Financial statements of
Université de Montréal

April 30, 2015

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Independent Auditor's Report

To the Board Members of
Université de Montréal

We have audited the accompanying financial statements of Université de Montréal, which comprise the statement of financial position as at April 30, 2015, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Université de Montréal as at April 30, 2015, 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.

Deloitte LLP[1]

November 10, 2015

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

(Tabular amounts are in thousands of dollars)

		Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
	Notes	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
		$	$	**$**	$	**$**	$	**$**	$	**$**	$
Revenue											
Grants from the ministère de l'Éducation, de l'Enseignement supérieur et de la Recherche		**499,825**	518,067	**10,714**	10,765	**42,994**	43,675	**—**	—	**553,533**	572,507
Other government grants and contracts		**22,038**	21,545	**115,076**	116,492	**18,207**	19,699	**—**	—	**155,321**	157,736
Other non-governmental contributions and contracts		**981**	1,664	**47,248**	43,676	**7,724**	9,873	**—**	—	**55,953**	55,213
Tuition fees		**127,205**	122,540	**—**	—	**—**	—	**—**	—	**127,205**	122,540
Student services		**11,401**	11,015	**—**	—	**—**	—	**—**	—	**11,401**	11,015
Physical education and sports centre		**14,143**	13,847	**—**	—	**—**	—	**—**	—	**14,143**	13,847
Ancillary services		**23,365**	23,661	**—**	—	**—**	—	**—**	—	**23,365**	23,661
Investment income	3	**5,366**	4,339	**5,285**	3,709	**827**	1,468	**—**	—	**11,478**	9,516
External sales		**26,498**	26,946	**(117)**	(101)	**—**	—	**—**	—	**26,381**	26,845
Other revenue		**27,737**	23,224	**—**	—	**778**	33	**—**	—	**28,515**	23,257
		758,559	766,848	**178,206**	174,541	**70,530**	74,748	**—**	—	**1,007,295**	1,016,137
Expenses											
Teaching and research		**468,152**	457,292	**123,522**	119,667	**—**	—	**—**	—	**591,674**	576,959
Teaching and research support		**72,348**	73,031	**(39)**	44	**—**	—	**—**	—	**72,309**	73,075
Student services		**12,780**	12,200	**3,043**	4,262	**—**	—	**—**	—	**15,823**	16,462
Physical education and sports centre		**14,457**	13,731	**—**	—	**—**	—	**—**	—	**14,457**	13,731
Scholarships – graduate programs		**9,153**	9,001	**39,778**	37,750	**—**	—	**—**	—	**48,931**	46,751
Community services		**—**	—	**5,484**	7,650	**—**	—	**—**	—	**5,484**	7,650
Administration		**54,231**	53,369	**—**	—	**—**	—	**—**	—	**54,231**	53,369
Facilities management		**56,776**	58,619	**—**	—	**—**	—	**—**	—	**56,776**	58,619
Ancillary services		**18,212**	18,706	**—**	—	**—**	—	**—**	—	**18,212**	18,706
Bad debts on tuition fees		**3,026**	940	**—**	—	**—**	—	**—**	—	**3,026**	940
Interest on bank overdrafts and bank loans and financial charges		**1,545**	1,852	**—**	—	**2,631**	2,620	**—**	—	**4,176**	4,472
Interest on debt		**—**	—	**—**	—	**27,860**	29,432	**—**	—	**27,860**	29,432
Variation of vacation liability and waiting period given time		**463**	937	**—**	—	**—**	—	**—**	—	**463**	937
Other employee future benefits unallocated		**(17,826)**	(3,756)	**—**	—	**—**	—	**—**	—	**(17,826)**	(3,756)
Amortization of capital assets		**—**	—	**—**	—	**91,077**	93,124	**—**	—	**91,077**	93,124
Bond discount amortization		**—**	—	**—**	—	**28**	80	**—**	—	**28**	80
Other contributions and restricted amounts		**—**	—	**1,299**	1,687	**3,643**	4,689	**—**	—	**4,942**	6,376
		693,317	695,922	**173,087**	171,060	**125,239**	129,945	**—**	—	**991,643**	996,927
Excess (deficiency) of revenue over expenses before the following items:		**65,242**	70,926	**5,119**	3,481	**(54,709)**	(55,197)	**—**	—	**15,652**	19,210
Change in unrealized fair value of investments		**1,511**	3,536	**—**	—	**(179)**	(721)	**—**	—	**1,332**	2,815
Change in fair value of derivative financial instruments		**(2,155)**	97	**—**	—	**(5,323)**	11,070	**—**	—	**(7,478)**	11,167
Excess (deficiency) of revenue over expenses		**64,598**	74,559	**5,119**	3,481	**(60,211)**	(44,848)	**—**	—	**9,506**	33,192
Fund balances, beginning of year		**(147,804)**	(376,546)	**3,914**	3,264	**185,821**	177,173	**276,490**	231,404	**318,421**	35,295
Endowments		**—**	—	**—**	—	**—**	—	**9,937**	14,929	**9,937**	14,929
Investment income added to endowment capital	3	**—**	—	**—**	—	**—**	—	**6,031**	3,522	**6,031**	3,522
Change in unrealized fair value of investments added to endowment capital	3	**—**	—	**—**	—	**—**	—	**7,242**	16,521	**7,242**	16,521
Change in revaluations and other items recognized relating to benefit plans		**55,274**	214,962	**—**	—	**—**	—	**—**	—	**55,274**	214,962
Interfund transfers	15	**(58,370)**	(60,779)	**(2,474)**	(2,831)	**58,813**	53,496	**2,031**	10,114	**—**	—
Fund balances, end of year		**(86,302)**	(147,804)	**6,559**	3,914	**184,423**	185,821	**301,731**	276,490	**406,411**	318,421

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

Université de Montréal

Statement of financial position

As at April 30, 2015

(Tabular amounts are in thousands of dollars)

