

**Bishop's University**  
**Financial Statements**  
**April 30, 2016**

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## Independent Auditor's Report

To the Board of Governors of  
Bishop's University

Raymond Chabot Grant Thornton LLP  
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We have audited the accompanying financial statements of Bishop's University, which comprise the balance sheet as at April 30, 2016 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, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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

Sherbrooke  
September 23, 2016

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

**Bishop's University**  
**Revenues and Expenses**  
Year ended April 30, 2016

	Operating Fund		Restricted Funds		Capital Fund		Total
	2016	2015	2016	2015	2016	2015	2015
	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>							
Grants - Ministère de l'Éducation et de l'Enseignement supérieur	25,292,905	21,285,201	274,904	341,857	2,668,401	2,270,155	23,897,213
Student academic fees	11,647,794	11,586,446			11,647,794		11,586,446
Other student fees	863,848	933,158			863,848		933,158
Other	572,273	461,216	446,211	440,959	1,599,142	451,356	1,353,531
Contributions - Bishop's University Foundation			2,091,711	2,272,670	276,135	317,055	2,589,725
Research grants	2,460,801	2,372,212	853,932	833,281	853,932		833,281
Student services	9,397,053	8,830,242			2,460,801		2,372,212
Ancillary enterprises	50,234,674	45,468,475	3,666,758	3,888,767	9,397,053	3,038,566	8,830,242
					57,426,626		52,395,808
<b>Expenses</b>							
Teaching	22,077,808	21,685,447	617,176	615,401	22,694,984		22,300,848
Funded research			987,818	1,091,711	987,818		1,091,711
Academic support							
Library	1,475,474	1,408,282	8,694	21,539	1,484,168		1,429,821
Information technology and audio-visual	1,407,554	1,381,502			1,407,554		1,381,502
Administration support							
Administration	5,633,299	5,655,663	51,307	76,568	5,684,606		5,732,231
Land and buildings	4,293,992	4,541,886	3,659	9,987	4,297,651		4,551,873
Student services	2,459,636	2,246,156	575,160	687,187	3,034,796		2,933,343
Student scholarships and bursaries	71,910	132,550	1,336,327	1,268,489	1,408,237		1,401,039
Ancillary enterprises	7,878,750	7,663,200	86,617	117,885	7,965,367		7,781,085
Interest on long-term debt and temporary financing (Note 3)					1,040,951	918,194	918,194
Interest on derivative financial instrument (Note 3)					239,458	233,921	233,921
Other interest (Note 3)	153,231	43,363			153,231	43,363	43,363
Amortization of tangible capital assets					4,256,394	3,918,759	3,918,759
Amortization of other assets					51,466	51,466	51,466
Capital assets written off					83,430	109,008	109,008
Retirement allowances and severance costs	343,859	19,514			343,859		19,514
Employee future benefits	83,300	(8,700)			83,300		(8,700)
Amortization of pension plan	1,347,465	1,190,453			1,347,465		1,190,453
Net change in fair value of investments	(391,246)	58,029			(391,246)		58,029
Net change in fair value of derivative financial instrument							
Net change in fair value of long-term debt					15,819	172,644	172,644
					(194,887)	472,230	472,230
<b>Excess (deficiency) of revenues over expenses</b>	<b>46,835,032</b>	<b>46,017,345</b>	<b>3,666,758</b>	<b>3,888,767</b>	<b>5,492,631</b>	<b>5,876,222</b>	<b>55,782,334</b>
	<b>3,399,642</b>	<b>(548,870)</b>	<b>-</b>	<b>-</b>	<b>(1,967,437)</b>	<b>(2,837,656)</b>	<b>(3,386,526)</b>

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

## Bishop's University

### Changes in Fund Balances

Year ended April 30, 2016

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	(50,114,094)	(35,496,230)			9,803,817	8,954,579	(40,310,277)	(26,541,651)
Excess (deficiency) of revenues over expenses	3,399,642	(548,870)			(1,967,437)	(2,837,656)	1,432,205	(3,386,526)
Employee future benefits - remeasurements and other items	(8,860,900)	(10,382,100)					(8,860,900)	(10,382,100)
Interfund transfers (Note 4)	(5,127,055)	(3,686,894)			5,127,055	3,686,894		
Fund balances, end of year	<u>(60,702,407)</u>	<u>(50,114,094)</u>	<u>-</u>	<u>-</u>	<u>12,963,435</u>	<u>9,803,817</u>	<u>(47,738,972)</u>	<u>(40,310,277)</u>

