
Financial statements of
Université de Montréal

April 30, 2016

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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, 2016, 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, 2016, 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

September 26, 2016

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

Université de Montréal
Statement of operations and changes in fund balances
Year ended April 30, 2016
(Tabular amounts are in thousands of dollars)

	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Grants from the ministère de l'Éducation et de l'Enseignement supérieur	495,800	499,825	10,647	10,714	42,095	42,401	—	—	548,542	553,533
Other government grants and contracts	21,184	22,038	115,958	115,076	18,289	18,207	—	—	155,431	155,321
Other non-governmental contributions and contracts	1,210	981	47,398	47,131	7,887	7,724	—	—	56,495	55,836
Tuition fees	130,968	127,205	—	—	—	—	—	—	130,968	127,205
Student services	11,769	11,401	—	—	—	—	—	—	11,769	11,401
Physical education and sports centre	13,851	14,143	—	—	—	—	—	—	13,851	14,143
Ancillary services	23,203	23,365	—	—	—	—	—	—	23,203	23,365
Investment income	5,796	5,366	5,386	5,285	586	827	—	—	11,768	11,478
External sales	28,411	26,498	—	—	—	—	—	—	28,411	26,381
Other revenue	28,214	27,737	—	—	—	778	—	—	28,214	28,515
	760,406	758,559	179,389	178,206	68,857	69,937	—	—	1,008,652	1,006,702
Expenses										
Teaching and research	468,401	468,152	134,775	123,483	—	—	—	—	603,176	591,635
Teaching and research support	73,569	72,348	31	—	—	—	—	—	73,600	72,348
Student services	12,422	12,780	2,773	3,043	—	—	—	—	15,195	15,823
Physical education and sports centre	14,387	14,457	—	—	—	—	—	—	14,387	14,457
Scholarships – graduate programs	8,576	9,153	31,833	39,778	—	—	—	—	40,409	48,931
Community services	—	—	5,307	5,484	—	—	—	—	5,307	5,484
Administration	55,141	54,231	—	—	—	—	—	—	55,141	54,231
Facilities management	56,890	56,776	—	—	—	—	—	—	56,890	56,776
Ancillary services	17,874	18,212	—	—	—	—	—	—	17,874	18,212
Bad debts on tuition fees	1,336	3,026	—	—	—	—	—	—	1,336	3,026
Interest on bank overdrafts and bank loans and financial charges	1,473	1,545	—	—	2,029	2,038	—	—	3,502	3,583
Interest on debt	—	—	—	—	25,400	27,860	—	—	25,400	27,860
Variation of vacation liability and waiting period given time	323	463	—	—	—	—	—	—	323	463
Other employee future benefits unallocated	(12,461)	(17,826)	—	—	—	—	—	—	(12,461)	(17,826)
Amortization of capital assets	—	—	—	—	90,109	91,077	—	—	90,109	91,077
Bond discount amortization	—	—	—	—	4	28	—	—	4	28
Other contributions and restricted amounts	—	—	1,459	1,299	28,211	3,643	—	—	29,670	4,942
	697,931	693,317	176,178	173,087	145,753	124,646	—	—	1,019,862	991,050
Excess (deficiency) of revenue over expenses before the following items:	62,475	65,242	3,211	5,119	(76,896)	(54,709)	—	—	(11,210)	15,652
Change in unrealized fair value of investments	(3,109)	1,511	—	—	(414)	(179)	—	—	(3,523)	1,332
Change in fair value of derivative financial instruments	(103)	(2,155)	—	—	161	(5,323)	—	—	58	(7,478)
Excess (deficiency) of revenue over expenses	59,263	64,598	3,211	5,119	(77,149)	(60,211)	—	—	(14,675)	9,506
Fund balances, beginning of year	(86,302)	(147,804)	6,559	3,914	184,423	185,821	301,731	276,490	406,411	318,421
Endowments	—	—	—	—	—	—	14,261	9,937	14,261	9,937
Investment income added to endowment capital	—	—	—	—	—	—	5,017	6,031	5,017	6,031
Change in unrealized fair value of investments (deducted) added to endowment capital	—	—	—	—	—	—	(14,576)	7,242	(14,576)	7,242
Change in revaluations and other items recognized relating to benefit plans	(159,277)	55,274	—	—	—	—	—	—	(159,277)	55,274
Interfund transfers	(49,365)	(58,370)	(2,701)	(2,474)	58,422	58,813	(6,356)	2,031	—	—
Fund balances, end of year	(235,681)	(86,302)	7,069	6,559	165,696	184,423	300,077	301,731	237,161	406,411

