

BISHOP'S UNIVERSITY

FINANCIAL STATEMENTS

Year ended April 30, 2011

BISHOP'S UNIVERSITY

TABLE OF CONTENTS

Period of ten months ended April 30, 2011

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Revenue and expenses	2
Changes in fund balances	3
Balance sheet	4-5
Cash flows	6-7
Notes to financial statements	8-28

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of
Bishop's University

We have audited the accompanying financial statements of Bishop's University, which comprise the balance sheet as at April 30, 2011, and the statements of revenue and expenses, changes in fund balance and cash flows for the period of ten months then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bishop's University as at April 30, 2011 and the results of its operations and its cash flows for the period of ten months then ended in accordance with Canadian generally accepted accounting principles.

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

October 14, 2011

1 Chartered accountant auditor permit No. 22220

BISHOP'S UNIVERSITY

REVENUE AND EXPENSES

Period of ten months ended April 30

	Operating Fund		Restricted Funds		Capital Fund		Total
	2011 (10 months)	2010	2011 (10 months)	2010	2011 (10 months)	2010 restated	
REVENUE							
Grants - ministère de l'Éducation, du Loisir et du Sport du Québec	\$ 18,351,890	\$ 21,113,757	\$ 218,123	\$ 90,963	\$ 1,399,333	\$ 1,784,741	\$ 22,989,461
Student academic fees	9,443,633	8,514,129	-	-	-	-	8,514,129
Other student fees	502,448	410,478	-	-	-	-	410,478
Other	633,790	635,332	301,724	511,196	140,968	147,465	1,293,993
Contributions - Bishop's University Foundation	-	-	1,920,833	1,752,347	148,389	192,451	1,944,798
Research grants	-	-	413,324	640,731	-	-	640,731
Student services	1,771,421	1,752,761	-	-	-	-	1,752,761
Ancillary enterprises	7,629,002	7,111,804	-	-	-	-	7,111,804
	38,282,184	39,538,261	2,854,004	2,995,237	1,688,690	2,124,657	44,658,155
EXPENSES							
Teaching	16,441,871	18,288,445	653,224	900,800	-	-	19,189,245
Funded research	-	-	533,289	609,249	-	-	609,249
Academic support:							
Library	1,190,338	1,319,615	8,063	550	-	-	1,320,165
Information technology and audio-visual	1,450,647	1,247,296	-	-	-	-	1,247,296
Administration	4,381,833	4,640,644	129,225	61,939	-	-	4,702,583
Land and buildings	3,432,165	4,008,018	-	-	-	-	4,008,018
Student services	1,609,126	1,740,188	337,613	473,174	-	-	2,213,362
Student scholarship and bursaries	7,910	13,403	1,176,678	949,525	-	-	1,184,588
Ancillary enterprises	6,480,855	6,634,077	-	-	-	-	6,634,077
Interest	81,864	36,849	-	-	-	-	36,849
Interest on long-term debt and temporary financing	-	-	-	-	487,215	842,136	842,136
Interest on derivative financial instrument	-	-	-	-	240,647	334,760	334,760
Depreciation of capital assets	-	-	-	-	2,234,434	2,404,639	2,404,639
Depreciation of other assets	-	-	-	-	44,102	64,178	64,178
Capital assets written off	-	-	-	-	246,118	169,324	169,324
Retirement allowances and severance costs (Note 6)	12,090	300,429	-	-	-	-	300,429
Employee future benefits (Note 15)	2,113,600	1,322,300	-	-	-	-	1,322,300
Pension plan amortization (Note 15)	231,360	281,970	-	-	-	-	281,970
Variation of the fair value of investments	-	-	-	-	227,856	48,339	48,339
Variation of the fair value of derivative financial instruments	-	-	-	-	(99,221)	58,209	58,209
Variation of the fair value of long-term debt	-	-	-	-	(155,620)	(91,468)	(91,468)
Insurance claim, net	87,445	-	-	-	-	-	87,445
	37,521,104	39,833,234	2,838,092	2,995,237	3,225,531	3,830,117	46,658,588
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	761,080	(294,973)	15,912	-	(1,536,841)	(1,705,460)	(2,000,433)