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

# Bishop's University

## Cash Flows

Year ended April 30, 2016

	2016	2015
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	1,432,205	(3,386,526)
Non-cash items		
Amortization of tangible capital assets	4,256,394	3,918,759
Amortization of other assets	51,466	51,466
Amortization of deferred contributions related to tangible capital assets	(2,483,138)	(2,125,331)
Net change in fair value of investments	(330,190)	(61,304)
Net change in fair value of derivative financial instrument	15,819	172,644
Net change in fair value of long-term debt	(194,887)	472,230
	<u>2,747,669</u>	<u>(958,062)</u>
Employee future benefits	83,300	(8,700)
Charitable annuities payable	(66,774)	60,315
Net change in working capital items		
Accounts receivable	(4,613,633)	3,296,870
Due from Bishop's University Foundation	2,265,300	(630,951)
Prepaid expenses	(63,210)	(53,208)
Unearned revenue	409,325	(98,139)
Trade payables and other operating liabilities	(896,436)	631,995
Deferred contributions	1,401,804	282,851
Cash flows from operating activities	<u>1,267,345</u>	<u>2,522,971</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of investments	(150,000)	(50,006)
Disposal of investments	148,916	152,922
Acquisition of tangible capital assets	(10,487,153)	(15,449,984)
Cash flows from investing activities	<u>(10,488,237)</u>	<u>(15,347,068)</u>
<b>FINANCING ACTIVITIES</b>		
Net change in credit facility	9,000,000	400,000
Net change in banker's acceptances	(262,000)	(251,000)
Issuance of long-term debt	5,381,656	8,907,426
Repayment of long-term debt	(9,453,737)	(1,689,097)
Deferred contributions related to tangible capital assets	2,658,399	8,115,483
Cash flows from financing activities	<u>7,324,318</u>	<u>15,482,812</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(1,896,574)</u>	<u>2,658,715</u>
Cash and cash equivalents, beginning of year	<u>2,771,724</u>	<u>113,009</u>
Cash and cash equivalents, end of year	<u>875,150</u>	<u>2,771,724</u>

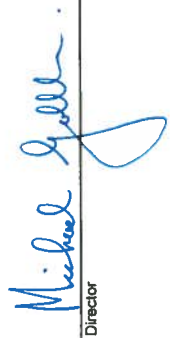
The accompanying notes are an integral part of the financial statements.

**Bishop's University**  
**Balance Sheet**  
 April 30, 2016

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>								
Current								
Cash	875,150	2,771,724		17,002		56,503	875,150	2,771,724
Accounts receivable	1,933,483	2,311,421					1,933,483	2,384,926
Accounts receivable - Ministère de l'Éducation et de l'Enseignement supérieur	5,944,914	911,988			72,839	40,679	6,017,753	952,677
Due from Bishop's University Foundation	700,361	1,464,316					700,361	1,464,316
Prepaid expenses	9,453,908	8,096,610		17,002		97,182	9,526,747	8,210,794
Long-term								
Accounts receivable	834,592	834,592					834,592	834,592
Interfund account, without interest	12,314,701	6,398,229	4,272,999	2,810,003			1,395,245	1,063,971
Investments (Note 6)	429,568	87,111			965,677	976,860	83,741,446	79,004,042
Tangible capital assets (Note 7)					168,535	220,001	168,535	220,001
Other assets (Note 8)					1,704,576	2,089,409	1,704,576	2,089,409
Capital grants receivable (Note 9)	23,032,769	15,416,542	4,272,999	2,827,005	86,653,073	82,387,494	97,371,141	91,422,809
<b>LIABILITIES</b>								
Current								
Bank indebtedness and credit facility (Note 10)	27,000,000	18,000,000			4,730,000	4,992,000	27,000,000	18,000,000
Banker's acceptances (Note 11)							4,730,000	4,992,000
Trade payables and other operating liabilities (Note 12)	4,869,782	5,819,751	47,227	3,037	1,881,956	3,365,968	6,798,965	9,188,756
Due to Bishop's University Foundation	800,984				1,256,481	1,240,662	800,984	1,240,662
Derivative financial instrument (Note 11)	1,900,410	1,491,085			13,567,446	9,513,895	1,900,410	1,491,085
Unearned revenue							13,567,446	9,513,895
Current portion of long-term debt	34,571,176	25,310,836	47,227	3,037	21,435,883	19,112,525	56,054,286	44,426,398
Long-term								
Accrued liabilities related to charitable annuities					906,462	973,236	906,462	973,236
Interfund accounts, without interest					16,587,700	9,208,232		
Deferred contributions (Note 13)			4,225,772	2,823,968			4,225,772	2,823,968
Deferred contributions related to tangible capital assets (Note 9)					15,334,053	15,543,625	15,334,053	15,543,625
Long-term debt (Note 14)	49,164,000	40,219,800			19,425,540	27,746,059	19,425,540	27,746,059
Defined liability benefit (Note 15)	83,735,176	65,530,636	4,272,999	2,827,005	73,689,638	72,583,677	49,164,000	40,219,800
<b>FUND BALANCES (NEGATIVE)</b>								
Deficit	(60,702,407)	(50,114,094)					(60,702,407)	(50,114,094)
Invested in capital assets	(60,702,407)	(50,114,094)			12,963,435	9,803,817	12,963,435	9,803,817
					12,963,435	9,803,817	(47,738,972)	(40,310,277)
	23,032,769	15,416,542	4,272,999	2,827,005	86,653,073	82,387,494	97,371,141	91,422,809

