

BISHOP'S UNIVERSITY

FINANCIAL STATEMENTS

Year ended June 30, 2010

BISHOP'S UNIVERSITY

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Year ended June 30, 2010

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AUDITORS' REPORT

To the Board of Governors of
Bishop's University

We have audited the balance sheet of BISHOP'S UNIVERSITY as at June 30, 2010 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.

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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at June 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.

October 28, 2010

¹ Chartered accountant auditor permit No. 8516

BISHOP'S UNIVERSITY

REVENUE AND EXPENSES Year ended June 30

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated
REVENUE								
Student academic fees	\$ 8,514,129	\$ 7,651,586	\$ -	\$ -	\$ -	\$ -	\$ 8,514,129	\$ 7,651,586
Other student fees	410,478	394,716	-	-	-	-	410,478	394,716
Management fees (Note 18)	36,000	36,000	-	-	-	-	36,000	36,000
Grants - ministère de l'Éducation, du Loisir et du Sport du Québec	21,113,757	20,294,439	90,963	111,430	1,784,741	1,471,230	22,989,461	21,877,099
Other	599,332	498,883	511,196	398,338	147,465	292,896	1,257,993	1,190,117
Donations - Bishop's University Foundation	-	-	1,752,347	1,871,555	192,451	175,441	1,944,798	2,046,996
Research grants	-	-	640,731	799,915	-	-	640,731	799,915
Student services	1,752,761	1,688,173	-	-	-	-	1,752,761	1,688,173
Ancillary enterprises	7,111,804	6,919,418	-	-	-	-	7,111,804	6,919,418
	39,538,261	37,483,215	2,995,237	3,181,238	2,124,657	1,939,567	44,658,155	42,604,020
EXPENSES								
Teaching	18,288,445	16,336,673	900,800	738,952	-	-	19,189,245	17,075,625
Funded research	-	-	609,249	759,620	-	-	609,249	759,620
Academic support:								
Library	1,319,615	1,010,974	550	160,970	-	-	1,320,165	1,171,944
Information technology and audio-visual	1,247,296	1,174,559	-	-	-	-	1,247,296	1,174,559
Administration support:								
Administration	4,640,644	4,471,212	61,939	79,944	-	-	4,702,583	4,551,156
Land and buildings	4,008,018	3,635,176	-	-	-	-	4,008,018	3,635,176
Student services	1,740,188	1,680,210	473,174	448,708	-	-	2,213,362	2,128,918
Student scholarship and bursaries	13,403	39,877	949,525	993,044	-	-	962,928	1,032,921
Ancillary enterprises	6,634,077	6,338,052	-	-	-	-	6,634,077	6,338,052
Interest	36,849	228,229	-	-	-	-	36,849	228,229
Interest charge on long-term debt and temporary financing	-	-	-	-	842,136	892,812	-	892,812
Interest on derivative financial instrument	-	-	-	-	334,760	234,595	-	234,595
Depreciation of capital assets	-	-	-	-	2,404,639	2,415,669	-	2,415,669
Amortization of other assets	-	-	-	-	64,178	70,439	-	70,439
Capital assets written off	-	-	-	-	169,324	29,312	-	169,324
Retirement allowances and severance costs (Note 6)	300,429	(441,741)	-	-	-	-	300,429	(441,741)
Employee future benefits (Note 15)	1,322,300	38,100	-	-	20,334	6,727	1,322,300	38,100
Variation of the fair value of investments	-	-	-	-	58,209	287,642	-	287,642
Variation of the fair value of derivative financial instruments	-	-	-	-	(91,468)	608,032	(91,468)	608,032
Variation of the fair value of long-term debt	-	-	-	-	-	-	-	-
Pension plan amortization (Note 15)	281,970	433,800	-	-	-	-	281,970	433,800
	39,833,234	34,945,121	2,995,237	3,181,238	3,802,112	4,545,228	46,630,583	42,671,587
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	(294,973)	2,538,094	-	-	(1,677,455)	(2,605,661)	(1,972,428)	(67,567)

BISHOP'S UNIVERSITY

CHANGES IN FUND BALANCES
Year ended June 30

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated
FUND BALANCES, BEGINNING OF YEAR As previously reported	(4,516,049)	(3,922,212)	2,442,725	2,149,552	4,671,082	3,619,526	2,597,758	1,846,866
Changes in accounting policies (Note 2)	(15,964,380)	(15,957,116)	(2,502,725)	(2,209,552)	453,451	971,473	(18,013,654)	(17,195,195)
FUND BALANCES, BEGINNING OF YEAR - as restated	(20,480,429)	(19,879,328)	(60,000)	(60,000)	5,124,533	4,590,999	(15,415,896)	(15,348,329)
INTERFUND TRANSFER - CAPITAL ASSETS FINANCED BY THE OPERATING FUND	(2,561,985)	(3,139,195)	-	-	2,561,985	3,139,195	-	-
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES	(294,973)	2,538,094	-	-	(1,677,455)	(2,605,661)	(1,972,428)	(67,567)
FUND BALANCES, END OF YEAR	\$ (23,337,387)	\$ (20,480,429)	\$ (60,000)	\$ (60,000)	\$ 6,009,063	\$ 5,124,533	\$ (17,388,324)	\$ (15,415,896)

