Financial statements of

Université de Montréal

April 30, 2023

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Independent Auditor's Report

To the Board Members of
Université de Montréal

Opinion

We have audited the financial statements of Université de Montréal (the "University"), which comprise the statement of financial position as at April 30, 2023, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 GAAS 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 GAAS, 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.

Deloitte LLP[1]

September 28, 2023

[1] CPA auditor, public accountancy permit No. A120628

Université de Montréal

Statement of operations and changes in fund balances

Year ended April 30, 2023

(in thousands of dollars)

	Notes	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total of Funds	
		2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
		$	$	**$**	$	**$**	$	**$**	$	**$**	$
Revenue											
Grants from the ministère de l'Enseignement supérieur		**636,104**	608,883	**16,040**	12,564	**50,104**	53,962	**—**	—	**702,248**	675,409
Other government grants and contracts		**26,027**	25,022	**151,363**	138,989	**21,507**	23,397	**—**	—	**198,897**	187,408
Other non-governmental contributions and contracts		**3,548**	476	**55,291**	63,451	**5,349**	2,904	**—**	—	**64,188**	66,831
Donations		**—**	134	**20,354**	17,357	**37**	2,706	**—**	—	**20,391**	20,197
Tuition fees		**161,246**	159,200	**—**	—	**—**	—	**—**	—	**161,246**	159,200
Student services		**13,397**	13,532	**—**	—	**—**	—	**—**	—	**13,397**	13,532
Physical education and sports centre		**19,134**	17,172	**—**	—	**—**	—	**—**	—	**19,134**	17,172
Ancillary services		**20,984**	17,104	**—**	—	**—**	—	**—**	—	**20,984**	17,104
Investment income	3	**13,785**	8,123	**11,354**	11,465	**—**	—	**—**	—	**25,139**	19,588
External sales		**34,818**	32,634	**—**	—	**—**	—	**—**	—	**34,818**	32,634
Gain on disposal of capital assets		**—**	—	**—**	—	**186**	552	**—**	—	**186**	552
Other revenue		**42,148**	40,026	**—**	—	**—**	—	**—**	—	**42,148**	40,026
		971,191	922,306	**254,402**	243,826	**77,183**	83,521	**—**	—	**1,302,776**	1,249,653
Expenses											
Teaching and research		**583,582**	554,054	**181,438**	169,269	**—**	—	**—**	—	**765,020**	723,323
Teaching and research support		**109,163**	101,310	**910**	1,273	**—**	—	**—**	—	**110,073**	102,583
Student services		**15,611**	14,598	**4,981**	4,618	**—**	—	**—**	—	**20,592**	19,216
Physical education and sports centre		**19,729**	17,221	**—**	—	**—**	—	**—**	—	**19,729**	17,221
Scholarships – graduate programs		**8,426**	8,424	**48,131**	44,177	**—**	—	**—**	—	**56,557**	52,601
Community services		**—**	—	**14,054**	10,450	**—**	—	**—**	—	**14,054**	10,450
Administration		**81,432**	73,213	**—**	—	**—**	—	**—**	—	**81,432**	73,213
Facilities management		**69,601**	64,709	**—**	—	**—**	—	**—**	—	**69,601**	64,709
Ancillary services		**17,825**	17,116	**—**	—	**—**	—	**—**	—	**17,825**	17,116
Bad debts on tuition fees		**1,463**	1,147	**—**	—	**—**	—	**—**	—	**1,463**	1,147
Interest on bank overdrafts and bank loans and financial charges		**66**	197	**—**	—	**2,295**	762	**—**	—	**2,361**	959
Interest on debt		**—**	—	**—**	—	**24,224**	24,490	**—**	—	**24,224**	24,490
Vacation liability		**1,796**	1,072	**—**	—	**—**	—	**—**	—	**1,796**	1,072
Other unallocated employee future benefits		**(14,047)**	(23,653)	**—**	—	**—**	—	**—**	—	**(14,047)**	(23,653)
Other contributions and restricted amounts		**—**	—	**656**	554	**6,654**	11,885	**—**	—	**7,310**	12,439
Unusual expenses resulting from the pandemic		**—**	4,781	**—**	—	**—**	—	**—**	—	**—**	4,781
Amortization of capital assets		**—**	—	**—**	—	**99,284**	98,263	**—**	—	**99,284**	98,263
		894,647	834,189	**250,170**	230,341	**132,457**	135,400	**—**	—	**1,277,274**	1,199,930
Excess (deficiency) of revenue over expenses before the following items		**76,544**	88,117	**4,232**	13,485	**(55,274)**	(51,879)	**—**	—	**25,502**	49,723
Change in unrealized fair value of investments		**1,026**	(2,461)	**—**	—	**—**	—	**—**	—	**1,026**	(2,461)
Change in fair value of derivative financial instruments		**—**	—	**—**	—	**14**	22,414	**—**	—	**14**	22,414
Excess (deficiency) of revenue over expenses		**77,570**	85,656	**4,232**	13,485	**(55,260)**	(29,465)	**—**	—	**26,542**	69,676
Fund balances, beginning of year		**(13,087)**	228,919	**13,766**	6,197	**290,618**	258,695	**403,054**	390,317	**694,351**	884,128
Contributed capital assets and endowments		**—**	—	**—**	—	**449**	82	**17,906**	17,004	**18,355**	17,086
Investment (loss) income added to (deducted from) endowment capital	3	**—**	—	**—**	—	**—**	—	**(5,327)**	9,936	**(5,327)**	9,936
Unrealized change in fair value of investments and derivative financial instruments (deducted from) added to endowment capital	3	**—**	—	**—**	—	**—**	—	**6,594**	(16,832)	**6,594**	(16,832)
Change in remeasurements and other recognized items related to defined benefit plans		**30,262**	(269,643)	**—**	—	**—**	—	**—**	—	**30,262**	(269,643)
Interfund transfers	14	**(58,277)**	(58,019)	**(5,750)**	(5,916)	**57,303**	61,306	**6,724**	2,629	**—**	—
Fund balances, end of year		**36,468**	(13,087)	**12,248**	13,766	**293,110**	290,618	**428,951**	403,054	**770,777**	694,351

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

Université de Montréal

Statement of financial position

As at April 30, 2023

(in thousands of dollars)

