

Bishop's University
Financial Statements
April 30, 2012

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Independent Auditor's Report

To the Board of Governors of
Bishop's University

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We have audited the accompanying financial statements of Bishop's University, which comprise the balance sheet as at April 30, 2012, and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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 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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Restated comparative information

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which explains that certain comparative information for the year ended April 30, 2011 has been restated. The financial statements of Bishop's University for the year ended April 30, 2011 (prior to the restatement of the comparative information) were audited by another auditor who expressed an unmodified opinion on those financial statements on October 14, 2011.

Raymond Chabot Grant Thornton LLP

Sherbrooke
September 28, 2012

¹ CPA auditor, CA public accountancy permit n° A125487

Bishop's University Revenue and Expenses

For the year ended April 30, 2012

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2012-04-30 (12 months)	2011-04-30 (10 months) Restated	2012-04-30 (12 months)	2011-04-30 (10 months)	2012-04-30 (12 months)	2011-04-30 (10 months)	2012-04-30 (12 months)	2011-04-30 (10 months) Restated
Revenue								
Grants - Ministère de l'Éducation, du Loisir et du Sport du Québec	22,188,269	18,351,890	266,469	218,123	2,028,332	1,399,333	24,483,069	19,969,346
Student academic fees	11,290,638	9,443,633					11,290,638	9,443,633
Other student fees	620,194	502,448					620,194	502,448
Other	708,559	633,790	276,934	301,724	162,830	140,968	1,148,322	1,076,482
Contributions - Bishop's University Foundation			2,221,253	1,920,833	196,158	148,389	2,417,411	2,069,222
Research grants			1,016,214	413,324			1,016,214	413,324
Student services	2,100,030	1,721,421					2,100,030	1,721,421
Ancillary enterprises	8,677,093	7,629,002					8,677,093	7,629,002
	45,584,783	38,282,184	3,780,869	2,854,004	2,387,320	1,688,690	51,752,972	42,824,878
Expenses								
Teaching	20,478,494	16,441,871	628,387	653,224			21,106,881	17,095,095
Funded research			1,155,573	533,289			1,155,573	533,289
Academic support								
Library	1,396,886	1,190,338		8,063			1,396,886	1,198,401
Information technology and audio-visual	1,385,782	1,450,647					1,385,782	1,450,647
Administration								
Land and buildings	5,504,974	4,469,278	173,123	129,225			5,678,097	4,598,503
Student services	4,675,312	3,432,165					4,675,312	3,432,165
Student scholarships and bursaries	2,088,472	1,609,126	427,923	337,613			2,516,395	1,946,739
Ancillary enterprises	246,306	7,910	1,395,863	1,176,678			1,642,169	1,184,588
Other interest (Note 4)	7,375,710	6,480,855					7,375,710	6,480,855
Interest on long-term debt and temporary financing (Note 4)	46,798	81,864					46,798	81,864
Interest on derivative financial instrument (Note 4)					863,362	487,215	863,362	487,215
Amortization of capital assets					265,937	240,647	265,937	240,647
Amortization of other assets					2,938,932	2,234,434	2,938,932	2,234,434
Capital assets written off					51,709	44,102	51,709	44,102
Retirement allowances and severance costs					235,358	246,118	235,358	246,118
Employee future benefits	239,949	142,114					239,949	142,114
Amortization of pension plan	969,800	2,371,200					969,800	2,371,200
Variation of the fair value of investments	709,070	231,360					709,070	231,360
Variation of the fair value of derivative financial instrument					11,454	227,856	11,454	227,856
Variation of the fair value of long-term debt					501,405	(99,221)	501,405	(99,221)
					(73,632)	(155,620)	(73,632)	(155,620)
	45,117,553	37,908,728	3,780,869	2,838,092	4,794,525	3,225,531	53,692,947	43,972,351
Excess (deficiency) of revenue over expenses	467,230	373,456	-	15,912	(2,407,205)	(1,536,841)	(1,939,975)	(1,147,473)

