

**Bishop's University**  
**Financial Statements**  
**April 30, 2015**

---

**Bishop's University**  
**Financial Statements**  
**April 30, 2015**

Independent Auditor's Report	2 - 3
Financial Statements	
Revenues and Expenses	4
Changes in Fund Balances	5
Cash Flows	6
Balance Sheet	7
Notes to Financial Statements	8 - 18

---



# Raymond Chabot Grant Thornton

## Independent Auditor's Report

To the Board of Governors of  
Bishop's University

Raymond Chabot Grant Thornton LLP  
Suite 500  
455 King Street West  
Sherbrooke, Quebec J1H 6G4

Tel.: 819-822-4000  
Toll-free: 1-800-567-6958  
Fax: 819-821-3640  
[www.rcgt.com](http://www.rcgt.com)

We have audited the accompanying financial statements of Bishop's University, which comprise the balance sheet as at April 30, 2015 and the statements of revenues and expenses, 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 Bishop's University as at April 30, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Raymond Chabot Grant Thornton LLP* <sup>1</sup>

Sherbrooke  
October 2, 2015

---

<sup>1</sup> CPA auditor, CA public accountancy permit n° A125487

# Bishop's University

## Revenues and Expenses

Year ended April 30, 2015

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>								
Grants - Ministère de l'Éducation, de l'Enseignement supérieur et de la Recherche	21,285,201	23,538,568	341,857	187,460	2,270,155	2,110,836	23,897,213	25,836,864
Student academic fees	11,586,446	11,748,885					11,586,446	11,748,885
Other student fees	933,158	923,875					933,158	923,875
Other	461,216	599,100	440,959	392,136	451,356	272,822	1,353,531	1,264,058
Contributions - Bishop's University Foundation			2,272,670	2,347,259	317,055	205,990	2,589,725	2,553,249
Research grants	2,372,212	2,319,748	833,281	789,614			833,281	789,614
Student services	8,830,242	11,927,632					2,372,212	2,319,748
Ancillary enterprises	45,468,475	51,057,808	3,888,767	3,716,469	3,038,566	2,589,648	8,830,242	11,927,632
<b>Expenses</b>								
Teaching	21,685,447	20,995,638	615,401	474,769	22,300,848	21,470,407	1,091,711	967,017
Funded research	1,408,282	1,442,649	1,091,711	967,017			1,429,821	1,461,483
Academic support	1,381,502	1,286,791	21,539	18,834	1,381,502	1,286,791		
Library								
Information technology and audio-visual								
Administration support								
Administration	5,655,663	6,004,886	76,568	73,120	5,732,231	6,078,006		
Land and buildings	4,541,886	4,627,959	9,987	2,991	4,551,873	4,630,950		
Student services	2,246,156	2,206,675	687,187	379,422	2,933,343	2,586,097		
Student scholarships and bursaries	132,850	99,156	1,268,489	1,689,583	1,401,039	1,788,739		
Ancillary enterprises	7,663,200	9,359,045	117,895	110,733	7,781,085	9,469,778		
Interest on long-term debt and temporary financing (Note 4)					918,194	850,372		
Interest on derivative financial instrument (Note 4)					233,921	246,236		
Other interest (Note 4)	43,363	44,188					43,363	44,188
Amortization of tangible capital assets								
Amortization of other assets					3,918,759	3,486,349		
Capital assets written off					51,466	51,466		
Retirement allowances and severance costs	19,514	17,714			109,008	25,037	19,514	17,714
Employee future benefits	(8,700)	1,242,000					(8,700)	1,242,000
Amortization of pension plan	1,190,453	1,219,819					1,190,453	1,219,819
Net change in fair value of investments	58,029	(45,443)				450	58,029	(44,993)
Net change in fair value of derivative financial instrument								
Net change in fair value of long-term debt								
<b>Excess (deficiency) of revenues over expenses</b>	<b>46,017,345</b>	<b>48,501,077</b>	<b>3,888,767</b>	<b>3,716,469</b>	<b>5,876,222</b>	<b>4,016,937</b>	<b>55,782,334</b>	<b>56,234,483</b>
	<b>(548,870)</b>	<b>2,556,731</b>	<b>-</b>	<b>-</b>	<b>(2,837,656)</b>	<b>(1,427,289)</b>	<b>(3,386,526)</b>	<b>1,129,442</b>

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

## Bishop's University

### Changes in Fund Balances

Year ended April 30, 2015

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year								
Fund balances, as previously reported	(35,516,330)	(31,869,646)			8,954,579	6,631,153	(26,561,751)	(25,238,493)
Accounting change (Note 2)	20,100	(15,709,900)					20,100	(15,709,900)
Fund balances, as restated	<u>(35,496,230)</u>	<u>(47,579,546)</u>	-	-	<u>8,954,579</u>	<u>6,631,153</u>	<u>(26,541,651)</u>	<u>(40,948,393)</u>
Excess (deficiency) of revenues over expenses	(548,870)	2,556,731			(2,837,656)	(1,427,289)	(3,386,526)	1,129,442
Employee future benefits -								
remeasurements and other items	(10,382,100)	13,277,300			3,686,894	3,750,715	(10,382,100)	13,277,300
Interfund transfers (Note 5)	(3,686,894)	(3,750,715)						
Fund balances, end of year	<u>(50,114,094)</u>	<u>(35,496,230)</u>	-	-	<u>9,803,817</u>	<u>8,954,579</u>	<u>(40,310,277)</u>	<u>(26,541,651)</u>

