

**La Fondation de l'Université
de Sherbrooke**

**Financial Statements
April 30, 2020**

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de Sherbrooke**

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Independent Auditor's Report

To the Directors of
La Fondation de l'Université de Sherbrooke

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Opinion

We have audited the financial statements of La Fondation de l'Université de Sherbrooke (hereafter "The Foundation"), which comprise the balance sheet as at April 30, 2020, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies, and the schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Foundation as at April 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

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

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

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

In preparing the financial statements, management is responsible for assessing The Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause The Foundation to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Raymond Chabot Grant Thornton LLP*¹

Sherbrooke
October 22, 2020

¹ CPA auditor, CA public accountancy permit no. A125487

La Fondation de l'Université de Sherbrooke

Operations

Year ended April 30, 2020

	General Fund		Restricted Fund		Endowment Fund		Total	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Revenues								
Contributions								
Fund-raising campaigns								
Campagne majeure « D'avenirs et de passions » (2012-2018) (Note 10)	181,409	11,708	2,994,591	5,531,761	892,620	1,509,465	4,068,620	7,052,934
Campagne majeure « Ensemble » (2004-2009) (Note 11)				305,000				305,000
Annual campaign	44,088	60,075	1,161,994	1,246,430	178,794	144,285	1,384,876	1,450,790
Other campaigns	3,840		2,637,101	1,067,871	2,695,968	985,846	5,336,909	2,053,717
Fund-raising activities								
Gala du rayonnement	96,575						96,575	
Others			147,261	200,543			147,261	200,543
Loan service	434,979	476,263					434,979	476,263
Commercial activity - parking lots			3,753,591	4,029,514			3,753,591	4,029,514
Net investment income (Note 4)	3,151,268	2,785,356	(3,587,975)	4,424,399			(436,707)	7,209,755
	3,912,159	3,333,402	7,106,563	16,805,518	3,767,382	2,639,596	14,786,104	22,778,516
Expenses								
Operating expenses (Schedule A)								
Philanthropic development (annual campaign) (Schedule B)	1,299,389	1,295,280					1,299,389	1,295,280
Gala du rayonnement	1,092,150	829,861					1,092,150	829,861
Gala du rayonnement - works of art	147,750						147,750	
Fund-raising activities - others	10,229						10,229	
Commercial activity - parking lots			37,459	75,031			37,459	75,031
	2,549,518	2,125,141	2,845,196	2,825,047			2,845,196	2,825,047
Excess of revenues over expenses before donations	1,362,641	1,208,261	4,223,908	13,905,440	3,767,382	2,639,596	9,353,931	17,753,297
Donations - Université de Sherbrooke	375,000	105,755	9,653,752	10,599,070			10,028,752	10,704,825
Excess (deficiency) of revenues over expenses	987,641	1,102,506	(5,429,844)	3,306,370	3,767,382	2,639,596	(674,821)	7,048,472

The accompanying notes and the schedules are an integral part of the financial statements and Note 4 provides other information concerning the operations.

La Fondation de l'Université de Sherbrooke
Changes in Fund Balances

Year ended April 30, 2020

	General Fund		Restricted Fund		Endowment Fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	3,950,963	3,129,585	28,963,677	28,661,693	49,096,077	43,170,967	82,010,717	74,962,245
Excess (deficiency) of revenues over expenses	987,641	1,102,506	(5,429,844)	3,306,370	3,767,382	2,639,596	(674,821)	7,048,472
Interfund transfers (Note 5)	(53,332)	(281,128)	(1,406,667)	(3,004,386)	1,459,999	3,285,514		
Fund balances, end of year	4,885,272	3,950,963	22,127,166	28,963,677	54,323,458	49,096,077	81,335,896	82,010,717

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

La Fondation de l'Université de Sherbrooke

Cash Flows

Year ended April 30, 2020

	2020 \$	2019 \$
<i>OPERATING ACTIVITIES - GENERAL FUND AND RESTRICTED FUND</i>		
Cash flows - Campagne majeure « Ensemble » (2004-2009)		305,000
Cash flows - other revenues	8,037,734	6,973,547
Net cash flows - commercial activity - parking lots	1,204,469	1,230,620
Realized net investment income	2,693,692	2,848,869
Operating, philanthropic development, fund-raising and other expenses	(573,912)	(1,195,880)
Donations	(7,058,123)	(7,632,296)
Cash flows from operating activities	4,303,860	2,529,860
<i>INVESTING ACTIVITIES</i>		
Investments	(38,621,538)	(41,460,818)
Disposal of investments	30,580,737	36,458,433
Cash flows from investing activities	(8,040,801)	(5,002,385)
<i>FINANCING ACTIVITIES - ENDOWMENT FUND</i>		
Cash flows - other revenues and cash flows from financing activities	3,724,173	2,477,131
Net increase (decrease) in cash	(12,768)	4,606
Cash, beginning of year	16,319	11,713
Cash, end of year	3,551	16,319

