

BISHOP'S UNIVERSITY

FINANCIAL STATEMENTS

Year ended June 30, 2009

BISHOP'S UNIVERSITY

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Year ended June 30, 2009

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AUDITORS' REPORT

To the Members of the Corporation of
Bishop's University

We have audited the balance sheet of BISHOP'S UNIVERSITY as at June 30, 2009 and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained below we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because we were unable to confirm a receivable amount from the ministère de l'Éducation, du Loisir et du Sport du Québec for conditional grants amounting to \$2,450,300 or verify this amount by other means, we are not able to determine whether any adjustments might be necessary to accounts receivable, grants from ministère de l'Éducation, du Loisir et du Sport du Québec, excess of revenue over expenses and fund balances.

The University has prepared its financial statements in accordance with the recommendations in the *Cahier des définitions, des termes et des directives de présentation du rapport financier annuel pour les universités du Québec* (the « Cahier »), as they are applied in the annual financial report submitted to the ministère de l'Éducation, du Loisir et du Sport du Québec. These recommendations are consistent with Canadian generally accepted accounting principles with the main exceptions relating to accrued vacation pay, pension cost, employee future benefits, capital assets, and income recognition. Note 5 describes how the Cahier's recommendations differ from Canadian generally accepted accounting principles.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the long-term receivable amount described above and the effects of the accounting methods described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the University as at June 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

S. Am En/ Bélair / Deloitte & Touche c.e.a.c.n.l.

October 9, 2009

¹ Chartered accountant auditor permit No. 8516

BISHOP'S UNIVERSITY

REVENUE AND EXPENSES Year ended June 30

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2009	2008 restated	2009	2008	2009	2008 restated	2009	2008 restated
REVENUE								
Student academic fees	7 665 796 \$	7 684 478 \$	- \$	- \$	- \$	- \$	7 665 796 \$	7 684 478 \$
Other student fees	394 716	337 212	-	-	-	-	394 716	337 212
Management fees	36 000	57 290	-	-	-	-	36 000	57 290
Grants - ministère de l'Éducation, du Loisir et du Sport du Québec (Note 7)								
Other	20 352 330	19 041 153	133 065	138 992	1 549 256	1 270 351	22 034 651	20 450 496
Donations - Bishop's University Foundation	498 883	435 406	440 205	438 853	569 415	147 275	1 508 503	1 021 534
Research grants	-	-	2 261 253	2 115 930	214 510	391 490	2 475 763	2 507 420
Donations - Champlain Regional College	-	-	699 858	868 292	-	-	699 858	868 292
Rental income - Champlain Regional College	-	1 053 500	-	-	-	-	-	1 053 500
Student services	1 670 523	1 852 885	-	-	-	-	1 670 523	1 852 885
Ancillary enterprises	7 014 497	7 527 352	-	-	-	-	7 014 497	7 527 352
Financed by the Restricted Funds	-	-	-	-	59 970	-	-	-
Financed by the Operating Fund (Note 6)	-	-	-	40 000	2 074 384	1 339 668	2 074 384	1 379 668
	37 632 745	37 989 276	3 534 381	3 602 067	4 467 535	3 148 784	45 634 661	44 740 127
EXPENSES								
Teaching	16 306 962	16 806 189	760 937	747 668	-	-	17 067 899	17 553 857
Funded research	-	-	796 459	860 053	-	-	796 459	860 053
Academic support:								
Library	1 804 708	1 854 123	160 970	118 485	-	-	1 965 678	1 972 608
Information technology and audio-visual	1 393 397	1 075 661	-	-	-	-	1 393 397	1 075 661
Administration support:								
Administration	3 914 102	3 133 249	79 944	104 049	-	-	3 994 046	3 237 298
Alumni and development office	600 454	535 686	-	-	-	-	600 454	535 686
Land and buildings	3 884 876	3 373 686	-	-	-	-	3 884 876	3 373 686
Student services	1 691 834	1 764 599	449 854	444 217	-	-	2 141 688	2 208 816
Student scholarship and bursaries	39 877	25 701	993 044	885 875	-	-	1 032 921	911 576
Ancillary enterprises	7 305 273	7 280 725	-	-	-	-	7 305 273	7 280 725
Interest	228 229	269 375	-	-	-	-	228 229	269 375
Interest charge on long-term debt and temporary financing	-	-	-	-	875 624	963 552	875 624	963 552
Interest on derivative financial instrument	-	-	-	-	234 595	87 029	234 595	87 029
Depreciation of capital assets	-	-	-	-	2 368 419	2 306 179	2 368 419	2 306 179
Amortization of other assets	-	-	-	-	70 439	69 804	70 439	69 804
Capital assets written off (Note 4)	-	-	-	-	29 312	331 987	29 312	331 987
Retirement allowances and severance costs (Note 8)	(441 741)	3 204 057	-	-	-	-	(441 741)	3 204 057
Variation of the fair value of investments	-	-	-	-	6 727	160 408	6 727	160 408
Variation of the fair value of derivative financial instruments	-	-	-	-	287 642	370 860	287 642	370 860
Variation of the fair value of long-term debt	-	-	-	-	608 032	319 100	608 032	319 100
Pension plan amortization (Note 16)	433 800	-	-	-	-	-	433 800	-
	37 161 771	39 323 051	3 241 208	3 160 347	4 480 790	4 608 919	44 883 769	47 092 317
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	470 974	(1 333 775)	293 173	441 720	(13 255)	(1 460 135)	750 892	(2 352 190)