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

Bishop's University
Changes in Fund Balances

For the year ended April 30, 2012

	Operating Fund		Restricted Funds		Capital Fund		Total
	2012-04-30 (12 months)	2011-04-30 (10 months) Restated	2012-04-30 (12 months)	2011-04-30 (10 months)	2012-04-30 (12 months)	2011-04-30 (10 months)	2011-04-30 (10 months) Restated
Fund balances, beginning of year - as previously reported	\$ (25,153,450)	\$ (23,337,387)		(60,000)	6,836,981	5,840,767	(17,556,620)
Accounting changes (Note 2)	(2,897,261)	(2,509,637)					(2,509,637)
Fund balances, beginning of year - as restated	<u>(28,050,711)</u>	<u>(25,847,024)</u>		(60,000)	<u>6,836,981</u>	<u>5,840,767</u>	<u>(20,066,257)</u>
Excess (deficiency) of revenue over expenses	467,230	373,456		15,912	(2,407,205)	(1,536,841)	(1,147,473)
Interfund transfers (Note 5)	<u>(1,782,394)</u>	<u>(2,577,143)</u>		44,088	<u>1,782,394</u>	<u>2,533,055</u>	
Fund balances, end of year	<u><u>(29,365,875)</u></u>	<u><u>(28,050,711)</u></u>			<u><u>6,212,170</u></u>	<u><u>6,836,981</u></u>	<u><u>(21,213,730)</u></u>

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

Bishop's University

Cash Flows

For the year ended April 30, 2012

	2012-04-30 (12 months) \$	2011-04-30 (10 months) Restated \$
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	(1,939,975)	(1,147,473)
Items not affecting cash		
Amortization of capital assets	2,938,932	2,234,434
Amortization of other assets	51,709	44,102
Amortization of deferred capital contribution	(1,397,009)	(1,096,742)
Variation of the fair value of investments	24,576	227,856
Variation of the fair value of derivative financial instrument	501,405	(99,221)
Variation of the fair value of long-term debt	(73,632)	(155,620)
Write-off of capital assets		24,629
	<u>106,005</u>	<u>31,965</u>
Employee future benefits	969,800	2,371,200
Charitable annuities payables	(56,468)	118,788
Net changes in non-cash items		
Accounts receivable	(1,647,079)	(1,512,154)
Prepaid expenses	(42,683)	171,709
Due from Bishop's University Foundation	(22,914)	51,716
Accounts payable and accrued liabilities	1,005,288	(699,733)
Unearned revenue	73,504	226,556
Deferred contributions	102,844	347,538
Cash flows from investing activities	<u>488,298</u>	<u>1,107,585</u>
INVESTING ACTIVITIES		
Acquisition of investments	(190,000)	(209,000)
Disposal of investments	159,832	124,746
Acquisition of capital assets	(7,405,299)	(10,645,587)
Variation in long-term receivables	33,890	266,505
Cash flows from investing activities	<u>(7,401,577)</u>	<u>(10,463,336)</u>
FINANCING ACTIVITIES		
Changes in credit facility	1,000,000	1,574,472
Change in banker's acceptances	(211,000)	(168,000)
Issuance of long-term debt	7,000,000	6,000,000
Repayment of long-term debt	(1,094,098)	(530,994)
Deferred capital contributions received	2,818,939	1,771,200
Cash flows from financing activities	<u>9,513,841</u>	<u>8,646,678</u>
Net increase (decrease) in cash and cash equivalents	<u>2,600,562</u>	<u>(709,073)</u>
Cash and cash equivalents (deficiency), beginning of year	(941,496)	(232,423)
Cash and cash equivalents (deficiency), end of year	<u>1,659,066</u>	<u>(941,496)</u>