BISHOP'S UNIVERSITY

CHANGES IN FUND BALANCES
 Period of ten months ended April 30

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2011 (10 months)	2010	2011 (10 months)	2010	2011 (10 months)	2010 restated	2011 (10 months)	2010 restated
FUND BALANCES, BEGINNING OF YEAR As previously reported	(23,337,387)	(20,480,429)	(60,000)	(60,000)	6,009,063	5,124,533	(17,388,324)	(15,415,896)
Restatement of Fund Balances in prior years (Note 2)	-	-	-	-	(168,296)	(140,291)	(168,296)	(140,291)
FUND BALANCES, BEGINNING OF YEAR - as restated	(23,337,387)	(20,480,429)	(60,000)	(60,000)	5,840,767	4,984,242	(17,556,620)	(15,556,187)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	761,080	(294,973)	15,912	-	(1,536,841)	(1,705,460)	(759,849)	(2,000,433)
INTERFUND TRANSFER - CAPITAL ASSETS FINANCED BY THE OPERATING FUND AND OTHERS	(2,577,143)	(2,561,985)	44,088	-	2,533,055	2,561,985	-	-
FUND BALANCES, END OF YEAR	\$(25,153,450)	\$(23,337,387)	\$	\$(60,000)	\$ 6,836,981	\$ 5,840,767	\$(18,316,469)	\$(17,556,620)

BISHOP'S UNIVERSITY

BALANCE SHEET
April 30

	Operating Fund		Restricted Funds		Capital Fund		Total	
	April 30, 2011	June 30 2010	April 30, 2011	June 30 2010 restated	April 30, 2011	June 30 2010	April 30, 2011	June 30 2010 restated
ASSETS								
CURRENT ASSETS								
Accounts receivable	\$ 1,438,278	\$ 809,591	\$ 87,545	\$ 141,411	\$ 79,101	\$ 70,120	\$ 1,604,924	\$ 1,021,122
Accounts receivable - ministère de l'Éducation, du Loisir et du Sport du Québec	1,388,138	478,071	-	-	18,285	-	1,406,423	478,071
Due from Bishop's University Foundation	336,679	388,395	-	-	-	-	336,679	388,395
Prepaid expenses	365,472	572,169	8,165	-	26,823	-	400,460	572,169
	3,528,567	2,248,226	95,710	141,411	124,209	70,120	3,748,486	2,459,757
INTERFUND ACCOUNT (*)	6,246,210	4,940,480	2,584,468	2,126,479	-	-	-	-
INVESTMENTS (Note 7)	-	-	-	-	1,076,618	1,141,522	1,076,618	1,141,522
CAPITAL ASSETS (Note 8)	-	-	-	-	39,632,357	31,245,833	39,632,357	31,245,833
OTHER ASSETS (Note 9)	-	-	-	-	426,108	470,209	426,108	470,209
LONG-TERM RECEIVABLES	101,700	303,900	-	-	-	64,305	101,700	368,205
CAPITAL GRANTS RECEIVABLES (Note 5)	-	-	-	-	3,039,687	2,764,868	3,039,687	2,764,868
	\$ 9,876,477	\$ 7,492,606	\$ 2,680,178	\$ 2,267,890	\$ 44,298,979	\$ 35,756,857	\$ 48,024,956	\$ 38,450,394

(*) The interfund accounts presented in the assets and liabilities are not shown in the total column since they cancel each other.
APPROVED BY THE BOARD OF GOVERNORS