BISHOP'S UNIVERSITY

BALANCE SHEET
June 30

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated
ASSETS								
CURRENT ASSETS								
Cash	- \$	957 394 \$	- \$	- \$	- \$	- \$	- \$	957 394 \$
Accounts receivable	809 591	1 277 556	141 411	141 335	70 120	77 596	1 021 122	1 496 487
Accounts receivable - ministère de l'Éducation, du Loisir et du Sport du Québec	3 472 900	3 573 680	-	-	-	-	3 472 900	3 573 680
Due from Bishop's University Foundation	388 395	64 168	-	-	-	-	388 395	64 168
Prepaid expenses	572 169	1 114 651	-	-	-	-	572 169	1 114 651
	5 243 055	6 987 449	141 411	141 335	70 120	77 596	5 454 586	7 206 380
INTERFUND ACCOUNT INVESTMENTS (Note 7)	4 940 480	(613 781)	2 841 479	2 391 390	(7 781 959)	(1 777 609)	-	-
CAPITAL ASSETS (Note 8)	-	-	-	-	1 141 522	1 143 652	1 141 522	1 143 652
OTHER ASSETS (Note 9)	-	-	-	-	31 245 833	28 688 581	31 245 833	28 688 581
LONG-TERM RECEIVABLES	-	-	-	-	470 209	534 387	470 209	534 387
CAPITAL GRANTS RECEIVABLES (Note 5)	303 900	401 300	-	-	64 305	125 380	368 205	526 680
	-	-	-	-	2 764 868	4 436 971	2 764 868	4 436 971
	10 487 435 \$	6 774 968 \$	2 982 890 \$	2 532 725 \$	27 974 898 \$	33 228 958 \$	41 445 223 \$	42 536 651 \$

APPROVED BY THE BOARD OF GOVERNORS

Michelle Gauthier

BISHOP'S UNIVERSITY

BALANCE SHEET

June 30

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2010	2009 restated	2010	2009 restated	2010	2009 restated	2010	2009 restated
LIABILITIES								
CURRENT LIABILITIES								
Bank indebtedness and credit facility (Note 10)	\$ 7,657,951	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ 7,657,951	\$ 2,000,000
Banker's acceptances (Note 11)	-	-	-	-	6,080,000	6,272,000	6,080,000	6,272,000
Accounts payable and accrued liabilities (Note 12)	3,506,691	2,709,097	-	40,000	1,356,280	185,886	4,862,971	2,934,983
Accounts payable - ministère de l'Éducation, du Loisir et du Sport du Québec	2,994,829	3,490,220	-	-	45,288	66,951	3,040,117	3,557,171
Derivative financial instrument	-	-	-	-	970,329	912,120	970,329	912,120
Unearned revenue	1,037,453	1,441,742	-	-	-	-	1,037,453	1,441,742
Current portion of long-term debt (Note 14)	-	-	-	-	749,569	5,450,671	749,569	5,450,671
	15,196,924	9,641,059	-	40,000	9,201,466	12,887,628	24,398,390	22,568,687
RETIREMENT ALLOWANCES & SEVERANCE COSTS (Note 6)	616,698	925,438	-	-	-	-	616,698	925,438
DEFERRED CONTRIBUTIONS (Note 13)	-	-	3,042,890	2,552,725	-	-	3,042,890	2,552,725
DEFERRED CAPITAL CONTRIBUTIONS (Note 5)	-	-	-	-	2,374,786	2,608,520	2,374,786	2,608,520
LONG-TERM DEBT (Note 14)	-	-	-	-	10,389,583	12,608,277	10,389,583	12,608,277
EMPLOYEE FUTURE BENEFITS (Note 15)	18,011,200	16,688,900	-	-	-	-	18,011,200	16,688,900
	33,824,822	27,255,397	3,042,890	2,592,725	21,965,835	28,104,425	58,833,547	57,952,547
FUND BALANCES								
Unrestricted	(23,337,387)	(20,480,429)	-	-	-	-	(23,337,387)	(20,480,429)
Externally restricted	-	-	(60,000)	(60,000)	-	-	(60,000)	(60,000)
Invested in capital assets	-	-	-	-	6,009,063	5,124,533	6,009,063	5,124,533
	(23,337,387)	(20,480,429)	(60,000)	(60,000)	6,009,063	5,124,533	(17,388,324)	(15,415,896)
	\$ 10,487,435	\$ 6,774,968	\$ 2,982,890	\$ 2,532,725	\$ 27,974,898	\$ 33,228,958	\$ 41,445,223	\$ 42,536,651

COMMITMENTS AND CONTINGENT LIABILITIES (Notes 16 and 17)