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

Approved by the Board of Governors

  
 Director



# Bishop's University

## Notes to Financial Statements

April 30, 2016

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### 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 - 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 et de l'Enseignement supérieur (hereafter the "MEES"), 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 18.

#### 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.

##### *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.

# Bishop's University

## Notes to Financial Statements

April 30, 2016

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### 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 and grants*

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 and grants, 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, 2016

#### 2 - 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 MEES. 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 MEES, 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 MEES 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.

#### 3 - INTEREST EXPENSES

	<u>2016</u>	<u>2015</u>
	\$	\$
Interest on long-term debt	921,903	757,940
Interest on bank indebtedness, credit facility and banker's acceptances	511,737	437,538
	<u>1,433,640</u>	<u>1,195,478</u>

#### 4 - INTERFUND TRANSFERS

During the year, the University transferred \$1,861,855 (\$2,118,394 for the year ended April 30, 2015) 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 \$3,265,200 (\$1,568,500 for the year ended April 30, 2015) from the Operating Fund to the Capital Fund as a reserve for future residences renovations.

## Bishop's University Notes to Financial Statements

April 30, 2016

### 5 - GOVERNMENT ASSISTANCE

The MEES 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 \$9,835,139 (\$4,491,575 for the year ended April 30, 2015) 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 MEES.

### 6 - INVESTMENTS

	2016	2015
	\$	\$
Balanced Fund, McLean Budden, representing charitable annuity donation fund	906,959	973,733
Money Market Fund, McLean Budden, representing Supplemental Employee Retirement Plan (SERP)	58,718	3,127
MSBI Valorisation Inc., 8 shares, 0.8%	4,000	4,000
MSBI Investment Fund - Limited partnership, 1 unit, 0.35%	425,562	83,105
Corporation Aligo Inc.	6	6
	<u>1,395,245</u>	<u>1,063,971</u>

### 7 - TANGIBLE CAPITAL ASSETS

	2016		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land	417,644		417,644
Land improvements	3,156,846	1,356,133	1,800,713
Buildings	64,444,690	26,850,853	37,593,837
Building renovations	37,420,170	7,170,249	30,249,921
Building renovations in progress	5,674,867		5,674,867
Furnishings, equipment, rolling equipment, computer hardware	7,379,359	3,706,355	3,673,004
Library collection	8,033,780	4,313,113	3,720,667
Software	1,732,574	1,121,781	610,793
	<u>128,259,930</u>	<u>44,518,484</u>	<u>83,741,446</u>
	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>

During the year, the capital assets fully amortized written off represent \$2,844,058.

Acquisition of tangible capital assets for an amount of \$1,853,543 (\$3,346,898 as at April 30, 2015) is included in the trade payables and other operating liabilities.