BISHOP'S UNIVERSITY

CHANGES IN FUND BALANCES
Year ended June 30

	Operating Fund		Restricted Funds		Capital Fund		Total
	2009	2008 restated	2009	2008	2009	2008 restated	
FUND BALANCES, BEGINNING OF YEAR As previously reported	(7 780 238)	(4 084 474)	2 149 552	1 707 832	26 617 610	27 718 798	25 342 156
Restatement of Fund Balances in prior years (Note 2)	3 858 026	840 119	-	-	(840 769)	(184 851)	655 268
Changes in accounting policies (Note 3)	-	-	-	-	(22 157 315)	(21 798 368)	(21 798 368)
FUND BALANCES, BEGINNING OF YEAR - as restated	(3 922 212)	(3 244 355)	2 149 552	1 707 832	3 619 526	5 735 579	4 199 056
INTERFUND TRANSFER	(1 064 811)	655 918	-	-	1 064 811	(655 918)	-
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	470 974	(1 333 775)	293 173	441 720	(13 255)	(1 460 135)	(2 352 190)
FUND BALANCES, END OF YEAR	(4 516 049) \$	(3 922 212) \$	2 442 725 \$	2 149 552 \$	4 671 082 \$	3 619 526 \$	2 597 758 \$ 1 846 866 \$

BISHOP'S UNIVERSITY**CASH FLOWS**

Year ended June 30

2009

2008
restated**OPERATING ACTIVITIES**

Excess of revenue over expenses (expenses over revenue)

750 892 \$ (2 352 190) \$

Items not affecting cash:

Depreciation of capital assets

2 368 419 2 306 179

Write-off of capital assets

- 88 539

Amortization of other assets

70 439 69 804

Variation of the fair value of investments

6 727 160 408

Variation of the fair value of derivative financial instruments

287 642 370 860

Variation of the fair value of long-term debt

608 032 319 100

Gain on investments

- (35 790)

4 092 151 926 910

Net changes in non-cash working capital items:

Accounts receivable

797 302 (3 884 901)

Prepaid expenses

(395 282) 456 165

Variation in amount due from Bishop's University Foundation

264 456 (258 773)

Accounts payable and accrued liabilities

459 573 1 655 407

Unearned revenue

(270 635) 110 568

Retirement allowances and severance costs

(1 255 921) 1 646 800

3 691 644 652 176

INVESTING ACTIVITIES

Acquisition of investments

(85 000) (291 750)

Disposal of investments

121 829 70 668

Acquisition of capital assets

(2 230 036) (3 924 899)

Acquisition of other assets

- (21 239)

(2 193 207) (4 167 220)

FINANCING ACTIVITIES

Changes in credit facility

(3 116 337) 3 116 337

Change in banker's acceptances

(4 184 000) (173 000)

Additional long-term debt

1 377 600 998 202

Repayment of long-term debt

(564 364) (245 032)

Contribution to sinking fund

(275 000) (275 000)

Variation in long-term receivables

6 802 830 (2 056 074)

40 729 1 365 433

BISHOP'S UNIVERSITY

CASH FLOWS

Year ended June 30

	2009	2008 restated
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1 539 166	(2 149 611)
CASH AND CASH EQUIVALENTS (DEFICIENCY) BEGINNING OF YEAR	<u>(581 772)</u>	<u>1 567 839</u>
CASH AND CASH EQUIVALENTS (DEFICIENCY), END OF YEAR (Note 24)	957 394 \$	(581 772) \$

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

1. STATUS OF INCORPORATION AND NATURE OF ACTIVITIES

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 ("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. RESTATEMENT OF FUND BALANCES IN PRIOR YEARS

The University has determined that accounts receivable - MELS calculated in 2008 in the Operating Fund have been understated. In 2008, the MELS agreed to update the financing formula for the University to incorporate the space leased by Champlain Regional College. A retroactive payment was received during 2009 to compensate for maintenance costs incurred in prior years. Consequently, the fund balance of the Operating Fund as at July 1, 2008 has been increased by \$1,266,000 and the 2008 financial statements have been restated. The fund balance of the Operating Fund as at July 1, 2007 has been increased by \$180,857. The Grant - MELS item in the 2008 statement of revenue and expenses has been increased by \$1,085,143 and the excess of expenses over revenue has been decreased by \$1,085,143. Accounts receivable - MELS as at June 30, 2008, have been increased by \$1,266,000.