BISHOP'S UNIVERSITY**CASH FLOWS**

Year ended June 30

2010

2009
restated**OPERATING ACTIVITIES**

Excess of expenses over revenue

\$(1,972,428) \$(67,567)

Items not affecting cash:

Depreciation of capital assets

2,404,639 2,368,419

Amortization of other assets

64,178 70,439

Amortization of deferred capital contribution

(1,375,717) (1,222,114)

Variation of the fair value of investments

20,334 6,727

Variation of the fair value of derivative financial instruments

58,209 287,642

Variation of the fair value of long-term debt

(91,468) 608,032

Write-off of capital assets

1,632 -

(890,621) 2,051,578

Employee future benefits

1,322,300 38,100

Retirement allowances and severance costs

(308,740) (1,255,921)

Net changes in non-cash working capital items:

Accounts receivable

576,145 791,026

Prepaid expenses

542,482 (392,077)

Due from Bishop's University Foundation

(324,227) 264,456

Accounts payable and accrued liabilities

1,410,934 371,808

Unearned revenue

(404,289) (210,635)

Deferred contributions

490,165 293,173

2,414,149 1,951,508

INVESTING ACTIVITIES

Acquisition of investments

(85,100) (85,000)

Disposal of investments

66,896 121,829

Acquisition of capital assets

(4,963,523) (2,230,036)

(4,981,727) (2,193,207)

BISHOP'S UNIVERSITY**CASH FLOWS**

Year ended June 30

2010

2009
restated**FINANCING ACTIVITIES**

Changes in credit facility	5,425,528	(7,116,337)
Change in banker's acceptances	(192,000)	(184,000)
Issuance of long-term debt	-	1,377,600
Repayment of long-term debt	(6,828,328)	(564,364)
Payment by MELS - accumulated sinking fund	1,650,000	-
Deferred capital contributions received	1,164,086	1,465,136
Variation in long-term receivables	158,475	6,802,830
	<u>1,377,761</u>	<u>1,780,865</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,189,817)	1,539,166
CASH AND CASH EQUIVALENTS (DEFICIENCY) BEGINNING OF YEAR	<u>957,394</u>	<u>(581,772)</u>
CASH AND CASH EQUIVALENTS (DEFICIENCY), END OF YEAR (Note 10)	\$(232,423)	\$ 957,394

Supplementary information

Interest paid

878,985

1,121,041

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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.

In order to maintain its registered charity status, the University must meet certain spending requirements ("disbursement quota") according to the *Income Tax Act*. The disbursement quota is a minimum amount that the registered charity must spend on charitable programs or as gifts to qualified donations. Failure to comply with this requirement could lead to a revocation of the University's registered charity status. As at June 30, 2010, the University complies with the requirement.

2. CHANGES IN ACCOUNTING POLICIES

Prior period adjustments for changes in accounting policies

As of July 1, 2009, in accordance with the prescribed guidelines set out by Ministère de l'Éducation, du Loisir et du Sport du Québec ("MELS"), the University has retrospectively adopted the standards set out in the Canadian Institute of Chartered Accountants ("CICA") Handbook and has prepared its financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") using the deferral method with funds. Previously, the University followed the accounting policies and practices required by the *Cahier des définitions, des termes et des directives de présentation du rapport financier annuel pour les universités du Québec* (the "Cahier"), as required by MELS.

The figures for 2009 have been restated and prepared on the same basis.

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

June 30, 2010

2. CHANGES IN ACCOUNTING POLICIES (continued)

The adoption of these policies had the following effects on the financial statements of the University:

	Operations year ended June 30, 2010	Fund balance July 1, 2009	Operations year ended June 30, 2009	Fund balance July 1, 2008
Revenue recognition (a)	\$(555,854)	\$(2,006,954)	\$(871,165)	\$(1,178,109)
Capital expenditures (b)	42,320	(42,320)	59,970	(59,970)
Employee future benefits - pension plans (c)	(1,322,300)	(16,688,900)	(38,100)	(16,650,800)
Employee future benefits - vacation pay and unpaid overtime (d)	(250,642)	(623,081)	86,411	(709,492)
Cut-off of spring session, golf and conference, and MELS June installment (e)	314,014	1,347,601	(55,575)	1,403,176
Long-term debt (f)	-	-	-	-
	\$(1,772,462)	\$(18,013,654)	\$(818,459)	\$(17,195,195)

(a) Revenue recognition

The University changed from the restricted fund method to the deferral method of accounting for restricted contributions, which include donations and grants.

For the Restricted Funds, this change resulted in a decrease in revenues of \$492,485 (\$353,143 in 2009), an increase in accounts receivable in the balance sheet of \$90,000 (\$90,000 in 2009), an increase in accounts payables in the balance sheet of \$nil (\$40,000 in 2009) and an increase in deferred contributions in the balance sheet of \$3,042,890 (\$2,552,725 in 2009). The cumulative effect on the opening fund balance in 2010 was a decrease of \$2,460,405 (\$2,149,582 in 2009).