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


Bishop's University
Balance Sheet

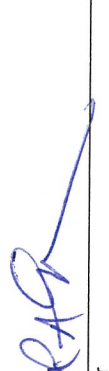
April 30, 2012

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2012-04-30	2011-04-30 Restated	2012-04-30	2011-04-30	2012-04-30	2011-04-30 Restated	2012-04-30	2011-04-30 Restated
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Current assets								
Cash	1,659,066						1,659,066	
Accounts receivable	1,504,365	1,438,278	31,897	87,545	14,850	79,101	1,551,111	1,604,924
Accounts receivable - Ministère de l'Éducation, du Loisir et du Sport du Québec	3,066,548	1,388,138			40,767	18,285	3,107,315	1,406,423
Due from Bishop's University Foundation	359,593	336,679					359,593	336,679
Prepaid expenses	443,143	365,472		8,165		26,823	443,143	400,460
Interfund account, without interest	7,032,715	3,528,567	31,897	95,710	55,617	124,209	7,120,228	3,748,486
Investments (Note 7)	3,607,542	6,246,210	2,712,125	2,584,468				
Capital assets (Note 8)					1,082,210	1,076,618	1,082,210	1,076,618
Other assets (Note 9)					44,098,724	39,632,357	44,098,724	39,632,357
Long-term receivables					374,399	426,108	374,399	426,108
Capital grants receivable (Note 10)	32,400	101,700	35,410			67,810	67,810	101,700
	<u>10,672,656</u>	<u>9,876,477</u>	<u>2,779,432</u>	<u>2,680,178</u>	<u>48,500,422</u>	<u>44,298,979</u>	<u>55,632,843</u>	<u>48,024,956</u>
LIABILITIES								
Current liabilities								
Bank indebtedness and credit facility (Note 11)	10,000,000	9,941,496					10,000,000	9,941,496
Banker's acceptances (Note 12)					5,701,000	5,912,000	5,701,000	5,912,000
Accounts payable and accrued liabilities (Note 13)	4,526,018	3,516,483	1,160	4,750	1,073,960	1,074,617	5,601,138	4,595,850
Derivative financial instrument (Note 12)					1,372,513	871,108	1,372,513	871,108
Unearned revenue	1,337,513	1,264,009					1,337,513	1,264,009
Installments on long-term debt					1,393,293	1,094,120	1,393,293	1,094,120
Accrued liabilities related to charitable annuities	15,863,531	14,721,988	1,160	4,750	9,540,766	8,951,845	25,405,457	23,678,583
Interfund accounts, without interest					940,526	996,994	940,526	996,994
Deferred contributions (Note 14)			2,778,272	2,675,428	6,319,667	8,830,678	2,778,272	2,675,428
Deferred capital contributions (Note 10)					4,595,778	3,324,063	4,595,778	3,324,063
Long-term debt (Note 15)					20,891,515	15,358,418	20,891,515	15,358,418
Employee future benefits (Note 16)	24,175,000	23,205,200					24,175,000	23,205,200
	<u>40,038,531</u>	<u>37,927,188</u>	<u>2,779,432</u>	<u>2,680,178</u>	<u>42,288,252</u>	<u>37,461,998</u>	<u>78,786,548</u>	<u>69,238,686</u>
FUND BALANCES (NEGATIVE)								
Unrestricted deficit	(29,365,875)	(28,050,711)					(29,365,875)	(28,050,711)
Invested in capital assets	(29,365,875)	(28,050,711)			6,212,170	6,836,981	6,212,170	6,836,981
	<u>10,672,656</u>	<u>9,876,477</u>	<u>2,779,432</u>	<u>2,680,178</u>	<u>48,500,422</u>	<u>44,298,979</u>	<u>55,632,843</u>	<u>48,024,956</u>

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

Approved by the Board of Governors


Director


Director

Bishop's University

Notes to Financial Statements

April 30, 2012

1 - STATUTES AND NATURE OF OPERATIONS

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

2 - ACCOUNTING CHANGES

The figures for 2011 have been restated in order to reflect corrections made to the employee future benefits related to the early retirement plans and to retirement allowances and severance costs offered in the collective agreement. This change led to an increase in employee future benefits liabilities of \$3,080,400 and a decrease of \$183,139 of the retirement allowances and severances costs liabilities as at April 30, 2011, an increase of the employee future benefits expense of \$257,600 and an increase of \$130,024 of the retirement allowances and severance costs expense for the year ended April 30, 2011 and a decrease of the Fund Balances of \$2,509,637 as at July 1, 2010.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

Consolidation

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

Fund accounting

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

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

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the University's management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. Actual results may differ from these estimates. These estimates are based on management's best knowledge of current events and actions that the University may undertake in the future.

Financial assets and liabilities

The University has chosen to apply the recommendations of Section 3861, "Financial Instruments - Disclosure and Presentation", of the *Canadian Institute of Chartered Accountants' Handbook* with respect to the presentation and disclosure of financial instruments.

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions. Transaction costs from held-for-trading financial liabilities are recognized in the statement of Revenue and Expenses under Interest expense, as the case may be. Transaction costs relating to loans and receivables and other liabilities are netted against the carrying value of the asset or liability and are recognized over the expected life of the instrument using the effective interest method. Regular-way purchases or disposals of financial assets are recognized at the settlement date.

Bishop's University

Notes to Financial Statements

April 30, 2012

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequently, financial assets and liabilities are measured and recognized as follows:

Cash	Held-for-trading
Accounts receivable, due from other entities' capital, grants and long-term receivables	
Investments, except for investments in private entities	Loans and receivables
Bank indebtedness, credit facilities and banker's acceptances	Held-for-trading
Accounts payable and accrued liabilities	Held-for-trading
Long-term debt	Other liabilities
Derivative financial instrument	Held-for-trading
	Held-for-trading

Investments in private entities are evaluated at cost.

Held-for-trading financial assets and liabilities

Held-for-trading financial assets and liabilities are measured at their fair value and changes in fair value are recognized in the statement of Revenue and Expenses. Changes in fair value that are recognized in the statement of Revenue and Expenses include interest and dividend income, exchange gains or losses and realized and unrealized gains or losses, and are presented under Variation of the fair value.