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

Université de Montréal
Statement of financial position

As at April 30, 2016

(Tabular amounts are in thousands of dollars)

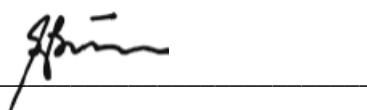
	Notes	Operating Fund		Restricted Fund		Capital Assets Fund		Endowment Fund		Total Funds	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets											
Current assets											
Cash		—	—	29,537	25,485	10,073	16,740	893	818	40,503	43,043
Investments	3	—	—	1,117	1,327	—	45,570	22,400	43,694	23,517	90,591
Accounts receivable	4	108,267	114,246	92,022	90,198	87,143	90,561	3,312	2,727	290,744	297,732
Inventories		4,126	4,279	18	18	—	—	—	—	4,144	4,297
Expenses attributable to the next year		4,639	3,889	368	350	438	210	—	—	5,445	4,449
Advances to other funds	5	30,788*	55,284*	121,712*	116,998*	—	—	—	—	—	—
		147,820	177,698	244,774	234,376	97,654	153,081	26,605	47,239	364,353	440,112
Investments	3	—	—	3,699	3,487	—	—	294,246	270,415	297,945	273,902
Accounts receivable	4	—	—	3,005	5,210	867,207	878,438	—	—	870,212	883,648
Capital assets	6	—	—	—	—	1,177,691	1,196,568	—	—	1,177,691	1,196,568
Deferred costs		—	—	—	—	418	591	—	—	418	591
Defined benefit pension plan asset	12	30,568	174,432	—	—	—	—	—	—	30,568	174,432
Other assets		—	—	—	—	496	559	—	—	496	559
		178,388	352,130	251,478	243,073	2,143,466	2,229,237	320,851	317,654	2,741,683	2,969,812
Liabilities											
Current liabilities											
Bank overdrafts		43,017	47,633	—	—	—	—	—	—	43,017	47,633
Bank loans	7	204,912	210,761	—	—	—	—	—	—	204,912	210,761
Accounts payable and accrued liabilities	8	74,817	83,170	6,460	6,006	21,100	18,884	2,636	2,067	105,013	110,127
Deferred revenue		8,634	8,844	9,153	10,980	—	—	—	—	17,787	19,824
Deferred contributions	9	—	—	228,796	219,528	476	449	—	—	229,272	219,977
Current portion of debt	10	—	—	—	—	292,670	163,620	—	—	292,670	163,620
Current portion of capital lease obligations	11	—	—	—	—	562	546	—	—	562	546
Advances from other funds	5	—	—	—	—	134,362*	158,426*	18,138*	13,856*	—	—
		331,380	350,408	244,409	236,514	449,170	341,925	20,774	15,923	893,233	772,488
Grants payable		7,407	15,797	—	—	—	—	—	—	7,407	15,797
Debt	10	—	—	—	—	430,132	613,494	—	—	430,132	613,494
Capital lease obligations	11	—	—	—	—	32,032	32,594	—	—	32,032	32,594
Deferred contributions	9	—	—	—	—	235,711	239,834	—	—	235,711	239,834
Deferred contributions pertaining to capital assets	9	—	—	—	—	799,764	785,845	—	—	799,764	785,845
Accrued benefit obligations of post-employment benefit plan	12	73,233	70,281	—	—	—	—	—	—	73,233	70,281
Derivative financial instruments	16	2,049	1,946	—	—	30,961	31,122	—	—	33,010	33,068
		414,069	438,432	244,409	236,514	1,977,770	2,044,814	20,774	15,923	2,504,522	2,563,401
Commitments	19	—	—	—	—	—	—	—	—	—	—
Fund balances											
Invested in capital assets	13 and 14	—	—	—	—	130,735	153,193	—	—	130,735	153,193
Externally restricted		—	—	—	—	—	—	247,960	243,490	247,960	243,490
Internally restricted		12,898	13,910	7,069	6,559	34,961	31,230	52,117	58,241	107,045	109,940
Revaluation and other items recognized relating to defined benefit plans		110,959	270,236	—	—	—	—	—	—	110,959	270,236
Deficiency – Defined benefit plans		(153,624)	(166,085)	—	—	—	—	—	—	(153,624)	(166,085)
Deficiency – Operating activities		(205,914)	(204,363)	—	—	—	—	—	—	(205,914)	(204,363)
		(235,681)	(86,302)	7,069	6,559	165,696	184,423	300,077	301,731	237,161	406,411
		178,388	352,130	251,478	243,073	2,143,466	2,229,237	320,851	317,654	2,741,683	2,969,812