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

La Fondation de l'Université de Sherbrooke

Balance Sheet

April 30, 2020

	General Fund \$	Restricted Fund \$	Endowment Fund \$	2020 Total \$	2019 Total \$
ASSETS					
Investments (Note 6)	9,473,855	29,679,335	60,182,287	99,335,477	94,181,603
Interfund account, without interest	731,733	5,838,667			
Contributions receivable (Note 7)	1,080	2,698,587	711,571	3,411,238	4,373,941
Receivable from the Université de Sherbrooke, without interest	27,948	908,394		936,342	1,268,127
Works of art	83,068			83,068	93,297
Prepaid expenses					8,451
Cash	3,551			3,551	16,319
	10,321,235	39,124,983	60,893,858	103,769,676	99,941,738
LIABILITIES					
Due to the Université de Sherbrooke (Note 8)					
Donations	1,062,994	16,762,891		17,825,885	14,855,256
Operating expenses	2,708,970			2,708,970	1,718,598
Philanthropic development expenses	1,585,164			1,585,164	984,387
Deferred revenues		96,602		96,602	158,813
Other payables	78,835	138,324		217,159	213,967
Interfund account, without interest			6,570,400		
	5,435,963	16,997,817	6,570,400	22,433,780	17,931,021
FUND BALANCES					
Unrestricted	4,885,272			4,885,272	3,950,963
Internally restricted		18,041,262		18,041,262	14,261,446
Externally restricted	22,127,166	36,282,196		58,409,362	63,798,308
	4,885,272	22,127,166	54,323,458	81,335,896	82,010,717
	10,321,235	39,124,983	60,893,858	103,769,676	99,941,738

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

On behalf of the Board,

Director

Director

La Fondation de l'Université de Sherbrooke

Notes to Financial Statements

April 30, 2020

1 - GOVERNING STATUTES AND PURPOSE OF THE FOUNDATION

The Foundation, incorporated under Part III of the Companies Act (Quebec), collects, owns and manages goods and funds to promote the development of teaching and academic research. It is a registered charity under the Income Tax Act.

2 - IMPACTS RESULTING FROM THE COVID-19 PANDEMIC

In March 2020, the decree of a COVID-19 state of pandemic and the numerous measures put in place by the federal, provincial and municipal governments to protect the public had impacts on The Foundation's operations, including the loss of net investment income and fundraising revenues. This crisis is likely to cause significant changes to the assets or liabilities in the coming year or have a significant impact on future operations.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Fund accounting

The Foundation follows the restricted fund method of accounting.

General Fund

The General Fund accounts for activities of The Foundation related to its administration, solicitation of funds, management of resources entrusted to it and the allocation of payments to the Université de Sherbrooke.

Restricted Fund

The Restricted Fund presents The Foundation's activities related to obtaining and using the restricted resources.

Endowment Fund

The Endowment Fund presents resources received as endowments.

The amounts externally restricted to the Restricted Fund or the Endowment Fund are imposed by the donors.

Accounting estimates

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

La Fondation de l'Université de Sherbrooke

Notes to Financial Statements

April 30, 2020

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Contributions

The Foundation follows the restricted fund method of accounting for contributions.

Externally restricted contributions are recognized as revenue when received or according to the pledged donations received during the year. Pledged donations are recognized if the collection is reasonably assured, that is when accompanied with the first donor's payment. A historical recovery rate is applied to the subscriptions. When a recognized pledged donation becomes non-cashable, a write-off or provision is then recognized in the expenses.

Contributions received as endowments are recognized as revenue of the Endowment Fund.

Revenues from the commercial activity

Revenues from the commercial activity are recognized when the services have been rendered and collection is reasonably assured.

Revenues from fund-raising activities

Revenues from the Gala du rayonnement and from other fund-raising activities are recognized when the activities occur. Deferred revenues represent revenues from fund-raising activities cashed for activities in future years.

Net investment income

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

Interest income is recognized on a time apportionment basis. Dividend income is recognized when it is acquired by The Foundation. The interest in net income of mutual funds is recognized upon distribution. Changes in fair value are recognized when they occur.

With respect to investments measured at fair value, The Foundation has elected to exclude from changes in fair value the interest income, the dividend income and the interest in net income of mutual funds.

Externally restricted net investment income is recognized in the appropriate restricted fund in accordance with the donor's intent. Unrestricted net investment income is recognized as revenue in the General Fund.