The University has also determined that accounts payable - MELS calculated in 2008 in the Operating Fund have been overstated. The University must estimate the difference between actual financing received by the MELS and financing that should have been received in the year based on student enrolment. The University adjusted its estimate of this difference for prior years. Consequently, the fund balance of the Operating Fund as at July 1, 2008 has been increased by \$1,751,257 and the 2008 financial statements have been restated. The fund balance of the Operating Fund as at July 1, 2007 has been increased by \$474,411. The Grant - MELS item in the 2008 statement of revenue and expenses has been increased by \$1,276,846 and the excess of expenses over revenue has been decreased by \$1,276,846. Accounts payable - MELS as at June 30, 2008, have been decreased by \$1,751,257.

Finally, the University has also determined that the Unrestricted Fund balance of the Operating Fund calculated in 2008 was understated, while the Fund balance invested in capital assets of the Capital Fund was overstated. The Interfund Account balances have been corrected to reflect the actual balances owing between funds based on the expected repayments between funds. Consequently, the Fund balance of the Operating Fund as at July 1, 2008 has been increased by \$840,769, the Fund balance of the Capital Fund as at July 1, 2008 has been decreased by the same amount and the 2008 financial statements have been restated. The fund balance of the Operating Fund as at July 1, 2007 has been increased by \$184,851 and decreased by the same amount in the Capital Fund. The Interfund transfer item in the 2008 statement of changes in Fund balances has been increased by \$655,918 in the Operating Fund and decreased by the same amount in the Capital Fund. In addition, the Interfund account item in the 2008 balance sheet has been increased by \$840,769 in the Operating Fund and decreased by the same amount in the Capital Fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

3. CHANGES IN ACCOUNTING POLICIES

The University adopted the following recommendations of CICA Handbook:

Capital disclosures

On July 1, 2008, the University adopted the recommendations of CICA Handbook Section 1535, Capital Disclosures. This Section requires the disclosure of information about externally imposed capital requirements. The required disclosures are included in Note 23. The adoption of this Section had no impact on the financial statements.

Depreciation and classification of capital assets

During the year, the University modified its accounting policy relating to the depreciation and classification of its capital assets, in compliance with the MELS new accounting requirements. Under the new policy, changes were made in the asset category classifications, depreciation methods and rates used. This accounting policy, which was adopted as of July 1, 2008, was applied retroactively and the comparative financial statements have been restated to reflect this change.

Due to this modification, the Fund balance invested in capital assets of the Capital Fund as at July 1, 2007 has been decreased by \$21,798,368. The depreciation of capital asset items in the 2008 statement of revenue and expenses has been increased by \$358,947 and the excess of expenses over revenue has been increased by \$358,947. Consequently, the final result on the Fund balance invested in capital assets of the Capital Fund as at July 1, 2008 is a decrease of \$22,157,315.

The impact of this modification on the results of the current year has not been quantified.

Future changes in accounting policies

a) MELS accounting requirements

Commencing on July 1, 2009, Quebec universities must conform to Canadian generally accepted accounting principles (Canadian GAAP) in all respects.

The universities will adopt the deferral method of accounting, which will result in the transfer of a portion of the fund balances to deferred contributions.

The University is currently evaluating the impact of the adoption of Canadian GAAP on its financial statements, contingent upon the release of the guidelines by the MELS.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

3. CHANGES IN ACCOUNTING POLICIES (continued)

Future changes in accounting policies (continued)

b) Accounting standards

In November 2008, the CICA issued amendments to Section 1540, Cash Flow Statements, Section 4400, Financial Statement Presentation by Not-for-profit Organizations and Section 4460, Disclosure of Related Party Transactions by Not-for-profit Organizations. The new standards will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, the University will adopt the new standards as of July 1, 2009.

Section 1540 has been amended to include not-for-profit organizations within its scope.

Section 4400 has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of fund balance and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted fund balance when it chooses to do so. It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions.

Section 4460 has been amended to make the language in Section 4460 consistent with related party transactions, Section 3480.

The University is currently evaluating the impact of the adoption of these new standards on its financial statements.

4. ACCOUNTING POLICIES

The University has elected to use the exemption provided by the Canadian Institute of Chartered Accountants (CICA) permitting not for profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the University for the year ended June 30, 2009. The University applies the requirements of Section 3861 of the CICA Handbook.