* 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 Finance and Infrastructures



Université de Montréal
Statement of cash flows

Year ended April 30, 2016

(Tabular amounts are in thousands of dollars)

	Notes	2016	2015
		\$	\$
Operating activities			
(Deficiency) excess of revenue over expenses		(14,675)	9,506
Adjustments for			
Change in unrealized fair value of investments		3,523	(1,332)
Gain on disposal of investments		(13,534)	(12,992)
Amortization of capital assets		90,109	91,077
Loss (gain) on disposal of capital assets		793	(826)
Bond discount amortization		4	28
Amortization of deferred contributions pertaining to capital assets		(46,816)	(47,578)
Change in defined benefit asset and accrued benefit obligations		(12,461)	(17,826)
Change in fair value of financial instruments		(58)	7,478
		6,885	27,535
Net changes in non-cash working capital items and long-term accounts receivable	18	5,360	56,536
		12,245	84,071
Investing activities			
Net change in investments		38,466	(13,866)
Acquisition of capital assets		(97,668)	(91,439)
Proceed from disposal of capital assets		29,558	5,572
		(29,644)	(99,733)
Financing activities			
Change in bank loans		(5,849)	(49,073)
Increase in debt and capital lease obligations		209,936	135,000
Repayment of debt and capital lease obligations		(264,636)	(150,800)
Change in unamortized issuance costs		(162)	(593)
Increase in deferred contributions pertaining to capital assets		60,735	58,532
Endowments received		14,261	9,937
Investment income added to endowment capital		5,017	6,031
Net change in deferred costs		173	(591)
		19,475	8,443
Increase (decrease) in cash and cash equivalents		2,076	(7,219)
Cash and cash equivalents, beginning of year		(4,590)	2,629
Cash and cash equivalents, end of year		(2,514)	(4,590)
Cash and cash equivalents comprise			
Cash		40,503	43,043
Bank overdrafts		(43,017)	(47,633)
		(2,514)	(4,590)

Additional information is presented in Note 18.

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 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

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.

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.

2. Accounting policies (continued)

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.

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. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on disposal are included in investment income. Unrealized gains and losses are presented separately in the statement of operations and changes in fund balance.

2. Accounting policies (continued)

Financial instruments (continued)

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, 2016, the fair value of the interest rate swap contracts is included in "Derivative financial instruments" as liabilities and the fair value of foreign exchange forward contracts is included in investments.

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.

2. Accounting policies (continued)

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 et de l'Enseignement supérieur (MEES) 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 that are fully amortized are written off as soon as they are no longer being used.

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.

2. Accounting policies (continued)

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 MEES, 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.

Université de Montréal
Notes to the financial statements

April 30, 2016

(Tabular amounts are in thousands of dollars)

3. Investments

	2016				
	Operating Fund	Restricted Fund	Capital Assets Fund *	Endowment Fund	Total
	\$	\$	\$	\$	\$
Cash and fund units – money market	—	—	—	10,568	10,568
Mortgage-backed canadian securities, nominal value of \$5,485,000, 1.40% to 2.30%, maturing from June 2016 to July 2056	—	—	—	3,030	3,030
Strippable coupons and canadian bonds, nominal value of \$67,294,000, 0.25% to 5.00%, maturing from May 2016 to December 2047	—	4,805	—	75,114	79,919
Bond mutual fund units Canada	—	—	—	33,407	33,407
Equity					
Canada	—	10	—	65,687	65,697
United States	—	—	—	21,425	21,425
Foreign	—	—	—	15,879	15,879
	—	10	—	102,991	103,001
Interests in limited partnerships Foreign	—	—	—	64,630	64,630
Investments in limited partnerships					
Canada	—	1	—	—	1
Foreign	—	—	—	891	891
	—	1	—	891	892
Real estate securities	—	—	—	6,769	6,769
Exchange forward contracts	—	—	—	525	525
Foreign funds coverage	—	—	—	18,721	18,721
	—	4,816	—	316,646	321,462
Less: current portion	—	(1,117)	—	(22,400)	(23,517)
	—	3,699	—	294,246	297,945