	Notes	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total of Funds	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
		$	$	$	$	$	$	$	$	$	$
Assets											
Current assets											
Cash		—	51,319	69,743	62,050	12,632	24,376	1,052	1,025	83,427	138,770
Investments	3	253,760	115,745	4,621	6,394	—	—	28,774	28,003	287,155	150,142
Accounts receivable	4	113,435	97,588	128,552	111,726	196,767	206,535	469	150	439,223	415,999
Inventories		6,517	6,032	—	—	—	—	—	—	6,517	6,032
Expenses attributable to the following year		7,624	6,459	408	1,372	—	1	—	—	8,032	7,832
Derivative financial instruments – exchange contracts	15	—	—	—	—	—	—	—	85	—	85
Advances to other funds	5	47,345*	51,525*	361,398*	358,150*	79,294*	74,210*	586*	—	—	—
		428,681	328,668	564,722	539,692	288,693	305,122	30,881	29,263	824,354	718,860
Investments	3	—	—	4,532	4,193	—	—	411,277	388,420	415,809	392,613
Accounts receivable	4	—	—	3,055	2,237	1,048,643	926,816	—	—	1,051,698	929,053
Capital assets	6	—	—	—	—	1,534,640	1,481,766	—	—	1,534,640	1,481,766
Defined benefit asset of the primary pension plan program	11	386,230	326,425	—	—	—	—	—	—	386,230	326,425
Derivative financial instruments – interest rate swap contracts	15	—	—	—	—	11,145	11,131	—	—	11,145	11,131
Other assets		—	—	—	—	222	230	—	—	222	230
		814,911	655,093	572,309	546,122	2,883,343	2,725,065	442,158	417,683	4,224,098	3,860,078
Liabilities											
Current liabilities											
Bank overdraft		76,800	—	—	—	—	—	—	—	76,800	—
Bank loans	7	—	—	—	—	96,467	49,090	—	—	96,467	49,090
Accounts payable and accrued liabilities	8	127,234	129,347	11,764	17,249	62,683	47,359	10	1,500	201,691	195,455
Deferred revenues		15,643	10,225	16,319	24,465	—	—	—	—	31,962	34,690
Deferred contributions	9	—	—	452,683	416,431	410	455	—	—	453,093	416,886
Derivative financial instruments – exchange contracts	15	—	—	—	—	—	—	164	174	164	174
Current portion of debt	10	—	—	—	—	71,598	85,647	—	—	71,598	85,647
Advances due to other funds	5	348,950*	345,531*	79,295*	74,211*	47,345*	51,188*	13,033*	12,955*	—	—
		568,627	485,103	560,061	532,356	278,503	233,739	13,207	14,629	931,775	781,942
Grants to be repaid or paid		19,795	8,552	—	—	—	—	—	—	19,795	8,552
Debt	10	—	—	—	—	775,664	794,165	—	—	775,664	794,165
Deferred contributions	9	—	—	—	—	482,074	387,005	—	—	482,074	387,005
Deferred contributions pertaining to capital assets	9	—	—	—	—	1,053,992	1,019,538	—	—	1,053,992	1,019,538
Accrued defined benefit obligation of complementary retirement program	11	91,252	85,651	—	—	—	—	—	—	91,252	85,651
Post-employment accrued benefit obligation	11	98,769	88,874	—	—	—	—	—	—	98,769	88,874
		778,443	668,180	560,061	532,356	2,590,233	2,434,447	13,207	14,629	3,453,321	3,165,727
Commitments and contingencies	18 and 19										
Fund balances	12 and 13										
Invested in capital assets		—	—	—	—	234,724	233,802	—	—	234,724	233,802
Externally restricted		—	—	—	—	—	—	363,836	344,590	363,836	344,590
Internally restricted		20,085	17,516	12,248	13,766	58,386	56,816	65,115	58,464	155,834	146,562
Remeasurement and other recognized items related to defined benefit plans		275,999	245,737	—	—	—	—	—	—	275,999	245,737
Deficiency – Employee future benefits		(79,789)	(93,837)	—	—	—	—	—	—	(79,789)	(93,837)
Deficiency – Operating activities		(179,827)	(182,503)	—	—	—	—	—	—	(179,827)	(182,503)
		36,468	(13,087)	12,248	13,766	293,110	290,618	428,951	403,054	770,777	694,351
		814,911	655,093	572,309	546,122	2,883,343	2,725,065	442,158	417,683	4,224,098	3,860,078

* These items are not shown in the "Total Funds" column as their combined total is zero.

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

From the Board of the University

Rector

Vice-rector of Administration and Finance

Université de Montréal
Statement of cash flows
Year ended April 30, 2023
(in thousands of dollars)

	Notes	2023	2022
		$	$
Operating activities			
Excess of revenue over expenses		**26,542**	69,676
Adjustments for:			
Change in unrealized fair value of investments		**(1,026)**	2,461
Amortization of capital assets		**99,284**	98,263
Gain on disposal of capital assets		**(186)**	(552)
Amortization of deferred contributions pertaining to capital assets		**(55,566)**	(42,976)
Change in asset and obligations related to employee future benefits		**(14,047)**	(23,653)
Change in the fair value of derivative financial instruments excluding those related to the Endowment Fund		**(14)**	(22,414)
		54,987	80,805
Net change in non-cash working capital items and long-term accounts receivable, deferred contributions and grants to be paid or repaid	17	**(15,937)**	12,488
		39,050	93,293
Investing activities			
Net change in investments		**(152,589)**	24,841
Derivative financial instruments – exchange contracts		**75**	1,397
Acquisition of capital and other assets		**(136,740)**	(96,229)
Proceeds from disposal of capital assets		**186**	560
		(289,068)	(69,431)
Financing activities			
Net change in bank loans		**47,377**	45,449
Increase in debt		**52,637**	46,626
Repayment of debt		**(85,647)**	(65,979)
Net change in unamortized debt issuance costs		**460**	222
Increase in deferred contributions pertaining to capital assets		**90,020**	60,522
Endowments received		**18,355**	17,086
Investment (losses) income (deducted from) added to endowment capital		**(5,327)**	9,936
		117,875	113,862
Net (decrease) increase in cash and cash equivalents		**(132,143)**	137,724
Cash and cash equivalents, beginning of year		**138,770**	1,046
Cash and cash equivalents, end of year		**6,627**	138,770
Cash and cash equivalents comprise			
Cash		**83,427**	138,770
Bank overdrafts		**(76,800)**	—
		6,627	138,770

Additional information is presented in Note 17.

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

1. Status and purpose of Université de Montréal

Université de Montréal (the "University") is incorporated under *Act 234 of the National Assembly of Quebec*, promulgated on March 27, 2018, which took effect on September 28, 2018.

The University is a registered charity, which is not subject to income taxes, within the meaning of the *Income Tax Act*. The University offers teaching services and carries on research activities associated with teaching.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

Adoption of amendments to Section 3400, Revenue

The University adopted amendments to Section 3400, *Revenue*, of the *CPA Canada Handbook* for fiscal years beginning on or after May 1, 2022, which provide additional guidance regarding the accounting for multiple components of a contract, percentage of completion, how to determine whether the entity is the mandate or the agent and "bill and hold" type transactions.

The application of these modifications had no impact on the University's financial statements.

Adoption of amendments to Section 3462, Employee Future Benefits

During the current year, the University implemented amendments to *CPA Canada Handbook* Section 3462, *Employee Future Benefits*, which resulted in a change in the measurement of the defined benefit obligation with regard to certain retirement plans sponsored by the University (additional program to the retirement plan and post-employment benefit plan). For certain plans, a valuation for funding purposes is required to be prepared in order to comply with legislative, regulatory or contractual requirements. The defined benefit obligation was previously subject to capitalization valuations. As a result of the changes made, in the absence of legal, regulatory or contractual provisions applicable to these plans, the University is required to assess the defined benefit obligation using accounting valuations.

The cumulative effect of $12,000,000 from the application of the amendments is recognized as an expense for other unallocated future employee benefits for the fiscal year in question.

Consolidation

Not-for-profit entities controlled by the University are not consolidated. The combined financial information of these entities is presented in Note 16.

2. Accounting policies (continued)

Fund accounting

The University presents its financial information by fund.

It has an Operating Fund and three other funds: the Restricted Fund, the Capital Assets Fund and the Endowment Fund.