Michael Gault
Robert Galt

BISHOP'S UNIVERSITY

BALANCE SHEET April 30

	Operating Fund		Restricted Funds		Capital Fund		Total	
	April 30, 2011	June 30 2010	April 30, 2011	June 30 2010 restated	April 30, 2011	June 30 2010 restated	April 30, 2011	June 30 2010 restated
LIABILITIES								
CURRENT LIABILITIES								
Bank indebtedness and credit facility (Note 10)	\$ 9,941,496	\$ 7,657,951	\$ -	\$ -	\$ -	\$ -	\$ 9,941,496	\$ 7,657,951
Banker's acceptances (Note 11)	-	-	-	-	5,912,000	6,080,000	5,912,000	6,080,000
Accounts payable and accrued liabilities (Note 12)	3,498,573	3,506,691	4,750	-	2,071,611	2,239,576	5,574,934	5,746,267
Accounts payable - ministère de l'Éducation, du Loisir et du Sport du Québec	-	-	-	-	-	45,288	-	45,288
Derivative financial instrument	-	-	-	-	871,108	970,329	871,108	970,329
Unearned revenue	1,264,009	1,037,453	-	-	-	-	1,264,009	1,037,453
Current portion of long-term debt (Note 14)	-	-	-	-	1,094,120	749,569	1,094,120	749,569
	14,704,078	12,202,095	4,750	-	9,948,839	10,084,762	24,657,667	22,286,857
INTERFUND ACCOUNT (*)								
RETIREMENT ALLOWANCES & SEVERANCE COSTS (Note 6)	-	-	-	-	8,830,678	7,066,959	-	-
DEFERRED CONTRIBUTIONS (Note 13)	201,049	616,698	-	-	-	-	201,049	616,698
DEFERRED CAPITAL CONTRIBUTIONS (Note 5)	-	-	2,675,428	2,327,890	-	-	2,675,428	2,327,890
LONG-TERM DEBT (Note 14)	-	-	-	-	3,324,063	2,374,786	3,324,063	2,374,786
EMPLOYEE FUTURE BENEFITS (Note 15)	20,124,800	18,011,200	-	-	15,358,418	10,389,583	15,358,418	10,389,583
	35,029,927	30,829,993	2,680,178	2,327,890	37,461,998	29,916,090	66,341,425	56,007,014
FUND BALANCES								
Unrestricted	(25,153,450)	(23,337,387)	-	-	-	-	(25,153,450)	(23,337,387)
Externally restricted	-	-	-	(60,000)	-	-	-	(60,000)
Invested in capital assets	-	-	-	-	6,836,981	5,840,767	6,836,981	5,840,767
	(25,153,450)	(23,337,387)	-	(60,000)	6,836,981	5,840,767	(18,316,469)	(17,556,620)
	\$ 9,876,477	\$ 7,492,606	\$ 2,680,178	\$ 2,267,890	\$ 44,298,979	\$ 35,756,857	\$ 48,024,956	\$ 38,450,394

COMMITMENTS AND CONTINGENT LIABILITIES (Notes 16 and 17)

(*) The interfund accounts presented in the assets and liabilities are not shown in the total column since they cancel each other.

BISHOP'S UNIVERSITY**CASH FLOWS**

Period of ten months ended April 30

	2011 (10 months)	2010 restated
OPERATING ACTIVITIES		
Deficiency of expenses over revenue	\$(759,849)	\$(2,000,433)
Items not affecting cash:		
Depreciation of capital assets	2,234,434	2,404,639
Depreciation of other assets	44,101	64,178
Depreciation of deferred capital contribution	(1,096,742)	(1,375,717)
Variation of the fair value of investments (1)	227,856	48,339
Variation of the fair value of derivative financial instruments	(99,221)	58,209
Variation of the fair value of long-term debt	(155,620)	(91,468)
Write-off of capital assets	24,629	1,632
	419,588	(890,621)
Employee future benefits	2,113,600	1,322,300
Retirement allowances and severance costs	(415,649)	(308,740)
Net changes in non-cash working capital items:		
Accounts receivable	(1,512,154)	13,803
Prepaid expenses	171,709	542,482
Due from Bishop's University Foundation	51,716	(324,227)
Accounts payable and accrued liabilities (1)	(295,319)	2,068,276
Unearned revenue	226,556	(404,289)
Deferred contributions	347,538	395,165
	1,107,585	2,414,149
INVESTING ACTIVITIES		
Acquisition of investments	(209,000)	(85,100)
Disposal of investments	124,746	66,896
Acquisition of capital assets	(10,645,587)	(4,963,523)
Variation in long-term receivables	266,505	158,475
	(10,463,336)	(4,823,252)

(1) Non-cash transaction

During the year, an amount of \$78,698 representing an increase in the fair value of investments in the charitable annuity fund was recorded in accounts payable and accrued liabilities instead of as a revenue in the Capital Fund as it was not earned by the University.