The financial statements are prepared following the recommendations of the *Cahier des définitions, des termes et des directives de présentation du rapport financier annuel pour les universités du Québec* (the «Cahier»), stipulated by the ministère de l'Éducation, du Loisir et du Sport du Québec («MELS»).

These accounting policies are in conformity with Canadian generally accepted accounting principles, except for accrued vacation pay and unpaid overtime, pension cost, employee future benefits, capital assets, presentation of the bond sinking fund in reduction of long-term debt and income recognition, as described in note 5.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4. ACCOUNTING POLICIES (continued)

Fund accounting

These financial statements are prepared on a fund accounting basis using the restricted fund 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 restrictions over the use of capital and/or the income earned thereon 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.

Financial instruments

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the University's designation of such instruments. Settlement date accounting is used.

Classification:

Cash	Held for trading
Accounts receivable, due from other entities and long-term receivables	Loans and receivables
Investments	Held for trading
Bank indebtedness, credit facilities and banker's acceptances	Held for trading
Accounts payable and accrued liabilities	Other liabilities
Retirement allowances and severance costs	Other liabilities
Long-term debt	Held for trading
Derivative financial instruments	Held for trading

Items classified as held for trading are recognized at fair value and changes in fair value are included in revenue and expenses.

Items classified as loans and receivables or other liabilities are accounted for at amortized cost using the effective interest method.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4. ACCOUNTING POLICIES (continued)

Transaction costs

Transaction costs related to held for trading financial instruments are expensed as incurred. Transaction costs related to other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

Effective interest method

The University uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

Revenue recognition

Contributions of an unrestricted nature are recognized as revenue of the Operating Fund. Restricted contributions are recognized as revenue of the appropriate Restricted Fund. All the contributions are recognized in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Tuition fees are recorded as revenue in the financial year in which the course sessions are held.

Government grants

The reported operating grant revenue represents grants received and due from the MELS for the twelve-month period ended May 31. Pursuant to the requirements of the MELS, the operating grant instalment for the month of June is deferred as unearned revenue and taken into income the following financial year.

Government of Quebec operating grants are recorded in the financial year for which they are granted. A portion of these grants are based on second prior year student enrollment information. The grant amount is adjusted to reflect actual figures in future years based on then current calculation methods.

A portion of the government grant is contingent upon the University attaining certain objectives. Corrections to the amount of the grants may only be known after the year-end and adjustments, if any, will only be made at that time.

Capital expenditure grants are specifically designated for the purchase of capital assets and are recorded upon payment by the MELS. Capital expenditure grants also include grants related to the payment of interest on long-term debt and temporary financing of capital expenditures authorized by the MELS.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4. ACCOUNTING POLICIES (continued)

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 20.

Pension plan and fringe benefits

Pursuant to the requirements of the MELS, no provision is recorded for unpaid vacation or unpaid overtime.

The University sponsors a defined benefit pension plan for eligible full-time employees and a money purchase pension plan for eligible part-time employees. In addition, the University sponsors a non-registered supplemental pension for full-time employees. The annual additional contribution to amortize the going-concern deficit of the pension plan for eligible full-time employees is recognized as an expense in the Operating Fund.

The University contributes to these plans as per legal and plan requirements and in accordance with the most recent actuarial evaluations. Pension costs are charged to the Operating Fund on a cash basis as plan funding is provided.

As required by the MELS, the expenses of employee benefit costs are charged to the Operating Fund when disbursed and no provision is made for future benefit costs.

Capital assets in Capital Fund

Capital assets are carried at cost. Contributed capital assets are recorded at their fair value at the date of contribution.

Capital assets purchased within the Operating Fund or the Restricted Funds are charged to expenditures in the respective fund in the same period in which the related operating revenue is recorded in the Capital Fund. The cost of such acquisitions is also added to capital assets and the fund balance in the Capital Fund.

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 carried as an expenditure in the Operating Fund.

Assets of a capital nature that do not meet the MELS monetary capitalization threshold are written off in the year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4. ACCOUNTING POLICIES (continued)

Capital assets in Capital Fund (continued)

The annual depreciation rates and methods are prescribed by the MELS. Depreciation is based on their estimated useful life using the straight-line method over the following periods :

	Duration
Land improvements	10 or 20 years
Buildings	20, 40 or 50 years
Building renovations	25, 30 or 40 years
Furnishings	5 years
Equipment	5, 10 or 15 years
Rolling stock	5 years
Computer hardware	3 years
Software	5 years
Library collection	10 years

Other assets

Bishop's University holds an interest, representing 1/19th of the cost of a high speed telecommunication system pursuant to an agreement between the MELS, the Réseau inter-ordinateurs scientifique Québécois (RISQ) inc. and the universities. The annual depreciation is established by using the straight-line method over the term of the contract signed by MELS and the University.