3. Investments (continued)

	2015				
	Operating Fund	Restricted Fund	Capital Assets Fund*	Endowment Fund	Total
	\$	\$	\$	\$	\$
Fund units – money market	—	—	—	25,700	25,700
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	314,109	364,493
Less: current portion	—	(1,327)	(45,570)	(43,694)	(90,591)
	—	3,487	—	270,415	273,902

* The Capital Assets Fund includes investments at a nominal value of \$45,742,000 and a fair value of \$45,570,000 as at April 30, 2015. They were cashed in 2016 to reimburse a portion of the debt related to the investment.

3. Investments (continued)

Investment income is detailed and broken down as follows:

				2016
	Operating Fund	Restricted Fund	Capital Assets Fund	Total
	\$	\$	\$	\$
Interest and dividends	997	60	586	1,643
Investment income earned on resources from Endowment Fund	4,799	10,763	—	15,562
Investment income earned on resources from the Endowment Fund – prior years adjustment	—	(67)	—	(67)
Change in deferred contributions	—	(5,370)	—	(5,370)
	5,796	5,386	586	11,768
				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

3. Investments (continued)

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

	2016	2015
	\$	\$
Interest and dividends	7,991	7,467
Gain on disposal of investments	13,534	12,992
	21,525	20,459
Trustee and investment managers' fees	(1,013)	(1,033)
	20,512	19,426
Portion presented under Investment income of the Operating Fund	4,799	4,275
Portion presented under Investment income of the Restricted Fund	10,763	9,201
Portion presented under Investment income of the Restricted Fund for prior years adjustment	(67)	(81)
Investment income added to endowment capital	5,017	6,031
	20,512	19,426

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 a negative amount of \$17,685,000 (positive amount of \$8,753,000 in 2015) and is broken down as follows:

	2016	2015
	\$	\$
Portion presented in the statement of operations of the Operating Fund and transferred to the Endowment Fund	(3,109)	1,511
Portion presented directly as a change in the fund balances of the Endowment Fund	(14,576)	7,242
	(17,685)	8,753

4. Accounts receivable

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

	2016	2015
	\$	\$
Operating Fund		
Grant receivable from MEES	84,731	85,295
Tuition fees and other fees	13,393	16,121
Sales and other	14,284	16,886
Interest and dividends	4	3
	112,412	118,305
Provision for bad debt	(4,145)	(4,059)
Current portion receivable	108,267	114,246
Restricted Fund		
Grants, contracts and other	95,027	95,408
Less: amounts receivable in more than one year	(3,005)	(5,210)
Current portion receivable	92,022	90,198
Capital Assets Fund		
Grants	951,655	965,761
Interests and dividends	32	59
Others	2,663	3,179
	954,350	968,999
Less: grants receivable in more than one year	(867,207)	(878,438)
Current portion receivable	87,143	90,561
Endowment Fund		
Interests and dividends	2,673	693
Others	639	2,034
Current portion receivable	3,312	2,727
Total accounts receivable cashable within one year	290,744	297,732
Total accounts receivable cashable in more than one year	870,212	883,648

Donations receivable

The donations receivable from the subscription campaigns for an amount of \$49,985,400 (\$60,657,700 in 2015) are pledged commitments and are not recorded in the statement of financial position. The estimated realizable value of these commitments is \$48,728,300 (\$59,210,000 in 2015), of which \$17,764,300 (\$20,034,000 in 2015) during the following year, and is based on the collection history.

5. Advances to (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

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	41,410	—	41,410
Land improvements	15,641	5,725	9,916
Buildings			
Buildings	654,272	336,348	317,924
Major improvements to buildings	567,353	157,224	410,129
Buildings under capital lease	34,498	5,175	29,323
Leasehold improvements	20,222	10,478	9,744
Machinery and equipment			
Computer equipment	39,311	28,192	11,119
Multimedia communication equipment	23,916	20,499	3,417
Office furniture and equipment	26,068	22,943	3,125
Teaching equipment and research support	250,744	150,018	100,726
Library documents	241,844	200,701	41,143
Rolling stock	1,462	681	781
Telecommunication networks	15,017	6,779	8,238
Software – other than initial versions	11,988	7,057	4,931
Computer development	99,111	34,525	64,586
Communication equipment under capital leases	10,722	6,212	4,510
Specialized teaching equipment under capital leases	157	86	71
Current projects	113,206	—	113,206
Works of art	3,392	—	3,392
	2,170,334	992,643	1,177,691

6. Capital assets (continued)

	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

Interest capitalized during the year amounts to \$524,512 (\$588,544 in 2015).