BISHOP'S UNIVERSITY

CASH FLOWS

Period of ten months ended April 30

	2011 (10 months)	2010 restated
FINANCING ACTIVITIES		
Changes in credit facility	1,574,472	5,425,528
Change in banker's acceptances	(168,000)	(192,000)
Issuance of long-term debt	6,000,000	-
Repayment of long-term debt	(530,994)	(6,828,328)
Payment by MELS - accumulated sinking fund	-	1,650,000
Deferred capital contributions received	1,771,200	1,164,086
	<hr/> 8,646,678	1,219,286
DECREASE IN CASH AND CASH EQUIVALENTS	(709,073)	(1,189,817)
CASH AND CASH EQUIVALENTS (DEFICIENCY), BEGINNING OF YEAR	(232,423)	957,394
DEFICIENCY OF CASH AND CASH EQUIVALENTS, END OF YEAR (Note 10)	\$(941,496)	\$(232,423)
Supplementary information		
Interest paid	569,079	878,985

NOTES TO FINANCIAL STATEMENTS

April 30, 2011

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 donees. Failure to comply with this requirement could lead to a revocation of the University's registered charity status. As at April 30, 2011, the University complies with the requirement.

As mandated by the Ministère de l'Éducation, du Loisir et du Sport de Québec ("MELS"), the University changed its year end from June 30 to April 30 effective July 1, 2010. Accordingly, the 2011 period is a ten months period and is not completely comparable to the twelve months period ended June 30, 2010.

2. RESTATEMENT OF FUND BALANCES IN PRIOR YEARS

The University has determined that balances related to the charitable annuity fund were not properly classified in 2010. Accordingly the 2010 financial statements have been restated. The fund balance of the Capital Fund has been decreased by \$140,291, deferred contributions in the Restricted Fund have been decreased by \$620,000, and accounts payable and accrued liabilities in the Capital Fund have been increased by \$760,291 from the amounts previously reported. The variation of fair value of investments and the deficiency of revenue over expenses in 2010 in the Capital Fund has been debited by \$28,005. The interfund accounts have been adjusted accordingly.

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.

NOTES TO FINANCIAL STATEMENTS

April 30, 2011

3. ACCOUNTING POLICIES (continued)

Fund accounting

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

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

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 depreciation 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, contributions, 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 MELS grant, MELS budget rules specify that each Quebec University must present annually either a balanced Operating Fund Result or a plan to return to financial equilibrium to benefit the conditional grant entirely. This conditional grant, representing approximately 11% of the MELS Operating Fund grants, is withheld until this condition is met. The conditional grant for 2010-11 was received August 5, 2011.

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.

NOTES TO FINANCIAL STATEMENTS

April 30, 2011

3. ACCOUNTING POLICIES (continued)

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.

Financial instruments

The University has maintained its election to use the exemption provided by the Canadian Institute of Chartered Accountants ("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.

NOTES TO FINANCIAL STATEMENTS

April 30, 2011

3. 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.

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 depreciate 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 depreciated 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 depreciated 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 depreciating 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

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.

NOTES TO FINANCIAL STATEMENTS

April 30, 2011

3. ACCOUNTING POLICIES (continued)

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.

Assets of a capital nature that do not meet the MELS monetary capitalization threshold are capitalized in the year and immediately written-off in the Capital Fund.