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

# Bishop's University

## Cash Flows

Year ended April 30, 2015

	2015	2014
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	(3,386,526)	1,129,442
Non-cash items		
Amortization of tangible capital assets	3,918,759	3,486,349
Amortization of other assets	51,466	51,466
Amortization of deferred contributions related to tangible capital assets	(2,125,331)	(1,794,294)
Net change in fair value of investments	(61,304)	(188,740)
Net change in fair value of derivative financial instrument	172,644	(379,041)
Net change in fair value of long-term debt	472,230	(263,932)
	<u>(958,062)</u>	<u>2,041,250</u>
Employee future benefits	(8,700)	1,242,000
Charitable annuities payable	60,315	85,265
Net change in working capital items		
Accounts receivable	3,296,870	(383,718)
Due from Bishop's University Foundation	(630,951)	(875,680)
Prepaid expenses	(53,208)	(55,891)
Unearned revenue	(98,139)	(287,009)
Accounts payable and accrued liabilities	631,995	750,693
Deferred contributions	282,851	354,345
Cash flows from operating activities	<u>2,522,971</u>	<u>2,871,255</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of investments	(50,006)	(100,000)
Disposal of investments	152,922	151,170
Acquisition of tangible capital assets	(15,449,984)	(19,109,366)
Cash flows from investing activities	<u>(15,347,068)</u>	<u>(19,058,196)</u>
<b>FINANCING ACTIVITIES</b>		
Net change in credit facility	400,000	7,500,000
Net change in banker's acceptances	(251,000)	(234,000)
Issuance of long-term debt	8,907,426	10,000,000
Repayment of long-term debt	(1,689,097)	(7,622,370)
Deferred contributions related to tangible capital assets	8,115,483	6,772,398
Cash flows from financing activities	<u>15,482,812</u>	<u>16,416,028</u>
<b>Net increase in cash and cash equivalents</b>	<u>2,658,715</u>	<u>229,087</u>
Cash and cash equivalents (deficiency), beginning of year	113,009	(116,078)
Cash and cash equivalents, end of year	<u>2,771,724</u>	<u>113,009</u>

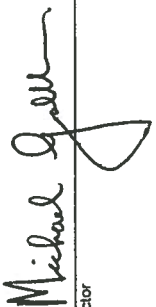
The accompanying notes are an integral part of the financial statements.

**Bishop's University**  
**Balance Sheet**  
 April 30, 2015

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>								
Current								
Cash	2,771,724	113,009					2,771,724	113,009
Accounts receivable	2,311,421	2,180,770	17,002	13,636	56,503	38,577	2,384,926	2,194,406
Accounts receivable - Ministère de l'Éducation, de l'Enseignement supérieur et de la Recherche	911,998	4,401,490			40,679		952,677	4,440,067
Due from Bishop's University Foundation	1,464,316	833,365					1,464,316	833,365
Prepaid expenses	637,151	583,943					637,151	583,943
	<b>8,096,610</b>	<b>8,112,577</b>	<b>17,002</b>	<b>13,636</b>	<b>97,182</b>	<b>38,577</b>	<b>8,210,794</b>	<b>8,164,790</b>
Long-term								
Accounts receivable	834,592	834,592					834,592	834,592
Interfund account, without interest	6,398,229	9,617,966	2,810,003	2,547,415			9,108,006	12,165,381
Investments (Note 7)	87,111	142,620					87,111	142,620
Tangible capital assets (Note 8)					976,860	962,963		
Other assets (Note 9)					79,004,042	70,059,458		
Capital grants receivable (Note 10)					220,001	271,467		
					2,089,409	2,161,664		
	<b>15,416,542</b>	<b>18,707,755</b>	<b>2,827,005</b>	<b>2,561,051</b>	<b>82,387,494</b>	<b>73,494,129</b>	<b>91,422,809</b>	<b>82,597,554</b>
<b>LIABILITIES</b>								
Current								
Bank indebtedness and credit facility (Note 11)	18,000,000	17,600,000			4,992,000	5,243,000	18,000,000	17,600,000
Banker's acceptances (Note 12)							4,992,000	5,243,000
Trade payables and other operating liabilities (Note 13)	5,819,751	5,168,361	3,037	19,934	3,365,968	5,955,107	9,188,756	11,143,402
Derivative financial instrument (Note 12)	1,491,085	1,589,224			1,240,662	1,068,018	1,491,085	1,068,018
Unearned revenue							1,491,085	1,589,224
Current portion of long-term debt	25,310,836	24,357,585	3,037	19,934	9,513,895	1,689,100	9,513,895	1,689,100
					19,112,525	13,955,225	44,426,398	38,332,744
Long-term								
Accrued liabilities related to charitable annuities					973,236	912,921	973,236	912,921
Interfund accounts, without interest					9,208,232	12,165,381	2,823,968	2,541,117
Deferred contributions (Note 14)								
Capital assets (Note 10)	40,219,800	29,846,400			15,543,625	9,625,728	15,543,625	9,625,728
Long-term debt (Note 15)	65,530,636	54,203,985			27,746,059	27,880,295	27,746,059	27,880,295
Defined liability benefit (Note 16)							40,219,800	29,846,400
					2,827,005	2,561,051	131,733,086	109,139,205
	<b>(50,114,094)</b>	<b>(35,496,230)</b>					<b>(50,114,094)</b>	<b>(35,496,230)</b>
<b>FUND BALANCES (NEGATIVE)</b>								
Deficit								
Invested in capital assets	<b>(50,114,094)</b>	<b>(35,496,230)</b>			9,803,817	8,954,579	9,803,817	8,954,579
					9,803,817	8,954,579	<b>(40,310,277)</b>	<b>(26,541,651)</b>
	<b>15,416,542</b>	<b>18,707,755</b>	<b>2,827,005</b>	<b>2,561,051</b>	<b>82,387,494</b>	<b>73,494,129</b>	<b>91,422,809</b>	<b>82,597,554</b>