Operating Fund

The Operating Fund reflects the usual activities carried on by the University in terms of providing teaching, providing support to teaching and research, the operations of the University campus, and internal research services. This fund also presents unrestricted external resources and operating grants.

Restricted Fund

The Restricted Fund reflects externally restricted resources that are primarily directed towards research-related activities. The surplus generated by activities financed externally are restricted to research or a similar activity and presented as an internal restricted fund in the fund balances.

Capital Assets Fund

The Capital Assets Fund represents the assets and liabilities as well as revenues and expenses related to capital assets held by the University and that are used for their financing.

Endowment Fund

The Endowment Fund presents resources received as endowments (permanent capital) as well as investment income that must be added to the endowments, in accordance with the donors' instructions.

Revenue recognition

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

Contributions received in the form of capital assets are recorded at fair value on the contribution date.

Deferred revenues represent receipts for which the services have not been rendered.

2. Accounting policies (continued)

Revenue recognition (continued)

The University's main sources of revenue, other than contributions, come from tuition fees, student services, the physical education and sports centre, ancillary services, and external sales. These revenues are recognized as Operating Fund revenue in the year in which the underlying service is rendered.

Operating grants from the Government of Quebec are recorded in the year in which they are incurred.

Contributions received as endowments are presented as direct increases to the Endowment Fund balance.

Restricted investment income is recognized as revenue of the related fund in the year in which the related restriction expenses are incurred. Therefore, investment income from restricted resources of the Endowment Fund is recognized as revenue of the corresponding fund. If the corresponding expense is not realized, this investment income is deferred and presented as deferred contributions in the Statement of Financial Position. Investment income from unrestricted resources of the Endowment Fund is recognized as revenue of the Operating Fund.

Contributions raised from fund-raising campaigns are recorded to the appropriate fund, based on the donor's restriction, when the donations are received. Unrestricted contributions are presented in the Operating Fund in "Donations."

The portion of revenues received regarding research contracts, for which services were not rendered during the year, is presented in deferred revenues in the Statement of Financial Position of the Restricted Fund, whereas the portion of other contributions for research and not used at year-end is presented as deferred contributions.

Financial instruments

Initial measurement

Financial assets and financial liabilities are initially recognized at fair value when the University becomes a party to the contractual provisions of the financial instrument. Financial instruments that originated or exchanged in related party transactions, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether or not the instrument has repayment terms. If it does have repayment terms, cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, cost is determined using the consideration transferred or received by the University as part of the transaction.

Subsequent measurement

All financial instruments are measured at amortized cost, except for investments and derivative financial instruments, which are measured at fair value at the Statement of Financial Position date. Fair value fluctuations, including dividends and interest earned, dividends and interest accrued, and gains and losses realized on disposal as well as unrealized gains and losses, are included in investment income.

2. Accounting policies (continued)

Financial instruments (continued)

Transaction costs

Transaction costs related to financial instruments measured at fair value after their initial recognition are expensed as incurred. With respect to other financial instruments, transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability, and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the instrument using the straight-line method and recognized in the Statement of Operations as other income or interest expense.

Impairment

With respect to financial assets recognized at amortized cost, the University recognizes an impairment loss, when applicable, in the Statement of Operations when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the Statement of Operations in the period the reversal occurs.

Derivative financial instruments

The University uses interest rate swap contracts to manage its interest rate risk pertaining to long-term debt as well as foreign exchange forward contracts to manage the foreign exchange risk arising from currency investments. The University has chosen not to prepare the documentation required to apply hedge accounting. Consequently, interest rate swap contracts and foreign exchange contracts are recognized at fair value in the Statement of Financial Position as assets (or liabilities). Fair value is determined by using stock market quotes and the prices obtained from financial institutions for identical or similar derivative financial instruments.

Asset retirement obligations

The University recognizes the liability for an asset retirement obligation arising from the acquisition, development, construction or normal operation of a long-lived asset in the year in which it is incurred and when a reasonable estimate of the amount of the obligation can be made. The liability is measured at the best estimate of the expenditure required to settle the present obligation. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows or the discount rate. The accretion of the liability as a result of the passage of time is charged to earnings while changes to the liability resulting from revisions to either the original estimate of the undiscounted cash flows or the discount rate are accounted for as an adjustment to the carrying amount of the related long-lived asset.

The University is aware of the presence of contaminants in certain buildings; however, the University is not able to assess the costs related to these contaminants and when, if at all, these costs will be incurred. Therefore, no liability is recognized.

(tabular amounts are in thousands of dollars)

2. Accounting policies (continued)

Capital assets

Capital assets are recorded at cost and amortized based on their expected useful lives.

Amortization is recorded as an expense in the Statement of Operations and Changes in Fund Balances of the Capital Assets Fund using the straight-line method and over the following terms, which also correspond to the ministère de l'Enseignement supérieur (MES) guidelines:

Land improvements	10 and 20 years
Buildings	
Buildings	20, 40 or 50 years
Major improvements to buildings	25, 30 or 40 years
Leasehold improvements;	term of the lease
Machinery and equipment	3, 5 or 15 years
Computer equipment	
Multimedia communication equipment	
Office furniture and equipment	
Specialized teaching and research equipment	10 years
Library documents	10 years
Rolling stock	5 years
Telecommunication networks	10 years
Software – Other than initial versions	3 years
IT development	10 years
Communication equipment under capital leases	term of the lease
Specialized teaching and research equipment under capital leases	term of the lease

Interest on temporary loans for new construction is added to the cost of construction until it is put into service.

Fully amortized capital assets are written off as soon as they are no longer being used.

When conditions indicate that a capital asset is impaired, its net carrying value should be written down to fair value or to the replacement cost of the capital asset. Write-downs of capital assets should be recognized as an expense in the Statement of Operations and Fund Balances. Write-downs are not reversed.

Translation of foreign currencies

Account balances and transactions carried out in foreign currencies are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at year-end, while non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at the average rate in effect during the year, except for amortization, which is translated at the historical rates. Foreign exchange gains and losses are included in operations for the year.

2. Accounting policies (continued)

Pension plan and post-employment benefit plan

The costs of the University's primary defined benefit pension plan are determined periodically by independent actuaries. The University has chosen to measure the accrued defined benefit obligations and post-employment obligations by using the actuarial valuation for funding purposes. This periodic actuarial valuation is based on the actual projected benefit method prorated on services (which incorporates management's best estimate of future salary levels, other cost increases, retirement age of employees and other actuarial factors). For the purpose of calculating the real rate of return on plan assets, those assets are valued at fair value.

The costs of the University's complementary defined benefit pension plan and post-employment benefit plan are determined periodically by independent actuaries. The University uses an accounting actuarial valuation for measuring its defined benefit plan obligations This periodic actuarial valuation is based on the actual projected benefit method prorated on services (which incorporates management's best estimate of future salary levels, other cost increases, retirement age of employees and other actuarial factors). For the purpose of calculating the real rate of return on plan assets, those assets are valued at fair value. The post-employment benefit plan is not funded.

The University recognizes:

- in the Statement of Financial Position, the accrued defined benefit obligations, reduced by the fair value of plan assets and adjusted for any valuation allowance (either the defined benefit asset or the accrued benefit obligation);
- in the Statement of Operations, the cost of the plan for the year;
- in the Statement of Changes in Fund Balances, revaluations and other items arising in particular from the difference between the actual return on plan assets and the return calculated using the determined discount rate, actuarial gains and losses, past services, settlement, compression and asset ceiling for defined benefit.