	Notes	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
		$	$	$	$	$	$	$	$	$	$
Assets											
Current assets											
Cash		—	—	25,485	18,948	16,740	11,628	3,856	6,252	46,081	36,828
Investments	3	—	—	1,327	1,518	45,570	—	40,656	14,318	87,553	15,836
Accounts receivable	4	115,212	137,128	90,198	92,961	90,561	83,652	2,727	4,856	298,698	318,597
Inventories		4,279	4,600	18	18	—	—	—	—	4,297	4,618
Expenses attributable to the next year		3,889	4,358	350	527	210	78	—	—	4,449	4,963
Advances to other funds	5	55,284*	70,178*	116,998*	103,957*	—	—	—	—	—	—
		178,664	216,264	234,376	217,929	153,081	95,358	47,239	25,426	441,078	380,842
Investments	3	—	—	3,487	2,599	—	44,922	270,415	260,288	273,902	307,809
Accounts receivable	4	—	—	5,210	7,248	878,438	830,188	—	—	883,648	837,436
Capital assets	6	—	—	—	—	1,196,568	1,205,100	—	—	1,196,568	1,205,100
Deferred costs		—	—	—	—	591	—	—	—	591	—
Defined benefit pension plan asset	12	174,432	116,321	—	—	—	—	—	—	174,432	116,321
Derivative financial instruments	16	—	209	—	—	—	—	—	—	—	209
Other assets		—	—	—	—	559	623	—	—	559	623
		353,096	332,794	243,073	227,776	2,229,237	2,176,191	317,654	285,714	2,970,778	2,848,340
Liabilities											
Current liabilities											
Bank overdrafts		47,633	27,360	—	—	—	—	—	—	47,633	27,360
Bank loans	7	210,761	259,834	—	—	—	—	—	—	210,761	259,834
Accounts payable and accrued liabilities	8	84,136	91,841	6,006	9,811	18,884	22,464	2,067	4,324	111,093	128,440
Deferred revenue		8,844	8,455	10,980	11,226	—	—	—	—	19,824	19,681
Deferred contributions	9	—	—	219,528	202,825	—	—	—	—	219,528	202,825
Current portion of debt	10	—	—	—	—	163,620	150,280	—	—	163,620	150,280
Current portion of capital lease obligations	11	—	—	—	—	546	507	—	—	546	507
Advances from other funds	5	—	—	—	—	158,426*	169,235*	13,856*	4,900*	—	—
		351,374	387,490	236,514	223,862	341,476	342,486	15,923	9,224	773,005	788,927
Grants payable		15,797	7,838	—	—	—	—	—	—	15,797	7,838
Debt	10	—	—	—	—	615,510	644,115	—	—	615,510	644,115
Capital lease obligations	11	—	—	—	—	32,594	33,140	—	—	32,594	33,140
Deferred contributions	9	—	—	—	—	238,267	169,939	—	—	238,267	169,939
Deferred contributions pertaining to capital assets	9	—	—	—	—	785,845	774,891	—	—	785,845	774,891
Accrued benefit obligations of post-employment benefit plan	12	70,281	85,270	—	—	—	—	—	—	70,281	85,270
Derivative financial instruments	16	1,946	—	—	—	31,122	25,799	—	—	33,068	25 799
		439,398	480,598	236,514	223,862	2,044,814	1,990,370	15,923	9,224	2,564,367	2,529,919
Commitments	19										
Fund balances	13 and 14										
Invested in capital assets		—	—	—	—	153,193	159,851	—	—	153,193	159,851
Externally restricted		—	—	—	—	—	—	243,490	220,422	243,490	220,422
Internally restricted		13,910	23,061	6,559	3,914	31,230	25,970	58,241	56,068	109,940	109,013
Revaluation and other items recognized relating to defined benefit plans		270,236	214,962	—	—	—	—	—	—	270,236	214,962
Deficiency – Defined benefit plans		(166,085)	(183,911)	—	—	—	—	—	—	(166,085)	(183,911)
Deficiency – Operating activities		(204,363)	(201,916)	—	—	—	—	—	—	(204,363)	(201 916)
		(86,302)	(147,804)	6,559	3,914	184,423	185,821	301,731	276,490	406,411	318,421
		353,096	332,794	243,073	227,776	2,229,237	2,176,191	317,654	285,714	2,970,778	2,848,340

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

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

From the Board of the University Rector ____________________ Vice-rector of Finance and Infrastructures ____________________

Université de Montréal

Statement of cash flows

Year ended April 30, 2015

(Tabular amounts are in thousands of dollars)

	Notes	2015	2014
		$	$
Operating activities			
Excess of revenue over expenses		**9,506**	33,192
Adjustments for:			
Change in unrealized fair value of investments		**(1,332)**	(2,815)
Gain on disposal of investments		**(12,992)**	(8,601)
Amortization of capital assets		**91,077**	93,124
Gain on disposal of capital assets		**(826)**	(33)
Bond discount amortization		**28**	80
Amortization of deferred contributions pertaining to capital assets		**(47,578)**	(50,952)
Change in defined benefit asset and accrued benefit obligations		**(17,826)**	(3,756)
Change in fair value of financial instruments		**7,478**	(11,167)
		27,535	49,072
Net changes in non-cash working capital items and long-term accounts receivable	18	**54,520**	(2,490)
		82,055	46,582
Investing activities			
Net change in investments		**(16,244)**	(15,003)
Acquisition of capital assets		**(91,439)**	(96,718)
Proceed from disposal of capital assets		**5,572**	33
		(102,111)	(111,688)
Financing activities			
Change in bank loans		**(49,073)**	(29,964)
Increase in debt and capital lease obligations		**135,000**	144,000
Repayment of debt and capital lease obligations		**(150,800)**	(128,494)
Increase in deferred contributions pertaining to capital assets		**58,532**	62,047
Endowments received		**9,937**	14,929
Investment income added to endowment capital		**6,031**	3,522
Net change in deferred costs		**(591)**	—
		9,036	66,040
(Decrease) increase in cash and cash equivalents		**(11,020)**	934
Cash and cash equivalents, beginning of year		**9,468**	8,534
Cash and cash equivalents, end of year		**(1,552)**	9,468
Cash and cash equivalents comprise			
Cash		**46,081**	36,828
Bank overdrafts		**(47,633)**	(27,360)
		(1,552)	9,468

Additional information is presented in Note 18.

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

1. Status and purpose of Université de Montréal

Université de Montréal (the “University”) is incorporated under *Act 15-16 Elizabeth II,* Chapter 129, promulgated on September 1, 1967 in replacement of its first charter received in 1920 from the Québec Parliament. It is a registered charity, which is not subject to income taxes. The University offers teaching services and carries on research activities associated with teaching.

2. Accounting policies

Change in accounting policy

The University adopted during the year, retrospectively, Section 3463 of the *CPA Canada Handbook – Accounting* titled “Reporting employee future benefits by not-for-profit organizations” (“Section 3463”). Under this section, the University uses the immediate recognition approach regarding employee future benefits; previously, the University accounted operations related to its defined benefit plan using the deferred recognition approach. The corresponding figures and notes of the comparative year have been restated.

Section 3463 eliminates the deferral and amortization as a choice of accounting method for accounting for defined benefit plans as well as the niche of three months for the valuation of assets and obligations under the plan. It also requires that changes in the fair value of plan assets and changes in the valuation of the obligation for defined benefits, including the cost of past services, actuarial gains and losses and gains and losses of a regulation or a compression, are recognized immediately in the statement of changes in fund balances. Therefore, the asset or liability for defined benefit recognized in the statement of financial position reflects the obligation in respect of defined benefit net of the fair value of plan assets and adjusted for any valuation impairment at the reporting date. In addition, Section 3463 requires the separate identification of revaluations and other elements of the other costs associated with the pension plan, which increases the visibility of the impact of periodic reassessments. These items are presented separately in the statement of changes in fund balances.