Loans and receivables, and other financial liabilities

Loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method (including any impairment in the case of financial assets). Interest calculated using the effective interest method is presented in the statement of Revenue and Expenses under Interest expense.

Derivative financial instruments

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

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

Derivative financial instruments are recognized on the balance sheet at their fair value and variation in fair value is recognized in the statement of Revenue and Expenses in the Capital Fund.

Revenue recognition

The University follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and recognized as revenue in the year in which the related expenses are incurred. Where contributions 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 or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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.

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.

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

Contributed supplies and services

The University recognizes contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

Bishop's University

Notes to Financial Statements

April 30, 2012

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension and other retirement benefit plans

The University sponsors a defined 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 plan 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 or 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.

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.

Cash and cash equivalents

The University's policy is to present in cash and cash equivalents bank balances including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

Capital assets

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

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.

The annual amortization rates and periods are prescribed by the ministère de l'Éducation, du Loisir et du Sport du Québec (hereafter the "MELS"). Amortization is based on their estimated useful lives according to the straight-line method over the following periods:

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

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 interordinateurs scientifique québécois (RISQ) Inc. and the universities. The annual amortization is established using the straight-line method over the term of the contract signed by the MELS and the University (16 years).

Bishop's University

Notes to Financial Statements

April 30, 2012

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets

Capital assets and intangible assets subject to amortization are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

Servicing of long-term debt

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

4 - INTEREST EXPENSES

	<u>2012-04-30</u> <u>(12 months)</u>	<u>2011-04-30</u> <u>(10 months)</u>
	\$	\$
Liabilities held for trading		
Interest on long-term debt	674,567	368,565
Interest on bank indebtedness, credit facility and banker's acceptances	<u>501,530</u>	<u>441,161</u>
	<u>1,176,097</u>	<u>809,726</u>

Cash flows relating to interest on operating activities are detailed as follows:

	<u>2012-04-30</u> <u>(12 months)</u>	<u>2011-04-30</u> <u>(10 months)</u>
	\$	\$
Interest paid	913,079	569,079

5 - INTERFUND TRANSFERS

During the year, Bishop's University's Board of Governors transferred \$1,782,394 (\$2,533,055 and \$44,088 in 2011) from the Operating Fund to the Capital Fund (respectively to the Capital Fund and to the Restricted Funds in 2011) in order to finance net cash disbursements related to fixed assets, long term-debt repayments and payments of interest on long term-debt.

6 - GOVERNMENT ASSISTANCE

The MELS financially supports certain capital projects of the University each year for which the form of funding is finalized at a later date. Included in the interfund amounts due to and from the Operating and Capital Funds respectively is approximately \$6,132,964 (\$8,363,092 in 2011) 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.

7 - INVESTMENTS

	<u>2012-04-30</u>	<u>2011-04-30</u>
	\$	\$
Balanced fund, McLean Budden, representing charitable annuity donation fund (Note 17) (a)	940,525	961,994
Money market fund, McLean Budden, representing Supplemental Employee Retirement Plan (SERP) (a)	40,448	745
MSBI Valorisation Inc., 8 shares, 0.8% (b)	4,000	4,000
MSBI Investment Fund - Limited partnership, 1 unit, 0.35% (b)	96,787	109,429
Coopérative de Solidarité Air Sherbrooke, 1 unit, 0.0025% (b)	<u>450</u>	<u>450</u>
	<u>1,082,210</u>	<u>1,076,618</u>

(a) The fair value is determined using the closing bid price on stock markets.

(b) The fair value was not determined because it is not practicable within constraints of timeliness or cost with sufficient reliability, in particular because the entities' equity securities are not publicly traded.

Bishop's University
Notes to Financial Statements

April 30, 2012

8 - CAPITAL ASSETS

	2012-04-30		
	Cost	Accumulated amortization	Net value
	\$	\$	\$
Land	417,644		417,644
Land improvements	3,060,451	725,779	2,334,672
Buildings	34,194,481	24,027,172	10,167,309
Buildings in progress	1,039,811		1,039,811
Building renovations	17,528,933	2,942,225	14,586,708
Building renovations in progress	7,903,017		7,903,017
Furnishings, equipment, rolling equipment, computer hardware	6,324,667	3,097,444	3,227,222
Library collection	8,207,422	4,591,979	3,615,442
Software	859,154	564,935	294,219
Software in progress	512,679		512,679
	<u>80,048,258</u>	<u>35,949,534</u>	<u>44,098,724</u>
			2011-04-30
	Cost	Accumulated amortization	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 in progress	529,788		529,788
Building renovations	16,098,138	2,430,070	13,668,068
Building renovations in progress	4,233,292		4,233,292
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>

During the year, no fully amortized capital assets were written off (\$838,264 in 2011).

