

Université de Sherbrooke
Consolidated Financial Statements
April 30, 2022

Université de Sherbrooke
Consolidated Financial Statements
April 30, 2022

Independent Auditor's Report	2 - 4
Financial Statements	
Consolidated Operations	5
Consolidated Changes in Fund Balances	6
Consolidated Cash Flows	7
Consolidated Balance Sheet	8
Notes to Consolidated Financial Statements	9 - 25



Raymond Chabot
Grant Thornton

Independent Auditor's Report

To the Members of the Board of Directors of
Université de Sherbrooke

Raymond Chabot
Grant Thornton LLP
Suite 350
2207 King Street West
Sherbrooke, Quebec
J1J 2G2

T 819-822-4000
Toll-free: 1-800-567-6958

Opinion

We have audited the consolidated financial statements of Université de Sherbrooke (hereafter "the University"), which comprise the consolidated balance sheet as at April 30, 2022, and the consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Raymond Chabot Grant Thornton LLP¹

Sherbrooke
September 20, 2022

¹ CPA auditor, public accountancy permit no. A125487

Université de Sherbrooke Consolidated Operations

Year ended April 30, 2022

(In thousands of dollars)

	Unrestricted Operating Fund		Operating Fund with Restrictions		Capital Asset Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenues								
Grants								
Ministère de l'Enseignement supérieur	334,597	302,462	14,535	15,352	23,912	23,457	373,044	341,271
Other	18,986	16,658	183,767	172,579	24,464	26,734	227,217	215,971
Student academic fees							59,820	55,309
Regular education	59,820	55,309					8,158	6,565
Special education	8,158	6,565					29,521	25,600
Sales	29,521	25,600						
Donations and contributions								
La Fondation de l'Université de Sherbrooke	30	16	8,493	5,377			8,523	5,393
Other organizations	1,383	652					1,383	652
Net investment income (Note 5)	7,874	1,724					7,874	1,724
Other revenues	35,099	31,294					35,099	31,294
	495,468	440,280	206,795	193,308	48,376	50,191	750,639	683,779
Expenses								
Teaching	273,738	256,888	61,575	62,591			335,313	319,479
Research	24,600	18,050	135,064	122,911			159,664	140,961
Community services	6,391	4,892	5,792	5,009			12,183	9,901
Academic support	35,784	31,899	60	80			35,844	31,979
Student services and assistance	19,129	14,695	4,147	2,532			23,276	17,227
Institutional support, including overheads	45,165	40,190	157	185			45,322	40,375
Institutional support, land and building	33,892	31,041					33,892	31,041
Ancillary enterprises	19,098	17,791					19,098	17,791
Employee future benefits' adjustment	(16,646)	988					(16,646)	988
Interest on obligations and loans					14,339	14,981	14,339	14,981
Amortization of tangible and intangible capital assets					52,064	53,631	52,064	53,631
Capital assets below capitalization threshold					737	804	737	804
Non-capitalizable assets					415	513	415	513
	441,151	416,434	206,795	193,308	67,555	69,929	715,501	679,671
Excess (deficiency) of revenues over expenses	54,317	23,846	-	-	(19,179)	(19,738)	35,138	4,108

The accompanying notes are an integral part of the consolidated financial statements and Notes 5 and 6 provide other information on consolidated operations.

Université de Sherbrooke Consolidated Changes in Fund Balances

Year ended April 30, 2022

(In thousands of dollars)

	Unrestricted Operating Fund		Operating Fund with Restrictions		Capital Asset Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Fund balances (negative), beginning of year	\$ 15,529	\$ (166,919)	\$ -	\$ -	\$ 59,942	\$ 55,026	\$ 75,471	\$ (111,893)
Excess (deficiency) of revenues over expenses	54,317	23,846	-	-	(19,179)	(19,738)	35,138	4,108
Employee future benefits - remeasurements and other items	(42,446)	183,206	-	-	-	-	(42,446)	183,206
Restricted contributions for the acquisition of tangible capital assets not subject to amortization	(37,263)	(24,604)	-	-	35	50	35	50
Interfund transfers (Note 7)	(9,863)	15,529	-	-	37,263	24,604	68,198	75,471
Fund balances (negative), end of year					78,061	59,942		

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

Université de Sherbrooke

Consolidated Cash Flows

Year ended April 30, 2022

(In thousands of dollars)