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

Approved by the Board of Governors  
  
 Director

  
 Director



# Bishop's University

## Notes to Financial Statements

April 30, 2015

---

### 1 - STATUTES AND NATURE OF OPERATIONS

Bishop's University was created in 1843 by a special act of the parliament of the Province of Canada under the name of Bishop's College. It was granted university status in 1853 as University of Bishop's College and changed its name to Bishop's University (hereafter the "University") in 1958. The mission of the University includes post-secondary education, research and community service. The University is a registered charity and, under section 149 of the Income Tax Act, is exempt from payment of income tax.

### 2 - ACCOUNTING CHANGE

As at May 1st, 2014, the University applied Section 3463, Reporting Employee Future Benefits by Not-for-profit Organizations, in Part III of the *CPA Canada Handbook - Accounting* to recognize the pension expense and other employee benefits. In accordance with the transitional provisions, this new standard, applicable to financial statements for fiscal years beginning on or after January 1st, 2014, has been applied retrospectively. Previously, the University applied Section 3461, Employee Future Benefits, in Part II of the *CPA Canada Handbook - Accounting*. It, therefore, measured accrued benefit obligations using a valuation for accounting purposes in accordance with Section 3461 and recognized in operations actuarial gains and losses and past service cost resulting from changes to the pension plans according to the straight-line basis of amortization over the average remaining service period of active employees covered by the pension plans. Under the new standard, it is no longer possible to defer the recognition of actuarial gains or losses and past service cost to future years since the new standard requires their immediate recognition on the statement of changes in fund balances under a separate item.

For the operating fund, the accounting change led to a decrease in the defined benefit liability and an increase in fund balances of \$20,100 in 2014 and a decrease in the employee future benefits expense and an increase in the excess of revenues over expenses for the year of \$2,452,700 in 2014 as well as the separate presentation of remeasurements and other items on the statement of changes in fund balances. The \$15,709,900 adjustment relating to years prior to the years presented is applied against opening fund balances for the 2014 year.

### 3 - SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The University's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations, in respect with the needs in financial information expressed by the ministère de l'Éducation, de l'Enseignement supérieur et de la Recherche (hereafter the "MEESR"), sub-section 1.1 of the *Cahier des définitions, des termes et des directives de présentation du Système d'information financière des universités*.

#### Consolidation

The net result of the not-for-profit organization affiliated with the University, the Bishop's University Foundation, is not consolidated in these financial statements. However, key information is reported in Note 19.

#### Fund accounting

These financial statements are prepared on a fund accounting basis using the deferral method. The funds used are categorized as follows:

- Operating Fund, which includes teaching, academic and administration support, student services as well as ancillary enterprises such as residences and food services, sports centre, theatre and parking, all with no external restriction;
- Restricted Funds represent amounts received by the University which have donor or other external or internal restrictions and are used mainly to support student scholarships and services, academic enrichment and research activities;
- Capital Fund, which includes funds expended on assets of a long-term nature, including capital assets and certain investments.

#### Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best 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. 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.

**Bishop's University**  
**Notes to Financial Statements**  
 April 30, 2015

---

**3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial assets and liabilities**

*Subsequent measurement*

At each reporting date, the University measures its financial assets and liabilities at cost or amortized cost (including any impairment in the case of financial assets), except for investments in the balanced fund and money market fund and the long-term debt which the University has elected to measure at fair value by designating that fair value measurement shall apply.

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 the 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 cost or amortized cost is recognized in the statement of revenues and expenses in the year the reversal occurs.