9 - OTHER ASSETS

	2012-04-30	2011-04-30
	\$	\$
Telecommunication system (RISQ), at amortized cost	353,619	402,962
Other	20,780	23,146
	<u>374,399</u>	<u>426,108</u>

10 - CAPITAL GRANTS RECEIVABLE AND DEFERRED CAPITAL CONTRIBUTIONS

Capital grants receivable relate to capital grants approved by the 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.

Bishop's University

Notes to Financial Statements

April 30, 2012

10 - CAPITAL GRANTS RECEIVABLE AND DEFERRED CAPITAL CONTRIBUTIONS (Continued)

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:

	<u>2012-04-30</u>	<u>2011-04-30</u>
	\$	\$
Capital grants receivable (net of deferred capital contributions), beginning of year	(284,376)	390,082
Amortization of deferred capital contributions	1,397,009	1,096,742
Deferred capital contributions received	<u>(2,818,939)</u>	<u>(1,771,200)</u>
Capital grants receivable (net of deferred capital contributions), end of year	<u>(1,706,306)</u>	<u>(284,376)</u>

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

	<u>2012-04-30</u>	<u>2011-04-30</u>
	\$	\$
Net capital grants receivable, beginning of year	3,039,687	2,764,868
Amortization of deferred capital contributions	1,024,552	811,361
Deferred capital contributions received	<u>(1,174,767)</u>	<u>(536,542)</u>
Net capital grants receivable, end of year	<u>2,889,472</u>	<u>3,039,687</u>

Bishop's University Foundation

	<u>2012-04-30</u>	<u>2011-04-30</u>
	\$	\$
Net deferred capital contributions, beginning of year	(1,710,325)	(1,630,337)
Amortization of deferred capital contributions	196,158	148,389
Deferred capital contributions received	<u>(84,300)</u>	<u>(228,377)</u>
Net deferred capital contributions, end of year	<u>(1,598,467)</u>	<u>(1,710,325)</u>

Others

	<u>2012-04-30</u>	<u>2011-04-30</u>
	\$	\$
Net deferred capital contributions, beginning of year	(1,613,738)	(744,449)
Amortization of deferred capital contributions	176,299	136,992
Deferred capital contributions received	<u>(1,559,872)</u>	<u>(1,006,281)</u>
Net deferred capital contributions, end of year	<u>(2,997,311)</u>	<u>(1,613,738)</u>

11 - BANK INDEBTEDNESS AND CREDIT FACILITY

The University has an authorized line of credit of \$24,000,000, bearing interest at either prime rate (3%) or banker's acceptances rate plus 0.3% stamping fees (1.5%; 1.55% in 2011) and renewable on April 3, 2013, of which \$14,000,000 remained unused at year-end.

As part of its credit facility, the University has \$10,000,000 (\$9,000,000 in 2011) of banker's acceptances, bearing interest at 1.5% and renewed in April 2012.

The bank indebtedness includes the following elements:

	<u>2012-04-30</u>	<u>2011-04-30</u>
	\$	\$
Regular bank overdraft		(941,496)
Banker's acceptances representing credit facility	<u>(10,000,000)</u>	<u>(9,000,000)</u>
	<u>(10,000,000)</u>	<u>(9,941,496)</u>

Bishop's University

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April 30, 2012

12 - BANKER'S ACCEPTANCES

The University has an authorized line of credit facility of \$5,701,000 by way of banker's acceptances, bearing interest at prime rate plus 0.3% stamping fees (1.5%; 1.55% in 2011), as part of the financing of a residence.

On April 30, 2012, the University has an agreement to swap interest rates, maturing in September 2028. Under this agreement, payments or receipts for the difference between the fixed interest rate of 5.42% and variable rate based on prime rate plus 0.3% stamping fees (1.5% as at April 30, 2012) are made.

The notional amount of the swap agreement entered into by the University is \$5,701,000 as at April 30, 2012. The fair value of liabilities of the swap made according to information obtained from the financial institution is \$1,372,513.