In addition, the expected return on plan assets is no longer applied to the fair value of the assets to calculate the cost of benefits. Under Section 3463, the same discount rate must be applied to the accrued benefit obligation and the plan assets to establish the financial cost. Since the University has chosen to use the funding evaluation approach, the discount rate represents the long-term rate of return, which is the expected return on asset of the pension plan and which reflects the average long-term rate expected on the funds invested or to invest in order to pay the benefits included in the accrued benefit obligations. Previously, the discount rate was determined based on market interest rates.

(Tabular amounts are in thousands of dollars)

2. Accounting policies (continued)

Change in accounting policy (continued)

The retrospective application of Section 3463 has resulted in the following adjustments in the financial statements:

	Initially recorded balance	Adjustments	Adjusted balance
	$	$	$
Assets and liabilities accounts			
Defined benefit asset (accrued benefit obligations) of the pension plan as at April 30, 2014	(185,344)	301,665	116,321
Accrued benefit obligations of post-employment accrued benefits as at April 30, 2014	(107,050)	21,780	(85,270)
Fund balances accounts			
Fund balances as at May 1, 2013	(18,991)	54,286	35,295
Fund balances – Deficiency – Defined benefit plans as at April 30, 2014	(292,394)	108,483	(183,911)
Fund balances – Revaluation and other items recognized relating to defined benefit plans as at April 30, 2014	—	214,962	214,962
Statement of operations accounts			
Expense for the year ended April 30, 2014	1,051,217	(54,197)	997,020
Excess (deficiency) of revenue over expenses for the year ended April 30, 2014	(21,005)	54,197	33,192

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:

Consolidation

Not-for-profit entities controlled by the University are not consolidated. The combined financial data of these entities are presented in Note 17.

Fund accounting

The University presents its financial information by fund.

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

2. Accounting policies (continued)

Fund accounting (continued)

Operating Fund

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

Restricted Fund

The Restricted Fund records externally restricted resources, which are primarily headed to research 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 presents 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 donor's instructions. Other realized investment income from resources of the Endowment Fund are presented in the Restricted Fund or in the Operating Fund, based on the nature of the restrictions stipulated by the donors, if applicable.

Revenue recognition

The University follows the deferral method of accounting for contributions. Under this method, restricted contributions for future 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 revenue 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 date of the contribution.

Deferred revenue represents receipts for which the services have not been rendered.

The University's main revenues, other than contributions, are tuition fees, student services, external sales and the recovery of direct costs.

Tuition fees are recognized as revenue of the Operating Fund in the year in which the service underlying the tuition fees is rendered.

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

Contributions received as endowments are presented as direct increases in the balance funds of the Endowment Fund.

2. Accounting policies (continued)

Revenue recognition (continued)

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 restricted 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.

Donations as a result of fund-raising campaigns are recorded to the appropriate fund, based on the donor's contribution when the donations are received. Unrestricted donations are presented in the Operating Fund in other non-governmental contributions and contracts.

The portion of the revenue received regarding the research contracts, for which services were not rendered during the year, is presented in deferred revenue 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

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. Subsequently, 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. The fair value of investments is based on closing bid prices. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments 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 item using the straight-line method and recognized as income or interest expense.

With respect to financial assets measured at cost or amortized cost, the University recognizes in the statement of operations an impairment loss, if any, 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 risks pertaining to the long-term debt as well as foreign exchange forward contracts to manage its foreign exchange risk pertaining to its currency investments. The University has chosen not to prepare the documentation required to apply hedge accounting.

Consequently, interest rate swap contracts are recognized at fair value in the statements of financial position as assets (or liabilities). As at April 30, 2015, the fair value of the interest rate swap contracts is included in "Derivative financial instruments" as assets and liabilities and the fair value of foreign exchange forward contracts is included in investments.

(Tabular amounts are in thousands of dollars)

2. Accounting policies (continued)

Derivative financial instruments (continued)

Fair value is determined by using stock market quotes and the prices obtained from financial institutions for identical or similar derivatives.

Inventories

Inventories are valued as follows:

Bookstore: at the lesser of cost and net realizable value, the cost is determined using the retail inventory method reduced by a gross margin.

Other: at cost.

Capital assets

Capital assets and other 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 change in fund balance of the Capital Assets Fund using the straight-line method and over the following terms, in accordance with the ministère de l'Éducation, de l'Enseignement supérieur et de la Recherche (MEESR) guidelines:

Land improvements	10 and 20 years
Buildings	
Buildings	20, 40 or 50 years
Major improvements to buildings	25, 30 or 40 years
Buildings under capital lease	term of the lease
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 support equipment	10 years
Library documents	10 years
Rolling stock	5 years
Telecommunication networks	10 years
Software – other than initial versions	3 years
Computer development	10 years
Communication equipment under capital leases	term of the lease
Specialized teaching equipment under capital leases	term of the lease

Interest on temporary loans for new construction is added to the cost of this construction until its commissioning.

Capital assets held for sale are no longer amortized and are recorded at the lower of book value or fair value, minus selling expenses.

Capital assets that are fully amortized are written off as soon as they are no longer being used.

2. Accounting policies (continued)

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 and those recorded at fair value denominated in foreign currencies 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.

Pension plan and post-employment benefit plan

The University uses the immediate recognition approach regarding the accounting of the pension plan and the post-employment benefit plan.

The cost of the University's defined benefit pension plan and post-employment benefit plan are determined periodically by independent actuaries. The University has chosen to evaluate the accrued benefit obligations by using the actuarial valuation for funding purposes. This periodic actuarial valuation is based on the method of allocating defined benefit on prorated services (which incorporates management's best estimate of future salary levels, other cost growth, 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 capitalized.

The University uses the immediate recognition approach by which the University recognizes:

– in the statement of financial position, the accrued 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; and
– 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 discount rate determined from actuarial gains and losses, past services, settlement, compression and asset ceiling for defined benefit.

Use of estimates

The preparation of these financial statements requires that the University's management formulate and propose estimates and assumptions that influence the amounts presented in the assets and liabilities and the contingent liabilities disclosed, at the date of the financial statements, as well as the amounts presented in the revenue and expenses of the subject year. Among the major components of the financial statements that require management to make estimates are the grants receivable from MEESR, the fair value of the financial instruments, the estimated useful lives of capital assets, the accrued liabilities, the defined benefit asset or accrued benefit obligations and the liabilities within the legal contingencies. Actual results may differ from the estimated amounts.