For the Capital Fund, this change resulted in a decrease in revenues of \$49,486 (\$500,834 in 2009), an increase in expenses of \$13,883 (\$17,188 in 2009), an increase in capital grants receivable on the balance sheet of \$2,764,868 (\$4,436,971 in 2009) and an increase in deferred capital contributions on the balance sheet of \$2,374,786 (\$2,608,520 in 2009). The cumulative effect on the opening fund balance in 2010 was an increase of \$453,451 (\$971,473 in 2009).

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

2. CHANGES IN ACCOUNTING POLICIES (continued)

(b) Capital expenditures

Previously MELS required that capital assets financed by the Operating Fund and the Restricted Funds be recognized as an expense of the fund from which the transaction originated with an offsetting revenue in the Capital Fund. These amounts are now presented as an Interfund transfer in the statement of changes in Fund balances for capital assets financed by the Operating Fund, and as a revenue in the Capital Fund for capital assets financed by funds with restrictions on them when the portion dedicated to capital purchases is not specified by the grant provider.

For the Operating Fund, this change resulted in a decrease in expenses of \$2,281,632 (\$2,074,384 in 2009) and a decrease of the caption "Interfund Transfer - capital assets financed by the operating fund" of the same amounts. These changes had no impact on the fund balances at year end.

For the Restricted Funds, this change resulted in a decrease in expenses of \$42,320 (\$59,970 in 2009). The cumulative effect on the opening fund balance in 2010 and 2009 was a decrease of the same amounts.

For the Capital Fund, this change resulted in a decrease in revenues of \$2,281,632 (\$2,074,384 in 2009) and an increase of the caption "Interfund Transfer - capital assets financed by the operating fund" of the same amounts. This change also resulted in a reclassification among the revenues for an amount of \$42,320 (\$59,970 in 2009). These changes had no impact on the fund balances at year end.

(c) Employee future benefits - pension plans

The University applied the CICA Handbook, section 3461, Employee Future Benefits, on a retrospective basis, to account for its employee future benefit plans and pension costs resulting in accruals for employee future benefits over the period that the services are rendered by the employee. Previously, these amounts were recorded on a cash basis.

For the Operating Fund, this change resulted in an increase in expenses of \$1,322,300 (\$38,100 in 2009) and an increase of the caption "Employee future benefits" liability in the balance sheet of \$18,011,200 (\$16,688,900 in 2009). The cumulative effect on the opening fund balance in 2010 was a decrease of \$16,688,900 (\$16,650,800 in 2009).

(d) Employee future benefits - vacation pay and unpaid overtime

Previously MELS required that vacation pay and unpaid overtime be recognized as an expense on a cash basis. These amounts are now presented on an accrual basis.

For the Operating Fund, this change resulted in an increase in expenses of \$250,642 (decrease of \$86,411 in 2009) and an increase of accounts payable and accrued liabilities in the balance sheet of \$873,723 (\$623,081 in 2009). The cumulative effect on the opening fund balance in 2010 was a decrease of \$623,081 (\$709,492 in 2009).

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

2. CHANGES IN ACCOUNTING POLICIES (continued)

(e) Cut-off of spring session, golf and conferences, and MELS June installment

Previously the results of the spring session and of the golf and conferences were recorded as unearned revenue and prepaid expenses, and recognized in the results of the following fiscal year. These amounts are now recognized in the current fiscal year. In addition, MELS previously required that its June installment be recognized as an unearned revenue, recognizing the revenues in the next fiscal year. The amount earned is now recognized as a revenue in the current year.

For the Operating Fund, this change resulted in an increase in revenues of \$562,940 (decrease of \$52,370 in 2009), an increase in expenses of \$248,926 (\$3,205 in 2009), an increase of accounts receivable in the balance sheet of \$799,517 (\$531,607 in 2009), a decrease of prepaid expenses in the balance sheet of \$906,668 (\$547,742 in 2009), an increase of accounts payables - MELS in the balance sheet of \$139,233 (\$245,264 in 2009) and a decrease of unearned revenue in the balance sheet of \$1,907,999 (\$1,609,000 in 2009). The cumulative effect on the opening fund balance in 2010 was an increase of \$1,347,601 (\$1,403,176 in 2009).

(f) Long-term debt

Previously, as part of MELS reporting guidelines, long-term debt was recorded net of bond sinking fund contributions set aside by the Government of Quebec. Long-term debt is now presented at the full amount of all outstanding debt.

For the Capital Fund, this change resulted in an increase in long-term debt of \$nil (\$1,375,000 in 2009) and an increase in capital grants receivable on the balance sheet of the same amounts. These changes had no impact on the fund balances at year end.

New accounting standards

Effective July 2009, the University adopted the following recommendations of CICA Handbook.

The University adopted the recommendations of CICA Handbook Section Section 1000, Financial Statement Concepts, that clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized on the Balance Sheet. The adoption of this Section had no impact on the financial statements.

