

Bishop's University
Financial Statements
April 30, 2013

Bishop's University
Financial Statements
April 30, 2013

Independent Auditor's Report	2 - 3
Financial Statements	
Revenues and Expenses	4
Changes in Fund Balances	5
Cash Flows	6
Balance Sheet	7
Notes to Financial Statements	8 - 20



Independent Auditor's Report

Raymond Chabot Grant Thornton LLP
Suite 500
455 King Street West
Sherbrooke, Quebec J1H 6G4

Tel.: 819-822-4000
Toll-free: 1-800-567-6958
Fax: 819-821-3640
www.rcgt.com

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, 2013 and the statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bishop's University as at April 30, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative information

Without modifying our opinion, we draw attention to Note 3 to the financial statements, which describes that Bishop's University adopted Canadian accounting standards for not-for-profit organizations on May 1, 2012 with a transition date of May 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheet as at April 30, 2012 and May 1, 2011 and the statements of revenues and expenses, changes in fund balances and cash flows for the year ended April 30, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Raymond Chabot Grant Thornton LLP

1

Sherbrooke
October 4, 2013

Bishop's University Revenues and Expenses

Year ended April 30, 2013

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2013-04-30	2012-04-30	2013-04-30	2012-04-30	2013-04-30	2012-04-30	2013-04-30	2012-04-30
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Grants - Ministère de l'Enseignement supérieur, de la Recherche, de la Science et de la Technologie	22,266,735	22,188,269	252,491	266,469	2,277,780	2,028,332	24,797,006	24,483,069
Student academic fees	11,865,339	11,290,638					11,865,339	11,290,638
Other student fees	662,567	620,194					662,567	620,194
Other	550,033	708,559	332,569	276,934	211,918	162,830	1,094,520	1,148,322
Contributions - Bishop's University Foundation			2,198,608	2,221,253	206,449	196,158	2,405,057	2,417,411
Research grants	2,150,802	2,100,030	939,279	1,016,214			939,279	1,016,214
Student services	9,400,691	8,677,093					2,150,802	2,100,030
Ancillary enterprises	46,896,167	45,584,783	3,722,947	3,780,869	2,696,147	2,387,320	9,400,691	8,677,093
	20,994,085	20,478,494	673,809	628,387	1,031,913	1,155,573	21,667,894	21,106,881
Expenses								
Teaching	1,324,229	1,396,886					1,324,229	1,396,886
Funded research	1,275,426	1,385,782					1,275,426	1,385,782
Academic support								
Library								
Information technology and audio-visual								
Administration	5,319,191	5,504,974	59,223	173,123			5,378,414	5,678,097
Land and buildings	4,176,082	4,675,312					4,176,082	4,675,312
Student services	2,016,118	2,088,472	358,201	427,923			2,374,319	2,516,395
Student scholarships and bursaries	309,534	246,306	1,599,801	1,395,863			1,909,335	1,642,169
Ancillary enterprises	7,808,902	7,375,710					7,808,902	7,375,710
Interest on long-term debt and temporary financing (Note 4)					924,573	863,362	924,573	863,362
Interest on derivative financial instrument (Note 4)					253,545	265,937	253,545	265,937
Other interest (Note 4)	38,178	46,798					38,178	46,798
Amortization of tangible capital assets					3,439,859	2,938,932	3,439,859	2,938,932
Amortization of other assets					51,466	51,709	51,466	51,709
Capital assets written off					75,074	235,358	75,074	235,358
Retirement allowances and severance costs	222,312	239,949					222,312	239,949
Employee future benefits	1,996,800	969,800					1,996,800	969,800
Amortization of pension plan	1,240,093	709,070					1,240,093	709,070
Net change in fair value of investments	8,441						8,441	11,454
Net change in fair value of derivative financial instrument					74,546	501,405	74,546	501,405
Net change in fair value of long-term debt					128,648	(73,632)	128,648	(73,632)
	46,729,391	45,117,553	3,722,947	3,780,869	4,947,711	4,794,525	55,400,049	53,692,947
Excess (deficiency) of revenues over expenses	166,776	467,230	-	-	(2,251,564)	(2,407,205)	(2,084,788)	(1,939,975)

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

Bishop's University

Changes in Fund Balances

Year ended April 30, 2013

	Operating Fund		Restricted Funds		Capital Fund		Total
	2013-04-30	2012-04-30	2013-04-30	2012-04-30	2013-04-30	2012-04-30	2012-04-30
Fund balances, beginning of year	\$ (29,365,875)	\$ (28,050,711)	\$ -	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over expenses	166,776	467,230	6,212,170	6,836,981	(23,153,705)	(21,213,730)	(21,213,730)
Interfund transfers (Note 5)	(2,670,547)	(1,782,394)	(2,251,564)	(2,407,205)	(2,084,788)	(1,939,975)	(1,939,975)
Fund balances, end of year	<u>(31,869,646)</u>	<u>(29,365,875)</u>	<u>6,631,153</u>	<u>6,212,170</u>	<u>(25,238,493)</u>	<u>(23,153,705)</u>	<u>(23,153,705)</u>