**Derivative financial instruments**

The University uses derivative financial instruments to reduce the interest rate exposure of its debt. It does not use financial instruments for trading or speculative purposes.

The University uses interest rate swap to manage the risk of interest rate fluctuations on its banker's acceptances. This swap requires the periodic exchange of interest without an exchange of the notional (capital) amount on which payments are calculated.

Derivative financial instruments are recognized on the balance sheet at their fair value, and changes in fair value are recognized in the statement of revenues and expenses in the Capital Fund.

**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 recognized as revenue in the year in which the related expenses are incurred. Where contributions related to capital assets, the revenue is recognized on the same basis as the depreciation of the asset acquired. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. 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. Interest income is recognized on a time apportionment basis whereas dividend income is recognized when it is acquired by the University. Realized gains and losses on sales of investments are recorded when securities are sold based on the cost. Unrealized gains and losses related to the change in market value are disclosed as variation of the fair value of investments in the statement of revenues and expenses.

*Other*

The University's principal sources of revenue, aside from contributions, are student academic fees and other students fees, student services and ancillary enterprises. 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.

Receipts for which revenue is not yet earned are recorded as unearned revenue.

**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 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 and is recognized in the statement of revenues and expenses under Employee future benefits. 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 statement of changes in net fund balances. Remeasurements and other items are not reclassified to the statement of operations in a subsequent year.

# Bishop's University

## Notes to Financial Statements

April 30, 2015

### 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

#### Tangible capital assets

Tangible capital assets acquired are recorded at cost. When the University receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date or to a nominal amount of \$1 if the fair value cannot be reasonably determined.

Tangible capital assets purchased within the Operating Fund are presented as an Interfund transfer in the statement of changes in fund balances. Tangible capital assets purchased within the Restricted Funds are recorded as a revenue in the Capital Fund when the portion dedicated to capital purchases is not specified by the grant provider.

Tangible capital assets of ancillary enterprises are added to the Capital Fund and the payments on the related long-term debt or the contribution to financing for acquisitions are presented as an Interfund transfer in the statement of changes in fund balances.

#### Amortization

The annual amortization rates and periods are prescribed by the MEESR. Amortization is based on their estimated useful lives according to the straight-line method over the following periods:

	<u>Periods</u>
Land improvements	10 or 20 years
Buildings	20, 40 or 50 years
Building renovations	25, 30 or 40 years
Furnishings, rolling equipment, software	5 years
Equipment	5, 10 or 15 years
Computer hardware	3 years
Library collection	10 years

#### Write-down

When the University recognizes that a tangible capital asset no longer has any long-term service potential, the excess of net carrying amount of the tangible capital asset over its residual value is recognized as an expense in the statement of Revenues and Expenses.

#### Other assets

The University holds an interest, representing 1/19<sup>th</sup> of the cost of a high speed telecommunication system pursuant to an agreement between the MEESR, the Réseau interordinateurs scientifique québécois (RISQ) Inc. and the universities. The annual amortization is established using the straight-line method over the term of the contract signed by the MEERS and the University (16 years).

#### Servicing of long-term debt

For the long-term debt obligations, the Gouvernement du Québec funds annual principal and interest payment requirements on behalf of the University, which are recorded as decreases in the related debt.

### 4 - INTEREST EXPENSES

	<u>2015</u>	<u>2014</u>
	\$	\$
Interest on long-term debt	757,940	705,562
Interest on bank indebtedness, credit facility and banker's acceptances	437,538	435,234
	<u>1,195,478</u>	<u>1,140,796</u>

### 5 - INTERFUND TRANSFERS

During the year, the University transferred \$2,118,394 (\$3,023,901 for the year ended April 30, 2014) from the Operating Fund to the Capital Fund in order to finance net cash disbursements related to fixed assets, long-term debt repayments and payments of interest on long-term debt, and transferred \$1,568,500 (\$726,814 for the year ended April 30, 2014) from the Operating Fund to the Capital Fund as a reserve for future residences renovations.

## Bishop's University Notes to Financial Statements

April 30, 2015

### 6 - GOVERNMENT ASSISTANCE

The MEESR financially supports certain capital projects of the University each year for which the form of funding is finalized at a later date. Included in the interfund amounts due to and from the Operating and Capital Funds respectively is approximately \$4,491,575 (\$2,679,387 for the year ended April 30, 2014) of capital expenditures and interest on temporary financing incurred as at year-end and for which the funding has yet to be either received or finalized by the MEESR.