13 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2012-04-30</u>	<u>2011-04-30</u>
	\$	\$
Accounts payable and other accrued liabilities	4,531,332	3,587,019
Vacation and overtime accruals	1,069,807	1,008,831
	<u>5,601,138</u>	<u>4,595,850</u>

14 - DEFERRED CONTRIBUTIONS

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

	<u>2012-04-30</u>	<u>2011-04-30</u>
	\$	\$
Balance, beginning of year	2,675,428	2,327,890
Deferred contributions received	3,883,713	3,185,630
Amortization of deferred contributions	(3,780,869)	(2,838,092)
Balance, end of year	<u>2,778,272</u>	<u>2,675,428</u>

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

	<u>2012-04-30</u>	<u>2011-04-30</u>
	\$	\$
Academic, students services and bursaries	1,480,542	1,354,571
Research	976,119	1,111,621
Other	321,611	209,236
Balance, end of year	<u>2,778,272</u>	<u>2,675,428</u>

15 - LONG-TERM DEBT

	<u>2012-04-30</u>	<u>2011-04-30</u>
	\$	\$
Serviced by the University		
<i>To finance heating tunnel - capital renovations:</i>		
Term loan, principal balance of \$664,804 (\$695,277 as at April 30, 2011), 5%, payable in monthly blended instalments of \$5,379, maturing in October 2016	718,835	743,081
<i>To finance the construction of food kiosk:</i>		
Term loan, principal balance of \$66,115 (\$114,461 as at April 30, 2011) 7.374%, payable in monthly blended instalments of \$4,646, maturing in July 2013	67,879	122,669

Bishop's University

Notes to Financial Statements

April 30, 2012

15 - LONG-TERM DEBT (Continued)

	<u>2012-04-30</u>	<u>2011-04-30</u>
	\$	\$
Serviced by the Gouvernement du Québec		
<i>MELS capital grants are authorized under the five year university capital investment plan (Plan quinquennal d'investissements) and are funded by the Gouvernement du Québec out of public borrowing in the University's name (process known as grant bonds). As a result, the long-term debt listed here below is managed, administered and serviced by the Gouvernement du Québec</i>		
Term loan, principal amount of \$1,520,000 (\$1,600,000 as at April 30, 2011), 4.26%, payable in annual capital instalments of \$80,000, renewable in March 2014	1,599,446	1,683,391
Term loan, principal amount of \$4,854,240 (\$5,140,680 as at April 30, 2011), 4.394%, payable in annual capital instalments of \$286,440, renewable in September 2013	5,055,676	5,396,955
Term loan, principal amount of \$5,662,608 (\$6,000,000 as at April 30, 2011), 2.559%, payable in annual capital instalments of \$337,392, renewable in June 2016	5,782,059	5,910,967
Term loan, principal amount of \$7,000,000, 1.9257%, payable in annual capital instalments of \$280,000, renewable in April 2017	6,895,038	
Serviced by other sources		
<i>To finance repayment of loan regarding the construction of Centennial Theatre subsidized by the ministère de la Culture, des Communications et de la Condition féminine:</i>		
Term loan, principal amount of \$68,993 (\$134,746 as at April 30, 2011), 5.07%, payable in semi-annual blended instalments of \$35,882, maturing in December 2012	70,876	141,336
<i>To finance the construction of Kuehner, Munster and Abott student residences subsidized by the MELS:</i>		
Mortgage loans, secured by buildings having an amortized cost of \$257,116, principal amount of \$247,775 (\$310,225 as at April 30, 2011) 5.125% to 5.75%, payable in semi-annual blended instalments of \$39,285, maturing at various dates from December 2014 to 2016	265,911	333,090
<i>To finance Centennial Theatre renovations subsidized by the ministère de la Culture, des Communications et de la Condition féminine:</i>		
Term loan, principal amount of \$651,793 (\$676,572 as at April 30, 2011), 5.07%, payable in semi-annual blended instalments of \$29,382, renewable in May 2013	673,263	724,476
<i>To finance the construction of a synthetic turf subsidized by:</i>		
<i>The MELS:</i>		
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$1,003,187 (\$1,099,316 as at April 30, 2011), 5.89%, payable in annual blended instalments of \$160,879, renewable in May 2019	1,092,948	1,265,477
<i>The City of Sherbrooke:</i>		
Term loan, principal amount of \$62,360 (\$124,720 as at April 30, 2011), 4.25%, payable in annual capital instalments of \$62,350, maturing in May 2012	62,877	131,096
	<u>22,284,808</u>	16,452,538
Current portion	<u>(1,393,293)</u>	(1,094,120)
	<u>20,891,515</u>	<u>15,358,418</u>

The fair value of long-term debt is based on rates currently available to the University for debt with similar terms and maturities.

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

	\$
2013	1,393,293
2014	7,475,730 (\$6,633,635 subject to refinancing)
2015	827,691
2016	813,736
2017	10,860,883 (\$10,719,542 subject to refinancing)
2018 and more	430,543

Bishop's University

Notes to Financial Statements

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16 - EMPLOYEE FUTURE BENEFITS

Pension Plans

- 1) The University sponsors a defined benefit pension plan for eligible full-time employees (the "Pension Plan for Full-Time Employees").
- 2) The University also maintains a Supplemental Employee Retirement Plan (SERP) for members of the Pension Plan for Full-Time Employees.
- 3) The University also sponsors a defined contribution pension plan for eligible part-time employees. The contributions to this plan by the University amounted to approximately \$111,976 (\$92,371 in 2011).
- 4) Certain employees (Faculty and Librarians) of the University have access to early retirement plans as defined in their collective agreement.