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
Computer hardware	3 years
Equipment	5, 10 or 15 years
Furnishings	5 years
Library collection	10 years
Rolling stock	5 years
Software	5 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

April 30, 2011

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 10).

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.

Future accounting changes – New accounting framework

The CICA has approved a new accounting framework applicable to not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards (“IFRS”) and accounting standards for not-for-profit organizations, whichever suits them best. Early adoption of these standards is permitted. The University currently plans to adopt the new accounting standards for not-for-profit organization. The impact of this transition has not yet been determined.

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 \$8,363,092 (\$7,745,914 in 2010) 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 MELS.

NOTES TO FINANCIAL STATEMENTSApril 30, 2011

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 depreciation 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:

Total	2011 (10 months)	2010 restated
Capital grants receivable (net of deferred capital contributions), beginning of year	\$ 390,082	\$ 1,828,451
Depreciation of deferred capital contributions	1,096,742	1,375,717
Payment by MELS - accumulated sinking fund	-	(1,650,000)
Deferred capital contributions received	(1,771,200)	(1,164,086)
Capital grants receivable (net of deferred capital contributions), end of year	\$(284,376)	\$ 390,082

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

Ministère de l'Éducation, du Loisir et du Sport du Québec	2011 (10 months)	2010 restated
Net capital grants receivable, beginning of year	\$ 2,764,868	\$ 4,436,971
Depreciation of deferred capital contributions	811,361	1,042,699
Payment by MELS - accumulated sinking fund	-	(1,650,000)
Deferred capital contributions received	(536,542)	(1,064,802)
Net capital grants receivable, end of year	\$ 3,039,687	\$ 2,764,868

BISHOP'S UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

April 30, 2011

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

Bishop's University Foundation	2011 (10 months)	2010 restated
Net deferred capital contributions, beginning of year	\$(1,630,337)	\$(1,791,842)
Depreciation of deferred capital contributions	148,389	161,505
Deferred capital contributions received	(228,377)	-
Net deferred capital contributions, end of year	\$(1,710,325)	\$(1,630,337)

Others	2011 (10 months)	2010 restated
Net deferred capital contributions, beginning of year	\$(744,449)	\$(816,678)
Depreciation of deferred capital contributions	136,992	171,513
Deferred capital contributions received	(1,006,281)	(99,284)
Net deferred capital contributions, end of year	\$(1,613,738)	\$(744,449)

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

April 30, 2011

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 2010	New allowances	Paid allowances	Cancellations and (adjustments)	Balance due 2011
2001 - 2002	\$ 4,320	\$ -	\$ 2,436	\$ -	\$ 1,884
2007 - 2008	-	-	-	-	-
2008 - 2009	-	-	-	-	-
2009 - 2010	203,068	-	203,068	-	-
2010 - 2011	252,169	-	198,055	12,090	42,024
2011 - 2012	95,315	-	-	-	95,315
2012 - 2013	61,826	\$ -	\$ -	-	61,826
	\$ 616,698	\$ -	\$ 403,559	\$ 12,090	\$ 201,049

7. INVESTMENTS

	2011	2010
Balanced Fund, McLean Budden, representing charitable annuity donation fund (Note 16)	\$ 961,994	\$ 799,509
Money Market Fund, McLean Budden, representing Supplemental Employee Retirement Plan (SERP)	745	5,616
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)	109,429	131,947
Sixtron Advanced Materials Inc., 409,257 common shares, (cost: \$235,790)	-	200,000
Coopérative de Solidarité Air Sherbrooke (1 unit)	450	450
	\$ 1,076,618	\$ 1,141,522

BISHOP'S UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

April 30, 2011

8. CAPITAL ASSETS

	2011		
	Cost	Accumulated depreciation	Net value
Land	\$ 417,644	\$ -	\$ 417,644
Land improvements	3,060,451	571,556	2,488,895
Buildings	34,194,481	23,437,340	10,757,141
Buildings renovations	16,098,138	2,430,070	13,668,068
Buildings renovations in progress	4,763,080	-	4,763,080
Furnishings, equipment, rolling equipment, computer hardware	5,671,190	2,292,727	3,378,463
Library collection	7,494,946	3,844,987	3,649,959
Software	943,028	433,921	509,107
	<u>\$ 72,642,958</u>	<u>\$ 33,010,601</u>	<u>\$ 39,632,357</u>