(Tabular amounts are in thousands of dollars)

3. Investments

					2015
	Operating Fund	Restricted Fund	Capital Assets Fund*	Endowment Fund	Total
	$	$	$	$	$
Fund units – money market	—	—	—	22,662	22,662
Mortgage-backed canadian securities, nominal value of $7,165,000, 1.40% to 2.79%, maturing from March 2016 to October 2018	—	—	—	5,227	5,227
Strippable coupons and canadian bonds, nominal value of $108,823,700, 0.79% to 6.00%, maturing from June 2015 to December 2015	—	4,805	45,570	61,926	112,301
Bond mutual fund units					
Canada	—	—	—	30,027	30,027
Equity					
Canada	—	8	—	60,428	60,436
United States	—	—	—	22,965	22,965
Foreign	—	—	—	17,242	17,242
	—	8	—	100,635	100,643
Interests in limited partnerships					
Canada	—	—	—	3	3
Foreign	—	—	—	65,199	65,199
	—	—	—	65,202	65,202
Investments in limited partnerships					
Canada	—	1	—	—	1
Foreign	—	—	—	842	842
	—	1	—	842	843
Real estate securities	—	—	—	6,064	6,064
Exchange forward contracts	—	—	—	96	96
Foreign funds coverage	—	—	—	18,390	18,390
	—	4,814	45,570	311,071	361,455
Less: current portion	—	(1,327)	(45,570)	(40,656)	(87,553)
	—	3,487	—	270,415	273,902

(Tabular amounts are in thousands of dollars)

3. Investments (continued)

					2014
	Operating Fund	Restricted Fund	Capital Assets Fund*	Endowment Fund	Total
	$	$	$	$	$
Fund units – money market	—	—	—	11,930	11,930
Strippable coupons and bonds					
Canada, nominal value of $103,678,000, 0.76% to 6.25%, maturing from May 2014 to July 2056	—	4,104	44,922	56,833	105,859
Bond mutual fund units					
Canada	—	—	—	28,208	28,208
United States	—	—	—	4,224	4,224
	—	—	—	32,432	32,432
Equity					
Canada	—	12	—	58,099	58,111
United States	—	—	—	24,772	24,772
Foreign	—	—	—	18,680	18,680
	—	12	—	101,551	101,563
Equity mutual fund units					
Foreign	—	—	—	52,189	52,189
Interests in limited partnerships					
Canada	—	1	—	—	1
Foreign	—	—	—	640	640
	—	1	—	640	641
Real estate securities	—	—	—	5,848	5,848
Exchange forward contracts	—	—	—	166	166
Foreign funds coverage	—	—	—	13,017	13,017
	—	4,117	44,922	274,606	323,645
Less: current portion	—	(1,518)	—	(14,318)	(15,836)
	—	2,599	44,922	260,288	307,809

* The Capital Assets Fund includes investments at a nominal value of $45,742,000 ($45,742,000 in 2014) and a fair value of $45,570,000 ($44,922,500 as at April 30, 2014) related to a debt in the amount of $125,000,000 (see Note 10).

(Tabular amounts are in thousands of dollars)

3. Investments (continued)

Investment income is detailed and broken down as follows:

				2015
	Operating Fund	**Restricted Fund**	**Capital Assets Fund**	**Total**
	$	**$**	**$**	**$**
Interest and dividends	**1,091**	**32**	**827**	**1,950**
Investment income earned on resources from Endowment Fund	**4,275**	**9,201**	**—**	**13,476**
Investment income earned on resources from the Endowment Fund – prior years adjustment	**—**	**(81)**	**—**	**(81)**
Change in deferred contributions	**—**	**(3,867)**	**—**	**(3,867)**
	5,366	**5,285**	**827**	**11,478**

				2014
	Operating Fund	Restricted Fund	Capital Assets Fund	Total
	$	$	$	$
Interest and dividends	968	212	1,468	2,648
Investment income earned on resources from Endowment Fund	3,371	7,930	—	11,301
Investment income earned on resources from the Endowment Fund – prior years adjustment	—	121	—	121
Change in deferred contributions	—	(4,554)	—	(4,554)
	4,339	3,709	1,468	9,516

(Tabular amounts are in thousands of dollars)

3. Investments (continued)

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

	2015	2014
	$	$
Interest and dividends	7,467	7,089
Gain on disposal of investments	12,992	8,601
	20,459	15,690
Trustee and investment managers' fees	(1,033)	(746)
	19,426	14,944
Portion presented under Investment income of the Operating Fund	(4,275)	(3,371)
Portion presented under Investment income of the Restricted Fund	(9,201)	(7,930)
Portion presented under Investment income of the Restricted Fund for prior years adjustment	81	(121)
Investment income added to endowment capital	6,031	3,522

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 revenues 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, part 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 resources from the Endowment Fund totals $8,753,000 ($20,057,000 in 2014) and is broken down as follows:

	2015	2014
	$	$
Portion presented in the statement of operations of the Operating Fund and transferred to the Endowment Fund	1,511	3,536
Portion presented directly as a change in the fund balances of the Endowment Fund	7,242	16,521
	8,753	20,057

(Tabular amounts are in thousands of dollars)

4. Accounts receivable

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

	2015	2014
	$	$
Operating Fund		
Grant receivable from MEESR	**86,261**	104,607
Tuition fees and other fees	**16,121**	17,240
Sales and other	**16,886**	17,617
Interest and dividends	**3**	5
	119,271	139,469
Provision for bad debt	**(4,059)**	(2,341)
Current portion receivable	**115,212**	137,128
Restricted Fund		
Grants, contracts and other	**95,408**	100,209
Less: amounts receivable in more than one year	**(5,210)**	(7,248)
Current portion receivable	**90,198**	92,961
Capital Assets Fund		
Grants	**965,761**	910,975
Interests and dividends	**59**	77
Others	**3,179**	2,788
	968,999	913,840
Less: grants receivable in more than one year	**(878,438)**	(830,188)
Current portion receivable	**90,561**	83,652
Endowment Fund		
Interests and dividends	**693**	609
Others	**2,034**	4,247
Current portion receivable	**2,727**	4,856
Total accounts receivable cashable within one year	**298,698**	318,597
Total accounts receivable cashable in more than one year	**883,648**	837,436

Donations receivable

The donations receivable from the subscription campaigns for an amount of $60,657,700 ($39,684,500 in 2014) are pledged commitments and are not recorded in the statement of financial position. The estimated realizable value of these commitments is $59,210,000 ($38,783,100 in 2014), of which $20,034,000 ($15,728,400 in 2014) during the following year, and is based on the collection history.

(Tabular amounts are in thousands of dollars)

5. Advances to or from 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 or from other funds are non-interest bearing and do not include terms of repayment (or reimbursement).