7. Bank loans

	2016	2015
	\$	\$
Bank credit facilities* 0.98% to 2.20% (1.03% to 2.35% in 2015)	79,934	90,778
Promissory notes, 1.00% to 1.07% (1.07% to 1.08% in 2015) renewable in May 2016	124,978	119,983
	204,912	210,761

* 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% (2.20% as at April 30, 2016 and 2.35% as at April 30, 2015) and is renewable in October 1, 2017, whereas the bankers' acceptances are issued at the market rate. As at April 30, 2016, the line of credit was not used (\$849,000 as at April 30, 2015). The credit facilities are renewable in October 1, 2017.

8. Accounts payable and accrued liabilities

	2016	2015
	\$	\$
Accounts payable and accrued liabilities	52,860	53,468
Salaries and employee benefits	10,763	16,486
Accumulated vacation of staff and unpaid leave to be remitted in time	34,480	34,157
Government remittances	6,910	6,016
	105,013	110,127

9. Deferred contributions

Deferred contributions

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

	2016		
	Restricted Fund	Capital Assets Fund	Total
	\$	\$	\$
Balance, beginning of year (short-term and long-term)	219,528	240,283	459,811
Grants received during the year	151,172	54,783	205,955
Donations received during the year	12,794	2,649	15,443
Restricted investment income for the year	10,756	586	11,342
Amount recognized as revenue during the year	(165,454)	(1,379)	(166,833)
Amount transferred as deferred contributions pertaining to capital assets	—	(60,735)	(60,735)
Balance, end of year (short-term and long-term)	228,796	236,187	464,983
			2015
	Restricted Fund	Capital Assets Fund	Total
	\$	\$	\$
Balance, beginning of year (short-term and long-term)	202,825	171,362	374,187
Grants received during the year	157,180	146,866	304,046
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	(162,771)	(21,580)	(184,351)
Amount transferred as deferred contributions pertaining to capital assets	—	(58,532)	(58,532)
Balance, end of year (short-term and long-term)	219,528	240,283	459,811

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.

	2016	2015
	\$	\$
Balance, beginning of year	785,845	774,891
Amount transferred from deferred contributions	60,735	58,532
Amount recognized as revenue during the year	(46,816)	(47,578)
Balance, end of year	799,764	785,845

10. Debt

	2016	2015
	\$	\$
Bonds*		
Series 23D, 4.50%, maturing March 8, 2017	2,627	2,627
Unamortized discounts on bonds	(3)	(7)
	2,624	2,620
Loans financed by the MEES**		
Loan, 4.3250%, interest payable semi-annually, principal repayable in annual instalments of \$3,288,320, the balance of \$35,405,120 paid on October 14, 2015	—	35,405
Loan, 4.1844%, interest payable semi-annually, principal repayable in annual instalments of \$1,746,423, the balance of \$14,521,464 paid on December 1, 2015	—	14,521
Loan for the residences, 6.8750%, repayable in blended monthly instalments of \$25,000, capital and interest, maturing on February 1, 2021	1,226	1,434
Loan, 3.0690%, interest payable semi-annually, principal repayable in annual instalments of \$2,256,280 and the balance of \$23,718,600 paid on December 1, 2015	—	23,719
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	15,221	16,177
Amounts to be carried forward	16,447	91,256

10. Debt (continued)

	2016	2015
	\$	\$
Loans financed by the MEES** (continued)		
Amounts carried forward	16,447	91,256
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	67,829	72,063
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	88,698	95,358
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	26,734	28,301
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	29,189	30,751
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	3,875	4,657
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	120,433	129,716
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	3,678	4,339
Loan, 1.6180%, interest payable semi-annually, principal repayable in semi-annually variable instalments of \$364,917 to \$370,846, paid on June 1, 2015	—	371
Loan, 1.6260%, interest payable semi-annually, principal repayable in semi-annually variable instalments of \$605,862 to \$615,754, paid on August 6, 2015	—	616
Amounts to be carried forward	356,883	457,428