Use of estimates

The preparation of these financial statements requires the University's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements as well as revenue and expenses for the year then ended. Among the main financial statement items requiring management to make estimates are the grants receivable from or payable to MES, the useful lives of capital assets, the accrued liabilities, grants payable, the fair value of investments and derivative financial instruments, the defined benefit asset or accrued benefit obligations, and liabilities within the legal contingencies. Actual results may differ from these estimates.

(tabular amounts are in thousands of dollars)

3. Investments

				2023
	Operating Fund	**Restricted Fund**	**Endowment Fund**	**Total**
	$	**$**	**$**	**$**
Cash and fund units – money market	**253,760**	**3,851**	**28,774**	**286,385**
Strippable coupons and Canadian bonds, nominal value of $5,464,991, 0.85% and 3.40%, maturing from May 2023 to December 2025	**—**	**5,288**	**—**	**5,288**
Bond pooled fund units				
Canada	**—**	**—**	**102,145**	**102,145**
United States	**—**	**—**	**20,714**	**20,714**
	—	**—**	**122,859**	**122,859**
Equities				
Canada	**—**	**13**	**84,958**	**84,971**
United States	**—**	**—**	**41,497**	**41,497**
	—	**13**	**126,455**	**126,468**
Equity pooled fund units				
Canada	**—**	**—**	**791**	**791**
Foreign	**—**	**—**	**43,485**	**43,485**
	—	**—**	**44,276**	**44,276**
Investment in a partnership				
Canada	**—**	**1**	**—**	**1**
Real estate securities				
Canada	**—**	**—**	**4,750**	**4,750**
Foreign	**—**	**—**	**13,154**	**13,154**
	—	**—**	**17,904**	**17,904**
Hedge funds				
United States	**—**	**—**	**19,657**	**19,657**
Foreign	**—**	**—**	**80,126**	**80,126**
	—	**—**	**99,783**	**99,783**
	253,760	**9,153**	**440,051**	**702,964**
Less: current portion	**253,760**	**4,621**	**28,774**	**287,155**
	—	**4,532**	**411,277**	**415,809**

(tabular amounts are in thousands of dollars)

3. Investments (continued)

				2022
	Operating Fund	Restricted Fund	Endowment Fund	Total
	$	$	$	$
Cash and fund units – money market	115,745	4,648	28,003	148,396
Strippable coupons and Canadian bonds, nominal value of $6,137,300, 0.85% to 4.00%, maturing from May 2022 to March 2025	—	5,922	—	5,922
Equity pooled fund units				
Canada	—	—	106,475	106,475
United States	—	—	18,318	18,318
	—	—	124,793	124,793
Equities				
Canada	—	16	91,423	91,439
United States	—	—	39,567	39,567
	—	16	130,990	131,006
Equity pooled fund units				
Foreign	—	—	40,968	40,968
Investment in a partnership				
Canada	—	1	—	1
Real estate securities	—	—	4,703	4,703
Hedge funds				
United States	—	—	12,964	12,964
Foreign	—	—	73,846	73,846
	—	—	86,810	86,810
	115,745	10,587	416,423	542,755
Less: current portion	115,745	6,394	28,003	150,142
	—	4,193	388,420	392,613

(tabular amounts are in thousands of dollars)

3. Investments (continued)

Investment income is detailed and broken down as follows:

			2023
	Operating Fund	Restricted Fund	Total
	$	$	$
Interest and dividends	10,327	328	10,655
Investment income earned on Endowment Fund	3,458	14,205	17,663
Change in “Deferred contributions”	—	(3,179)	(3,179)
	13,785	11,354	25,139

			2022
	Operating Fund	Restricted Fund	Total
	$	$	$
Interest and dividends	2,930	272	3,202
Investment income earned on Endowment Fund	5,193	14,495	19,688
Change in “Deferred contributions”	—	(3,302)	(3,302)
	8,123	11,465	19,588

Investment income earned on Endowment Fund resources are detailed and broken down as follows:

	2023	2022
	$	$
Interest and dividends	8,678	9,296
Gain on disposal of investments	4,476	21,271
	13,154	30,567
Trustee and investment managers’ fees	(805)	(929)
	12,349	29,638
Portion presented under “Investment income” of the Operating Fund	3,458	5,193
Portion presented with general revenues from “Student Services” of the Operating Fund	13	14
Portion presented under “Investment income” fonds avec restrictions	14,205	14,495
Investment (losses) income (deducted from) added to endowment capital	(5,327)	9,936
	12,349	29,638

(tabular amounts are in thousands of dollars)

3. Investments (continued)

Most endowments are subject to the management and distribution Policy 10.33 of the Endowment Fund (the "Policy"), which annually determines the amount of investment income to be allocated to the various funds. If the fair value (FV) of each endowment is greater than the initial capital provided (ICP), projected revenue must be registered in each respective fund according to the formula based on the "FV/ICP" ratio. If investment income for the year is insufficient, the University must draw on income from previous years included in the fund balances of the Endowment Fund as a temporary reserve. If the temporary reserve is insufficient, a portion of the change in unrealized fair value of resources held by the Endowment Fund is then used to meet the exact amount of the distribution established under the Policy.

The change in unrealized fair value on Endowment Fund resources totalled a positive amount of $7,369,990 (negative of $19,043,900 in 2022) and is broken down as follows:

	2023	2022
	$	$
Portion presented in the Statement of Operations of the Operating Fund and transferred (from) to the Endowment Fund (Note 14)	**776**	(2,212)
Portion presented directly as a change in the fund balances of the Endowment Fund	**6,594**	(16,832)
	7,370	(19,044)

(tabular amounts are in thousands of dollars)

4. Accounts receivable

Accounts receivable are broken down as follows based on the funds and the current and long-term portions:

	2023	2022
	$	$
Operating Fund		
Grant receivable from MES	**82,200**	71,128
Tuition fees and other fees	**17,786**	16,925
Sales and other*	**19,793**	16,150
Interest and dividends	**793**	172
	120,572	104,375
Provision for bad debt	**(7,137)**	(6,787)
Current portion receivable	**113,435**	97,588
Restricted Fund		
Grants, contracts and other	**131,607**	113,963
Less: Long-term portion receivable	**3,055**	2,237
Current portion receivable	**128,552**	111,726
Capital Assets Fund		
Grants	**1,244,606**	1,132,229
Interest and dividends	**265**	267
Other	**539**	855
	1,245,410	1,133,351
Less: Long-term portion receivable	**1,048,643**	926,916
Current portion receivable	**196,767**	206,535
Endowment Fund		
Interest and dividends	**27**	22
Other	**442**	128
Current portion receivable	**469**	150
Total of current portion of cashable accounts receivable	**439,223**	415,999
Total of long-term cashable accounts receivable	**1,051,698**	929,053

* Accounts receivable related to external sales, GST/QST and other items not related to the MES grant or tuition fees.

Donations receivable

Donations receivable from subscription campaigns, totalling $240,153,500 ($244,882,700 in 2022), are pledged commitments and are not recorded in the Statement of Financial Position. The estimated realizable value of these commitments is $230,127,200 ($234,703,800 in 2022), of which $40,236,100 ($42,430,700 in 2022) during the following year and is based on the collection history.