The University adopted the recommendations of CICA Handbook Section 1540, Cash Flow Statement. This Section has been amended to include not-for-profit organizations within its scope. The adoption of this Section resulted in the reclassification of certain items on the statement of cash flows.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

2. CHANGES IN ACCOUNTING POLICIES (continued)

The University adopted the recommendations of CICA Handbook Section 4400, Financial Statement Presentation. This Section has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets 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. The application of this standard had no impact on the financial statements.

The University adopted the recommendations of CICA Handbook Section 4460, Financial Statement Disclosures of Related Party Transactions. This Section establishes the disclosure standards for related party transactions. The adoption of this Section had no impact on the financial statements.

3. ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for not-for-profit organizations and include the following significant accounting policies.

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 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

3. ACCOUNTING POLICIES (continued)

Revenue recognition

The University follows the deferral method of accounting for restricted contributions, which include donations and grants. Under the deferral method, amounts that are restricted are recorded as a deferred contribution and are recognized as revenue when the related expense is incurred. Where contributions relate to capital assets, the revenue is recognized on the same basis as the amortization of the asset acquired. Unrestricted contributions are recognized as revenue when received.

Interest and dividend revenue is recorded on an accrual basis. 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.

Grants, donations, and other revenue includes the difference between the amounts received or earned during the year and the revenue recognizable under the deferral method.

For the Government of Quebec operating grant (MELS grant), MELS budget rules specify that each Quebec University must present annually either a balanced Operating Fund Results or a plan to return to financial equilibrium to benefit it entirely. The conditional grant, representing approximately 11% of the MELS Operating Fund grants, is withheld until this condition is met. The conditional grant for 09-10 was received September 27, 2010.

A portion of the MELS grant is based on second prior year student enrollment information. The grant amount is adjusted to reflect actual figures in future years based on current calculation methods.

The MELS grant amount is based on the most recent MELS budget rules in effect at the date of issuance of the financial statements.

Corrections to the amount of grants may only be known after the year-end and adjustments, if any, will only be made at that time.

Student academic fees and other student fees are recognized as revenue in the year during which the course sessions are held.

Sale of goods and services and contract revenue are recognized at the point of sale or when the service has been provided.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

3. ACCOUNTING POLICIES (continued)

Financial instruments

The University has maintained its election to use the exemption provided by the CICA, permitting not-for-profit organizations not to apply the following Sections of the CICA Handbook: 3862 and 3863. The University applies the requirements of Section 3861 of the CICA Handbook.

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 capital grants 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 instrument	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. Fair value for publicly traded securities is based on quoted market values using bid prices. The fair value of infrequently traded securities, including private equity investments, is determined based on quoted market yields, or on prices of recent transactions in the applicable securities, as appropriate, including consideration of the credit risk of the issuer. Changes in fair value in the period are recorded in the statement of revenue and expenses under the caption Variation of the fair value of investments.

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

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

3. ACCOUNTING POLICIES (continued)

Pension plan and fringe benefits

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 cost of providing pension benefits and post-employment and post-retirement benefits other than pensions is determined periodically by independent actuaries. The actuarial valuation performed every three years is based on the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). For the purpose of calculating the expected return on plan assets, the assets are valued at fair value.

Actuarial gains or losses arise from the difference between the actual long-term rate of return on plan assets for the year and the expected long-term rate of return on plan assets for that year, or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees, being 10 to 12 years (2009 - 10 to 12 years).

Past-service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendments.

On July 1, 2009, the University adopted retrospectively the accounting standard on employee future benefits. The University is amortizing the transitional obligation on a straight-line basis over 10 to 12 years, which was the average remaining service period of employees expected to receive benefits under the benefit plans as of July 1, 2009.

Capital assets in Capital Fund

Capital assets are recorded at cost. Contributed capital assets are recorded at appraised fair value at the date of contribution when fair value can be reasonably estimated; otherwise they are recorded at a nominal amount.

Capital assets purchased within the Operating Fund are presented as an Interfund transfer in the statement of changes in Fund balances. 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.

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.

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, 2010

3. 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 (16 years).

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.

Interfund accounts

The Interfund accounts are without interest or repayment terms.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

3. ACCOUNTING POLICIES (continued)

Servicing of 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 occurs.

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 19).

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 may ultimately differ from these estimates. In particular, significant estimates are made regarding valuation of receivables, valuation of investments, valuation of accounts payable - MELS, estimated useful lives of capital assets, valuation of derivative financial instrument, valuation of long-term debt and employee future benefits.

4. 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 \$7,745,914 (\$896,734 in 2009) 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

5. CAPITAL GRANTS RECEIVABLE AND DEFERRED CAPITAL CONTRIBUTIONS

Capital grants receivable relate to capital grants approved by MELS 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 capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets.