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

Bishop's University

Cash Flows

Year ended April 30, 2013

	<u>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	(2,084,788)	(1,939,975)
Non-cash items		
Amortization of tangible capital assets	3,439,859	2,938,932
Amortization of other assets	51,466	51,709
Amortization of deferred contributions related to tangible capital assets	(1,787,458)	(1,397,009)
Net change in fair value of investments	(88,515)	24,576
Net change in fair value of derivative financial instrument	74,546	501,405
Net change in fair value of long-term debt	128,648	(73,632)
	<u>(266,242)</u>	106,005
Employee future benefits	1,996,800	969,800
Charitable annuities payable	(112,870)	(56,468)
Net change in working capital items		
Accounts receivable	(2,426,920)	(1,647,079)
Due from Bishop's University Foundation	401,907	(22,914)
Prepaid expenses	(84,910)	(42,683)
Unearned revenue	538,720	73,504
Trade payables and other operating liabilities	177,323	1,005,288
Deferred contributions	(591,500)	102,844
Cash flows from operating activities	<u>(367,692)</u>	488,298
INVESTING ACTIVITIES		
Acquisition of investments	(100,000)	(190,000)
Disposal of investments	302,712	159,832
Acquisition of tangible capital assets	(9,163,328)	(7,405,299)
Variation in long-term receivables	67,810	33,890
Cash flows from investing activities	<u>(8,892,806)</u>	(7,401,577)
FINANCING ACTIVITIES		
Net change in credit facility	100,000	1,000,000
Net change in banker's acceptances	(224,000)	(211,000)
Issuance of long-term debt	6,475,000	7,000,000
Repayment of long-term debt	(1,432,759)	(1,094,098)
Deferred contributions related to tangible capital assets	2,567,112	2,818,939
Cash flows from financing activities	<u>7,485,353</u>	9,513,841
Net increase (decrease) in cash and cash equivalents	<u>(1,775,145)</u>	2,600,562
Cash and cash equivalents (deficiency), beginning of year	1,659,066	(941,496)
Cash and cash equivalents (deficiency), end of year	<u>(116,079)</u>	1,659,066

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

**Bishop's University
Balance Sheet**

April 30, 2013

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2013-04-30	2012-04-30	2013-04-30	2012-04-30	2013-04-30	2012-04-30	2013-04-30	2011-05-01
ASSETS								
Current								
Cash	1,659,066	1,504,365	1,659,066	1,504,365	79,101	1,659,066	1,604,924	
Accounts receivable	2,476,925	1,438,278	2,476,925	1,438,278	14,850	2,682,811	1,551,112	
Accounts receivable - Ministère de l'Enseignement supérieur, de la Recherche, de la Science et de la Technologie	3,358,863	3,066,548	3,358,863	3,066,548	40,767	4,402,536	3,107,315	1,406,423
Due from Bishop's University Foundation	528,053	359,592	528,053	359,592	18,285	4,402,536	3,107,315	1,406,423
Prepaid expenses	7,363,841	443,143	7,363,841	443,143	26,823	528,053	359,592	336,679
		3,528,567		3,528,567	124,209	7,613,400	443,143	400,460
Long-term								
Interfund account, without interest	3,415,524	3,607,542	3,415,524	3,607,542	55,617	7,613,400	7,120,228	3,748,486
Investments (Note 7)	91,460	6,246,210	91,460	6,246,210	1,082,210	968,013	1,082,210	1,076,618
Tangible capital assets (Note 8)			876,553	1,082,210	1,082,210	968,013	1,082,210	1,076,618
Other assets (Note 9)			49,822,193	44,098,724	49,822,193	44,098,724	44,098,724	39,632,357
Long-term receivables		32,400	322,933	374,399	322,933	374,399	426,108	426,108
Capital grants receivable (Note 10)			2,670,119	2,889,472	2,670,119	2,889,472	67,810	101,700
	10,870,825	10,672,656	10,870,825	10,672,656	53,941,357	61,396,658	55,632,843	48,024,956
LIABILITIES								
Current								
Bank indebtedness and credit facility (Note 11)	10,216,079	10,000,000	10,216,079	10,000,000	5,912,000	5,477,000	10,000,000	9,841,496
Banker's acceptances (Note 12)							5,701,000	5,912,000
Trade payables and other operating liabilities (Note 13)	4,434,044	4,526,018	1,339,238	1,073,960	1,074,617	5,778,461	5,601,138	4,595,850
Due to Bishop's University Foundation	42,315		42,315			42,315		
Derivative financial instrument (Note 12)			1,447,059	1,372,513	871,108	1,447,059	1,372,513	871,108
Unearned revenue	1,876,233	1,337,513	7,763,230	1,393,293	1,094,120	1,876,233	1,337,513	1,264,009
Current portion of long-term debt	16,568,671	15,863,531	16,026,527	9,540,766	8,951,845	32,600,377	25,405,457	23,678,583
Long-term								
Accrued liabilities related to charitable annuities			827,656	940,526	996,994	827,656	940,526	996,994
Interfund accounts, without interest			5,607,475	6,319,667	8,830,878	5,607,475	6,319,667	8,830,878
Deferred contributions (Note 14)			2,186,772	2,778,272	2,675,428	2,186,772	2,778,272	2,675,428
Deferred contributions related to tangible capital assets (Note 10)			5,156,079	4,595,778	3,324,063	5,156,079	4,595,778	3,324,063
Long-term debt (Note 15)	26,171,800	24,175,000	19,692,467	20,891,515	15,358,418	19,692,467	20,891,515	15,358,418
Employee future benefits (Note 16)	42,740,471	40,038,531	47,310,204	42,288,252	37,461,998	26,171,800	24,175,000	23,205,200
	(31,869,646)	(29,365,875)	2,191,951	2,779,432	2,680,178	86,635,151	78,786,548	69,238,686
FUND BALANCES (NEGATIVE)								
Unrestricted	(31,869,646)	(29,365,875)	6,631,153	6,212,170	6,836,981	(31,869,646)	(29,365,875)	(28,050,711)
Invested in capital assets	(31,869,646)	(29,365,875)	6,631,153	6,212,170	6,836,981	6,631,153	6,212,170	6,836,981
	10,870,825	10,672,656	53,941,357	48,500,422	44,298,979	61,396,658	55,632,843	48,024,956