Bond discounts

The amortization of bond discounts is accounted for using the effective interest method over the term of the related bond.

Derivative financial instruments

Derivative financial instruments held for risk management purposes that are not eligible for hedge accounting are recognized on the balance sheet at their fair value, with changes in fair value recognized in revenue and expenses of the Capital Fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4. ACCOUNTING POLICIES (continued)

Interfund accounts

The interfund accounts are without interest or repayment terms.

Carrying charges on long-term debt

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

Retirement Allowances and severance costs

Retirement allowances and severance costs are charged to Operating Fund expenditures in the year that a retirement agreement is agreed.

Cash and cash equivalents

The University's cash and cash equivalents include cash less outstanding cheques. Amounts drawn under the credit facility are considered to be a financing activity and are not included in cash and cash equivalents (Note 24).

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of revenue and expenses reported in the financial statements. Actual results could differ from these estimates.

5. DIFFERENCES FROM CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The differences between the accounting requirements under the *Cahier des définitions, des termes et des directives de présentation du rapport financier annuel pour les universités du Québec* (the «Cahier») stipulated by the MELS, as applied by the University, and Canadian generally accepted accounting principles, are the following:

- In the course of operations, capital assets are purchased within the Operating and Restricted Funds. However, the MELS requires that these assets be recorded as expenses of the respective fund, and capitalized, amortized and recorded as revenue in the Capital Fund. During the year, the Capital assets acquired by the Operating Fund totalled \$2,074,384 (\$1,339,668 in 2008), and Capital assets acquired by the Restricted Funds totalled \$59,970 (\$nil in 2008).

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**5. DIFFERENCES FROM CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(continued)**

- Expenses are recorded on the accrual basis, with the exception of vacation pay and unpaid overtime. As required by the MELS, the University accounts for vacation pay on a cash basis. Under the accrual method, the estimated vacation pay accrual would have been \$548,700 (\$640,000 in 2008) and the estimated overtime accrual would have been \$74,400 (\$69,400 in 2008), resulting in an increase of \$86,300 in the excess of revenue over expenses for the year (increase of \$41,800 in the excess of expenses over revenue in 2008).
- The Government of Quebec contributes annually to a bond sinking fund on behalf of the University. This fund is intended for repayment of bonds at maturity and consequently the MELS requires that the amount be presented as a reduction of long-term debt.
- Employee benefits and pension cost are expensed when paid, rather than accrued during the employee's service. The impractical nature of determining the calculation of future costs for disclosure purposes is such that the amount was not determined as of the date of this report.
- The MELS requires the June 2009 operating grant instalment of \$1,609,000 to be recorded as unearned revenue rather than as an Operating Fund revenue (\$1,669,000 in 2008). Had this grant been accounted for in accordance with Canadian generally accepted accounting principles the excess of revenue over expenses would have been a decrease of \$60,000 (excess of expenses over revenues would have been a decrease of \$254,000 in 2008)
- Had the above items been accounted for as at June 30, 2009, the total of revenue over expenses would have increased by \$26,300 to an excess of expenses over revenue of \$777,192. This amount does not include the effect of accounting for employee future benefits which has not been quantified.

6. GOVERNMENT ASSISTANCE

The MELS 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 \$896,734 (\$548,282 in 2008) 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 Government.

BISHOP'S UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

7. GRANTS OF MELS

2009

2008

The Operating Fund grants received from the MELS are an important source of Operating Revenue; as such, the University is largely dependent on those grants for its normal operations.

Operating Fund

Operating grant

19 978 030 \$ 18 514 553 \$

Matching gift

374 300 526 600

20 352 330 \$ 19 041 153 \$

Student services

164 300 \$ 169 000 \$

Capital Fund

Subsidy - interest on long-term debt

598 300 \$ 585 220 \$

Repayment of long-term debt

419 645 130 439

Sinking fund credits

275 000 275 000

Temporary financing of capital acquisitions

9 811 16 592

Equipment

246 500 263 100

1 549 256 \$ 1 270 351 \$

Restricted Funds

Research and other revenue

133 065 \$ 138 992 \$

The long-term receivables under the Operating Fund consist in \$401,300 receivable from the MELS dating from 2003.

The MELS budget rules specify that each Quebec University must present annually either balanced Operating Fund Results or a plan to return to financial equilibrium to benefit from the MELS Operating Fund grants in their entirety. Conditional grants, representing approximately 11% of the MELS Operating Fund grants, are withheld until this condition is met.