**Bishop's University**  
**Notes to Financial Statements**

April 30, 2016

**8 - OTHER ASSETS**

	<u>2016</u>	<u>2015</u>
	\$	\$
Telecommunication system (RISQ), at amortized cost	156,251	205,593
Other	12,284	14,408
	<u>168,535</u>	<u>220,001</u>

**9 - CAPITAL GRANTS RECEIVABLE AND DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS**

Capital grants receivable relate to capital grants approved by the MEES 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:

	<u>2016</u>	<u>2015</u>
	\$	\$
Capital grants receivable (net of deferred contributions related to tangible capital assets), beginning of year	(13,454,216)	(7,464,064)
Amortization of deferred contributions	2,483,138	2,125,331
Deferred contributions received	<u>(2,658,399)</u>	<u>(8,115,483)</u>
Capital grants receivable (net of deferred contributions related to tangible capital assets), end of year	<u>(13,629,477)</u>	<u>(13,454,216)</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 et de l'Enseignement supérieur*

	<u>2016</u>	<u>2015</u>
	\$	\$
Capital grants receivable, beginning of year	2,089,409	2,161,664
Amortization of deferred contributions	1,658,962	1,512,385
Deferred contributions received	<u>(2,043,795)</u>	<u>(1,584,640)</u>
Capital grants receivable, end of year	<u>1,704,576</u>	<u>2,089,409</u>

*Bishop's University Foundation*

	<u>2016</u>	<u>2015</u>
	\$	\$
Deferred contributions, beginning of year	(2,561,139)	(1,438,525)
Amortization of deferred contributions	269,280	225,949
Deferred contributions received	<u>(194,779)</u>	<u>(1,348,563)</u>
Deferred contributions, end of year	<u>(2,486,638)</u>	<u>(2,561,139)</u>

*Others*

	<u>2016</u>	<u>2015</u>
	\$	\$
Deferred contributions, beginning of year	(12,982,486)	(8,187,203)
Amortization of deferred contributions	554,896	386,997
Deferred contributions received	<u>(419,825)</u>	<u>(5,182,280)</u>
Deferred contributions, end of year	<u>(12,847,415)</u>	<u>(12,982,486)</u>

**Bishop's University**  
**Notes to Financial Statements**  
 April 30, 2016

**10 - BANK INDEBTEDNESS AND CREDIT FACILITY**

The University has an authorized line of credit of \$29,700,000, bearing interest at either prime rate (3%) or banker's acceptances rate plus 0.3% stamping fees (1.206%; 1.298% as at April 30, 2015) and renewable in July 2016, of which \$2,700,000 remained unused at year-end.

**11 - BANKER'S ACCEPTANCES**

The University has an authorized line of credit facility of \$4,730,000 (\$4,992,000 as at April 30, 2015) by way of banker's acceptances, bearing interest at banker's acceptances rate plus 0.3% stamping fees (1.206%; 1.298% as at April 30, 2015), as part of the financing of the Paterson student residence.

On April 30, 2016, 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 (1.206%; 1.298% as at April 30, 2015) are made.

The notional amount of the swap agreement entered into by the University is \$4,730,000 as at April 30, 2016. The fair value of liabilities of the swap made according to information obtained from the financial institution is \$1,256,481.

**12 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES**

	2016	2015
	\$	\$
Accounts payable and other accrued liabilities	5,671,225	8,029,072
Vacation and overtime accruals	1,127,740	1,159,684
	<u>6,798,965</u>	<u>9,188,756</u>

**13 - DEFERRED CONTRIBUTIONS**

Deferred contributions represent the unspent portion of funds received for restricted purposes other than capital purchases which are disclosed in Note 9.

	2016	2015
	\$	\$
Balance, beginning of year	2,823,968	2,541,117
Deferred contributions received	5,068,562	4,171,619
Amortization of deferred contributions	<u>(3,666,758)</u>	<u>(3,888,768)</u>
Balance, end of year	<u>4,225,772</u>	<u>2,823,968</u>

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

	2016	2015
	\$	\$
Academic, student services and bursaries	2,531,205	1,388,544
Research	821,345	698,050
Other	<u>873,222</u>	<u>737,374</u>
Balance, end of year	<u>4,225,772</u>	<u>2,823,968</u>