10. Debt (continued)

	2016	2015
	\$	\$
Loans financed by the MEES** (continued)		
Amounts carried forward	356,883	457,428
Loan, 2.9760%, interest payable annually, principal repayable in annual variable instalments of \$236,178 to \$298,626, maturing on December 20, 2022	1,918	2,161
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	43,200	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	77,772	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	6,557	7,000
Loan, 3.230%, interest payable semi-annually, principal repayable in annual instalments of \$1,480,000, the balance of \$10,360,000 payable at maturity on June 1, 2034	37,000	—
Loan, 1.9410%, interest payable semi-annually, principal repayable in annual instalments of \$7,316,856, the balance of \$23,098,863 payable at maturity on March 1, 2023	67,000	—
	590,330	594,589
Unamortized issuance costs	(2,178)	(2 016)
	588,152	592 573

10. Debt (continued)

	2016	2015
	\$	\$
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 paid on October 1, 2015 and replace by a new loan presented below	—	125,000
Loan to replace the loan of \$125,000,000 paid on October 1, 2015, 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, repayable in quarterly instalments of \$1,705,953, principal and interest, maturing October 1, 2035*	78,705	—
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, 2016, financed by the Operating Fund*	4,878	7,006
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*	6,490	6,787
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*	3,390	4,099
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	115,463	164,892

10. Debt (continued)

	2016	2015
	\$	\$
Other loans (continued)		
Amounts carried forward	115,463	164,892
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	1,220	1,300
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	15,343	15,729
	132,026	181,921
	722,802	777,114
Current portion	(292,670)	(163,620)
	430,132	613,494

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

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

	\$
2017	292,670
2018	30,658
2019	32,622
2020	113,524
2021	19,996

11. Capital lease obligations

	2016	2015
	\$	\$
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	68	79
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	22	26
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	75	167
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	32,429	32,868
	32,594	33,140
Current portion	(562)	(546)
	32,032	32,594

Payments required over the next five years are as follows:

	Principal	Interest	Total
	\$	\$	\$
2017	562	2,347	2,909
2018	524	2,306	2,830
2019	564	2,266	2,830
2020	606	2,224	2,830
2021	651	2,179	2,830

12. Defined benefit asset (accrued benefit obligations)

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

	2016	2015
	\$	\$
Defined benefit asset of the pension plan	30,568	174,432
Post-employment accrued benefit obligations	(73,233)	(70,281)

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 2016 calendar years (11.9% for calendar year 2015). 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, 2016.

Information on the pension plan are as follows:

	2016	2015
	\$	\$
Fair value of the pension assets	3,518,133	3,546,121
Accrued benefit obligations funded	(3,414,825)	(3,301,001)
Accrued benefit obligations unfunded	(72,740)	(70,688)
Defined benefit asset recorded	30,568	174,432

Composition of pension plan assets:

	2016	2015
	%	%
Money market securities	1.0	0.7
Bonds	31.8	34.2
Equity	30.6	31.3
Mutual funds and other investments	36.6	33.8
	100.0	100.0

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

	2016	2015
	\$	\$
Expense for the year recognized in the statement of operations	38,814	32,321
Contributions paid by the University during the year	54,226	54,268

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, 2016.

The information related to this plan is presented as follows:

	2016	2015
	\$	\$
Accrued benefit obligations and accrued benefit obligations recorded	73,233	70,281

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

	2016	2015
	\$	\$
Expense for the year recognized in the statement of operations	7,450	9,425
Contributions paid by the University during the year	4,498	5,304

(c) Assumptions

The University has retained the following significant actuarial assumptions:

	2016		2015	
	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	6.00	6.00
Rate of compensation increase	2.50	2.50	2.50	2.50
Rate of health care cost increase	—	7.00	—	7.00
Benefit costs for the year ended 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 tuition fees increase	—	2.00	—	2.00
Rate of health care cost increase	—	7.00	—	7.60

13. Internally and externally restricted fund balances

Main categories of externally restricted amounts

	2016	2015
	\$	\$
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	205,463	190,897
External endowments from which the income is related to the operating fund or is used at the discretion of the University	1,930	1,926
Unrealized gain on investments related to external endowment capital	18,349	33,515
Accumulated investment income added to endowment capital ⁽¹⁾	22,218	17,152
	247,960	243,490

(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.