(tabular amounts are in thousands of dollars)

5. Advances to (due to) other funds

The University manages all its bank accounts globally. Although most of the deposits attributed to each fund are applied to the bank account of the fund in question, disbursements pass through a central bank account presented in the Operating Fund. Advances to (due to) other funds are non interest-bearing and do not include terms of repayment (or reimbursement).

6. Capital assets

			2023
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	47,409	—	47,409
Land improvements	77,582	17,997	59,585
Buildings			
Buildings	1,029,765	448,687	581,078
Major improvements to buildings	813,087	320,462	492,625
Leasehold improvements;	20,768	19,369	1,399
Machinery and equipment			
Computer equipment	46,809	31,925	14,884
Multimedia communication equipment	23,975	20,392	3,583
Office furniture and equipment	33,667	26,643	7,024
Specialized teaching and research equipment	201,125	100,735	100,390
Library documents	302,694	259,532	43,162
Rolling stock	2,144	1,332	812
Telecommunication networks	8,432	6,483	1,949
Software – Other than initial versions	10,448	6,319	4,129
IT development	112,716	100,571	12,145
Communication equipment under capital leases	10,496	10,295	201
Specialized teaching and research equipment under capital leases	157	157	—
Current projects	158,549	—	158,549
Works of art	5,716	—	5,716
	2,905,539	1,370,899	1,534,640

(tabular amounts are in thousands of dollars)

6. Capital assets (continued)

			2022
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	47,409	—	47,409
Land improvements	76,093	13,686	62,407
Buildings			
Buildings	1,011,214	430,499	580,715
Major improvements to buildings	768,789	294,105	474,684
Leasehold improvements;	19,891	18,145	1,746
Machinery and equipment			
Computer equipment	43,789	30,224	13,565
Multimedia communication equipment	24,749	21,166	3,583
Office furniture and equipment	34,248	25,470	8,778
Specialized teaching and research equipment	202,657	104,761	97,896
Library documents	302,694	259,532	43,162
Rolling stock	2,094	1,065	1,029
Telecommunication networks	8,524	5,836	2,688
Software – Other than initial versions	8,654	4,828	3,826
IT development	110,639	93,733	16,906
Communication equipment under capital leases	10,496	10,247	249
Specialized teaching and research equipment under capital leases	157	157	—
Current projects	118,658	—	118,658
Works of art	5,267	—	5,267
	2,786,686	1,304,920	1,481,766

(tabular amounts are in thousands of dollars)

7. Bank loans

	2023	2022
	$	$
Capital Assets Fund		
Bank credit facilities – Financial institution	**4,000**	—
Bank credit facilities – Financement-Québec*	**92,467**	49,090
	96,467	49,090

* The University has authorized lines of credit of $584,686,300 by Financement-Québec, i.e., a margin of $61,486,300 for the "Complexe des sciences on the new Outremont site" in connection with the grant of the same amount granted by the ministère de l'Économie et de l'Innovation (MEI), a margin of $5,000,000 for the "Repair of CEPSUM infrastructure" in connection with a grant from the Financial Support Program for Sports and Recreational Facilities and l'Enseignement supérieur of the MES, a margin of $2,170,000 for the "Revival of the of the site of the Outremont rail yards" in connection with a grant from the Fonds Chantier Canada-Québec and several margins totalling $516,030,000 for temporary financing of capital asset acquisitions financed by the MES.

The lines of credit bear interest at the average rate of Quebec 3-month Treasury bills plus 0.020% (average 3-month bankers' acceptance rate plus 0.020% as at April 30, 2022). The effective rate was 4.514% as at April 30, 2023 (1.473% as at April 30, 2022).

The line of credit of $61,486,300 will be replaced with a promissory note at the end of the claim period for an amount totalling the costs that are financed by the MEI. The lines of credit totalling $516,060,000 will also be replaced at the end of the period with promissory notes following a schedule pre-established by the MES.

The University has authorized bank credit facilities of $135,000,000, namely, $10,000,000 in the form of a line of credit and $125,000,000 in bankers' acceptances. The line of credit bears interest at the lending institution's preferred rate minus 50 points (effective rate of 6.2% as at April 30, 2023; 2.7% as at April 30, 2022) and is renewable on January 31, 2023, whereas the bankers' acceptances are issued at the market rate. As at April 30, 2023, an amount of $4,000,000 from the line of credit was used to finance a portion of the capitalizable costs related to the rehabilitation of the Roger-Gaudry pavilion (nil as at April 30, 2022). As at April 30, 2023, the bankers' acceptances were not used (nil as at April 30, 2022). The bank credit facilities on the bankers' acceptances are renewable on January 31, 2023.

8. Accounts payable and accrued liabilities

	2023	2022
	$	$
Accounts payable and accrued liabilities	**104,353**	94,828
Salaries and employee benefits	**45,526**	50,579
Accumulated vacation of staff and unpaid leave to be remitted in time	**46,991**	45,196
Government remittances	**4,821**	4,852
	201,691	195,455

(tabular amounts are in thousands of dollars)

9. Deferred contributions

Deferred contributions

Deferred contributions relate to amounts that have not yet been used for the purposes designated by the fund contributors.

			2023
	Restricted Fund	**Capital Assets Fund**	**Total**
	$	**$**	**$**
Balance, beginning of year (short and long-term)	**416,431**	**387,460**	**803,891**
Grants received during the year	**229,235**	**199,494**	**428,729**
Donations received during the year	**28,214**	**6,981**	**35,195**
Restricted investment income for the year	**14,572**	**—**	**14,572**
Amount recognized as revenue during the year	**(235,769)**	**(21,431)**	**(257,200)**
Amount transferred as deferred pertaining to capital assets	**—**	**(90,020)**	**(90,020)**
Balance, end of year (short- and long-term)	**452,683**	**482,484**	**935,167**

			2022
	Restricted Fund	Capital Assets Fund	Total
	$	$	$
Balance, beginning of year (short- and long-term)	401,716	339,959	741,675
Correction of 2021 end-of-year balance	—	(11,077)	(11,077)
Grants received during the year	199,314	141,230	340,544
Donations received during the year	27,297	6,786	34,083
Restricted investment income for the year	14,767	—	14,767
Amount recognized as revenue during the year	(226,663)	(28,916)	(255,579)
Amount transferred as deferred contributions pertaining to capital assets	—	(60,522)	(60,522)
Balance, end of year (short- and long-term)	416,431	387,460	803,891

(tabular amounts are in thousands of dollars)

9. Deferred contributions (continued)

Deferred contributions pertaining to capital assets

Deferred contributions pertaining to capital assets relate to the restricted contributions for the acquisition of capital assets and represent the unamortized portion at year-end.

