \$2,995,493 in 2023, \$2,760,941 in 2024, \$1,844,843 in 2025, \$589,049 in 2026 and \$597,098 in 2027.

# Université Laval

## Notes to Financial Statements

April 30, 2022

(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 \$28,641,663.

### 23 - FINANCIAL RISKS

The University's main financial risk exposure is detailed as follows.

#### Currency risk

Currency risk results from the University's equity securities and foreign fund units. The University manages this risk through its investment policies. As at April 30, 2022, the market value of the foreign investment portfolio amounts to \$13,344,287 for the annuity backing fund and to \$22,862,184 for the master trust fund, for a total amount of \$36,206,471, mainly denominated in U.S. dollars (total amount of \$36,969,954 as at April 30, 2021).

The University is also exposed to currency risk due to accounts receivable and other amounts receivable, as well as accounts payable and other operating liabilities denominated in euros and U.S. dollars. As at April 30, 2022, financial assets denominated in foreign currency are comprised of accounts receivable and other amounts receivable totalling \$649,511, i.e. US\$419,749 and €83,433 (\$523,088 as at April 30, 2021, i.e. US\$266,412 and €132,316). Financial liabilities denominated in foreign currency are comprised of accounts payable and other operating liabilities totalling \$2,216,002, i.e. US\$1,629,534 and €97,466 (\$2,567,248 as at April 30, 2021, i.e. US\$1,985,296 and €86,709).

#### Interest rate risk

Certain long-term debts and bank loans bear interest at a variable rate and the University is, therefore, exposed to the cash flow risk resulting from interest rate fluctuations. As detailed in Note 19, the University uses derivative financial instruments to reduce its exposure to cash flow risk.

Some long-term debts bear interest at a fixed rate and the University is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The University does not use derivative financial instruments to reduce its exposure to this risk. However, most instalments in interest are assumed by the Government of Quebec.

#### Credit risk

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

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

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

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### **23 - FINANCIAL RISKS (continued)**

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

#### *Accounts receivable and other amounts receivable*

The University does not require a guarantee from its customers. The accounts receivable balance is managed and analyzed on an ongoing basis and, accordingly, the University's exposure to doubtful accounts is not significant.

#### *Notes receivable*

The notes receivable balance is managed and analyzed to detect any loss in value. As at April 30, 2022, management estimates that the University's credit risk relating to these financial assets is low and, accordingly, no valuation allowance was recognized.

### **Liquidity risk**

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

### **Other**

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

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

### **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.

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

### 24 - RELATED ENTITIES (continued)

These related entities are the following:

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

### 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's condensed financial statements as at April 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
	\$	\$
Financial position		
Assets	<u>224 824</u>	<u>222 792</u>
Liabilities	<u>1 580</u>	1 858
Fund balance	<u>223 244</u>	<u>220 934</u>
	<u>224 824</u>	<u>222 792</u>
Restrictions		
Invested in capital assets	58	78
Restricted as endowments	130 935	120 392
Internally restricted	85 825	96 324
Unrestricted	<u>6 426</u>	<u>4 140</u>
	<u>223 244</u>	<u>220 934</u>

# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

### 25 - CONTROLLED NOT-FOR-PROFIT ORGANIZATIONS (continued)

	2022	2021
	\$	\$
Operations		
Revenues	32 713	53 698
University's contributions	(22 946)	(15 840)
	<u>9 767</u>	<u>37 858</u>
Expenses	7 457	6 262
Excess of revenues over expenses	2 310	31 596
Fund balance, beginning of year	220 934	189 338
Fund balance, end of year	<u>223 244</u>	<u>220 934</u>
Cash flows		
Operating activities	(5 495)	(4 118)
Investing activities	995	637
Financing activities	4 928	2 494

### 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, 2022 and 2021 are as follows:

	2022	2021
	\$	\$
Financial position		
Assets	<u>3 081</u>	<u>2 100</u>
Liabilities	-	-
Fund balance	<u>3 081</u>	<u>2 100</u>
	<u>3 081</u>	<u>2 100</u>
Operations		
Revenues	-	-
University's contributions	991	564
	<u>991</u>	<u>564</u>
Expenses	10	21
Excess of revenues over expenses	981	543
Fund balance, beginning of year	2 100	1 557
Fund balance, end of year	<u>3 081</u>	<u>2 100</u>



# Université Laval

## Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

### 25 - CONTROLLED NOT-FOR-PROFIT ORGANIZATIONS (continued)

#### Other organizations

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

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

### 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, 2021 and 2020 are presented for information purposes only, given that the equity value of the investment in this company is not significant. The financial statements are as follows, according to the 50% interest of the University:

	<u>2021</u>	<u>2020</u>
	\$	\$
Balance sheet		
Assets	<u>222</u>	<u>78</u>
Liabilities	<u>222</u>	<u>78</u>
Equity	<u>-</u>	<u>-</u>
	<u>222</u>	<u>78</u>
Earnings		
Revenues	<u>769</u>	<u>497</u>
Expenses	<u>769</u>	<u>497</u>
Net earnings	<u>-</u>	<u>-</u>
Retained earnings, beginning of year	<u>-</u>	<u>-</u>
Retained earnings, end of year	<u>-</u>	<u>-</u>

## Université Laval

### Notes to Financial Statements

April 30, 2022

(amounts in the tables are in thousands of dollars)

#### 26 - JOINT VENTURE (continued)

	2021	2020
	\$	\$
Cash flows		
Operating activities	(45)	(1)
Investing activities	-	-
Financing activities	18	-

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

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

##### **Corporation des services universitaires des Appalaches inc.**

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

The University pays an annual contribution of \$66,516 to the organization. This amount, along with the annual contributions of two other entities, represents 91% of the revenues of the Corporation des services universitaires des Appalaches inc.

##### **Les Presses de l'Université Laval**

The University exercises significant influence over this organization due to its capacity to appoint certain members of the Board of Directors. The mission of the organization is to edit academic and educational books as well as books intended for the general public, in French.

The University pays a \$50,000 annual contribution to the Operating Fund of this organization, which represents 3% of its revenues.