	<u>2022</u>	<u>2021</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	35,138	4,108
Non-cash items		
Changes in fair value of financial assets designated as held for trading	(7,266)	(204)
Amortization of deferred contributions related to tangible and intangible capital assets	(40,191)	(41,598)
Amortization of tangible and intangible capital assets	52,064	53,631
Employee future benefits	(16,646)	988
Net change in other assets and liabilities	19,767	59,232
Cash flows from operating activities	<u>42,866</u>	<u>76,157</u>
INVESTING ACTIVITIES		
Investments	(359)	(298)
Disposal of investments	1,555	5
Acquisition of tangible and intangible capital assets	(63,125)	(69,917)
Cash flows from investing activities	<u>(61,929)</u>	<u>(70,210)</u>
FINANCING ACTIVITIES		
Net change in bank loans	15,998	(49,984)
Long-term loans	29,339	23,709
Repayment of long-term loans	(40,657)	(37,472)
Deferred contributions related to tangible capital assets	60,477	57,612
Cash flows from financing activities	<u>65,157</u>	<u>(6,135)</u>
Net increase (decrease) in cash and cash equivalents	<u>46,094</u>	<u>(188)</u>
Cash and cash equivalents, beginning of year	<u>(3,382)</u>	<u>(3,194)</u>
Cash and cash equivalents, end of year	<u>42,712</u>	<u>(3,382)</u>

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

Université de Sherbrooke

Consolidated Balance Sheet

April 30, 2022

(In thousands of dollars)

	Unrestricted Operating Fund		Operating Fund with Restrictions		Capital Asset Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Current								
Cash	42,712						42,712	
Accounts receivable and other (Note 8)	53,974	48,666	127,819	115,423	5,968	7,088	187,761	171,177
Inventories	748	696					748	696
Prepaid expenses	9,542	8,241					9,542	8,241
Interfund account, without interest			117,104	103,752				
	106,976	57,603	244,923	219,175	5,968	7,088	240,763	180,114
Long-term								
Accounts receivable and other (Note 8)	300	324			51,941	59,666	52,241	59,990
Prepaid expenses	240	257					240	257
Investments (Note 9)	10,779	4,709					10,779	4,709
Defined benefit asset (Note 21)	38,146	63,946					38,146	63,946
Tangible capital assets (Note 10)					717,128	703,110	717,128	703,110
Intangible assets (Note 11)					15,159	17,933	15,159	17,933
	156,441	126,839	244,923	219,175	790,196	787,797	1,074,456	1,030,059
LIABILITIES								
Current								
Bank indebtedness (Note 12)	15	3,397			19,672	3,674	19,687	7,071
Trade payables and other operating liabilities (Note 13)	61,880	52,375	159	12	2,698	2,691	64,737	55,078
Unearned revenue (Note 14)	8,932	6,241					8,932	6,241
Interfund account, without interest	91,275	47,976			25,829	55,776		
Current portion of long-term debt		98			37,778	40,021	37,778	40,119
	162,102	110,087	159	12	85,977	102,162	131,134	108,509
Long-term								
Long-term debt (Note 15)	4,202	1,223			400,724	412,680	404,926	413,903
Defined benefit liability (Note 21)								
Deferred contributions								
Operating Fund with Restrictions (Note 16)			244,764	219,163			244,764	219,163
Related to tangible and intangible capital assets (Note 17)					225,434	213,013	225,434	213,013
	166,304	111,310	244,923	219,175	712,135	727,855	1,006,258	954,588
FUND BALANCES (NEGATIVE)								
Internal restriction (Note 18)	48,700	44,017					48,700	44,017
Deficit taking into account internal restriction	(58,563)	(28,488)					(58,563)	(28,488)
Invested in capital assets					78,061	59,942	78,061	59,942
	(9,863)	15,529	-	-	78,061	59,942	68,198	75,471
	156,441	126,839	244,923	219,175	790,196	787,797	1,074,456	1,030,059

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

Approved by the Board of Directors,

Rector

Danyse Remillard
Vice-rector - administration and sustainable development

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

L'Université de Sherbrooke (hereafter "the University") was incorporated under the Act relating to the Université de Sherbrooke, sanctioned on March 5, 1954 by the Quebec legislature and amended on June 23, 1978. The University is a registered charity under the Income Tax Act. The University offers teaching services and pursues research activities associated with teaching.

2 - IMPACT RESULTING FROM THE COVID-19 PANDEMIC

During the fiscal year ended April 30, 2022, the COVID-19 pandemic continued to impact the University's activities. Measures have been taken to ensure a safe living and study, research and work environment that respects government decrees. These measures notably led to the conversion of part of the academic activities to distance mode, the reorganization of the research laboratories, as well as the sporadic closure of the facilities of the Sports Center and the Cultural Center. In addition, participation in conferences and training has been limited by the closure of borders and the reduction in the offer of face-to-face activities. Finally, accumulated hygiene measures have been put in place and have been adjusted throughout the year in order to comply with the directives issued by the Government of Quebec and Public Health. The financial impacts related to these measures have been made in the financial statements and reports have been made to the Ministère de l'Enseignement supérieur (MES).

The University does not foresee any significant impacts related to the pandemic for the next year insofar as the current situation persists and the pandemic remains under control.

3 - ACCOUNTING CHANGE

Financial Instruments Originated or Exchanged in a Related Party Transaction

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

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

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

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

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

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

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

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

4 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Principles of consolidation

The accounts of Gestion Socpra Inc., which is wholly owned by the University, are consolidated.