### 7 - INVESTMENTS

	2015	2014
	\$	\$
Balanced Fund, McLean Budden, representing charitable annuity donation fund	973,733	913,416
Money Market Fund, McLean Budden, representing Supplemental Employee Retirement Plan (SERP)	3,127	49,547
MSBI Valorisation Inc., 8 shares, 0.8%	4,000	4,000
MSBI Investment Fund - Limited partnership, 1 unit, 0.35%	83,105	138,620
Corporation Aligo Inc.	6	
	<u>1,063,971</u>	<u>1,105,583</u>

### 8 - TANGIBLE CAPITAL ASSETS

	2015		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land	417,644		417,644
Land improvements	3,154,150	1,199,426	1,954,724
Buildings	63,106,430	25,851,965	37,254,465
Building renovations	35,604,023	5,985,643	29,618,380
Building renovations in progress	1,639,503		1,639,503
Furnishings, equipment, rolling equipment, computer hardware	7,600,429	4,042,879	3,557,550
Library collection	8,658,209	4,974,693	3,683,516
Software	1,929,804	1,051,544	878,260
	<u>122,110,192</u>	<u>43,106,150</u>	<u>79,004,042</u>
			2014
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land	417,644		417,644
Land improvements	3,154,150	1,041,252	2,112,898
Buildings	34,194,481	25,110,200	9,084,281
Buildings in progress	21,680,582		21,680,582
Building renovations	32,435,183	4,878,891	27,556,292
Building renovations in progress	1,307,316		1,307,316
Furnishings, equipment, rolling equipment, computer hardware	6,966,421	3,621,854	3,344,567
Library collection	7,879,812	4,228,054	3,651,758
Software	1,670,979	797,139	873,840
Software in progress	30,280		30,280
	<u>109,736,848</u>	<u>39,677,390</u>	<u>70,059,458</u>

During the year, the capital assets fully amortized written off represents \$490,000.

Acquisition of tangible capital assets for an amount of \$3,346,898 (\$5,933,539 as at April 30, 2014) is included in the trade payables and other operating liabilities.

# Bishop's University

## Notes to Financial Statements

April 30, 2015

### 9 - OTHER ASSETS

	2015	2014
	\$	\$
Telecommunication system (RISQ), at amortized cost	205,593	254,935
Other	14,408	16,532
	<u>220,001</u>	<u>271,467</u>

### 10 - CAPITAL GRANTS RECEIVABLE AND DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

Capital grants receivable relate to capital grants approved by the MEESR but funded through long-term debt issued in the University's name or not yet funded. These amounts are due immediately, however their collection is not expected within the next fiscal year and, accordingly, they are presented as long-term.

Deferred contributions related to tangible capital assets represent the unamortized amount of donations and grants received for the purchase of tangible capital assets.

The amortization of deferred contributions related to tangible capital assets and capital grants receivable is recorded as revenue in the statement of revenues and expenses. The total changes in the capital grants receivable and the deferred contributions balances are as follows:

	2015	2014
	\$	\$
Capital grants receivable (net of deferred contributions related to tangible capital assets), beginning of year	(7,464,064)	(2,485,960)
Amortization of deferred contributions	2,125,331	1,794,294
Deferred contributions received	(8,115,483)	(6,772,398)
Capital grants receivable (net of deferred contributions related to tangible capital assets), end of year	<u>(13,454,216)</u>	<u>(7,464,064)</u>

The detailed changes in the capital grants receivable and the deferred contributions balances, presented by principal funds providers, are as follows:

#### Ministère de l'Éducation, de l'Enseignement supérieur et de la Recherche

	2015	2014
	\$	\$
Capital grants receivable, beginning of year	2,161,664	2,670,119
Amortization of deferred contributions	1,512,385	1,377,112
Deferred contributions received	(1,584,640)	(1,885,567)
Capital grants receivable, end of year	<u>2,089,409</u>	<u>2,161,664</u>

#### Bishop's University Foundation

	2015	2014
	\$	\$
Deferred contributions, beginning of year	(1,438,525)	(1,592,055)
Amortization of deferred contributions	225,949	201,004
Deferred contributions received	(1,348,563)	(47,474)
Deferred contributions, end of year	<u>(2,561,139)</u>	<u>(1,438,525)</u>

#### Others

	2015	2014
	\$	\$
Deferred contributions, beginning of year	(8,187,203)	(3,564,024)
Amortization of deferred contributions	386,997	216,178
Deferred contributions received	(5,182,280)	(4,839,357)
Deferred contributions, end of year	<u>(12,982,486)</u>	<u>(8,187,203)</u>

## Bishop's University

### Notes to Financial Statements

April 30, 2015

#### 11 - BANK INDEBTEDNESS AND CREDIT FACILITY

The University has an authorized line of credit of \$34,000,000, bearing interest at either prime rate (3%) or banker's acceptances rate plus 0.3% stamping fees (1.54% as at April 30, 2014) and renewable on July 2014, of which \$16,000,000 remained unused at year-end.

#### 12 - BANKER'S ACCEPTANCES

The University has an authorized line of credit facility of \$4,992,000 (\$5,243,000 as at April 30, 2014) by way of banker's acceptances, bearing interest at banker's acceptances rate plus 0.3% stamping fees (1.298%; 1.54% as at April 30, 2014), as part of the financing of the Paterson's students residence.

On April 30, 2015, the University has an agreement to swap interest rates, maturing in September 2028. Under this agreement, payments or receipts for the difference between the fixed interest rate of 5.42% and banker's acceptances rate plus 0.3% stamping fees (1.298% as at April 30, 2015) are made.