	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	9,894,322	2,106,155	7,788,167
Buildings renovations in progress	2,411,751	-	2,411,751
Furnishings, equipment, rolling equipment, computer hardware	4,829,346	1,911,126	2,918,220
Library collection	7,354,173	3,813,357	3,540,816
Software	735,894	396,917	338,977
	<u>\$ 62,860,266</u>	<u>\$ 31,614,433</u>	<u>\$ 31,245,833</u>

During the year ended April 30, 2011, \$838,264 of fully depreciated capital assets were written off in conformity with MELS requirements (\$1,680,500 in 2010).

BISHOP'S UNIVERSITY

NOTES TO FINANCIAL STATEMENTSApril 30, 2011

9. OTHER ASSETS	2011	2010
Telecommunication system (RISQ), at depreciated cost	\$ 402,962	\$ 444,079
Other	23,146	26,130
	<u>\$ 426,108</u>	<u>\$ 470,209</u>

10. BANK INDEBTEDNESS AND CREDIT FACILITY

The University has an authorized line of credit of \$15,000,000 bearing interest at either prime rate or banker's acceptances rate plus 0.3% stamping fees (1.55% as at April 30, 2011) and renewable on December 31, 2011, of which \$5,058,504 remained unused at year-end.

As part of its credit facility, the University has \$9,000,000 of banker's acceptances bearing interest at 0.65% and renewed in May and June 2011.

The bank indebtedness include the following elements:

	2011	2010
Regular bank overdraft	\$(941,496)	\$(232,423)
Bank overdraft representing credit facility	<u>(9,000,000)</u>	<u>(7,425,528)</u>
	<u>\$(9,941,496)</u>	<u>\$(7,657,951)</u>

11. BANKER'S ACCEPTANCES

The University has an authorized line of credit facility of \$5,912,000 by way of banker's acceptances bearing interest at prime rate plus 0.3% 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 (\$5,912,000 outstanding as at April 30, 2011). This contract effectively converts a floating interest rate into a fixed rate of 5.42% until 2028.

BISHOP'S UNIVERSITY

NOTES TO FINANCIAL STATEMENTSApril 30, 2011

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	2011 (10 months)	2010 restated
Accounts payable and accrued liabilities	\$ 3,569,109	\$ 3,680,887
Vacation and overtime accruals	1,008,831	873,723
Accrued liabilities related to charitable annuities	996,994	883,296
Due to the Pension Plans for employees	-	308,361
	<hr/>	<hr/>
	\$ 5,574,934	\$ 5,746,267

13. DEFERRED CONTRIBUTIONS	2011 (10 months)	2010 restated
Deferred contributions represent the unspent portion of funds received for restricted purposes other than capital purchases which are disclosed in Note 5.		
Balance, beginning of year	\$ 2,327,890	\$ 1,932,725
Deferred contributions received	3,185,630	3,390,402
Depreciation of deferred contributions	(2,838,092)	(2,995,237)
Balance, end of year	<hr/>	<hr/>
	\$ 2,675,428	\$ 2,327,890

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

Academic, students services and bursaries	\$ 1,354,571	\$ 1,085,419
Research	1,111,621	905,892
Other	209,236	336,579
Balance, end of year	<hr/>	<hr/>
	\$ 2,675,428	\$ 2,327,890