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, 2011 and the next required valuation will be as of June 30, 2014.

Starting July 1st, 2008, the University has to contribute additional annual amounts until June 30, 2026 in order to amortize the going-concern deficit. A portion of these amounts is assumed by the employees since July 1st, 2009.

The University contributes additional amounts of \$1,124,360 (\$361,500 in 2011) of which \$159,783 (\$130,140 in 2011) was paid by employees in fringe benefits and \$255,507 is due from the employees.

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

	2012-04-30 (12 months)				
	Pension Plan for Full-Time Employees	SERP	Post- Retirement Insurance	Early Retirement Program	Total
	\$	\$	\$	\$	\$
Accrued benefit obligation	(132,801,700)	(2,025,700)	(17,201,200)	(3,457,800)	(155,486,400)
Fair value of plan assets	92,874,300				92,874,300
Funded status - deficit plan surplus	(39,927,400)	(2,025,700)	(17,201,200)	(3,457,800)	(62,612,100)
Balance of unamortized amounts	34,057,200	524,600	3,712,700	142,600	38,437,100
Accrued benefit liability	(5,870,200)	(1,501,100)	(13,488,500)	(3,315,200)	(24,175,000)

Each plan presented above is not fully funded.

Plan assets consist of (percentage of plan assets):

Equity securities	58.5%				58.5%
Debt securities	36.3%				36.3%
Other	5.2%				5.2%
Total	100%	-	-	-	100%

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

Accrued benefit obligation as of April 30					
Discount rate	4.75%	4.75%	4.75%	4.75%	4.75%
Rate of compensation increase	2%	2%	S/O	S/O	2%
Benefit costs for the years ended April 30					
Discount rate	5.25%	5.25%	5.25%	5.25%	5.25%
Expected long-term rate of return on plan assets	6.75%	S/O	S/O	S/O	6.75%
Rate of compensation increase	2%	2%	S/O	S/O	2%

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

Benefit costs	2,689,000	175,900	1,566,400	454,800	4,886,100
Cash payments recognized by the University	3,318,600	87,800	289,900	220,000	5,745,300
Benefit paid by the plans	6,738,200	87,800	289,900	220,000	7,335,900

Bishop's University

Notes to Financial Statements

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16 - EMPLOYEE FUTURE BENEFITS (Continued)

Pension Plans

					2011-04-30 (10 months) Restated
	Pension Plan for Full-Time Employees	SERP	Post- Retirement Insurance	Early Retirement Program	Total
	\$	\$	\$	\$	\$
Accrued benefit obligation	(121,061,300)	(1,828,500)	(14,986,200)	(3,119,600)	(140,995,600)
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)	(3,119,600)	(44,997,000)
Balance of unamortized amounts	18,562,900	415,500	2,774,200	39,200	21,791,800
Accrued benefit liability	(6,499,800)	(1,413,000)	(12,212,000)	(3,080,400)	(23,205,200)

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%	-	-	-	100%

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%	5.25%
Rate of compensation increase	2%	2%	S/O	5%	2.2%
Benefit costs for the years ended April 30					
Discount rate	5.5%	5.5%	5.5%	5.5%	5.5%
Expected long-term rate of return on plan assets	6.75%	S/O	S/O	5%	6.75%
Rate of compensation increase	2%	2%	S/O	5%	2%

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

Benefit costs	3,017,300	174,400	1,055,300	366,900	4,613,900
Cash payments recognized by the University	1,842,200	53,800	237,400	109,300	2,242,700
Benefit paid by the plans	5,107,500	53,800	237,400	109,300	5,508,000

17 - COMMITMENTS

The University has entered into long-term lease agreements for equipment and telecommunication services expiring at different dates up to April 20, 2020. Future minimum lease payments aggregate \$864,678 including the following payments over the next five years:

	\$
2013	258,606
2014	158,274
2015	95,314
2016	82,814
2017	74,776

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 \$4,891,111. These commitments are expected to be met in the normal course of operations.

Bishop's University

Notes to Financial Statements

April 30, 2012

18 - 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 Québec. Although it is not possible to determine the ultimate outcome of such proceedings initiated and ongoing as at April 30, 2012, the University is of the opinion that they will be resolved without material effect on the University's financial position. Any amount the University may be required to pay will be charged to operations in the year of settlement; otherwise if the amount can be estimated and is considered likely to occur, it will be provided for in the accrued liabilities.