The notional amount of the swap agreement entered into by the University is \$4,992,000 as at April 30, 2015. The fair value of liabilities of the swap made according to information obtained from the financial institution is \$1,240,662.

#### 13 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	2015	2014
	\$	\$
Accounts payable and other accrued liabilities	8,029,072	9,958,783
Vacation and overtime accruals	1,159,684	1,184,619
	<u>9,188,756</u>	<u>11,143,402</u>

#### 14 - DEFERRED CONTRIBUTIONS

Deferred contributions represent the unspent portion of funds received for restricted purposes other than capital purchases which are disclosed in Note 10.

	2015	2014
	\$	\$
Balance, beginning of year	2,541,117	2,186,772
Deferred contributions received	4,171,619	4,070,814
Amortization of deferred contributions	<u>(3,888,768)</u>	<u>(3,716,469)</u>
Balance, end of year	<u>2,823,968</u>	<u>2,541,117</u>

The detailed deferred contributions balances, presented by principal types, are as follows:

	2015	2014
	\$	\$
Academic, student services and bursaries	1,388,544	1,451,488
Research	698,050	289,670
Other	<u>737,374</u>	<u>799,959</u>
Balance, end of year	<u>2,823,968</u>	<u>2,541,117</u>

# Bishop's University

## Notes to Financial Statements

April 30, 2015

### 15 - LONG-TERM DEBT

	2015	2014
	\$	\$
<b>Serviced by the University</b>		
<i>To finance heating tunnel - capital renovations:</i>		
Term loan, principal balance of \$563,707 (\$599,101 as at April 30, 2014), 5%, payable in monthly blended instalments of \$5,379, maturing in October 2016	590,254	637,975
<i>To finance the new student system:</i>		
Term loan, principal balance of \$340,416 (\$387,917 as at April 30, 2014), 2.53%, payable in monthly capital instalments of \$3,958, maturing in June 2017	346,520	391,617
<b>Serviced by the Gouvernement du Québec</b>		
<i>MEESR capital grants are authorized under the five year university capital investment plan (Plan quinquennal d'investissements) and are funded by the Gouvernement du Québec out of public borrowing in the University's name (process known as grant bonds). As a result, the long-term debt listed here below is managed, administered and serviced by the Gouvernement du Québec:</i>		
Term loan, principal amount of \$4,650,432 (\$4,987,824 as at April 30, 2014), 2.559%, payable in annual capital instalments of \$337,392, renewable in June 2016	4,775,064	5,151,030
Term loan, principal amount of \$6,160,000 (\$6,440,000 as at April 30, 2014), 1.9257%, payable in annual capital instalments of \$280,000, renewable in April 2017	6,279,249	6,512,454
Term loan, principal amount of \$5,520,000 (\$5,760,000 as at April 30, 2014), 2.1182%, payable in annual capital instalments of \$240,000, renewable in June 2018	5,667,512	5,732,614
Term loan, principal amount of \$7,589,629 (\$8,044,814 as of April 30, 2014), 1.382%, payable in annual capital instalments of \$455,185, renewable in April 2016	7,626,813	8,066,910
Term loan, principal amount of \$1,414,400 (\$1,500,000 as of April 30, 2014), 1.435%, payable in annual capital instalments of \$85,600, renewable in December 2016	1,425,241	1,499,450
Term loan, principal amount of \$1,500,000, 1.435%, payable in annual capital instalments of \$60,000, renewable in June 2032	1,481,386	
<b>Serviced by other sources</b>		
<i>To finance the construction of Kuehner, Munster and Abbott student residences subsidized by the MEESR:</i>		
Mortgage loans, secured by buildings having a net carrying amount of \$55,660 as at April 30, 2015, principal amount of \$51,645 (\$112,415 as at April 30, 2014), 5.375% to 5.75% (5.125% to 5.75% as at April 30, 2014), payable in semi-annual blended instalments of \$27,595, maturing at various dates from September 2015 to 2016	51,757	118,318
<i>To finance Centennial Theatre renovations subsidized by the ministère de la Culture et des Communications</i>		
Term loan, principal amount of \$562,897 (\$596,021 as at April 30, 2014), 3.1%, payable in semi-annual blended instalments of \$25,673, renewable in May 2018	573,936	593,856
<i>To finance the construction of a synthetic turf subsidized by:</i>		
<i>The MEESR:</i>		
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$679,486 (\$793,621 as at April 30, 2014), 5.89%, payable in annual blended instalments of \$160,879, maturing in May 2019	750,092	865,171

# Bishop's University

## Notes to Financial Statements

April 30, 2015

### 15 - LONG-TERM DEBT (Continued)

	2015	2014
	\$	\$
<i>To finance the construction of a sport center subsidized by:</i>		
<i>The MEESR:</i>		
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$7,407,426, 3.097%, payable in annual blended instalments of \$872,681, maturing in September 2024	7,692,130	
	<u>37,259,954</u>	<u>29,569,395</u>
Current portion	<u>(9,513,895)</u>	<u>(1,689,100)</u>
	<u>27,746,059</u>	<u>27,880,295</u>