Financial assets and liabilities

Initial measurement

Upon initial measurement, The Foundation's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

La Fondation de l'Université de Sherbrooke

Notes to Financial Statements

April 30, 2020

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent measurement

At each reporting date, The Foundation measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets), except for investments in shares and mutual funds which are measured at fair value and bonds, debentures and discount notes which The Foundation has elected to measure at fair value by designating that fair value measurement shall apply.

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

Works of art valuation

Works of art detained to be distributed are valued at the lowest of cost and replacement cost. Cost is determined according to the specific identification method.

Controlled organization

The Foundation controls the grouping Campagne majeure « Ensemble » (2004-2009). The Foundation and the grouping's accounts are not consolidated.

4 - INFORMATION INCLUDED IN OPERATIONS

	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$	2020	2019
Net investment income						
Interest, dividends and interest in the net income of mutual funds	845,311	1,848,381		2,693,692		3,000,782
Realized changes in fair value	791,289	638,188		1,429,477		1,930,504
Unrealized changes in fair value	(205,116)	(4,354,760)		(4,559,876)		2,278,469
Portion of net investment income allocated to the General Fund	1,719,784	(1,719,784)				
	3,151,268	(3,587,975)	-	(436,707)		7,209,755

The Foundation undertakes a part of the operating and management expenses as well as soliciting and philanthropic development expenses. The Université de Sherbrooke undertakes all expenses relating to accounting and assistance with the financial operations of The Foundation and the Campagne majeure « Ensemble » (2004-2009) as well as a part of the soliciting and philanthropic development expenses of The Foundation in consideration of an annual donation paid to the Université de Sherbrooke. Furthermore, the Université de Sherbrooke undertakes all of the donor's recognition expenses and allows The Foundation free use of its premises and its basic institutional data.

La Fondation de l'Université de Sherbrooke

Notes to Financial Statements

April 30, 2020

5 - INTERFUND TRANSFERS

During the year, \$547,620 was transferred from the General Fund to the Endowment Fund, \$912,379 was transferred from the Restricted Fund to the Endowment Fund and \$494,288 was transferred from the Restricted Fund to the General Fund. These transfers are the results of capitalized (decapitalized) amounts following internal decisions or requests from donors.

6 - INVESTMENTS

	2020	2019
	\$	\$
Shares	11,898,005	13,854,658
Bonds, debentures and discount notes	1,397,299	693,036
Mutual funds		
Bonds and debentures	40,715,142	33,833,890
Shares	44,541,058	45,098,552
Cash	313,546	230,904
Furnishing and works of art	8,750	8,750
Surrender value - life insurance	51,516	46,303
Value - life annuities	410,161	415,510
	99,335,477	93,766,093

7 - PLEDGED SUBSCRIPTIONS

Some donors have pledged donations to The Foundation totalling \$44,000,579. The estimated receipts for the next five years are \$4,922,409 in 2021, \$3,914,685 in 2022, \$4,634,976 in 2023, \$2,421,966 in 2024 and \$2,714,437 in 2025.

Expected receipts are to be recognized as revenue when the collection is reasonably assured. As at April 30, 2020, \$3,411,238 was recognized as revenue (\$4,373,941 as at April 30, 2019).

8 - CREDIT FACILITY

The Foundation has an authorized line of credit facility from the Université de Sherbrooke for the amounts owed to the latter in accordance with the sharing of expenses stipulated under an outsourcing agreement. The amounts due are without interest and are repayable when The Foundation has cashed from its General Fund or 24 months following the end of the financial year, whichever comes first.

9 - COMMITMENTS

The Foundation has entered into a long-term lease agreement expiring in May 2020, which calls for lease payments to the Université de Sherbrooke of an amount equivalent to 40% of the gross parking lot revenues of the year, for the management of the parking lots. This agreement will renew every year for a one-year period unless one party gives a sixty-day notice to end the agreement. Also, the expenses incurred for the management of the parking lots will have to be reimbursed as management fees plus an amount equivalent to 10% of these expenses.

La Fondation de l'Université de Sherbrooke

Notes to Financial Statements

April 30, 2020

9 - COMMITMENTS (Continued)

The Foundation has also entered into an outsourcing agreement with the Université de Sherbrooke expiring in April 2021, which calls for payments of \$27,309 in form of an annual donation intended for research (or any proposal for donation or restricted attribution to the satisfaction of the parties), in compensation of accounting services and assistance to the financial operations of The Foundation. In addition, The Foundation has entered into an agreement with the Université de Sherbrooke in which it has to pay, in the form of an annual attribution, an amount equivalent to the total of the following amounts: 50% of the salary of the management team of the service relationships with graduates (SRWG), 50% of the salary of all SRWG development agents and 100% of the salary of all SRWG development agents dealing with mass solicitation activities. This amount will be paid in consideration for the assumption of the solicitation and philanthropic development expenses by the Université de Sherbrooke. This agreement is renewable every year for a period of one year unless one party gives a three-month notice to end the agreement.