The accounts of Les Éditions DELISME Inc., which is wholly owned by the University, and of the controlled not-for-profit organization, La Fondation de l'Université de Sherbrooke, have not been consolidated in these consolidated financial statements. Note 22 presents the information concerning these entities.

Accounting estimates

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

Financial assets and liabilities

Initial measurement

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

Subsequent measurement

At each reporting date, the University measures its financial assets and liabilities from transactions not concluded with related parties at amortized cost (including any impairment in the case of financial assets), except for investments in shares of private companies, the investment in limited partnerships and investments in shares of a public company. With respect to the financial assets and liabilities from related party transactions, the University measures them using the cost method (including any impairment in the case of financial assets).

Investments in shares of private companies and the investment in limited partnerships are investments in equity instruments measured at cost.

Investments in shares of a public company are measured at fair value. Changes in fair value of these investments are immediately recognized in consolidated operations.

Transaction costs relating to financial assets and liabilities that are measured at amortized cost are amortized on a straight-line basis over the term of the related financial instrument.

Amortization of transaction costs related to long-term debt is recognized in the consolidated operations as interest on obligations and loans.

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

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund accounting

The funds are divided into three categories:

- The Unrestricted Operating Fund reflects the operations of a current nature of the University and for which there is no external limitation as to the use of funds;
- The Operating Fund with Restrictions reflects the operations for which fund providers have specifically established the permitted use;
- The Capital Asset Fund is used to record transactions relating to capital assets and their financing.

Guarantees

Financial guarantee contracts are initially measured at fair value. Thereafter, these contracts are valued at the highest of:

- the amount of contingent obligation under the contract that the University considers likely that it will have to pay;
- the amount initially recognized less, if applicable, a cumulative amortization representing the portion of the University's extinguished obligation with respect to the said guarantee.

Foreign currency translation

The University uses the temporal method to translate transactions denominated in a foreign currency. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the consolidated balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates, with the exception of those recognized at fair value, which are translated at the exchange rate in effect at the consolidated balance sheet date. Revenues and expenses are translated at the average rate for the period, with the exception of the amortization of assets translated at the historical exchange rates, which is translated at the same exchange rates as the related assets. The related exchange gains and losses are accounted for in the consolidated operations for the year.

Revenue recognition

Contributions

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

Contributions received in the form of capital assets which are not amortized or contributions restricted for the acquisition of such capital assets and contributions received as endowments are presented as direct increases in the balances of the appropriate funds.

Moreover, the University recognizes contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

Net investment income

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Net investment income includes interest income, dividend income and changes in fair value.

Restricted interest income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted interest income is recognized in the Unrestricted Operating Fund when earned. Interest income is recognized using the accrual method of accounting and more specifically as follows:

- Interest income is recognized based on the number of days the investment was held during the year and is calculated using the effective interest rate method;
- Interest income is recognized in the consolidated operations under Net investment income regardless of the classification of the related financial asset.

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net investment income

Dividend income is recognized when it is acquired by the University.

Changes in fair value are recognized when they occur.

Other

The University's principal sources of revenue, aside from contributions, are student academic fees, sales and other revenues. These revenues are recognized when the following criteria are met:

- Persuasive evidence of an arrangement exists;
- Services have been rendered;
- The price to the buyer is fixed or determinable;
- Collection is reasonably assured.

Revenue is recognized as the services are provided. Unearned revenue represents receipts for which revenue is not yet earned.

Cash and cash equivalents

The University's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

Inventory valuation

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

Tangible and intangible capital assets

Capital assets acquired are recorded at cost. When the University receives contributions of capital assets, their cost is equal to their fair value at the contribution date plus all costs directly attributable to the acquisition of the capital assets, or at a nominal value if fair value cannot be reasonably determined.

Amortization

Tangible and intangible capital assets are amortized on a straight-line basis over their estimated useful lives according to the following periods:

	<u>Periods</u>
Land improvements	10 and 20 years
Buildings	
Buildings acquired or constructed	20, 40 or 50 years
Building renovations	25, 30 or 40 years
Machinery and equipment	3, 5 or 15 years
Computer hardware	
Multimedia communication equipment	
Furniture and fixtures	
Other equipment	
Specialized equipment related to teaching	10 or 20 years
Library collection, telecommunications networks	10 years
Automotive equipment	5 years
Leasehold improvements	Lease term
IT development	5 or 10 years
Software	3 years

Constructions in progress are not amortized, they will be amortized from their date of commissioning.

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Write-down

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

Derivative financial instruments

The University uses derivative financial instruments to manage its interest rate risk. It does not use these derivative financial instruments for trading or speculative purposes.