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

April 30, 2011

14. LONG-TERM DEBT	2011	2010
Serviced by the University , to finance Heating Tunnel - capital renovations 10 year term loan, bearing an annual interest rate of 5%, repayable in monthly installments of \$5,379 including interest	743,081	765,968
To finance the construction of food Kiosk, 6 years term loan, bearing an annual interest rate of 8%, maturing in July 2013, repayable in monthly installments of \$4,646, including interest	122,669	166,052
Serviced by the Government of Quebec Main project MELS capital grants are authorized under the five years 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		
8 years term loan, bearing an annual interest rate of 4.26%, renewable in March 2014, repayable in annual installments in capital of \$80,000	1,683,391	1,772,734
6 years term loan, bearing an annual interest rate of 4.394%, renewable in September 2013, repayable in annual installments in capital of \$286,440	5,396,955	5,710,038
10 years term loan, bearing an annual interest rate of 5.89%, maturing in May 2019, repayable in annual installments of \$160,879, including interest	1,265,477	1,220,564
5 years term loan, bearing an annual interest rate of 2.56%, renewable in June 2016, repayable in annual installments in capital of \$337,392	5,910,967	-
Balance forward	\$ 15,122,540	\$ 9,635,356

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

April 30, 2011

14. LONG-TERM DEBT (continued)	2011	2010
Balance forwarded	\$ 15,122,540	\$ 9,635,356
Other projects		
To finance repayment of loan to CIBC regarding construction of Centennial Theatre: 10 years term loan, bearing an annual interest rate of 5.07%, maturing in December 2012, repayable in semi-annual installments of \$35,883, including interest	141,336	174,501
To finance construction of Kuehner, Munster and Abott student residences: 50 years 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 installments of \$39,285, including interest	333,090	400,460
To finance Centennial Theatre renovations subsidized by the Ministère de la Culture, Communication et Condition féminine: 5 years term loan, bearing an annual interest rate of 5%, renewable in May 2013, repayable in semi-annual installments of \$29,382, including interest	724,476	721,550
To finance repayment of loan to RBC regarding construction of Synthetic Turf: 3 years term loan, bearing an annual interest rate of 4.25%, maturing in May 2012, repayable in annual installments of \$70,354, including interest	131,096	207,285
	<u>16,452,538</u>	<u>11,139,152</u>
Current portion	(1,094,120)	(749,569)
	<u>\$ 15,358,418</u>	<u>\$ 10,389,583</u>

Scheduled principal and interest payments of the various terms 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

April 30, 2011

14. LONG-TERM DEBT (continued)

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

2012 -	\$1,094,120
2013 -	\$1,113,200
2014 -	\$7,195,730 (\$6,241,237 subject to refinancing)
2015 -	\$547,691
2016 -	\$533,736

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 \$87,525 (\$113,000 in 2010).

The University measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at April 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 depreciate the going-concern deficit, the University has to contribute additional annual amounts until June 30, 2023. Starting July 1, 2009, a portion of these amounts are assumed by the employees.

The University contributes additional amounts of \$361,500 (\$433,800 in 2010) of which \$130,140 (\$151,830 in 2010) was paid by employees in fringe.

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

April 30, 2011

15. EMPLOYEE FUTURE BENEFITS (continued)

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

	2011 (10 months)			
	Pension Plan for Full-Time Employees	SERP	Post- Retirement Insurance	Total
Accrued benefit obligation	\$ (121,061,300)	\$ (1,828,500)	\$ (14,986,200)	\$ (137,876,000)
Fair value of plan assets	95,998,600	-	-	95,998,600
Funded status - deficit plan surplus	(25,062,700)	(1,828,500)	(14,986,200)	(41,877,400)
Balance of undepreciated amounts	18,562,900	415,500	2,774,200	21,752,600
Accrued benefit liability	\$ (6,499,800)	\$ (1,413,000)	\$ (12,212,000)	\$ (20,124,800)

Each plan presented above is not fully funded.