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

	2010	2009 restated
Total		
Capital grants receivable (net of deferred capital contributions), beginning of year	\$ 1,828,451	\$ 2,071,473
Amortization of deferred capital contributions	1,375,717	1,222,114
Payment by MELS - accumulated sinking fund	(1,650,000)	-
Deferred capital contributions received	(1,164,086)	(1,465,136)
Capital grants receivable (net of deferred capital contributions), end of year	\$ 390,082	\$ 1,828,451

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

5. CAPITAL GRANTS RECEIVABLE AND DEFERRED CAPITAL CONTRIBUTIONS (continued)

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

	2010	2009 restated
Ministère de l'Éducation, du Loisir et du Sport du Québec		
Capital grants receivable, beginning of year	\$ 4,436,971	\$ 4,229,757
Amortization of deferred capital contributions	1,042,699	912,131
Payment by MELS - accumulated sinking fund	(1,650,000)	-
Deferred capital contributions received	(1,064,802)	(704,917)
Capital grants receivable, end of year	\$ 2,764,868	\$ 4,436,971

	2010	2009 restated
Bishop's University Foundation		
Deferred capital contributions, beginning of year	\$(1,791,842)	\$(1,569,818)
Amortization of deferred capital contributions	161,505	153,456
Deferred capital contributions received	-	(375,480)
Deferred capital contributions, end of year	\$(1,630,337)	\$(1,791,842)

	2010	2009 restated
Others		
Deferred capital contributions, beginning of year	\$(816,678)	\$(588,466)
Amortization of deferred capital contributions	171,513	156,527
Deferred capital contributions received	(99,284)	(384,739)
Deferred capital contributions, end of year	\$(744,449)	\$(816,678)

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

June 30, 2010

6. 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. The following amounts will be due on retirement or departure:

Expected payment dates	Balance due 2009	New allowances	Paid allowances	Cancellations and (adjustments)	Balance due 2010
2001 - 2002	\$ 8,040	\$ -	\$ 3,720	\$ -	\$ 4,320
2007 - 2008	29,812	-	29,812	-	-
2008 - 2009	45,755	-	45,755	-	-
2009 - 2010	705,632	22,585	529,882	(4,733)	203,068
2010 - 2011	136,199	115,970	-	-	252,169
2011 - 2012	-	95,315	-	-	95,315
2012 - 2013	-	\$ 61,826	\$ -	-	61,826
	\$ 925,438	\$ 295,696	\$ 609,169	\$ (4,733)	\$ 616,698

7. INVESTMENTS

	2010	2009
Balanced Fund, McLean Budden, representing charitable annuity donation fund (Note 16)	\$ 799,509	\$ 760,291
Money Market Fund, McLean Budden, representing Supplemental Employee Retirement Plan (SERP)	5,616	5,912
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)	131,947	172,999
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
	\$ 1,141,522	\$ 1,143,652

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

June 30, 2010

8. CAPITAL ASSETS

	2010		
	Cost	Accumulated depreciation	Net value
Land	\$ 417,644	\$ -	\$ 417,644
Land improvements	3,022,655	443,824	2,578,831
Buildings	34,194,481	22,943,054	11,251,427
Buildings renovations	12,306,073	2,106,155	10,199,918
Furnishings, equipment, rolling equipment, computer hardware	4,829,346	1,911,126	2,918,220
Software	735,894	396,917	338,977
Library collection	7,354,173	3,813,357	3,540,816
	\$ 62,860,266	\$ 31,614,433	\$ 31,245,833

	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
Building 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

During the year ended June 30, 2010, \$6,655,370 of fully depreciated capital assets were written off in conformity with MELS requirements (\$833,202 in 2009).

BISHOP'S UNIVERSITY

NOTES TO FINANCIAL STATEMENTSJune 30, 2010

9. OTHER ASSETS	2010	2009
Telecommunication system (RISQ), at amortized cost	\$ 444,079	\$ 493,422
Other	26,130	40,965
	<u>\$ 470,209</u>	<u>\$ 534,387</u>

10. 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 0.30% stamping fees and renewable on December 31, 2010, of which \$1,574,472 remained unused at year-end. The prime rate in effect as at June 30, 2010 was 2.5%.

As part of its credit facility, the University has \$4 million of banker's acceptances bearing interest at 0.65% and renewed in July 2010.

In August 2010, the University contracted an additional authorized line of credit of \$6,000,000 bearing interest at either prime rate or banker's acceptances rate plus 0.30% stamping fees and repayable on June 30, 2011. This new line of credit is to finance general operating requirements and capital expenditures pending receipt of grants and long-term refinancing.

The bank indebtedness include the following elements:

	2010	2009
Regular bank overdraft	\$(232,423)	\$ -
Bank overdraft representing credit facility	(7,425,528)	-
	<u>\$(7,657,951)</u>	<u>\$ -</u>

11. BANKER'S ACCEPTANCES

The University has an authorized line of credit facility of \$6,080,000 by way of banker's acceptances bearing interest at prime rate plus 0.30% stamping fees, as part of the financing of a residence. The University entered into a \$7.2 million declining 25-year interest rate swap contract with a bank in 2003 (\$6,080,000 outstanding as at June 30, 2010). This contract effectively converts a floating interest rate into a fixed rate of 5.42% until 2028.