# Bishop's University

## Notes to Financial Statements

April 30, 2016

### 14 - LONG-TERM DEBT

	2016	2015
	\$	\$
<b>Serviced by the University</b>		
<i>To finance heating tunnel - capital renovations:</i>		
Term loan, principal balance of \$526,502 (\$563,707 as at April 30, 2015), 5%, payable in monthly blended instalments of \$5,379, maturing in October 2016	535,328	590,254
<i>To finance the new student system:</i>		
Term loan, principal balance of \$292,916 (\$340,416 as at April 30, 2015), 2.53%, payable in monthly capital instalments of \$3,958, maturing in June 2017	296,766	346,520
<i>To finance Centennial Theatre renovations (subsidized by the ministère de la Culture et des communications as of April 30, 2015):</i>		
Term loan, principal amount of \$528,739 (\$562,897 as at April 30, 2015), 3.1%, payable in semi-annual blended instalments of \$25,673, renewable in May 2018	539,426	573,936
<b>Serviced by the Gouvernement du Québec</b>		
<i>MEES 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 \$4,313,040 (\$4,650,432 as at April 30, 2015), 2.559%, payable in annual capital instalments of \$337,392, renewable in June 2016	4,313,299	4,775,064
Term loan, principal amount of \$5,880,000 (\$6,160,000 as at April 30, 2015), 1.9257%, payable in annual capital instalments of \$280,000, renewable in April 2017	5,952,460	6,279,249
Term loan, principal amount of \$5,280,000 (\$5,520,000 as at April 30, 2015), 2.1182%, payable in annual capital instalments of \$240,000, renewable in June 2018	5,403,184	5,667,512
Term loan, principal amount of \$1,328,800 (\$1,414,400 as at April 30, 2015), 1.435%, payable in annual capital instalments of \$85,600, renewable in December 2016	1,334,954	1,425,241
Term loan, principal amount of \$1,500,000 (\$1,500,000 as at April 30, 2015), 2.696%, payable in annual capital instalments of \$60,000, renewable in June 2032	1,499,804	1,481,386
Term loan, principal amount of \$3,000,000, 3.23%, payable in annual capital instalments of \$120,000, renewable in June 2034	3,013,059	
Term loan, 1.382%		7,626,813
<b>Serviced by other sources</b>		
<i>To finance the construction of Kuehner, Munster and Abbott student residences subsidized by the MEES:</i>		
Mortgage loan, secured by buildings having a net carrying amount of \$16,182, as at April 30, 2016, principal amount of \$13,364 (\$51,645 as at April 30, 2015), 5.75% (5.375% to 5.75% as at April 30, 2015), payable in semi-annual blended instalments of \$13,745, maturing in December 2016	13,322	51,757
<i>To finance the construction of a synthetic turf subsidized by:</i>		
<i>The MEES:</i>		
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$558,629 (\$679,486 as at April 30, 2015), 5.89%, payable in annual blended instalments of \$160,879, maturing in May 2019	611,087	750,092

## Bishop's University

### Notes to Financial Statements

April 30, 2016

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

	2016	2015
	\$	\$
<i>To finance the construction of a sport center subsidized by:</i>		
<i>The MEES:</i>		
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$6,764,153 (\$7,407,426 as at April 30, 2015), 3.097%, payable in annual blended instalments of \$872,681, maturing in September 2024	7,074,922	7,692,130
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$2,381,656, 2.576%, payable in annual blended instalments of \$273,195, maturing in October 2025	2,405,375	
	<u>32,992,986</u>	<u>37,259,954</u>
Current portion	<u>(13,567,446)</u>	<u>(9,513,895)</u>
	<u>19,425,540</u>	<u>27,746,059</u>

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

	\$
2017	13,567,446
2018	1,738,290
2019	6,508,491
2020	1,287,025
2021	1,163,778
2022 and more	8,102,769

#### 15 - 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 \$2,297,100 (\$2,027,400 in 2015) of which \$918,840 (\$810,960 in 2015) was paid by employees in fringe benefits and \$647,798 (\$647,798 in 2015) is due from the employees.