Plan assets consist of (percentage of plan assets):

Equity securities	60.5 %	- %	- %	60.5 %
Debt securities	37.7 %	- %	- %	37.7 %
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 April 30				
Discount rate	5.25 %	5.25 %	5.25 %	5.25 %
Rate of compensation increase	2.0 %	2.0 %	S/O	2.0 %
Benefit costs for the years ended April 30				
Discount rate	5.5 %	5.5 %	5.5 %	5.5 %
Expected long-term rate of return on plan assets	6.75 %	S/O	S/O	6.75 %
Rate of compensation increase	2.0 %	2.0 %	S/O	2.0 %

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

Benefit costs	3,017,300	174,400	1,055,300	4,247,000
Cash payments recognized	3,594,000	53,800	237,400	3,885,200
Benefits paid by the plans	5,107,500	53,800	237,400	5,398,700

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

April 30, 2011

15. EMPLOYEE FUTURE BENEFITS (continued)

	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 undepreciated 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 June 30				
Discount rate	5.5 %	5.5 %	5.5 %	5.5 %
Rate of compensation increase	2.0 %	2.0 %	S/O	2.0 %
Benefit costs for the years ended June 30				
Discount rate	6.5 %	6.5 %	6.5 %	6.5 %
Expected long-term rate of return on plan assets	6.75 %	S/O	S/O	6.75 %
Rate of compensation increase	2.0 %	2.0 %	S/O	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

NOTES TO FINANCIAL STATEMENTS

April 30, 2011

16. COMMITMENTS

The University has entered into long-term lease agreements for equipment and telecommunication services expiring at different dates up to April 30, 2020. Future minimum lease payments will aggregate \$927,000 including the following payments over the next five years:

2012 -	\$226,000
2013 -	\$212,000
2014 -	\$107,000
2015 -	\$ 64,000
2016 -	\$ 64,000

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 \$35,000 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 \$7,238,000. 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 April 30, 2011, 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

April 30, 2011

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, 2011 and 2010 and for the years then ended is as follows:

Financial position	June 30, 2011	June 30, 2010
Current assets	\$ 478,637	\$ 620,195
Investments, at fair value	<u>27,761,885</u>	<u>25,699,257</u>
Total assets	<u>\$ 28,240,522</u>	<u>\$ 26,319,452</u>
Current liabilities	\$ 261,554	\$ 388,395
Fund balances (Note a)	<u>27,978,968</u>	<u>25,931,057</u>
	<u>\$ 28,240,522</u>	<u>\$ 26,319,452</u>

- a) In accordance with donor - designated gifts, \$25,347,409 (\$23,259,138 in 2010) 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.

Results of operations - year ended June 30,	2011	2010
Investment income	\$ 670,043	\$ 647,412
Donations and others	<u>1,701,014</u>	<u>3,257,421</u>
Total revenues	<u>2,371,057</u>	<u>3,904,833</u>
Total expenditures (Note b)	(2,815,474)	(2,423,752)
Gain on disposal of investments	<u>198,302</u>	<u>14,324</u>
(Expenditures over revenues) excess of revenues over expenditures	(246,115)	1,495,405
Unrealized gain on investments available for sale	<u>2,294,026</u>	<u>1,844,103</u>
Net changes in fund balance	<u>\$ 2,047,911</u>	<u>\$ 3,339,508</u>

BISHOP'S UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

April 30, 2011

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

- b) Total expenditures include contributions of \$2,537,761 (\$2,237,608 in 2010) and management fees of \$36,000 (\$36,000 in 2010) to the University.

Cash flows	2011	2010
Operating activities	\$(859,749)	\$ 36,358
Investing activities	520,622	317,287
Cash (decrease) increase	\$(339,127)	\$ 353,645

The Foundation's financial statements for the year ended June 30, 2011 are not yet approved by the Board of Directors of the Foundation at the date of issuance of the University's financial statements.

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 (Note 11). This agreement covers the conversion of variable interest rates into fixed rates and is not eligible for hedge accounting. As at April 30, 2011, the negative fair value of this derivative financial instrument is \$871,108 (\$970,329 in 2010) 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.

NOTES TO FINANCIAL STATEMENTS

April 30, 2011

19. FINANCIAL INSTRUMENTS (continued)

Fair value

For financial instruments such as 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.

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 \$2,616,871 (\$2,411,801 in 2010) and subsidies of \$2,202,122 (\$1,485,780) 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.