19 - RELATED ENTITY - BISHOP'S UNIVERSITY FOUNDATION

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

The Foundation is not consolidated in the University's financial statements. A financial summary of this non-consolidated entity as at June 30, 2012 and 2011 and for the years then ended is as follows:

	<u>2012-06-30</u>	<u>2011-06-30</u>
	\$	\$
Financial position		
Current assets		
Investments, at fair value	220,350	478,637
Total assets	<u>30,827,856</u>	<u>27,761,885</u>
	<u>31,048,206</u>	<u>28,240,522</u>
Current liabilities	469,272	261,554
Fund balances (a)	<u>30,578,934</u>	<u>27,978,968</u>
	<u>31,048,206</u>	<u>28,240,522</u>
	<u>2012-06-30</u>	<u>2011-06-30</u>
	\$	\$
Results of operations and changes in fund balances		
Investment income	711,899	670,043
Donations and others	<u>5,004,060</u>	<u>1,701,014</u>
Total revenues	<u>5,715,959</u>	<u>2,371,057</u>
Total expenditures (b)	<u>(3,247,558)</u>	<u>(2,815,474)</u>
Gain on disposal of investments	<u>128,920</u>	<u>198,302</u>
Excess of revenues over expenditures (expenditures over revenues)	<u>2,597,321</u>	<u>(246,115)</u>
Unrealized gain on investments available for sale	<u>2,645</u>	<u>2,294,026</u>
Net changes in fund balances	<u>2,599,966</u>	<u>2,047,911</u>
	<u>2012-06-30</u>	<u>2011-06-30</u>
	\$	\$
Cash Flows		
Operating activities	<u>(342,297)</u>	<u>(859,749)</u>
Investing and financing activities	<u>270,849</u>	<u>520,622</u>
Cash increase (decrease)	<u>(71,448)</u>	<u>(339,127)</u>

(a) In accordance with donor, designated gifts, \$25,325,419 (25,347,409 in 2011) of the Foundation's assets must be maintained for at least 10 years from the date of the gift. The investment revenue earned is mainly used to support student scholarships and services, academic enrichment as well as support and research activities.

(b) Total expenditures include contributions of \$2,774,732 (2,537,761 in 2011) and management fees of \$36,000 (\$36,000 in 2011) to the University.

The Foundation's financial statements for the year ended June 30, 2012 are not yet approved by the Board of Governors of the Foundation at the date of issuance of the University's financial statements.

Bishop's University

Notes to Financial Statements

April 30, 2012

20 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Financial risk management objectives and policies

The University is exposed to various financial risks resulting from both its operating and investing activities. The University's management manages risk. The University does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risks

The University's main financial risk exposure and its financial risk management policies are as follows.

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.

The credit risk regarding cash is considered to be negligible because this financial instrument is held by a reputable financial institution with a quality credit rating.

Market risk

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

– Interest rate risk:

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

The banker's acceptances bear interest at a variable rate and the University is, therefore, exposed to the cash flow risks resulting from interest rate fluctuations. The University has concluded a long-term interest rate swap agreement to minimize debt financing costs and to manage interest rate fluctuations risk (Note 12). This agreement covers the conversion of variable interest rates into fixed rates and is not eligible for hedge accounting. As at April, 2012, the negative fair value of this derivative financial instrument is \$1,372,513 (\$871,108 in 2011) and is presented as a liability in the Balance Sheet.

The long-term debt serviced by the University and for other projects bears interest at a fixed rate and the University is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The long-term debt serviced by the Gouvernement du Québec does not bear any risk since the debt service is financed by the Gouvernement du Québec.

– Other price risk:

The University is exposed to other price risk due to financial instruments since changes in market prices could result in changes in the fair value of these instruments.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and ensure the University has financing sources such as bank loans for a sufficient amount. The University establishes budget and cash estimates to attain its objectives and fulfill its obligations.

Bishop's University

Notes to Financial Statements

April 30, 2012

21 - CAPITAL MANAGEMENT

The University's capital is comprised of fund balances. With respect to managing its capital, the University's objective is to maintain its financial capacity to train students, to contribute to the advancement of knowledge through research activities and to render services to the community.

The University is subject, under external rules, to requirements for its capital. These requirements are contained in certain agreements with providers of funds and contributions earmarked for specific purposes. The University continually monitors these requirements. During the year, the University has complied with its requirements.

22 - CAPITAL DISCLOSURES

The University relies principally on government 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 \$2,971,841 (\$2,616,871 in 2011) and subsidies of \$2,994,651 (\$2,202,122 in 2011) with external restrictions. The University complied with these restrictions.