BISHOP'S UNIVERSITY**NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

8. RETIREMENT ALLOWANCES AND SEVERANCE COSTS

A special early retirement offer has been available to employees since 1996. During 2008, the University also made available to Faculty special retirement options. In the current year, cancellations and adjustments were recorded due to the change in circumstances for Faculty who had previously intended to retire. The following amounts will be due on retirement or departure:

	Balance due 2008	New allowances	Paid allowances	Cancellations and adjustments	Balance due 2009
2001 - 2002	10 556 \$	- \$	2 516 \$	- \$	8 040 \$
2006 - 2007	16 816	-	16 816	-	-
2007 - 2008	280 403	-	130 591	120 000	29 812
2008 - 2009	660 838	57 837	664 257	8 663	45 755
2009 - 2010	862 937	-	-	157 305	705 632
2010 - 2011	290 072	-	-	153 873	136 199
2011 - 2012	59 737	-	-	59 737	-
	2 181 359 \$	57 837 \$	814 180 \$	499 578 \$	925 438 \$

9. INVESTMENTS

	2009	2008
Balanced Fund, McLean Budden, representing charitable annuity donation fund	760 291 \$	819 347 \$
Money Market Fund, McLean Budden, representing Supplemental Employee Retirement Plan (SERP)	5 912	2 427
iNovia Capital inc. 400 shares, (representing 0.5% of the capital)	4 000	4 000
MSBI Investment Fund - Limited partnership, 1 unit, (representing 0.5% of partnership) (Note 18)	172 999	161 226
Sixtron Advanced Materials Inc., 409 257 preferred shares A-2, (cost : \$235,790)	200 000	200 000
Coopérative de Solidarité Air Sherbrooke (1 unit)	450	450
	1 143 652 \$	1 187 450 \$

BISHOP'S UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

10. CAPITAL ASSETS

	2009		
	Cost	Accumulated depreciation	Net value
Land	417 644 \$	- \$	417 644 \$
Land improvements	3 020 818	291 491	2 729 327
Buildings	34 194 481	22 345 938	11 848 543
Buildings renovations	9 254 441	1 832 529	7 421 912
Furnishings, equipment, rolling equipment, computer hardware	4 783 878	2 366 725	2 417 153
Software	766 099	371 040	395 059
Library collection	7 141 516	3 682 573	3 458 943
	59 578 877 \$	30 890 296 \$	28 688 581 \$

	2008 restated		
	Cost	Accumulated depreciation	Net value
Land	417 644 \$	- \$	417 644 \$
Land improvements	2 925 859	139 250	2 786 609
Buildings	34 194 481	21 699 072	12 495 409
Building renovations	8 756 190	1 576 904	7 179 286
Furnishings, equipment, rolling equipment, computer hardware	4 210 561	2 006 437	2 204 124
Software	682 124	363 675	318 449
Library collection	6 995 182	3 569 739	3 425 443
	58 182 041 \$	29 355 077 \$	28 826 964 \$

During the year ended June 30, 2009, \$833,202 of fully depreciated capital assets were written off in conformity with MELS requirements (\$675,346 in 2008).

BISHOP'S UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

11. OTHER ASSETS	2009	2008
Telecommunication system (RISQ), at amortized cost	493 422 \$	542 764 \$
Bond discount, at amortized cost	10 521	26 302
Other	30 444	35 125
	<hr/>	<hr/>
	534 387 \$	604 191 \$

12. BANK INDEBTEDNESS AND CREDIT FACILITY

The University has an authorized line of credit of \$9,000,000 bearing interest at either prime rate or banker's acceptances rate plus 0.80% stamping fees and renewable on December 31, 2009.

13. BANKER'S ACCEPTANCES

As part of the financing of a new residence, the University entered into a \$7.2 million declining 25-year interest rate swap contract with a bank in 2003. This contract effectively converts a floating interest rate into a fixed rate of 5.42% until 2028. As part of this financing, the University has an authorized line of credit facility of \$6,272,000 by way of banker's acceptances bearing interest at prime rate plus 0.80% stamping fees.

As part of its credit facility (Note 12), the University has \$2 million of banker's acceptances bearing interest at 0.40% and renewed in September 2009.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	2009	2008
Accounts payable and accrued liabilities	2 058 788 \$	2 780 159 \$
Due to the Pension Plans for employees	213 114	274 318
	<hr/>	<hr/>
	2 271 902 \$	3 054 477 \$