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

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

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

Employee future benefits

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

5 - NET INVESTMENT INCOME

	2022	2021
	\$	\$
Investments measured at amortized cost		
Unrestricted		
Interest income	293	267
Distributions revenues	1,162	1,457
	<u>1,455</u>	<u>1,724</u>
Investments measured at fair value		
Unrestricted		
Changes in fair value	6,419	
	<u>7,874</u>	<u>1,724</u>

6 - INTEREST EXPENSES

	2022	2021
	\$	\$
Interest on long-term debt	14,214	14,857
Interest on short-term debt	141	176
	<u>14,355</u>	<u>15,033</u>

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

7 - INTERFUND TRANSFERS

Unrestricted resources of \$37,263,000 for the year ended April 30, 2022 (\$24,604,000 for the year ended April 30, 2021) were transferred from the Unrestricted Operating Fund to the Capital Asset Fund to finance the cash outlays relating to capital assets, repayments of long-term loans and interest payments on long-term debt.

8 - ACCOUNTS RECEIVABLE AND OTHER

	2022	2021
	\$	\$
Unrestricted Operating Fund		
Sales, independent companies and others	8,970	10,218
Grants - MES	42,546	35,046
Student academic fees	2,670	2,415
Dividends	88	1,311
	<u>54,274</u>	<u>48,990</u>
Less: Sales, independent companies and others cashable for more than one year	(300)	(324)
	<u>53,974</u>	<u>48,666</u>
Operating Fund with Restrictions		
Grants, contracts and others	<u>127,819</u>	<u>115,423</u>
Capital Asset Fund		
Grants - MES	53,603	61,465
Other	4,306	5,289
	<u>57,909</u>	<u>66,754</u>
Less: MES grants cashable for more than one year	(50,943)	(58,967)
Less: Other grants cashable for more than one year	(998)	(699)
	<u>5,968</u>	<u>7,088</u>
	<u>187,761</u>	<u>171,177</u>

9 - INVESTMENTS

	2022	2021
	\$	\$
Unrestricted Operating Fund		
Shares of private companies	1,428	1,069
Investment in limited partnerships	1,000	2,540
Loan to an organization with economic interest, 3.22% as at April 30, 2022 and 2021, cashable in monthly blended instalments of \$3,301	774	788
Shares of a public company	7,577	312
	<u>10,779</u>	<u>4,709</u>

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

10 - TANGIBLE CAPITAL ASSETS

	2022		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land and land improvements			
Land	3,081		3,081
Land improvements	57,913	34,370	23,543
Buildings			
Buildings acquired or constructed	499,722	149,880	349,842
Building renovations	300,859	121,564	179,295
Machinery and equipment			
Computer hardware	8,442	3,636	4,806
Multimedia communication equipment	7,589	4,120	3,469
Furniture and fixtures	2,567	1,117	1,450
Other equipment	5,051	2,361	2,690
Specialized equipment related to teaching	128,827	50,635	78,192
Library collection	11,228	4,093	7,135
Automotive equipment	1,466	848	618
Telecommunications networks	372	299	73
Constructions in progress	48,756		48,756
Works of art	3,996		3,996
Assets not subject to amortization	664		664
Equipment deposits	9,376		9,376
Leasehold improvements	1,357	1,215	142
	<u>1,091,266</u>	<u>374,138</u>	<u>717,128</u>
			2021
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land and land improvements			
Land	3,081		3,081
Land improvements	57,260	32,472	24,788
Buildings			
Buildings acquired or constructed	487,224	140,360	346,864
Building renovations	294,431	111,757	182,674
Machinery and equipment			
Computer hardware	7,659	3,626	4,033
Multimedia communication system	8,512	4,044	4,468
Furniture and fixtures	2,649	1,002	1,647
Other equipment	4,775	2,077	2,698
Specialized equipment related to teaching	229,597	150,778	78,819
Library collection	10,954	4,152	6,802
Automotive equipment	1,538	691	847
Telecommunications networks	1,133	959	174
Constructions in progress	37,399		37,399
Works of art	3,961		3,961
Assets not subject to amortization	664		664
Equipment deposits	3,848		3,848
Leasehold improvements	1,357	1,014	343
	<u>1,156,042</u>	<u>452,932</u>	<u>703,110</u>

Tangible capital assets in the amount of \$193,000 for the year ended April 30, 2022 (\$119,000 for the year ended April 30, 2021) were acquired in the form of donations.

Trade payables and other operating liabilities include an amount of \$84,000 as at April 30, 2022 (\$94,000 as at April 30, 2021) related to the acquisition of tangible capital assets.

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

11 - INTANGIBLE ASSETS

	2022	
	Cost	Accumulated amortization
	\$	\$
IT development	25,891	11,164
Software	728	296
	<u>26,619</u>	<u>11,460</u>
		<u>15,159</u>
		2021
	Cost	Accumulated amortization
	\$	\$
IT development	21,894	4,420
Software	799	340
	<u>22,693</u>	<u>4,760</u>
		<u>17,933</u>

12 - BANK INDEBTEDNESS

	2022	2021
	\$	\$
Unrestricted Operating Fund		
Bank overdraft		3,382
Bank loans	15	15
	<u>15</u>	<u>3,397</u>
Capital Asset Fund		
Bank loans	19,672	3,674
	<u>19,687</u>	<u>7,071</u>

The University has an authorized line of credit facility of \$185,000,000, bearing interest at prime rate less 0.25% (2.95%; 2.2% as at April 30, 2021) or at the bankers' acceptance rate (1.3601%; 0.49% as at April 30, 2021) for the temporary financing of the operations of the operating funds and the Capital Asset Fund, renewable in June 2022. As at April 30, 2022 and 2021, the balance is not used.