The estimated instalments on long-term debt for the next years are as follows:

	\$
2016	9,513,895
2017	13,235,603
2018	1,400,990
2019	6,165,593
2020	938,385
2021 and more	5,185,572

### 16 - EMPLOYEE FUTURE BENEFITS

#### Pension Plans

- 1) The University sponsors a defined benefit pension plan for eligible full-time employees (the "Pension Plan for Full-Time Employees").
- 2) The University also maintains a Supplemental Employee Retirement Plan (SERP) for members of the Pension Plan for Full-Time Employees.
- 3) The University also sponsors a defined contribution pension plan for eligible part-time employees.
- 4) Certain employees (Faculty and Librarians) of the University have access to early retirement plans as defined in their collective agreement.

The most recent actuarial valuation of the pension plans for funding purposes was as of June 30, 2014.

The University contributes additional amounts of \$2,027,400 (\$2,027,400 in 2014) of which \$810,960 (\$787,307 in 2014) was paid by employees in fringe benefits and \$647,798 (\$647,798 in 2014) is due from the employees.

The funded status of the benefit plans is as follows:

	2015				
	Pension Plan for Full-Time Employees	SERP	Post- Retirement Insurance	Early Retirement Program	Total
	\$	\$	\$	\$	\$
Defined benefit obligations	(140,903,200)	(1,793,200)	(16,707,000)	(2,888,300)	(162,291,700)
Fair value of plan assets	122,071,900				122,071,900
Funded status - deficit and defined benefit liability	(18,831,300)	(1,793,200)	(16,707,000)	(2,888,300)	(40,219,800)

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

Accrued benefit obligation as of April 30					
Discount rate	5.75%	5.75%	5.75%	5.75%	5.75%
Rate of compensation increase	2.5%	2.5%	N.A.	2.5%	2.5%
Benefit costs for the years ended April 30					
Discount rate	6.00%	6.00%	6.00%	6.00%	6.00%
Rate of compensation increase excluding step increases	2.5%	2.5%	N.A.	2.5%	2.5%



## Bishop's University Notes to Financial Statements

April 30, 2015

### 16 - EMPLOYEE FUTURE BENEFITS (continued)

					2014
	Pension Plan for Full-Time Employees	SERP	Post- Retirement Insurance	Early Retirement Program	Total
	\$	\$	\$	\$	\$
Defined benefit obligations	(124,392,200)	(2,084,800)	(13,549,800)	(2,680,500)	(142,707,300)
Fair value of plan assets	112,860,900				112,860,900
Funded status - deficit and defined benefit liability	(11,531,300)	(2,084,800)	(13,549,800)	(2,680,500)	(29,846,400)

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

Accrued benefit obligation as of April 30					
Discount rate	6.00%	6.00%	6.00%	6.00%	6.00%
Rate of compensation increase	2.5%	2.5%	N.A.	2.5%	2.5%
Benefit costs for the years ended April 30					
Discount rate	6.00%	6.00%	6.00%	6.00%	6.00%
Rate of compensation increase excluding step increases	2.5%	2.5%	N.A.	2.5%	2.5%

### 17 - COMMITMENTS

The University has entered into long-term lease agreements for equipment and telecommunication services expiring at different dates up to April 20, 2020. Future minimum lease payments aggregate \$455,419, including the following payments over the next five years:

	\$
2016	138,792
2017	118,528
2018	69,300
2019	65,100
2020	63,699

The University has undertaken several capital projects and, as a result, has commitments totalling \$1,473,291. These commitments serviced by external sources are expected to be met in the normal course of operations.

### 18 - CONTINGENT LIABILITIES

#### Litigation

A lawsuit in the amount of \$9,300,000 has been filed against the University for personal damages sustained by a student. The management has transmitted this claim to their insurers. It is not possible at this time to determine the ultimate amount of the liability that may arise as a result of this lawsuit.

Moreover, in the normal course of its activities, the University is party to various legal proceedings, including claims related to labour laws and the Civil Code of Québec. Although it is not possible to determine the ultimate outcome of such proceedings initiated and ongoing as at April 30, 2015, the University is of the opinion that they will be resolved without material effect on the University's financial position. Any amount the University may be required to pay will be charged to operations in the year of settlement; otherwise, if the amount can be estimated and is considered likely to occur, it will be provided for in the accrued liabilities.

### 19 - RELATED ENTITY - BISHOP'S UNIVERSITY FOUNDATION

The Bishop's University Foundation (hereafter the "Foundation") raises funds from the University's alumni and from the community. The Foundation is incorporated under Part III of the Quebec Companies Act and is a Registered Canadian Charitable Public Foundation under the Income Tax Act. According to the Foundation's bylaws, all resources of the Foundation must be provided to the University or used for the University's benefit.