BISHOP'S UNIVERSITY**NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

15. LONG-TERM DEBT	2009	2008
Serviced by the University , to finance Heating Tunnel - capital renovations 10 year term loan, bearing an annual interest rate of 5%, renewable in September 2016, repayable in monthly instalments of \$5,739 including interest	777 021	780 235
To finance the construction of food Kiosk, 6 year term loan, bearing an annual interest rate of 8%, maturing in July 2013, repayable in monthly instalments of \$4,646, including interest	216 108	254 646
Serviced by the Government of Quebec Main project MELS capital grants are authorized under the five-year university capital investment plan and are funded by the Government of Quebec 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, administrated and serviced by the government of Quebec.		
Bonds		
Series 1B, 3.95%, maturing on February 26, 2010	6 314 240 \$	6 196 000 \$
Less: accumulated sinking fund credits	(1 375 000)	(1 100 000)
	4 939 240	5 096 000
8 year term loan, bearing an annual interest rate of 4.26%, renewable in March 2014, repayable in annual instalments in capital of \$80,000	1 838 300	1 839 800
6 year term loan, bearing an annual interest rate of 4.394%, renewable in September 2013, repayable in annual instalments in capital of \$286,440	6 003 309	6 042 500
10 year term loan, bearing an annual interest rate of 5.89%, maturing in May 2019, repayable in annual instalments of \$160,879, including interest	1 300 635	-
Balance forward	15 074 613 \$	14 013 181 \$

BISHOP'S UNIVERSITY**NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

15. LONG-TERM DEBT (continued)

Balance forwarded	15 074 613 \$	14 013 181 \$
Other projects		
To finance repayment of loan to CIBC regarding construction of Centennial Theatre: 10 year term loan, bearing an annual interest rate of 5.07%, maturing in December 2012, repayable in semi-annual instalments of \$35,883, including interest	240 201	292 253
To finance construction of Kuehner, Munster and Abott student residences: 50 year mortgage loans, bearing annual interest rates varying from 5.125% to 5.75%, maturing at varying dates from December 2014 to 2016, repayable in semi-annual instalments of \$39,285, including interest	460 292	501 551
To finance Centennial Theatre renovations subsidized by the Ministère de la Culture, Communication et Condition féminine: 5 year term loan, bearing an annual interest rate of 5%, renewable in May 2013, repayable in semi-annual instalments of \$29,832, including interest	714 630	730 302
To finance repayment of loan to RBC regarding construction of Synthetic Turf: 3 year term loan, bearing an annual interest rate of 4.25 %, maturing in May 2012, repayable in annual instalments of \$67,734, including interest	194 212	-
	16 683 948	15 537 287
Current portion	(5 450 671)	(839 373)
	11 233 277 \$	14 697 914 \$

Scheduled principal and interest payments of the various series of bonds and term loans are based on annual subsidies from the Government of Quebec which are subject to the required credits being voted annually by the Government of Quebec. The rights to these annual credits are assigned to a trust with a trust company for the exclusive benefit of the registered holders of the related bond series.

BISHOP'S UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

15. LONG-TERM DEBT (continued)

Principal due within each of the next five years on long-term debt is as follows:

2010 -	\$1,001,671
2010 -	\$4,449,000 (subject to refinancing)
2011 -	\$746,838
2012 -	\$768,078
2013 -	\$687,111
2013 -	\$612,187 (subject to refinancing)
2014 -	\$588,621
2014 -	\$5,641,360 (subject to refinancing)

16. PENSION PLANS

1) The University sponsors a defined benefit pension plan for eligible full-time employees (the "Full-time Plan").

The estimated market value of net assets available for benefits and the actuarial present value of the accrued pensions for funding purposes are as follows:

	2009	2008
<hr/>		
Pension plan financial statement purpose:		
Market value of net assets available for benefits	82 930 900 \$	95 089 605 \$
<hr/>		
Funding purposes:		
Market value of net assets available for benefits	82 930 900 \$	95 089 605 \$
Estimated actuarial present value of accrued pension benefits	103 776 700	100 722 100
Estimated actuarial deficit on a going-concern basis	(20 845 800) \$	(5 632 495) \$
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The actuarial information for funding purposes as summarized above is based on the extrapolation to June 30, 2009, of a formal valuation as at June 30, 2008, which showed an actuarial deficit for funding purposes of \$4,262,600.

At the date of the last formal actuarial valuation, June 30, 2008, the solvency market value of net assets was \$94,889,600 while the actuarial solvency value of accrued pension benefits was \$115,938,100 resulting in a solvency deficiency of \$21,048,500. Starting July 1, 2008, in order to amortize the going-concern deficit, the University has to contribute additional annual amounts of \$433,800 until June 30, 2023.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

17. PENSION PLANS (continued)

The next formal actuarial valuation of the Pension Plan for Full-time Employees of Bishop's University is due no later than June 30, 2011.

- 2) The University also sponsors a defined contribution pension plan for eligible part-time employees. The contributions to this plan by the University amounted to approximately \$95,000 (\$97,000 in 2008).
- 3) The University also maintains a Supplemental Employee Retirement Plan (SERP) for members of the Full-time Plan. The estimated actuarial liability is estimated at \$1,137,000 as at June 30, 2009 of which \$5,912 is funded.