Subsequent to year-end, the University obtained the renewal of the credit facility, for an authorized amount of \$132,156,000, at the same interest rate, renewable in June 2023.

In addition, the University has a credit facility of an authorized amount of \$104,902,048 (\$35,479,048 as April 30, 2021) and used amount of \$19,671,914 (\$3,674,069 as at April 30, 2020), bearing interest at the average rate of Québec treasury bonds of 3 months less 0.02% (1.47%; bankers' acceptances of 1 month less 0.1% (0.3125%) as at April 30, 2021) for the temporary financing of the operations of the Capital Asset Fund within various projects until the loans are converted into long-term funding.

After the year-end, the University obtained the renewal of the credit facility, for an authorized amount of \$143,501,048, at the same interest rate, renewable in June 2023.

Université de Sherbrooke
Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

13 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	<u>2022</u>	<u>2021</u>
	\$	\$
Unrestricted Operating Fund		
Accounts payable and other accrued liabilities	38,165	34,307
Salaries and benefits payable	23,715	18,068
	<u>61,880</u>	<u>52,375</u>
Operating Fund with Restrictions		
Accounts payable and other accrued liabilities	159	12
Capital Asset Fund		
Accounts payable and other accrued liabilities	2,698	2,691
	<u>64,737</u>	<u>55,078</u>

14 - UNEARNED REVENUE

	<u>2022</u>	<u>2021</u>
	\$	\$
Student academic fees	2,982	2,366
Sales	4,200	2,946
Grants	1,309	472
Other	441	457
	<u>8,932</u>	<u>6,241</u>

15 - LONG-TERM DEBT

	<u>2022</u>	<u>2021</u>
	\$	\$
Unrestricted Operating Fund		
<i>Redistributions payable to investors</i>		
At the rate of 5%, payable in consideration of 65% of the net proceeds of disposition of an investment in the NuGen Medical Devices file (previously Inolife R&D Inc.)	369	351
At a rate of 6%, payable in consideration of the fair market value of an investment upon sale and upon receipt of royalties, in the SoundBite Medical Solutions Inc. file	316	970
<i>Redistributions payable to researchers</i>		
Payable in consideration of the fair market value of an investment upon the sale in the Quantum Numbers corp. file	198	
Payable in consideration of the fair market value of an investment upon the sale in the NuGen Medical Devices file (previously Inolife R&D Inc.)	201	
Payable in consideration of the fair market value of an investment upon the sale in the Defence Therapeutics Inc. file	3,118	
	<u>4,202</u>	<u>1,321</u>
Less: Current portion		(98)
	<u>4,202</u>	<u>1,223</u>
Capital Asset Fund		
<i>Mortgages</i>		
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$1,080,000 plus interest, at the rate of 4.94%, maturing in June 2034	15,120	16,200
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$780,000 plus interest, at the rate of 3.592%, maturing in June 2034	14,040	14,820
Secured by the disposal and the transport of a MES grant, annual blended instalments of \$563,441, at the rate of 2.12%, maturing in February 2025	1,611	2,125
Secured by the disposal and the transport of a MES grant, annual blended instalments of \$116,729, at the rate of 2.12%, maturing in February 2025	334	440

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

15 - LONG-TERM DEBT (Continued)

	2022	2021
	\$	\$
Capital Asset Fund		
<i>Mortgages</i>		
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$530,029 plus interest, at the rate of 2.161%, maturing in March 2025	1,790	2,320
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$760,000 plus interest, at the rate of 3.149%, maturing in June 2034	14,440	15,200
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$1,147,648 plus interest, at the rate of 2.842%, maturing in March 2031	10,114	11,262
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$2,326,821 plus interest, at the rate of 2.149%, maturing in September 2026	28,124	30,451
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$2,565,681 plus interest, at the rate of 2.408%, maturing in September 2026	14,939	17,505
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$249,597 plus interest, at the rate of 2.433%, maturing in October 2025	952	1,201
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$1,141,177 plus interest, at the rate of 2.933%, maturing in December 2042	23,965	25,106
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$3,136,760 plus interest, at the rate of 2.787%, maturing in September 2027	35,271	38,408
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$876,933 plus interest, at the rate of 3.137%, maturing in December 2043	19,293	20,169
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$394,296 plus interest, at the rate of 2.796%, maturing in December 2026	1,812	2,207
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$691,854 plus interest, at the rate of 2.423%, maturing in December 2039	12,453	13,145
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$182,667 plus interest, at the rate of 2.336%, maturing in December 2034	2,377	2,560
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$3,318,096 plus interest, at the rate of 2.228%, maturing in December 2030	29,955	33,273
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$627,600 plus interest, at the rate of 2.336%, maturing in December 2034	7,852	8,479
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$861,648 plus interest, at the rate of 2.103%, maturing in December 2027	5,393	6,255
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$354,600 plus interest, at the rate of 1.980%, maturing in December 2024	1,064	1,418
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$753,285 plus interest, at the rate of 1.954%, maturing in December 2040	14,312	15,066
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$219,140 plus interest, at the rate of 1.727%, maturing in December 2035	3,068	3,287
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$1,046,004 plus interest, at the rate of 0.795%, maturing in December 2025	4,184	5,230
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$816,766 plus interest, at the rate of 2.686%, maturing in November 2041	16,335	
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$228,351 plus interest, at the rate of 2.541%, maturing in November 2036	3,425	