	2023	2022
	$	$
Balance, beginning of year	**1,019,538**	1,001,992
Reclassification	**—**	10,916
Amount transferred from deferred contributions	**90,020**	60,522
Amount recognized as revenue during the year	**(55,566)**	(53,892)
Balance, end of year	**1,053,992**	1,019,538

10. Debt

	2023	2022
	$	$
Loans financed by the MES		
Loan, 2.1470%, interest payable semi-annually, principal repayable in annual instalments of $9,283,661, balance of $9,028,749 payable at maturity on October 1, 2028	**55,447**	64,731
Loan, 2.9760%, interest payable annually, principal repayable in annual variable instalments of $289,995 to $298,626, matured on December 20, 2022	**—**	299
Loan, 3.4120%, interest payable semi-annually, principal repayable in annual instalments of $1,800,000, balance of $10,800,000 payable at maturity on June 1, 2034	**30,600**	32,400
Loan, 3.1090%, interest payable semi-annually, principal repayable in annual instalments of $5,227,600, balance of $15,041,200 payable at maturity on March 1, 2029	**41,179**	46,407
Loan, 2.4150%, interest payable semi-annually, principal repayable in annual instalments of $443,200, balance of $795,200 payable at maturity on March 1, 2030	**3,455**	3,898
Loan, 3.2300%, interest payable semi-annually, principal repayable in annual instalments of $1,480,000, balance of $10,360,000 payable at maturity on June 1, 2034	**26,640**	28,120
Amounts to be carried forward	**157,321**	175,855

(tabular amounts are in thousands of dollars)

10. Debt (continued)

	2023	2022
	$	$
Loans financed by the MES (continued)		
Amounts carried forward	**157,321**	175,855
Loan, 1.9410%, interest payable semi-annually, principal repayable in annual instalments of $7,316,856, balance of $23,098,863 matured on March 1, 2023	**—**	23,099
Loan, 2.1300%, interest payable semi-annually, principal repayable in annual instalments of $8,817,251, balance of $95,674,739 payable at maturity on September 1, 2026	**122,126**	130,944
Loan, 2.7530%, interest payable semi-annually, principal repayable in annual instalments of $105,080, balance of $105,880 payable at maturity on September 1, 2032	**1,052**	1,157
Loan, 2.8760%, repayable in blended quarterly instalments of $807,184, balance of $795,536 payable at maturity on March 1, 2034	**30,131**	32,428
Loan, 2.3640%, repayable in blended annual instalments of $606,836, maturing on June 1, 2026	**2,290**	2,830
Loan, 2.9330%, interest payable semi-annually, principal payable in annual instalments of $951,919 payable at maturity on December 1, 2042	**19,038**	19,990
Loan, 2.7870%, interest payable semi-annually, principal repayable in annual instalments of $9,789,139, balance of $46,729,312 payable at maturity on September 1, 2027	**85,886**	95,675
Loan, 3.1370%, interest payable semi-annually, principal repayable in annual instalments of $2,112,840, maturing on December 1, 2043	**44,370**	46,482
Loan, 2.4390%, interest payable semi-annually, principal repayable in annual instalments of $3,564,532, maturing on October 1, 2039	**60,597**	64,161
Loan, 2.3460%, interest payable semi-annually, principal repayable in annual instalments of $422,533, maturing on October 1, 2034	**5,071**	5,493
Amounts to be carried forward	**527,882**	598,114

(tabular amounts are in thousands of dollars)

10. Debt (continued)

	2023	2022
	$	$
Loans financed by the MES (continued)		
Amounts carried forward	**527,882**	598,114
Loan, 0.7690%, interest payable semi-annually, principal repayable in annual instalments of $259,117, maturing on November 1, 2025	**777**	1,036
Loan, 1.7100%, interest payable semi-annually, principal repayable in annual instalments of $70,767, maturing on November 1, 2035	**920**	991
Loan, 1.9540%, interest payable semi-annually, principal repayable in annual instalments of $1,319,610, maturing on November 1, 2040	**23,753**	25,073
Loan, 1.3450%, interest payable annually, principal and interest repayable in annual instalments of $358,279, maturing on November 17, 2030	**2,700**	3,018
Loan, 2.5920%, interest payable semi-annually, principal repayable in annual instalments of $1,426,895, maturing on October 1, 2041	**27,111**	28,538
Loan, 2.4280%, interest payable semi-annually, principal repayable in annual instalments of $646,677, maturing on October 1, 2036	**9,053**	9,700
Loan, 1.4990%, interest payable semi-annually, principal repayable in annual instalments of $1,677,656, maturing on October 1, 2026	**6,711**	8,388
Loan, 4.5440%, interest payable semi-annually, principal repayable in annual instalments of $1,648,198, maturing on October 1, 2042	**32,964**	—
Loan, 4.0020%, interest payable semi-annually, principal repayable in annual instalments of $492,460, maturing on October 1, 2027	**2,462**	—
Loan, 4.0020%, interest payable semi-annually, principal repayable in annual instalments of $140,000, maturing on October 1, 2027	**700**	—
Amounts to be carried forward	**635,033**	674,858

(tabular amounts are in thousands of dollars)

10. Debt (continued)

	2023	2022
	$	$
Loans financed by the MES (continued)		
Amounts carried forward	**635,033**	674,858
Loan, 4.3540%, interest payable semi-annually, principal repayable in annual instalments of $7,316,856, balance of $8,465,150 payable at maturity on March 1, 2025	**15,782**	—
Loan, 4.1870%, repayable in blended annual instalments of $91,183, maturing on June 27, 2032	**729**	—
	651,544	674,858
Unamortized issuance costs	**(3,077)**	(3,537)
	648,467	671,321
Other loans		
Loan for renovation and redevelopment work and for the construction of pavilions, bearing interest at the variable indexed rate at 3-month CDOR plus 0.4300% (effective rate of 5.4600% as at April 30, 2023; 2.2425% as at April 30, 2022), repayable in blended quarterly instalments of $1,705,953, balance of $30,921,459 payable at maturity on January 3, 2030, financed by the Operating Fund*	**60,028**	63,171
Loan for renovation and redevelopment work and for the construction of pavilions, bearing interest at the variable indexed rate at 1-month CDOR (effective rate of 4.9575% as at April 30, 2023; 1.3325% as at April 30, 2022) plus stamping fees fixed at 0.2000%, repayable in blended monthly instalments of $55,281, maturing on May 31, 2030, financed by the Operating Fund*	**3,883**	4,320
Loan for the purchase of 3190 Rue Sicotte, Saint-Hyacinthe, bearing interest at the variable indexed rate at 3-month CDOR (effective rate of 1.8125% as at April 30, 2022), financed by the Operating Fund, matured during the year	**—**	760
Loan for the repurchasing of the capital lease of the Cité du Savoir de Laval building, bearing interest at the variable indexed rate at 3-month CDOR plus 0.7200% (effective rate of 5.7500% as at April 30, 2023; 2.5325% as at April 30, 2022), repayable in blended quarterly instalments of $607,355, balance of $5,792,382 payable at maturity on January 25, 2039, financed by the Operating Fund*	**32,382**	33,655
Amounts to be carried forward	**96,293**	101,906

(tabular amounts are in thousands of dollars)

10. Debt (continued)

	2023	2022
	$	$
Other loans (continued)		
Amounts carried forward	**96,293**	101,906
Loan for the construction of the MIL complex, bearing interest at the variable indexed rate at 3-month CDOR plus 0.5400% (effective rate of 5.5700% as at April 30, 2023; 2.3525% as at April 30, 2022), repayable in blended quarterly instalments of $1,254,803, balance of $45,785,084 payable at maturity on April 1, 2035, financed by the Operating Fund*	**90,786**	94,111
Loan for the Cité du Savoir de Laval building, bearing interest at the variable indexed rate at 3-month CDOR plus 62 points (effective rate of 5.6425% as at April 30, 2023; 2.4325% as at April 30, 2022), repayable in quarterly instalments the amount of which is variable and determined using a payment schedule predetermined by the bank, maturing on June 1, 2036, financed by the Operating Fund*	**11,716**	12,474
	198,795	208,491
	847,262	879,812
Less: current portion of debt	**71,598**	85,647
	775,664	794,165

* These loans contain the interest rate and swap contracts presented in Note 15.