6. Capital assets

			2015
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	40,905	—	40,905
Land improvements	14,773	4,823	9,950
Buildings			
Buildings	654,218	324,307	329,911
Building held for sale*	27,729	729	27,000
Major improvements to buildings	552,342	139,511	412,831
Buildings under capital lease	34,498	4,025	30,473
Leasehold improvements	19,998	8,357	11,641
Machinery and equipment			
Computer equipment	41,753	31,924	9,829
Multimedia communication equipment	24,603	21,086	3,517
Office furniture and equipment	25,931	21,737	4,194
Teaching equipment and research support	273,173	165,978	107,195
Library documents	232,093	192,289	39,804
Rolling stock	1,120	543	577
Telecommunication networks	9,896	5,899	3,997
Software – other than initial versions	11,246	6,873	4,373
Computer development	97,789	24,680	73,109
Communication equipment under capital leases	10,506	5,151	5,355
Specialized teaching equipment under capital leases	157	71	86
Current projects	78,583	—	78,583
Works of art	3,238	—	3,238
	2,154,551	957,983	1,196,568

(Tabular amounts are in thousands of dollars)

6. Capital assets (continued)

			2014
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	42,424	—	42,424
Land improvements	13,146	4,000	9,146
Buildings			
Buildings	654,052	312,087	341,965
Building held for sale*	27,729	729	27,000
Major improvements to buildings	516,089	121,534	394,555
Buildings under capital lease	34,498	2,875	31,623
Leasehold improvements	16,820	6,467	10,353
Machinery and equipment			
Computer equipment	47,445	36,574	10,871
Multimedia communication equipment	23,604	19,785	3,819
Office furniture and equipment	28,124	23,147	4,977
Teaching equipment and research support	279,620	166,400	113,220
Library documents	223,719	183,785	39,934
Rolling stock	1,094	581	513
Telecommunication networks	10,857	5,957	4,900
Software – other than initial versions	9,712	5,455	4,257
Computer development	94,790	15,051	79,739
Communication equipment under capital leases	10,275	4,112	6,163
Specialized teaching equipment under capital leases	157	55	102
Current projects	76,335	—	76,335
Works of art	3,204	—	3,204
	2,113,694	908,594	1,205,100

Interest capitalized during the year amounts to $588,544 ($418,279 in 2014).

* Following an analysis of the estimated renovation costs, the Executive Committee authorized, in December 2006, the sale of the building located at 1420 Avenue Mont-Royal West. In July 2009, the University accepted an offer of a conditional purchase due to a change in zoning. The reduction in the carrying value recognized during fiscal ended May 31, 2008 corresponded to the difference between the discounted value of the net amount of the purchase offer and the net carrying amount. The purchase offer expired on December 31, 2012. Without questioning the decision to dispose of the building, the University has decided not to extend the agreement with the potential buyer beyond December 31, 2012. A new call for proposals for the sale have been launched on August 4, 2014 and a new buyer agreed, on March 30, 2015, the sales conditions established by the University. The act of sale was not completed as at April 30, 2015.

(Tabular amounts are in thousands of dollars)

7. Bank loans

	2015	2014
	$	$
Bank credit facilities* 1.030% to 2.350% (1.280% to 2.500% in 2014)	**90,778**	119,877
Promissory notes, 1.070% to 1.080% (1.300% in 2014) renewable in May 2015	**119,983**	139,957
	210,761	259,834

* The University has authorized bank credit facilities of $275,000,000, namely $10,000,000 in the form of a line of credit and $265,000,000 in bankers' acceptances. The line of credit bears interest at the lending institution's preferred rate minus 0.50% (2.35% as at April 30, 2015 and 2.50% as at April 30, 2014) and is renewable in January 2016, whereas the bankers' acceptances are issued at the market rate. As at April 30, 2015, an amount of $849,000 is drawn under the line of credit (nil as at April 30, 2014). The credit facilities are renewable annually.

8. Accounts payable and accrued liabilities

	2015	2014
	$	$
Accounts payable and accrued liabilities	**54,434**	61,778
Salaries and employee benefits	**16,486**	24,188
Accumulated vacation of staff and unpaid leave to be remitted in time	**34,157**	33,694
Government remittances	**6,016**	8,780
	111,093	128,440

(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.

			2015
	Restricted Fund	**Capital Assets Fund**	**Total**
	$	**$**	**$**
Balance, beginning of year (short-term and long-term)	**202,825**	**169,939**	**372,764**
Grants received during the year	**172,615**	**146,866**	**319,481**
Donations received during the year	**13,043**	**1,340**	**14,383**
Restricted investment income for the year	**9,251**	**827**	**10,078**
Amount recognized as revenue during the year	**(178,206)**	**(22,173)**	**(200,379)**
Amount transferred as deferred contributions pertaining to capital assets	**—**	**(58,532)**	**(58,532)**
Balance, end of year (short-term and long-term)	**219,528**	**238,267**	**457,795**

			2014
	Restricted Fund	Capital Assets Fund	Total
	$	$	$
Balance, beginning of year (short-term and long-term)	195,041	63,656	258,697
Grants received during the year	161,832	191,364	353,196
Donations received during the year	12,253	680	12,933
Restricted investment income for the year	8,240	1,468	9,708
Amount recognized as revenue during the year	(174,541)	(25,182)	(199,723)
Amount transferred as deferred contributions pertaining to capital assets	—	(62,047)	(62,047)
Balance, end of year (short-term and long-term)	202,825	169,939	372,764

(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.

	2015	2014
	$	$
Balance, beginning of year	774,891	763,796
Amount transferred from deferred contributions	58,532	62,047
Amount recognized as revenue during the year	(47,578)	(50,952)
Balance, end of year	785,845	774,891

10. Debt

Capital Assets Fund

	2015	2014
	$	$
Bonds*		
Series 20D, 4.90% to 5.10%, expired June 4, 2014	—	15,873
Series 21D, 4.95%, expired October 1, 2014	—	15,805
Series 22D, 4.55%, expired February 11, 2015	—	10,208
Series 23D, 4.50%, maturing March 8, 2017	2,627	2,627
	2,627	44,513
Unamortized discounts on bonds	(7)	(35)
	2,620	44,478

(Tabular amounts are in thousands of dollars)

10. Debt (continued)

Capital Assets Fund (continued)