Université de Sherbrooke
Notes to Consolidated Financial Statements

April 30, 2022
(In thousands of dollars)

15 - LONG-TERM DEBT (Continued)

	<u>2022</u>	<u>2021</u>
	\$	\$
Capital Asset Fund		
<i>Mortgages</i>		
Secured by the disposal and the transport of a MES grant, annual capital instalments of \$1,212,400 plus interest, at the rate of 1.731%, maturing in November 2026	6,062	
Secured by the disposal and the transport of a MCC grant, semi-annual capital instalments of \$112,500 plus interest, at the rate of 3.064%, maturing in March 2038	3,600	3,825
Secured by the disposal and the transport of a MEI grant, semi-annual blended instalments of \$5,114,411, at the rate of 3.119%, maturing in September 2022	5,001	14,774
<i>Loans from other sources</i>		
Secured by a building, monthly blended instalments of \$458,635, at the rate of 5.042%, maturing in December 2039	64,261	66,464
Secured by a building, monthly blended instalments of \$124,951, at the rate of 4.73%, maturing in March 2040	18,089	18,716
Secured by a building, monthly blended instalments of \$122,778, at the rate of 3.846%, maturing in July 2030	10,400	11,451
	389,636	401,357
<i>Bank loans</i>		
Payable from a contribution from the Unrestricted Operating Fund:		
Multifunctional pavilion, monthly blended instalments of \$27,411, at the rate of 2.868%, maturing in June 2024	690	995
At the 1-month CDOR variable rate plus 0.71% (2.0425%; 1.1225% as at April 30, 2021), payable in monthly blended instalments of \$180,671, maturing in March 2036	25,087	26,551
At the 1-month CDOR variable rate plus 0.85% (2.1825%; 1.2625% as at April 30, 2021), payable in monthly blended instalments of \$94,702, maturing in April 2037	17,475	18,055
At the 1-month CDOR variable rate plus 1.07% (2.4025%; 1.4825% as at April 30, 2021), payable in monthly blended instalments of \$29,794, maturing in February 2038	5,614	5,743
	48,866	51,344
	438,502	452,701
Less: Current portion	(37,778)	(40,021)
	400,724	412,680
	404,926	413,903

The contractual principal repayments of long-term debt for the next years are as follows:

	Capital Asset Fund \$
2023	37,778
2024	33,048
2025	33,276
2026	31,712
2027	49,200
2028 and subsequent years	253,488

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

16 - DEFERRED CONTRIBUTIONS - OPERATING FUND WITH RESTRICTIONS

	2022	2021
	\$	\$
Research grants		
Balance, beginning of year	219,163	178,082
Amounts granted	232,396	234,389
Amounts recognized as revenue	(206,795)	(193,308)
Balance, end of year	<u>244,764</u>	<u>219,163</u>

17 - DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE AND INTANGIBLE CAPITAL ASSETS

	2022	2021
	\$	\$
Balance, beginning of year	213,013	204,192
Contributions received as tangible capital assets	158	68
Contributions received for the acquisition of tangible and intangible capital assets	36,277	34,731
Amounts recognized as revenue	(24,014)	(25,978)
Balance, end of year	<u>225,434</u>	<u>213,013</u>

18 - INTERNALLY RESTRICTED FUND BALANCES

The main categories of internally restricted fund balances of the Unrestricted Operating Fund are as follows:

	2022	2021
	\$	\$
Research support	35,212	32,374
Continuing education fund	9,763	7,913
Employee assistance programs	60	37
Improvement	593	586
Support for specific projects	1,957	2,041
Teaching support	992	946
Faculty support for research	115	112
Support for human resources development	8	8
	<u>48,700</u>	<u>44,017</u>

19 - CONTINGENCIES

Lawsuits

In the normal course of operations, the University faces various lawsuits including claims relating to labor law and the Civil Code. Although it is not possible to predict with certainty the outcome of the legal proceedings initiated and in progress as at April 30, 2022, in the opinion of management, these litigations will be resolved without a material impact on the University's consolidated financial statements.