Main categories of internally restricted amounts

	2016	2015
	\$	\$
Operating Fund		
Research-related internal activities	12,217	12,776
Redevelopment activities for Student Services and the Physical education and sports centre	681	1,134
	12,898	13,910
Restricted Fund		
Surplus generated on research activities primarily restricted for research purposes identical to those of the initial externally restricted contribution	7,069	6,559
Capital Assets Fund		
Future capital asset acquisitions (total uninvested reserves of Residences, DGTIC, faculties and Direction des immeubles)	34,961	31,230
Endowment Fund		
Internal restrictions of which the revenue can be used at the University's discretion	46,991	50,238
Unrealized gain on investments related to internal capital endowments	5,126	8,003
	52,117	58,241

14. Fund balances, end of year

The Operating Fund mainly has two types of activities:

- General teaching activities funded from the MEES 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 2016, the internally restricted amount for the year is \$20,248,800 (\$14,156,500 in 2015). The fund balance restricted to research activities totals \$12,216,600 as at April 30, 2016 (\$12,775,600 in 2015).

The University also restricted amounts from its Operating Fund revenue to create reserves for the amortization of certain capital assets. In 2016, the internally restricted amount for the year is nil (\$543,900 in 2015). The fund balance restricted to creating reserves for the amortization of certain capital assets totals \$681,200 as at April 30, 2016 (\$1,134,100 in 2015).

15. Interfund transfers

	2016			
	Operating Fund	Restricted Fund	Capital Assets Fund	Endowment Fund
	\$	\$	\$	\$
Contributions to the Capital Assets Fund reserve	(14,067)	—	14,067	—
Contributions to the acquisitions of capital assets and to the debt service	(41,654)	(2,701)	44,355	—
Internally restricted endowments	(590)	—	—	590
Recovery of internal restriction	4,118	—	—	(4,118)
Transfer of accumulated unrealized gain of endowments related to operating fund	3,109	—	—	(3,109)
Re-capitalized investment income ⁽¹⁾	(281)	—	—	281
	(49,365)	(2,701)	58,422	(6,356)

15. Interfund transfers (continued)

	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 ⁽¹⁾	(414)	—	—	414
	<u>(58,370)</u>	<u>(2,474)</u>	<u>58,813</u>	<u>2,031</u>

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

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 MEES. 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, 2016, interests held by the University denominated in foreign currencies amount to fair value of \$121,546,000 in Canadian dollars (\$124,638,000 in 2015). In addition, as at April 30, 2016, the University held forward foreign exchange contracts with a fair value of \$524,900 (fair value of \$96,100 in 2015). These contracts are listed with the investments of the Endowment Fund.

16. Financial instruments (continued)

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 MEES are secured, principal and interest, by the assignment and transfer of the MEES 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, 2016:

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

b) *Capital Assets Fund*

Maturity date	Nominal amount	Pays or receives	Fixed rate	Variable rate
	\$		%	
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, 2016, 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.

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:

	2016	2015
	\$	\$
Financial position		
Assets	1,986	2,353
Liabilities	1,588	2,004
Excess of assets over liabilities	398	349
	1,986	2,353
Operations		
Revenue	1,688	2,318
Expenses	1,639	1,900
Excess of revenue over expenses	49	418

18. Additional information to the statement of cash flows

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

	2016	2015
	\$	\$
Accounts receivable	20,424	(25,347)
Inventories	153	321
Expenses attributable to the next year	(996)	514
Accounts payable and accrued liabilities	(8,966)	(14,101)
Deferred revenue	(2,037)	143
Grants payable	(8,390)	7,959
Deferred contributions	5,172	(87,047)
	5,360	(56,536)

Non-cash transactions

	2016	2015
	\$	\$
Unpaid capital assets at year-end	17,133	13,281
Unpaid capital assets acquired through leases at year-end	32,594	33,140

19. Commitments

- a) The commitments of the Operating Fund total \$362,345,800 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. This amount is broken down as follows:

	<u>Commitments</u>
	\$
Self-financed units	21,117,300
Other units of the Operating Fund	<u>341,228,500</u>

- b) The commitments of the Restricted Fund total \$836,100 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.
- c) The University is bound by different leases for physical space, equipment and computer equipment. The total commitments relating to these contracts amount to \$87,315,300. Minimum payments required under these contracts for the next five years are as follows:

	\$
2017	15,972,100
2018	12,540,100
2019	11,341,100
2020	8,025,400
2021	7,356,400

- d) 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.
- e) The University has agreed to pay by contracts from external suppliers for a total of \$47,142,000 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.