	2015	2014
	$	$
Loans financed by the MEESR**		
Loan, 3.2820%, interest payable semi-annually, principal repayable in annual instalments of $3,238,400, the balance of $57,046,400 reimbursed on December 1, 2014	**—**	57,047
Loan, 4.3250%, interest payable semi-annually, principal repayable in annual instalments of $3,288,320, the balance of $35,405,120 payable at maturity on October 14, 2015	**35,405**	38,693
Loan, 4.1844%, interest payable semi-annually, principal repayable in annual instalments of $1,746,423, the balance of $14,521,464 payable at maturity on December 1, 2015	**14,521**	16,268
Loan for the residences, 6.8750%, repayable in blended monthly instalments of $25,000, capital and interest, maturing on February 1, 2021	**1,434**	1,628
Loan, 2.9000%, interest payable semi-annually, principal repayable in annual instalments, the balance of $10,680,000 reimbursed on December 1, 2014	**—**	10,680
Loan, 3.0690%, interest payable semi-annually, principal repayable in annual instalments of $2,256,280 and the balance of $23,718,600 payable at maturity on December 1, 2015	**23,719**	25,975
Loan, 3.3505%, interest payable semi-annually, principal repayable in annual instalments of $955,720, the balance of $15,221,400 payable at maturity on June 2, 2016	**16,177**	17,133
Loan, 2.8491%, interest payable semi-annually, principal repayable in annual instalments of $4,234,160, the balance of $67,829,200 payable at maturity on December 1, 2016	**72,063**	76,298
Loan, 2.0800%, interest payable semi-annually, principal repayable in annual instalments of $6,660,499, the balance of $88,697,504 payable at maturity on April 25, 2017	**95,358**	102,019
Amounts to be carried forward	**258,677**	345,741

(Tabular amounts are in thousands of dollars)

10. Debt (continued)

Capital Assets Fund (continued)

	2015	2014
	$	$
Loans financed by the MEESR (continued)**		
Amounts carried forward	**258,677**	345,741
Loan, 1.9068%, interest payable semi-annually, principal repayable in annual instalments of $1,566,400, the balance of $26,734,400 payable at maturity on April 25, 2017	**28,301**	29,867
Loan, 2.1700%, interest payable semi-annually, principal repayable in annual instalments of $1,562,240, the balance of $29,188,800 payable at maturity on April 25, 2017	**30,751**	32,313
Loan, 2.0840%, interest payable semi-annually, principal repayable in annual instalments of $781,156, the balance of $3,875,376 payable at maturity on April 25, 2017	**4,657**	5,438
Loan, 2.3980%, interest payable semi-annually, principal repayable in annual instalments of $9,283,661, the balance of $92,581,696 payable at maturity on May 29, 2019	**129,716**	139,000
Loan, 2.2220%, interest payable semi-annually, principal repayable in annual instalments of $661,200, the balance of $2,355,200 payable at maturity on June 1, 2018	**4,339**	5,000
Loan, 1.3960%, interest payable semi-annually, principal repayable in annual instalments of $113,626, reimbursed on May 30, 2014	**—**	114
Loan, 1.6180%, interest payable semi-annually, principal repayable in semi-annually variable instalments of $364,917 to $370,846, maturing on June 1, 2015	**371**	1,104
Loan, 1.3950%, interest payable semi-annually, principal repayable in semi-annually variable instalments of $922,203, reimbursed on August 6, 2014	**—**	922
Loan, 1.3950%, interest payable semi-annually, principal repayable in semi-annually variable instalments of $436,141, reimbursed on August 6, 2014	**—**	436
Amounts to be carried forward	**456,812**	559,935

(Tabular amounts are in thousands of dollars)

10. Debt (continued)

Capital Assets Fund (continued)

	2015	2014
	$	$
Loans financed by the MEESR (continued)**		
Amounts carried forward	**456,812**	559,935
Loan, 1.3950%, interest payable semi-annually, principal repayable in semi-annually variable instalments of $367,602, reimbursed on August 6, 2014	**—**	368
Loan, 1.6260%, interest payable semi-annually, principal repayable in semi-annually variable instalments of $605,862 to $615,754, maturing on August 6, 2015	**616**	1,832
Loan, 2.9760%, interest payable annually, principal repayable in annual variable instalments of $236,178 to $298,626, maturing on December 20, 2022	**2,161**	2,396
Loan, 3.4120%, interest payable semi-annually, principal repayable in annual instalments of $1,800,000, the balance of $10,800,000 payable at maturity on June 1, 2034	**45,000**	—
Loan, 3.1090%, interest payable semi-annually, principal repayable in annual instalments of $5,227,600, the balance of $15,041,200 payable at maturity on March 1, 2029	**83,000**	—
Loan, 2.4150%, interest payable semi-annually, principal repayable in annual instalments of $443,200, the balance of $795,200 payable at maturity on March 1, 2030	**7,000**	—
	594,589	564,531

(Tabular amounts are in thousands of dollars)

10. Debt (continued)

Capital Assets Fund (continued)

	2015	2014
	$	$
Other loans		
Loan financed by the Operating Fund for renovation and redevelopment work and for the construction of new pavilions, bearing interest at the average monthly interest rate of bankers' acceptances until October 1, 2015 and at a rate of 5.60% (including stamping fees) thereafter until maturity on October 1, 2035. The existing investments in the Capital Assets Fund (see Note 3) shall be settled between August 15, 2015 and January 15, 2016 for a total value of $45,742,000 to repay the loan; the remaining balance of $79,258,000 will be repaid in quarterly instalments of $1,664,200, capital and interest, beginning on October 1, 2015 and maturing October 1, 2035***	**125,000**	125,000
Loan, interest rate equal to the lending institution's cost of funds plus 0.25%, repayable in monthly instalments of $187,000, principal and interest calculated over a 25-year amortization period, maturing December 14, 2015, financed by the Operating Fund***	**7,006**	9,072
Loan for renovation of residences, bearing interest at the variable indexed rate at CDOR 1 month plus stamping fees fixed at 0.20%, repayable in monthly instalments of $55,281, principal and interest, maturing May 31, 2030, financed by the Operating Fund***	**6,787**	7,069
Loan for renovation of residences, bearing interest at the average monthly rate of bankers' acceptances increased by 0.70%, repayable in quarterly instalments of $245,000, principal and interest, maturing March 30, 2020, financed by the Operating Fund***	**4,099**	4,762
Loan for a land purchase, bearing interest at the average monthly rate of bankers' acceptances plus 0.38%, interest payable monthly, principal repayable on April 30, 2017 financed by the Operating Fund***	**22,000**	22,000
Amounts to be carried forward	**164,892**	167,903

(Tabular amounts are in thousands of dollars)

10. Debt (continued)

Capital Assets Fund (continued)

	2015	2014
	$	$
Other loans (continued)		
Amounts carried forward	**164,892**	167,903
Loan for the purchase of the building located at 3190, rue Sicotte, Saint-Hyacinthe, bearing interest at the average quarterly rate of bankers' acceptances, principal repayable in quarterly instalments of $20,000 plus interest, maturing December 21, 2016, financed by the Operating Fund	**1,300**	1,380
Loan for the Cité du Savoir de Laval building, bearing interest at the variable indexed rate at CDOR 3 months, bearing interest payable quarterly, maturing June 1, 2021, financed by the Operating Fund	**15,729**	16,103
	181,921	185,386
	779,130	794,395
Current portion	**(163,620)**	(150,280)
	615,510	644,115

* The bonds are secured, principal and interest, by the assignment and transfer of the MEESR grants. The amounts required at each maturity date come from appropriations voted on annually by the Government of Québec.