BISHOP'S UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	2010	2009 restated
Accounts payable and accrued liabilities	\$ 3,680,887	\$ 2,098,788
Vacation and overtime accruals	873,723	623,081
Due to the Pension Plans for employees	308,361	213,114
	<u>\$ 4,862,971</u>	<u>\$ 2,934,983</u>

13. DEFFERED CONTRIBUTIONS	2010	2009 restated
Deferred contributions represent the unspent portion of funds received for restricted purposes other than capital purchases which are included under capital grants receivables in Note 5.		
Balance, beginning of year	\$ 2,552,725	\$ 2,259,552
Deferred contributions received	3,527,722	3,534,381
Amortization of deferred contributions	(3,037,557)	(3,241,208)
Balance, end of year	<u>\$ 3,042,890</u>	<u>\$ 2,552,725</u>

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

June 30, 2010

14. LONG-TERM DEBT	2010	2009 restated
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 \$5,379 including interest	765,968	777,021
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	166,052	216,108
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, administered and serviced by the government of Quebec		
Bonds		
Series 1B, 3.95%, matured on February 26, 2010	-	6,314,240
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	1,772,734	1,838,300
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	5,710,038	6,003,309
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	1,220,564	1,300,635
Balance forward	\$ 9,635,356	\$ 16,449,613

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

14. LONG-TERM DEBT (continued)

Balance forwarded	\$ 9,635,356	\$ 16,449,613
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	174,501	240,201
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	400,460	460,292
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 \$29,382, including interest	721,550	714,630
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 \$70,354, including interest	207,285	194,212
	11,139,152	18,058,948
Current portion	(749,569)	(5,450,671)
	\$ 10,389,583	\$ 12,608,277

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

14. LONG-TERM DEBT (continued)

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

2011 -	\$749,569
2012 -	\$762,761
2013 -	\$1,299,195 (\$612,187 subject to refinancing)
2014 -	\$6,229,969 (\$5,641,360 subject to refinancing)
2015 -	\$217,306

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. The contributions to this plan by the University amounted to approximately \$113,000 (\$95,000 in 2009).

The University measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at June 30 of each year. The most recent actuarial valuation of the pension plans for funding purposes was as of June 30, 2008 and the next required valuation will be as of June 30, 2011.

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. Starting July 1, 2009, a portion of these amounts are assumed by the employees.

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

June 30, 2010

15 EMPLOYEE FUTURE BENEFITS (continued)

Information about the University's benefit plans is as follows:

	2010			
	Pension Plan for Full-Time Employees	SERP	Post- Retirement Insurance	Total
Accrued benefit obligation	\$ 114,263,700	\$ 1,744,700	\$ 12,301,000	\$ 128,309,400
Fair value of plan assets	85,653,100	-	-	85,653,100
Funded status - (deficit) plan surplus	(28,610,600)	(1,744,700)	(12,301,000)	(42,656,300)
Balance of unamortized amounts	23,285,900	452,300	906,900	24,645,100
Accrued benefit liability	\$ (5,324,700)	\$ (1,292,400)	\$ (11,394,100)	\$ (18,011,200)

Each plan presented above is not fully funded.

Plan assets consist of (percentage of plan assets):

Equity securities	57.0 %	- %	- %	57.0 %
Debt securities	41.2 %	- %	- %	41.2 %
Other	1.8 %	- %	- %	1.8 %
Total	100.0 %	- %	- %	100.0 %

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

Accrued benefit obligation as of December 31				
Discount rate	5.5 %	5.5 %	5.5 %	5.5 %
Rate of compensation increase	2.0 %	2.0 %	2.0 %	2.0 %
Benefit costs for the years ended December 31				
Discount rate	6.5 %	6.5 %	6.5 %	6.5 %
Expected long-term rate of return on plan assets	6.75 %	6.75 %	6.75 %	6.75 %
Rate of compensation increase	2.0 %	2.0 %	2.0 %	2.0 %

Other information about the University's defined benefit plans is as follows:

Benefit costs	2,589,600	163,000	1,000,100	3,752,700
Cash payments recognized	3,636,600	64,600	264,100	3,965,300
Benefits paid by the plans	5,799,000	64,600	264,100	6,127,700

BISHOP'S UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

15 EMPLOYEE FUTURE BENEFITS (continued)

	2009 (restated)			
	Pension Plan for Full-Time Employees	SERP	Post- Retirement Insurance	Total
Accrued benefit obligation	\$ 99,947,200	\$ 1,276,200	\$ 9,919,800	\$ 111,143,200
Fair value of plan assets	82,853,600	-	-	82,853,600
Funded status - (deficit) plan surplus	(17,093,600)	(1,276,200)	(9,919,800)	(28,289,600)
Balance of unamortized amounts	12,256,800	82,200	(738,300)	11,600,700
Accrued benefit liability	\$ (4,836,800)	\$ (1,194,000)	\$ (10,658,100)	\$ (16,688,900)

Each plan presented above is not fully funded.