18. COMMITMENTS

The University has entered into long-term lease agreements for equipment expiring at different dates between September 30, 2010 to July 31, 2014. Future minimum lease payments will aggregate \$520,900 including the following payments over the next five years:

2011 -	\$156,900
2012 -	\$128,800
2013 -	\$112,900
2014 -	\$112,900
2015 -	\$ 9,400

The University also has commitments for payments to MSBI Investment Fund, a limited partnership, created to promote the commercialisation of discoveries and inventions in various domains of science and technology. This project is also supported financially by Bishop's University Foundation, McGill University, l'Université de Sherbrooke, certain hospitals and by the Quebec Government. The University is committed to funding an additional \$37,500 which is expected to be paid in the next fiscal year.

The University has undertaken several capital projects and as a result has commitments totalling \$690,400. These commitments are expected to be met in the normal course of the operations.

BISHOP'S UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

19. CONTINGENT LIABILITIES

Litigation

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 Quebec. Although it is not possible to determine the ultimate outcome of such proceedings initiated and ongoing at June 30, 2009, 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; if the amount can be estimated and is considered likely to occur, it will be provided for in the accrued liabilities.

20. RELATED ENTITY - BISHOP'S UNIVERSITY FOUNDATION

The Bishop's University Foundation (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.

The Foundation is not consolidated in the University's financial statements. A financial summary of this non-consolidated entity as at June 30, 2009 and 2008 and for the years then ended is as follows:

Financial position	2009	2008
Current assets	265 843 \$	419 334 \$
Investments, at fair value	22 389 877	24 750 819
Total assets	22 655 720 \$	25 170 153 \$
Current liabilities	64 171 \$	328 624 \$
Fund balances (Note a)	22 591 549	24 841 529
	22 655 720 \$	25 170 153 \$

- a) In accordance with donor - designated gifts, \$20,908,958 (\$23,756,668 in 2008) 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 and support and research activities.

BISHOP'S UNIVERSITY**NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

20. RELATED ENTITY - BISHOP'S UNIVERSITY FOUNDATION (continued)

Results of operations	2009	2008
Investment income	699 226 \$	965 516 \$
Donations	1 862 054	2 500 123
Total revenues	2 561 280	3 465 639
Total expenditures (Note b)	(2 791 190)	(2 702 749)
Gain (loss) on disposal of investments	(35 481)	88 441
Unrealized loss on investments held for trading	(1 984 589)	(3 989 573)
Excess of expenditures over revenues	(2 249 980) \$	(3 138 242) \$

b) Total expenditures include contributions of \$2,636,705 (\$2,547,417 in 2008) as donations and management fees to the University.

Cash flows	2009	2008
Operating activities	(273 658) \$	(110 174) \$
Investing activities	119 996	383 858
Cash increase (decrease)	(153 662) \$	273 684 \$

21. ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOWS

	2009	2008
The cash and the bank indebtedness include the following elements:		
Cash	957 394 \$	- \$
Regular bank overdraft	- (581 772)	
Bank overdraft representing credit facility	- (3 116 337)	
	957 394 \$ (3 698 109) \$	

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

22. FINANCIAL INSTRUMENTS

Credit risk

The University provides credit in the normal course of its operations and maintains provisions for potential losses. A significant portion of the University's receivables is due from governments which is believed to be at low risk of default.

Interest rate risk

The University has concluded a long-term interest rate swap agreement to minimize short-term debt financing costs and to manage interest rate fluctuations risk. This agreement covers the conversion of variable interest rates into fixed rates.

The long-term debt bears fixed interest rates for the loans. Consequently, the long-term debt interest rate fluctuation risk is minimal.

Fair value

For financial instruments such as cash, accounts receivable, due from Bishop's University Foundation, banker's acceptances and accounts payable and accrued liabilities, the carrying values are equivalent to their fair value, by the nature of the short-term maturities of these financial instruments.

The fair value of long-term receivables approximates their carrying value as it bears repayment conditions similar to those currently available to the University.

The fair value of long-term debt, excluding reductions for the sinking fund, is based on rates currently available to the University for debt with similar terms and maturities. Long-term debt is accounted for at fair value in the financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

23. CAPITAL DISCLOSURES

The University relies principally on governmental subsidies, on student fees and on public or private donations to finance its operations. The funds available are allocated to the various programs based on the priorities identified by the Corporation. The majority of donations and some subsidies have external restrictions attached to them.

During the year, the University received donations of \$2,897,348 and subsidies of \$1,207,558 with external restrictions. The University complied with these restrictions.

24. COMPARATIVES FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.