** Loans are financed, principal and interest, by the revenue from MEESR grants. The amounts required at each maturity date come from appropriations voted on annually by the Government of Québec.

*** These other loans contain exchange rate contracts presented in Note 16.

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

	$
2016	163,620
2017	279,092
2018	21,964
2019	23,926
2020	105,165

(Tabular amounts are in thousands of dollars)

11. Capital lease obligations

	2015	2014
	$	$
Obligation related to the rental of dental equipment, implicit rate of 7.90%, repayable in monthly instalments of $1,389, principal and interest, maturing on January 1, 2021	**79**	89
Obligation related to the rental of dental equipment, implicit rate of 7.90%, repayable in monthly instalments of $457, principal and interest, maturing on January 1, 2021	**26**	29
Obligation related to the rental of printing material, implicit rate of 2.30%, repayable in quarterly instalments of $27,845, principal and interest, maturing on February 17, 2017	**167**	252
Obligation related to the rental of the building of the Cité du Savoir de Laval, implicit rate of 7.25%, repayable in monthly instalments of $233,977, principal and interest, maturing on June 1, 2041	**32,868**	33,277
	33,140	33,647
Current portion	**(546)**	(507)
	32,594	33,140

Payments required over the next five years are as follows:

	Principal	Interest	Total
	$	$	$
2016	546	2,388	2,934
2017	562	2,347	2,909
2018	524	2,306	2,830
2019	564	2,266	2,830
2020	606	2,224	2,830

12. Defined benefit asset (accrued benefit obligations)

Defined benefit asset (accrued benefit obligations) are detailed as follows:

	2015	2014
	$	$
Defined benefit asset of the pension plan	**174,432**	116,321
Post-employment accrued benefit obligations	**(70,281)**	(85,270)

(Tabular amounts are in thousands of dollars)

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

(a) Pension plan

The University offers to all of its employees a defined benefit contributory pension plan. The benefits of this plan are based on length of service and final years' earnings. The funds necessary to meet the plan's obligations are provided by the participants and the University. Under the plan's regulations, the University has the obligation to pay a minimum contribution equal to 11.9% of the participants' salary for the 2015 calendar years (11.9% for calendar year 2014). This rate includes 0.5% for the financing of the complementary retirement program.

The University evaluates its accrued benefit obligation and the fair value of assets of the plan for purposes of accounting through extrapolation as at April 30 of each year. The most recent actuarial valuation for funding purposes of the plan was performed on December 31, 2013. The data was extrapolated as at April 30, 2015.

Informations on the pension plan are as follows:

	2015	2014
	$	$
Fair value of the pension assets	**3,546,121**	3,172,143
Accrued benefit obligations funded	**(3,301,001)**	(2,999,635)
Accrued benefit obligations unfunded	**(70,688)**	(56,187)
Defined benefit asset recorded	**174,432**	116,321

Composition of pension plan assets:

	2015	2014
	%	%
Money market securities	**0.7**	0.4
Bonds	**34.2**	35.7
Equity	**31.3**	30.0
Mutual funds and other investments	**33.8**	33.9
	100.0	100.0

Other informations pertaining to the pension plan are presented as follows:

	2015	2014
	$	$
Expense for the year recognized in the statement of operations	**32,321**	44,142
Contributions paid by the University during the year	**54,268**	52,408

(Tabular amounts are in thousands of dollars)

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

(b) Post-employment benefit plan

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

The University evaluates its accrued benefit obligation for purposes of accounting through extrapolation as at April 30 of each year. Post-employment benefits were subject to a complete evaluation for accounting purposes as at January 1, 2015 and were extrapolated as at April 30, 2015.

The information related to this plan is presented as follows:

	2015	2014
	$	$
Accrued benefit obligations and accrued benefit obligations recorded	**70,281**	85,270

Other informations regarding the post-employment benefit plan are presented as follows:

	2015	2014
	$	$
Expense for the year recognized in the statement of operations	**9,425**	8,958
Contributions paid by the University during the year	**5,304**	4,449

Assumptions

The University has retained the following significant actuarial assumptions:

	2015		2014	
	Pension plan	**Post-employment benefit plan**	Pension plan	Post-employment benefit plan
	%	**%**	%	%
Accrued benefit obligations as at April 30:				
Discount rate	**6.00**	**6.00**	6.25	6.25
Rate of compensation increase	**2.50**	**2.50**	2.50	2.50
Rate of health care cost increase	**—**	**7.00**	—	7.60
Benefit costs for the year ended April 30:				
Discount rate	**6.25**	**6.25**	6.25	6.25
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	**—**	**7.60**	—	7.80

(Tabular amounts are in thousands of dollars)

13. Internally and externally restricted fund balances

Main categories of externally restricted amounts

	2015	2014
	$	$
Endowment Fund		
External endowments from which the income must be used for the purposes specified by the donor and not those related to the Operating Fund	**190,897**	181,126
External endowments from which the income is related to the operating fund or is used at the discretion of the University	**1,926**	1,964
Unrealized gain on investments related to external endowment capital	**33,515**	26,280
Accumulated investment income added to endowment capital[(1)]	**17,152**	11,052
	243,490	220,422

(1) Accumulated investment income is presented as an external restriction as a result of the University's capitalization protocol that donors subscribe to at the time of the donation. The protocol's main purpose is to maintain annual temporary reserve revenues to other funds retained for subsequent distribution if the income of subsequent years are lower than the amounts to be allocated.

(Tabular amounts are in thousands of dollars)

13. Internally and externally restricted fund balances (continued)

Main categories of internally restricted amounts

	2015	2014
	$	$
Operating Fund		
Research-related internal activities	12,776	22,200
Redevelopment activities for Student Services and the Physical education and sports centre	1,134	861
	13,910	23,061
Restricted Fund		
Surplus generated on research activities primarily restricted for research purposes identical to those of the initial externally restricted contribution	6,559	3,914
Capital Assets Fund		
Future capital asset acquisitions (total uninvested reserves of Residences, DGTIC, faculties and Direction des immeubles)	31,230	25,970
Endowment Fund		
Internal restrictions of which the revenue can be used at the University's discretion	50,238	49,584
Unrealized gain on investments related to internal capital endowments	8,003	6,484
	58,241	56,068

14. Fund balances, end of year

The Operating Fund mainly has two types of activities:

- General teaching activities funded from the MEESR 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 2015, the internally restricted amount for the year is $14,156,500 ($22,790,250 in 2014). The fund balance restricted to research activities totals $12,775,600 as at April 30, 2015 ($22,200,300 in 2014).