## Bishop's University

### Notes to Financial Statements

April 30, 2015

#### 19 - RELATED ENTITY - BISHOP'S UNIVERSITY FOUNDATION (Continued)

The Foundation is not consolidated in the University's financial statements. A financial summary of this non-consolidated entity as at June 30, 2015 and 2014 and for the years then ended is as follows:

	<u>2015-06-30</u>	<u>2014-06-30</u>
	\$	\$
<b>Financial position</b>		
Current assets	792,603	1,447,150
Investments, at fair value	<u>44,660,498</u>	<u>39,628,908</u>
Total assets	<u>45,453,101</u>	<u>41,076,058</u>
Current liabilities	931,260	1,377,522
Fund balances (a)	<u>44,521,841</u>	<u>39,698,536</u>
	<u>45,453,101</u>	<u>41,076,058</u>
	<u>2015</u>	<u>2014</u>
	\$	\$
<b>Results of operations and changes in fund balances</b>		
Investment income	3,684,834	6,538,210
Donations and others	<u>4,635,032</u>	<u>2,641,419</u>
Total revenues	8,319,866	9,179,629
Total expenditures (b)	<u>(3,600,733)</u>	<u>(4,020,409)</u>
Gain on disposal of investments	<u>104,172</u>	<u>49,436</u>
Excess of revenues over expenditures and net changes in fund balances	<u>4,823,305</u>	<u>5,208,656</u>
	<u>2015</u>	<u>2014</u>
	\$	\$
<b>Cash Flows</b>		
Operating activities	382,221	(1,219,547)
Investing and financing activities	<u>(631,284)</u>	<u>1,861,481</u>
Cash increase (decrease)	<u>(249,063)</u>	<u>641,934</u>

- (a) In accordance with donor, designated gifts, \$29,202,574 (\$27,573,124 as at June 30, 2014), of the Foundation's assets must be maintained for at least 10 years from the date of the gift. The investment revenue earned is mainly used to support student scholarships and services, academic enrichment as well as support and research activities.
- (b) Total expenditures include contributions of \$2,965,648 (\$3,721,164 in 2014) and management fees of \$36,000 (\$36,000 in 2014) to the University.

The Foundation's financial statements for the year ended June 30, 2015 are not yet approved by the Board of Governors of the Foundation at the date of issuance of the University's financial statements.

#### 20 - FINANCIAL INSTRUMENTS

##### Financial risks

The University's main financial risk exposure is detailed as follows.

##### Credit risk

The University is exposed to credit risk regarding the financial assets recognized in the balance sheet, other than investments in the balanced fund. The University has determined that the financial assets with more credit risk exposure are accounts receivable, the due from Bishop's University Foundation and capital grants receivable, since failure of any of these parties to fulfil their obligations could result in significant losses for the University. Additionally, the investments in balanced fund and the money market fund also indirectly expose the University to credit risk.

## Bishop's University

### Notes to Financial Statements

April 30, 2015

---

#### 20 - FINANCIAL INSTRUMENTS (Continued)

##### Financial risks

###### Market risk

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

###### – Interest rate risk:

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

The banker's acceptances bear interest at a variable rate and the University is, therefore, exposed to the cash flow risks resulting from interest rate fluctuations. The University has concluded a long-term interest rate swap agreement to minimize debt financing costs and to manage interest rate fluctuations risk (Note 12). This agreement covers the conversion of variable interest rates into fixed rates and is not eligible for hedge accounting. As at April 30, 2015, the negative fair value of this derivative financial instrument is \$1,240,662 (\$1,068,018 as at April 30, 2014) and is presented as a liability in the statement of the balance sheet.

The long-term debt serviced by the University and by other sources bears 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 long-term debt serviced by the Gouvernement du Québec does not bear any risk since the debt service is financed by the Gouvernement du Québec.

###### – Other price risk:

The University is exposed to other price risk due to investments in balanced fund and money market fund, since changes in market prices could result in changes in the fair value of these instruments.

###### Liquidity risk

The University's liquidity risk represent 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 in the statement of the balance sheet.

##### Carrying amount of financial assets by category

The carrying amount of the University's financial assets that are measured at amortized cost totals \$10,497,644 (\$10,577,103 as at April 30, 2014), whereas the carrying amount of financial assets measured at fair value totals \$976,860 (\$962,963 as at April 30, 2014) and the carrying amount of investments in equity instruments measured at cost totals \$87,111 (\$142,620 as at April 30, 2014).

##### Guaranteed financial liabilities

As at April 30, 2015, the total carrying amount of guaranteed financial liabilities is \$35,749,244 (\$27,945,947 as at April 30, 2014).

#### 21 - SUBSEQUENT EVENT

Subsequent to its year-end, the University obtained a new long-term loan in the Capital Fund at the amount of \$2,381,656, bearing interest at 2.576%, payable in annual instalments of \$273,195, maturing in October 2025. This loan was used to finance capital projects and to reimburse part of the bank indebtedness and credit facility. This long-term loan is serviced (capital and interest) by the ministère des Affaires municipales et de l'Occupation du territoire.

---