The Foundation has also entered into a service agreement expiring in May 2020, which calls for payments of \$40,000 for consulting services in investment management. This agreement is renewable every year, unless one party gives a three-month notice to end the agreement.

10 - CAMPAGNE MAJEURE « D'AVENIRS ET DE PASSIONS » (2012-2018)

Pursuant to an agreement, The Foundation and other organizations, among which the Faculté de médecine et des sciences de la santé of Université de Sherbrooke, have agreed to regroup and pool their resources in order to organize and realize a major fund-raising campaign, soliciting donations from businesses and the general public in order to finance their activities in the fields of research and teaching.

11 - CAMPAGNE MAJEURE « ENSEMBLE » (2004-2009)

Pursuant to an agreement, The Foundation and other organizations have agreed to regroup and pool their resources in order to organize and realize a major fund-raising campaign, soliciting donations from businesses and the general public in order to finance their activities in the fields of health research and support for research and teaching.

Under this agreement, 62% of the net receipts (expenses) from this campaign are attributed (charged) to the Foundation. The partners ended the campaign on April 30, 2019.

12 - INFORMATION IN CASH FLOWS

During the year, The Foundation has received donations in form of investments totalling \$235,037 (\$631,854 in 2019).

La Fondation de l'Université de Sherbrooke

Notes to Financial Statements

April 30, 2020

13 - FINANCIAL RISKS

Credit risk

The Foundation is exposed to credit risk regarding the financial assets recognized on the balance sheet, other than shares and mutual funds. The Foundation has determined that the financial assets with more credit risk exposure are contributions receivable and the receivable from the Université de Sherbrooke since failure of any of these parties to fulfil their obligations could result in significant financial losses for The Foundation.

Some investments in mutual funds indirectly expose The Foundation to credit risk.

Bonds, debentures and discount notes represent bonds, debentures and discount notes from municipal, provinces, Government of Canada and public traded companies. The management of The Foundation considers these financial assets to be a low risk for losses. The highest concentration of these security issues is from provinces for an amount representing 99% (44% from the Société de transport de Montréal as at April 30, 2019) of the investments in bonds, debentures and discount notes.

Market risk

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

Interest rate risk

The Foundation is exposed to interest rate risk with respect to financial assets bearing fixed interest rates.

Bonds, debentures and discount notes bear interest at a fixed rate and The Foundation is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Some mutual funds indirectly expose The Foundation to interest rate risk.

Currency risk

Currency risk results from The Foundation's investments denominated primarily in U.S. dollars totalling \$1,895,015 as at April 30, 2020 (\$1,866,297 as at April 30, 2019).

Other price risk

The Foundation is exposed to other price risk due to investments in shares, bonds, debentures, discount notes and mutual funds since changes in market prices could result in changes in fair value or cash flows of these instruments.

Liquidity risk

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

14 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

The main reclassification as at April 30, 2019 is the reclassification, in the endowment fund, for an amount of \$3,285,514 from the externally restricted fund balance to the internally restricted fund balance.

La Fondation de l'Université de Sherbrooke

Schedules

Year ended April 30, 2020

	SCHEDULE A	
	2020	2019
	\$	\$
OPERATING EXPENSES		
Salaries and employee benefits	292,241	469,844
Investment management fees	288,546	258,658
Investment management fees from performance	194,277	151,913
Fiduciary fees	39,733	34,422
Professional fees		
Audit and consulting	210,091	169,111
Office supplies and expenses	19,841	16,784
Travelling expenses and public relations	38,232	7,255
Bank charges	25,845	23,950
Exchange loss		4,023
Advertising	12,828	200
Life insurance - premium from donors (*)	174,897	158,007
Training fees	1,654	822
Telecommunications	1,204	291
	1,299,389	1,295,280

(*) The Foundation benefits from life insurance contracts for an amount of \$6,820,140 (\$6,520,140 as at April 30, 2019).

	SCHEDULE B	
	2020	2019
	\$	\$
PHILANTHROPIC DEVELOPMENT		
Salaries and employee benefits	813,132	681,998
Professional fees		
Consulting	177,182	20,540
Office supplies and expenses	7,107	12,304
Expedition fees	44,139	40,858
Advertising	10,654	34,759
Fund-raising activities	9,412	
Travelling expenses and public relations	26,812	36,794
Telecommunications	3,712	2,608
	1,092,150	829,861