The University also restricted amounts from its Operating Fund revenue to create reserves for the amortization of certain capital assets. In 2015, the internally restricted amount for the year is $543,900 ($462,900 in 2014). The fund balance restricted to creating reserves for the amortization of certain capital assets totals $1,134,100 as at April 30, 2015 ($860,700 in 2014).

(Tabular amounts are in thousands of dollars)

15. Interfund transfers

	2015			
	Operating Fund	**Restricted Fund**	**Capital Assets Fund**	**Endowment Fund**
	$	**$**	**$**	**$**
Contributions to the Capital Assets Fund reserve	**(12,165)**	**—**	**12,165**	**—**
Contributions to the acquisitions of capital assets and to the debt service	**(44,174)**	**(2,474)**	**46,648**	**—**
Internally restricted endowments	**(106)**	**—**	**—**	**106**
Unrealized gains on investments related to endowments and transferred	**(1,511)**	**—**	**—**	**1,511**
Re-capitalized investment income[(a)]	**(414)**	**—**	**—**	**414**
	(58,370)	**(2,474)**	**58,813**	**2,031**

	2014			
	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund
	$	$	$	$
Contributions to the Capital Assets Fund reserve	(10,220)	—	10,220	—
Contributions to the acquisitions of capital assets and to the debt service	(40,526)	(2,750)	43,276	—
Internally restricted endowments	(4,394)	(81)	—	4,475
Unrealized gains on investments related to endowments and transferred	(3,536)	—	—	3,536
Re-capitalized investment income[(a)]	(2,103)	—	—	2,103
	(60,779)	(2,831)	53,496	10,114

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

(Tabular amounts are in thousands of dollars)

16. Financial instruments

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

Market risk

Market risk is the risk of loss that results from fluctuations in equity prices, interest and exchange rates. 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.

Credit risk

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

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, 2015, interests held by the University denominated in foreign currencies amount to fair value of $124,638,000 in Canadian dollars ($113,521,000 in 2014). In addition, as at April 30, 2015, the University held forward foreign exchange contracts with a fair value of $96,100 (fair value of $166,600 in 2014). These contracts are listed with the investments of the Endowment Fund.

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 MEESR are secured, principal and interest, by the assignment and transfer of the MEESR grants. Most of the other long-term debt bears interest at a variable rate and is 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, 2015:

a) *Operating Fund*

Maturity date	Nominal amount	Pays or receives	Fixed rate	Variable rate
	$		%	
May 29, 2018	50,000,000	Pays fixed Receives variable	1.7500	CDOR 1 month
November 18, 2019	50,000,000	Pays fixed Receives variable	1.8356	CDOR 1 month

(Tabular amounts are in thousands of dollars)

16. Financial instruments (continued)

Interest rate risk (continued)

b) *Capital Assets Fund*

Maturity date	Nominal amount	Pays or receives	Fixed rate	Variable rate
	$		%	
October 1, 2015	125,000	Pays fixed Receives variable	5.250	CDOR 3 months
April 30, 2017	22,000	Pays fixed Receives variable	2.296	CDOR 1 month +0.38%
March 30, 2020	10,000	Pays fixed Receives variable	7.160	CDOR 1 month +0.70%
June 1, 2021	16,932	Pays fixed Receives variable	4.180	CDOR 3 months
May 31, 2030	9,000	Pays fixed Receives variable	5.500	CDOR 1 month +20 pts
October 1, 2035	105,936	Pays fixed Receives variable	5.130	CDOR 3 months

Consequently, the treasury risks are minimal.

As these interest rate swap contracts were not accounted for under the hedge accounting method, they are recorded in the statements of financial position at fair value. This fair value was determined from information obtained from the financial institutions from which these contracts were negotiated.

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, 2015, the most significant financial liabilities were as follows: bank overdrafts, bank loans, accounts payable and accrued liabilities, grants payable, debt, capital lease obligations and derivative financial instruments.

(Tabular amounts are in thousands of dollars)

17. Controlled non-profit entities

The University controls Fondation universitaire de l'Université de Montréal, Fondation de l'Université de Montréal, Société de développement immobilier de l'Université de Montréal, 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:

	2015	2014
	$	$
Financial position		
Assets	**2,353**	6,562
Liabilities	**2,004**	6,632
Excess (deficiency) of assets over liabilities	**349**	(70)
	2,353	6,562
Operations		
Revenue	**2,318**	5,911
Expenses	**1,899**	5,763
Excess of revenue over expenses	**419**	148

18. Additional information to the statement of cash flows

Net change in non-cash working capital items and long-term accounts receivable

	2015	2014
	$	$
Accounts receivable	**(26,313)**	(125,822)
Inventories	**321**	290
Expenses attributable to the next year	**514**	145
Accounts payable and accrued liabilities	**(13,135)**	1,242
Deferred revenue	**143**	(250)
Grants payable	**7,959**	7,838
Deferred contributions	**85,031**	114,067
	54,520	(2,490)

Non-cash transactions

	2015	2014
	$	$
Unpaid capital assets at year-end	**13,281**	17,493
Unpaid capital assets acquired through leases at year-end	**33,140**	33,647

(Tabular amounts are in thousands of dollars)

19. Commitments

a) The commitments of the Operating Fund total $378,582,100 with respect to the Capital Assets Fund, as a contribution for asset acquisitions, as well as renovation projects, redevelopment, expansion and construction of capital assets. This amount is broken down as follows:

	Commitments
	$
Self-financed units	24,950,800
Other units of the Operating Fund	353,631,300

b) The commitments of the Restricted Fund total $774,800 with respect to the Capital Assets Fund, as a contribution for asset acquisitions, as well as renovation projects, redevelopment, expansion and construction of capital assets.

c) The University entered into a long-term loan of $125,000,000 to complete various development and construction projects. A portion of the loan in the amount of $21,300,000 was invested, of which the capitalized revenue will, in turn, allow for the repayment of a portion of the loan in 2015 and 2016 for an amount of $45,742,000. The Operating Fund will assume annually, until October 1, 2015, the interest expense associated with the total debt of $125,000,000 (see Notes 3 and 10). Beginning October 1, 2015, the Operating Fund will assume the interest expense and the capital repayments until the maturity scheduled on October 1, 2035 for an amount of $6,657,000 per year.

d) The University is bound by different leases for physical space, equipment and computer equipment. The total commitments relating to these contracts amount to $114,488,600. Minimum payments required under these contracts for the next five years are as follows:

	$
2016	18,038,000
2017	16,393,500
2018	13,831,000
2019	13,196,300
2020	9,269,500

e) The University is committed to a financial institution to ensure, in the event of default, a maximum of $1,000,000 in connection with a loan of Presses de l'Université de Montréal, an organization controlled by the University.

f) The University has agreed to pay by contracts from external suppliers for a total of $39,341,400 through various construction projects, development or system development in progress.

20. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.