Loan guarantees

The University guarantees loans contracted by a not-for-profit organization in the amount of \$142,054 as at April 30, 2022 (\$244,191 as at April 30, 2021) and has not required any consideration in exchange for assuming these responsibilities. Under the terms of the agreements, until September 2024, the University must be prepared to fulfill the not-for-profit organization's debt repayment obligations if the latter is unable to do so. The maximum amount the University may be required to settle under the agreements is of \$2,700,000 (\$2,700,000 as at April 30, 2021). In the opinion of management, it is unlikely that these guarantees will be exercised and, accordingly, no liability has been recorded in the consolidated financial statements in this respect.

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

20 - COMMITMENTS

Operating lease and service contracts

The University has entered into leases and contracts for premises and services. The balance of commitments stands at \$47,915,000, of which approximately 96% of the amounts payable in 2022-2023 for leases are specifically funded by the MES. Minimum lease payments for the next years are as follows:

	Operating lease	Service contracts
	\$	\$
2023	3,277	5,507
2024	3,278	1,717
2025	3,326	1,439
2026	3,372	994
2027	3,326	635
2028 and subsequent years	21,044	

Tangible capital assets

Following the approval of the MES, the University entered into acquisition contracts. Commitments not materialized as at April 30, 2022 amount to approximately \$118,231,000, of which an amount of \$9,376,000 has already been paid as a deposit on equipment.

21 - EMPLOYEE FUTURE BENEFITS

The University has a hybrid plan with a combination of two components, a defined benefit component and a defined contribution component. This plan guarantees the payment of retirement benefits to most of its employees. Moreover, the University offers a group insurance plan including health care insurance, disability insurance and life insurance.

The defined benefit component guarantees a minimum annual amount. This amount is set according to a predetermined formula based on the number of years of credited service as well as the average salary of the best five years. The defined contribution component, for its part, accumulates, with interest, the contributions of the employee and those of the University and the accumulated amount will be used to provide the employee with an income at retirement. The retirement benefit will come from one or the other of these components, depending on which will provide the highest benefit when the employee retires.

The indexation offered on the annuities payable under the plan corresponds to 50% of the consumer price index, subject to a maximum indexation of 2% per year.

Health insurance and life insurance plans are contributory plans and employee contributions are adjusted annually. The plan also provides long- and short-term disability insurance guarantees, and these disability insurance plans may or may not be contributory depending on the category to which the employee belongs.

The most recent actuarial valuation of the pension plan for funding purposes was as of December 31, 2018.

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

21 - EMPLOYEE FUTURE BENEFITS (Continued)

The funded status of the employee benefit plans is as follows:

	Pension plan		Other plans		Total	
	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$
Defined benefit obligations	548,680	484,396	2,351	1,893	551,031	486,289
Fair value of plan assets	589,177	550,235			589,177	550,235
Funding status - surplus (deficit) and defined benefit asset (liability)	40,497	65,839	(2,351)	(1,893)	38,146	63,946

Significant assumptions

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

	Pension plan		Other plans	
	2022	2021	2022	2021
Accrued benefit obligation				
Discount rate	5.70%	5.70%	5.70%	5.70%
	Table according to age (2.5% to 5%)	Table according to age (2.5% to 5%)		
Compensation growth rate			3.00%	3.00%
Benefit costs				
Discount rate	5.70%	5.70%	5.70%	5.70%
	Table according to age	Table according to age		
Compensation growth rate			3.00%	3.00%

22 - CONTROLLED ENTITIES AND RELATED PARTY TRANSACTIONS

The condensed financial statements of each of the non-consolidated entities are as follows:

	La Fondation de l'Université de Sherbrooke (a)		Les Éditions DELISME Inc. (b)	
	2022	2021	2022	2021
	\$	\$	\$	\$
Financial position				
Total assets	130,881	122,632	27	307
Total liabilities	18,417	18,439	135	409
Total net assets	112,464	104,193	(108)	(102)
	130,881	122,632	27	307

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

22 - CONTROLLED ENTITIES AND RELATED PARTY TRANSACTIONS (Continued)

	La Fondation de l'Université de Sherbrooke (a)		Les Éditions DELISME Inc. (b)	
	2022	2021	2022	2021
	\$	\$	\$	\$
Results of operations				
Total revenues	23,472	35,292	1	
Total expenses	5,523	3,877	7	61
Excess (deficiency) of revenues over expenses, before contributions to the University	17,949	31,415	(6)	(61)
Cash flows				
Operating activities	(608)	(2,297)	(5)	(56)
Investing activities	(5,319)	(3,053)		
Financing activities	5,933	5,359	(275)	
Net increase (decrease) in cash and cash equivalents	6	9	(280)	(56)

(a) The University controls La Fondation de l'Université de Sherbrooke (hereafter "the Foundation") because the two entities have integrated objectives. The purpose of the Foundation is to promote the development of teaching and university research. The Foundation is a registered charity under the Income Tax Act.