Principal payments required over the next five years are as follows:

	$
2023	71,598
2024	73,179
2025	65,175
2026	152,256
2027	91,719

(tabular amounts are in thousands of dollars)

11. Defined benefit asset (accrued benefit obligations)

	2023	2022
	$	$
Defined benefit asset of the primary pension plan program	**386,230**	326,425
Accrued defined benefit obligation of complementary retirement program	**(91,252)**	(85,651)
Post-employment accrued benefit obligation	**(98,769)**	(88,874)

Pension plan

The University offers all of its employees a defined benefit contributory pension plan as well as a complementary program. Benefits derived from both of these programs are based on years of service and provide final years' earnings. The funds needed to meet the plan's obligations are provided by the participants and the University.

According to the most recent actuarial valuation, the University has an obligation to pay a minimum contribution equal to 11.43% of the participants' salary for the 2023 calendar year (11.17% for calendar year 2022). The University paid an actual contribution of 11.43% for the calendar year 2023 (11.43% for calendar year 2022). This rate does not include the benefit payable for the financing of the complementary retirement program of approximately 0.85% of the participants' salary (0.86% in 2022).

The University measures the fair value of plan assets as at April 30 and measures its accrued benefit obligation by way of extrapolation as at April 30 for accounting purposes. The most recent actuarial valuation for funding purposes of the plan was performed on May 31, 2022. The data was extrapolated as at April 30, 2023.

Information about the pension plan is detailed as follows:

	2023	2022
	$	$
Primary pension plan		
Fair value of the pension plan assets	**4,778,010**	4,647,411
Accrued benefit obligations	**(4,391,780)**	(4,320,986)
Defined benefit asset	**386,230**	326,425
Complementary program		
Accrued benefit obligations	**(91,252)**	(85,651)

(tabular amounts are in thousands of dollars)

11. Defined benefit asset (accrued benefit obligations) (continued)

Composition of pension plan assets as at April 30:

	2023	2022
	%	%
Money market securities and cash	**4.6**	3.6
Bonds	**29.6**	30.7
Equities	**24.7**	24.2
Pooled funds and other investments	**41.1**	41.5
	100.0	100.0

Other pension plan information is presented as follows:

	2023	2022
	$	$
Expense for the year recognized in the Statement of Operations	**50,450**	36,708
Contributions paid by the University during the year	**68,144**	64,175

Post-employment benefit plan

The University has established a post-employment benefit plan for all retired employees.

For accounting purposes, the University measures its accrued benefit obligation by way of extrapolation as at April 30 of each year. Post-employment benefits were subject to a complete valuation for accounting purposes as at January 1, 2021. The results of this valuation were extrapolated as at April 30, 2023.

Information related to the plan is presented as follows:

	2023	2022
	$	$
Accrued benefit obligations	**(98,769)**	(88,874)

Other information about the post-employment benefit plan is presented as follows:

	2023	2022
	$	$
Expense for the year recognized in the Statement of Operations	**8,934**	8,505
Benefits paid by the University during the year	**5,287**	4,691

(tabular amounts are in thousands of dollars)

11. Defined benefit asset (accrued benefit obligations) (continued)

Assumptions

The University has retained the following significant actuarial assumptions:

	2023		2022	
	Primary pension plan and complementary program	**Post-employment benefit plan**	Primary pension plan and complementary program	Post-employment benefit plan
	%	**%**	%	%
Accrued defined benefit obligations as at April 30				
Discount rate	**5.65 (4.75 for complementary)**	**4.75**	5.45	5.45
Rate of compensation increase	**2.50**	**2.50**	2.50	2.50
Rate of health care cost increase	**—**	**5.47**	—	5.47
Benefit costs for the year ended April 30				
Discount rate	**5.90 (4.85 for complementary)**	**5.45**	5.90	5.90
Rate of compensation increase	**2.50**	**2.50**	2.50	2.50
Rate of tuition fees increase	**—**	**2.00**	—	2.00
Rate of health care cost increase	**—**	**5.47**	—	5.47

(tabular amounts are in thousands of dollars)

12. Internally and externally restricted fund balances

Main categories of externally restricted amounts

	2023	2022
	$	$
Endowment Fund		
External endowments whose income must be used for the purposes specified by the donor and not related to the Operating Fund	**291,724**	273,818
External endowments whose income is related to the Operating Fund or is used at the University's discretion	**1,927**	1,927
Accumulated unrealized gain on investments related to external endowment capital	**35,150**	28,483
Accumulated investment income added to endowment capital[1]	**35,035**	40,362
	363,836	344,590

[1] Accumulated investment income is presented as an external restriction as a result of the University's funding protocol that donors subscribe to at the time of the donation. The protocol's main purpose is to maintain, in a temporary reserve, the annual revenues not allocated to other funds retained to ensure subsequent distribution should the income of subsequent years be lower than the amounts to be allocated.

Main categories of internal restrictions

	2023	2022
	$	$
Operating Fund		
Research-related internal activities	**19,893**	17,136
Redevelopment activities for Student Services and Physical education and sports centre	**192**	380
	20,085	17,516
Restricted Fund		
Surplus generated on research activities primarily restricted for research purposes or for purposes identical to those of the initial externally restricted contribution	**12,248**	13,766
Capital Assets Fund		
Future capital asset acquisitions	**58,386**	56,816
Endowment Fund		
Internally restricted capital whose revenue can be used at the University's discretion	**56,864**	50,916
Accumulated unrealized gain on investments related to external endowment capital	**8,251**	7,548
	65,115	58,464

(tabular amounts are in thousands of dollars)

13. End-of-year fund balances of the Operating Fund

The Operating Fund mainly has two types of activities:

- General teaching activities funded from the MES grant restricted to operations and by tuition fees;
- The specific research-related activities funded from internally restricted funds determined by the University's management.

The University has restricted amounts from its Operating Fund revenue for internal research activities. The internally restricted amounts for research-related activities are included in the internally restricted fund balance of the Operating Fund. In 2023, the internally restricted amount for the year is $34,806,400 ($29,683,000 in 2022). Internally restricted amounts associated with research activities amount to $19,893,200 as at April 30, 2023 ($17,136,000 as at April 30, 2022).

In 2023, the University did not restrict any amount, from the Operating Fund revenue, to create reserves for the amortization of certain capital assets (also nil in 2022). The fund balance restricted to creating reserves for the amortization of certain capital assets totalled $191,700 as at April 30, 2023 ($379,900 as at April 30, 2022).