The funded status of the benefit plans is as follows:

	2016				
	Pension Plan for Full-Time Employees	SERP	Post- Retirement Insurance	Early Retirement Program	Total
	\$	\$	\$	\$	\$
Defined benefit obligations	(143,557,800)	(1,864,600)	(17,831,300)	(2,893,300)	(166,147,000)
Fair value of plan assets	116,983,000				116,983,000
Funded status - deficit and defined benefit liability	(26,574,800)	(1,864,600)	(17,831,300)	(2,893,300)	(49,164,000)

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	5.75%	5.75%	5.75%	5.75%	5.75%
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, 2016

### 15 - EMPLOYEE FUTURE BENEFITS (Continued)

	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%

### 16 - COMMITMENTS

The University has entered into long-term lease agreements for equipment and telecommunication services expiring at different dates up to June 20, 2020. Future minimum lease payments aggregate \$659,116 including the following payments over the next five years:

	\$
2017	214,673
2018	177,521
2019	170,200
2020	92,981
2021	3,741

The University has undertaken several capital projects and, as a result, has commitments totalling \$1,431,482. These commitments serviced by external sources are expected to be met in the normal course of operations.

### 17 - 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, 2016, 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.

### 18 - 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, 2016

### 18 - 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 April 30, 2016 and June 30, 2015 and for the years then ended is as follows:

	<u>2016-04-30</u>	<u>2015-06-30</u>
	\$	\$
<b>Financial position</b>		
Current assets	919,349	792,603
Investments, at fair value	<u>48,134,791</u>	<u>44,660,498</u>
Total assets	<u><u>49,054,140</u></u>	<u><u>45,453,101</u></u>
Current liabilities		931,260
Fund balances (a)	<u>49,054,140</u>	<u>44,521,841</u>
	<u><u>49,054,140</u></u>	<u><u>45,453,101</u></u>
	<u>2016-04-30</u>	<u>2015-06-30</u>
	<u>(10 months)</u>	<u>(12 months)</u>
	\$	\$
<b>Results of operations and changes in fund balances</b>		
Investment income	133,785	3,684,834
Donations and others	<u>8,182,546</u>	<u>4,635,032</u>
Total revenues	<u>8,316,331</u>	<u>8,319,866</u>
Total expenditures (b)	<u>(3,828,442)</u>	<u>(3,600,733)</u>
Gain on disposal of investments	<u>44,410</u>	<u>104,172</u>
Excess of revenues over expenditures and net changes in fund balances	<u><u>4,532,299</u></u>	<u><u>4,823,305</u></u>
	<u>2016-04-30</u>	<u>2015-06-30</u>
	<u>(10 months)</u>	<u>(12 months)</u>
	\$	\$
<b>Cash flows</b>		
Operating activities	<u>(2,034,377)</u>	<u>382,221</u>
Investing and financing activities	<u>1,642,086</u>	<u>(631,284)</u>
Cash decrease	<u><u>(392,291)</u></u>	<u><u>(249,063)</u></u>

- (a) In accordance with donor, designated gifts, \$33,720,010 (\$29,202,574 as at June 30, 2015), 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, enrichment as well as support and research activities.
- (b) Total expenditures include contributions of \$3,407,882 (\$2,965,648 in 2015) and management fees of \$30,000 (\$36,000 in 2015) to the University.

The Foundation's financial statements for the year ended April 30, 2016 are not yet approved by the Board of Governors of the Foundation at the date of issuance of the University's financial statements.

### 19 - 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, 2016

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#### 19 - 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 risk resulting from interest rate fluctuations. The University has concluded a long-term interest rate swap agreement to minimize debt financing costs and to manage the interest rate fluctuations risk (Note 11). This agreement covers the conversion of variable interest rates into fixed rates and is not eligible for hedge accounting. As at April 30, 2016, the negative fair value of this derivative financial instrument is \$1,256,481 (\$1,240,662 as at April 30, 2015) and is presented as a liability on 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 on the balance sheet.

##### Carrying amount of financial assets by categories

The carrying amount of the University's financial assets that are measured at amortized cost totals \$11,365,554 (\$10,497,644 as at April 30, 2015), the carrying amount of financial assets measured at fair value totals \$965,677 (\$976,860 as at April 30, 2015) and the carrying amount of investments in equity instruments measured at cost totals \$429,568 (\$87,111 as at April 30, 2015).

##### Guaranteed financial liabilities

As at April 30, 2016, the total carrying amount of guaranteed financial liabilities is \$31,621,466 (\$35,749,244 as at April 30, 2015).

#### 20 - SUBSEQUENT EVENT

Subsequent to its year-end, the University obtained authorization for an additional banker's acceptance of \$4,500,000. Thereafter, she entered into an interest rate swap that entitles it to receive interest at variable rates on a \$4,500,000 notional and obliges it to pay interest at a fixed rate of 1.81420% on the same amount, maturing in August 2036.