Plan assets consist of (percentage of plan assets):

Equity securities	57.4 %	- %	- %	57.4 %
Debt securities	40.2 %	- %	- %	40.2 %
Other	2.4 %	- %	- %	2.4 %
Total	100.0 %	- %	- %	100.0 %

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

Accrued benefit obligation as of December 31				
Discount rate	6.5 %	6.5 %	6.5 %	6.5 %
Rate of compensation increase	2.0 %	2.0 %	2.0 %	2.0 %
Benefit costs for the years ended December 31				
Discount rate	6.0 %	6.0 %	6.0 %	6.0 %
Expected long-term rate of return on plan assets	6.75 %	6.75 %	6.75 %	6.75 %
Rate of compensation increase	2.0 %	2.0 %	2.0 %	2.0 %

Other information about the University's defined benefit plans is as follows:

Benefit costs	1,443,500	99,500	973,200	2,516,200
Cash payments recognized	4,230,700	60,000	240,100	4,530,800
Benefits paid by the plans	5,573,500	60,000	240,100	5,873,600

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

16. COMMITMENTS

The University has entered into long-term lease agreements for equipment and telecommunication services expiring at different dates between September 30, 2010 to April 30, 2020. Future minimum lease payments will aggregate \$976,500 including the following payments over the next five years:

2011 -	\$192,000
2012 -	\$176,000
2013 -	\$176,000
2014 -	\$ 72,500
2015 -	\$ 60,000

The University also has commitments for payments to Balanced Fund, McLean Budden coming from donations for the charitable annuity fund. The University is committed to funding an additional \$125,000 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 \$11,350,000. These commitments are expected to be met in the normal course of the operations.

17. 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, 2010, 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.

BISHOP'S UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

18. 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, 2010 and 2009 and for the years then ended is as follows:

Financial position	2010	2009
Current assets	\$ 620,195	\$ 265,843
Investments, at fair value	<u>25,699,257</u>	<u>22,389,877</u>
Total assets	\$ 26,319,452	\$ 22,655,720
<hr/>		
Current liabilities	\$ 388,395	\$ 64,171
Fund balances (Note a)	<u>25,931,057</u>	<u>22,591,549</u>
	\$ 26,319,452	\$ 22,655,720

- a) In accordance with donor - designated gifts, \$23,259,138 (\$20,908,958 in 2009) 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, 2010

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

Results of operations	2010	2009
Investment income	\$ 647,412	\$ 699,226
Donations and others	3,257,421	1,862,054
Total revenues	3,904,833	2,561,280
Total expenditures (Note b)	(2,423,752)	(2,791,190)
Gain (loss) on disposal of investments	14,324	(35,481)
Excess of revenues over expenditures (expenditures over revenues)	1,495,405	(265,391)
Unrealized gain (loss) on investments available for sale	1,844,103	(1,984,589)
Net changes in fund balance	\$ 3,339,508	\$ (2,249,980)

b) Total expenditures include contributions of \$2,273,608 (\$2,636,705 in 2009) as donations and management fees to the University.

Cash flows	2010	2009
Operating activities	\$ 36,358	\$ (273,658)
Investing activities	317,287	119,996
Cash increase (decrease)	\$ 353,645	\$(153,662)

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

19. FINANCIAL INSTRUMENTS

Credit risk

The University's principal financial assets are cash, accounts receivable and investments, which are subject to credit risk. The carrying amounts of financial assets on the balance sheet represents the University's maximum credit exposure at the balance sheet date.

The University provides credit in the normal course of its operations and consequently is exposed to credit risk from its debtors. The University 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. For the remaining receivables, the concentration of risk is minimized because of the University's large and diverse base of counter-parties and investments.

Interest rate risk

The University is exposed to interest rate risk on its banker's acceptances. The University has concluded a long-term interest rate swap agreement to minimize debt financing costs and to manage interest rate fluctuations risk. This agreement covers the conversion of variable interest rates into fixed rates and is not eligible for hedge accounting. As at June 30, 2010, the negative fair value of this derivative financial instrument is \$970,329 (\$912,120 in 2009) and is presented as a liability in the balance sheet.

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, bank indebtedness and credit facility, 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 grants receivable, capital grants receivable and grants and contracts related to research receivable cannot be determined due to the uncertain timing of collection.

The fair value of long-term debt 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, 2010

20. 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 University. The majority of donations and some subsidies have external restrictions attached to them.

During the year, the University received donations of \$2,536,801 (\$2,897,348 in 2009) and subsidies of \$1,485,780 (\$1,207,558) with external restrictions. The University complied with these restrictions.

21. COMPARATIVES FIGURES

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