14. Interfund transfers

				2023
	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund
	$	$	$	$
Contributions to the Capital Assets Fund for future projects	(16,803)	—	16,803	—
Contributions to the acquisitions of capital assets and to the debt	(34,750)	(5,750)	40,500	—
Internally restricted endowment capital	(6,405)	—	—	6,405
Recovery of internal restrictions	463	—	—	(463)
Transfer of unrealized gains of endowments related to the Operating Fund	(776)	—	—	776
Re-capitalized investment income(1)	(6)	—	—	6
	(58,277)	(5,750)	57,303	6,724

(tabular amounts are in thousands of dollars)

14. Interfund transfers (continued)

				2022
	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund
	$	$	$	$
Contributions to the Capital Assets Fund for future projects	(20,111)	—	20,111	—
Contributions to the acquisitions of capital assets and to the debt	(35,279)	(5,916)	41,195	—
Internally restricted endowment capital	(4,454)	—	—	4,454
Recovery of internal restrictions	5	—	—	(5)
Transfer of unrealized losses of endowments related to the Operating Fund	2,212	—	—	(2,212)
Re-capitalized investment income[(1)]	(392)	—	—	392
	(58,019)	(5,916)	61,306	2,629

[(1)] Represents the reinvestment (capitalization) of the portion of investment income not required by the beneficiaries.

15. Financial instruments

Considering its financial assets and liabilities, the University is exposed to the following financial risks:

Credit risk

The University grants credit to students in the normal course of its activities and maintains provisions for potential credit losses. A significant portion of accounts receivable is comprised of grants receivable from the MES. The University assesses the risk of default for receipt as low.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises foreign exchange risk, interest rate risk, and other price risk. The University is exposed to market risk from its investing activities. The level of risk to which the University is exposed varies depending on market conditions and the composition of the asset mix. The University manages this risk by applying an investment policy that allows for diversification of investments.

(tabular amounts are in thousands of dollars)

15. Financial instruments (continued)

Foreign exchange risk

This risk arises from the interests held by the University in foreign securities and foreign bonds. The investment policy applied by the Endowment Fund is the tool used to manage this risk. As at April 30, 2023, interests held by the University denominated in foreign currencies had a fair value of $218,633,000 in Canadian dollars ($185,663,000 as at April 30, 2022).

As at April 30, 2023, the University had foreign exchange contracts under which it has agreed to sell US$12,671,106 at rates varying between 1.34162 and 1.34165 maturing on May 15, 2023. These contracts are intended for investments cashable in U.S. dollars; they are not eligible for hedge accounting. Derivative foreign exchange contracts are measured at fair market value are recognized separately in the Statement of Financial Position, in assets or in liabilities, depending on the situation, under these specific items.

Interest rate risk

The bond funds in which the University holds interests are made up of fixed-rate interest-bearing bonds. Consequently, changes in the market interest rate will have an impact on the fair value of the interests as well as on bond investments held by the University.

Bonds and loans financed by the MES are secured, principal and interest, by the assignment and transfer of the MES grants. Most of the other long-term debts bear interest at a variable rate and are hedged by interest rate swap contracts.

Under these interest rate swap contracts entered into by the University, the University must disburse interest at fixed rates as consideration for variable rates. These interest rate swap contracts have different maturities and are broken down as follows as at April 30, 2023:

Expiry date	Initial nominal amount	Pays or receives	Fixed rate	Variable rate
	$		%	
May 31, 2030	9,000	Pays, fixed Receives, variable	5.5000	1-month CDOR +0.20%
April 1, 2035	100,000	Pays, fixed Receives, variable	1.8242	3-month CDOR +0.54%
October 1, 2035	105,936	Pays, fixed Receives, variable	5.1300	3-month CDOR +0.43%
June 1, 2036	13,032	Pays, fixed Receives, variable	1.0851	3-month CDOR
January 25, 2039	37,219	Pays, fixed Receives, variable	3.4850	3-month CDOR +0.72%

Consequently, the treasury risks are minimal.

As these interest rate swap contracts were not accounted for using hedge accounting, they are recorded in the Statement of Financial Position in the Capital Assets Fund at fair value. This fair value was determined based on the information obtained from the banking counterparty with which these contracts were negotiated.

(tabular amounts are in thousands of dollars)

15. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the University will be unable to meet its financial obligations when due. The University monitors its cash balances and cash flows arising from its activities in order to be able to meet its commitments. As at April 30, 2023, the most significant financial liabilities were the bank overdraft, bank loans, accounts payable and accrued liabilities, grants payable, debt, and derivative financial instruments.

16. Controlled non-profit entities and partnership

Controlled non-profit entities

The University controls Presses de l'Université de Montréal and IRICoR. These entities have not been consolidated in these financial statements. The combined financial data of these entities is as follows:

	2023	2022
	$	$
Financial position		
Assets	**16,169**	17,137
Liabilities	**14,116**	14,615
Excess of assets over liabilities	**2,053**	2,522
	16,169	17,137
Operations		
Revenue	**7,915**	7,844
Expenses	**8,384**	6,733
(Deficiency) excess of revenue over expenses	**(469)**	1,111

Partnership

The University has formed a partnership with the Corporation de l'École Polytechnique de Montréal and the Corporation de l'École des hautes études commerciales de Montréal. This partnership is known as the Institute for Data Valorization (IVADO). Given its nature, this partnership does not constitute a separate legal entity. Each member of the partnership recognizes in its own financial statements its share of the year's revenues and expenses. The University is the partnership's fiduciary.

The University's financial statements include revenue of $11,243,000 ($10,332,000 in 2022) and equivalent expenses attributable to this partnership.

(tabular amounts are in thousands of dollars)

17. Additional information to the Statement of Cash Flows

Change in non-cash operating working capital items and long-term accounts receivable, deferred contributions and grants payable

	2023	2022
	$	$
Accounts receivable	**(145,869)**	(53,436)
Inventories	**(485)**	(277)
Expenses attributable to the following year	**(200)**	(590)
Accounts payable and accrued liabilities	**(9,174)**	4,021
Deferred revenues	**(2,728)**	(2,402)
Deferred contributions	**11,243**	62,216
Grants to be repaid or paid	**131,276**	2,956
	(15,937)	12,488

Non-cash transactions

	2023	2022
	$	$
Unpaid capital assets, end of year	**58,577**	43,167

18. Commitments

(a) The commitments of the Operating Fund total $298,080,300 with respect to the Capital Assets Fund, as a contribution for asset acquisitions, as well as for renovation, redevelopment, expansion and capital asset construction projects. This amount is broken down as follows:

	Commitments
	$
Self-financed units	15,900,900
Other units of the Operating Fund	282,179,400

(b) The commitments of the Restricted Fund totalled $4,396,000 with respect to the Capital Assets Fund, as a contribution for asset acquisitions, as well as for renovation, redevelopment, expansion and capital asset construction projects.

(tabular amounts are in thousands of dollars)

18. Commitments (continued)

(c) The University is bound by different leases for physical space, equipment and computer equipment. The total commitments relating to these contracts amounted to $72,161,900. Minimum payments required under these contracts over the next five years are as follows:

	$
2023	15,501,800
2024	15,536,300
2025	11,813,800
2026	6,288,700
2027	2,227,800

(d) The University is committed to a financial institution to ensure, in the event of default, a maximum of $750,000 in connection with a loan of Presses de l'Université de Montréal, an organization controlled by the University.

(e) As at April 30, 2022, the University has agreed to pay by contracts from external suppliers for a total amount of $137,001,800.

19. Contingencies

In the normal course of business, the University is involved in various claims mainly concerning the Capital Assets projects. Although, as at April 30, 2023, the outcome of these outstanding claims cannot be determined with certainty, the University is of the opinion that it will have no significant adverse effect on its financial position, its operations or its cash flows.