As at April 30, 2022, the balance receivable from La Fondation de l'Université de Sherbrooke is of \$18,010,000 (\$18,089,000 as at April 30, 2021); the balance payable is of \$808,000 (\$575,000 as at April 30, 2021).

The Foundation partly assumes its direct operating and management costs as well as the costs of fundraising and philanthropic development activities. From May 1, 2013, the University has assumed all the costs relating to the accounting services and assistance with the financial operations of the Foundation and of the major Campaign "Together" (2004-2009) as well as part of the costs relating to the Foundation's fundraising and philanthropic development activities in consideration for an annual allocation paid to the University. In addition, the University fully assumes the costs relating to the recognition of donors and allows the Foundation to use its premises and its institutional database free of charge.

(b) The University controls Les Éditions DELISME Inc. since it acquired all of its shares on May 15, 2012.

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

22 - CONTROLLED ENTITIES AND RELATED PARTY TRANSACTIONS (Continued)

Moreover, the University exercises significant influence on two not-for-profit organizations through its number of representatives on the board of directors or the weight of their presence on the board. The transactions concluded in the normal course of operations and measured at the exchange amount, as well as the balance sheet balances with these entities are as follows:

	Centre de Collaboration MiQro Innovation (C2MI)		Accélérateur de création d'entreprise technologique (ACET)		Plateforme d'innovation numérique et quantique (PINQ)	
	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$
Revenues						
Grants						
Others			17	11		
Sales	4,961	7,630			18	
Donations and contributions						
Other organizations	4,003	769	5	2	56	
Expenses						
Teaching			154	153		
Research	2,274	2,453			1,022	
Community services			34	33		
Institutional support	119	83	298	598		
Ancillary enterprises	9,221	11,533				

The University also holds an economic interest in two not-for-profit organizations. The University has no control or significant influence over these organizations. During the year, the first organization granted contributions to the University of approximately \$5,359,000 (\$5,711,000 for the year ended April 30, 2021) for various projects of the Operating Fund with Restrictions.

Université de Sherbrooke

Notes to Consolidated Financial Statements

April 30, 2022

(In thousands of dollars)

23 - FINANCIAL RISKS

Credit risk

The University is exposed to credit risk regarding the financial assets recognized on the consolidated balance sheet. The University has determined that the financial assets with more credit risk exposure are grants and other receivables and the loan to receive since failure of any of these parties to fulfil their obligations could result in significant financial losses for the University.

Market risk

The University's financial instruments expose it to market risk, in particular, to interest rate risk, currency risk and other price risk, resulting from operating, investing and financing activities.

Interest rate risk

The University is exposed to interest rate risk with respect to financial assets and liabilities bearing fixed and variable interest rates.

Some investments and long-term debts bear interest at a fixed rate and the University is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The bank loans and some long-term debts bear interest at a variable rate and the University is, therefore, exposed to the cash flow risk resulting from interest rate fluctuations.

An interest rate swap with a \$33,400,000 notional, maturing on the same date as the corresponding debt, that is in March 2036, has been designated to hedge the interest rate risk relating to that debt. Under the terms of the swap, the University pays interest at a fixed rate of 2.725% and receives interest at variable rates for an amount that corresponds exactly to the interest payable on the debt. As at April 30, 2022, the variable interest rate is of 2.043% (1.123% as at April 30, 2021).

Another interest rate swap with a \$20,200,000 notional, maturing on the same date as the corresponding debt, that is in April 2037, has been designated to hedge the interest rate risk relating to that debt. Under the terms of the swap, the University pays interest at a fixed rate of 3.13% and receives interest at variable rates for an amount that corresponds exactly to the interest payable on the debt. As at April 30, 2022, the variable interest rate is of 2.183% (1.263% as at April 30, 2021).

Another interest rate swap with a \$6,120,000 notional, maturing on the same date as the corresponding debt, that is in February 2038, has been designated to hedge the interest rate risk relating to that debt. Under the terms of the swap, the University pays interest at a fixed rate of 4.015% and receives interest at variable rates for an amount that corresponds exactly to the interest payable on the debt. As at April 30, 2022, the variable interest rate is of 2.403% (1.483% as at April 30, 2021).

Currency risk

The majority of the University's transactions are in Canadian dollars. Currency risk results from the University's purchases denominated in foreign currency which are primarily in U.S. dollars. As at April 30, 2022, the University is exposed to currency risk due to cash denominated in U.S. dollars totalling \$196,000 (\$14,000 as at April 30, 2021) and other payables denominated in U.S. dollars totalling \$1,750,000 (\$228,000 as at April 30, 2021).

Other price risk

The University is exposed to other price risk due to the shares of private companies and shares of a public company, since changes in market prices, other than those arising from currency risk and interest rate risk, could result in changes in fair value of these instruments.

Liquidity risk

The University's liquidity risk represents the risk that the University could encounter difficulty in meeting obligations associated with its financial liabilities. The University is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized on the consolidated balance sheet.