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

Approved by the Board of Governors

Michael Spolton
Director

Robert A. Gank
Director

Bishop's University

Notes to Financial Statements

April 30, 2013

1 - STATUTES AND NATURE OF OPERATIONS

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

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The University's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations, in respect with the needs in financial information expressed by the ministère de l'Enseignement supérieur, de la Recherche, de la Science et de la Technologie (hereafter the "MESRST"), sub-section 1.1 of the *Cahier des définitions, des termes et des directives de présentation du Système d'information financière des universités*.

Consolidation

The net result of the not-for-profit organization affiliated with the University, the Bishop's University Foundation, is not consolidated in these financial statements. However, key information is reported in Note 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 requires the University's management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the University may undertake in the future. Actual results may differ from these estimates.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the University's financial assets and liabilities from transactions not concluded with related parties and those from transactions with parties whose sale relationship with the University is in the capacity of management (and members of the immediate family) are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

Subsequent measurement

At each reporting date, the University measures its financial assets and liabilities at cost or amortized cost (including any impairment in the case of financial assets), except for investments in the balanced fund and money market fund and the long-term debt which the University has elected to measure at fair value by designating that fair value measurement shall apply.

With respect to financial assets measured at cost or amortized cost, the University assesses whether there are any indications of impairment. When there is an indication of impairment, and if the University determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at cost or amortized cost is recognized in the statement of revenues and expenses in the year the reversal occurs.

Bishop's University

Notes to Financial Statements

April 30, 2013

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments

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

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

Derivative financial instruments are recognized in the statement of the balance sheet at their fair value, and variation in fair value is recognized in the statement of revenues 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 in the statement of revenues and expenses.

The University's principal sources of revenue, aside from contributions, are student academic fees and other students fees, student services and ancillary enterprises. These revenues are recognized when the following criteria are met :

- Persuasive evidence of an arrangement exists;
- Delivery has occurred and services have been rendered;
- The price to the buyer is fixed or determinable;
- Collection is reasonably assured.

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

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.

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 statement of revenues and expenses 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.

Bishop's University

Notes to Financial Statements

April 30, 2013

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

Tangible capital assets

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

Tangible capital assets purchased within the Operating Fund are presented as an Interfund transfer in the statement of changes in fund balances. Tangible capital assets purchased within the Restricted Funds are recorded as a revenue in the Capital Fund when the portion dedicated to capital purchases is not specified by the grant provider.

Tangible capital assets of ancillary enterprises are added to the Capital Fund and the payments on the related long-term debt or the contribution to financing for acquisitions are presented as an Interfund transfer in the statement of changes in fund balances.

Amortization

The annual amortization rates and periods are prescribed by the MESRST. Amortization is based on their estimated useful lives according to the straight-line method over the following periods:

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

Write-down

When the University recognizes that a tangible capital asset no longer has any long-term service potential, the excess of net carrying amount of the tangible capital asset over its residual value is recognized as an expense in the statement of Revenues and Expenses.

Other assets

The University holds an interest, representing 1/19th of the cost of a high speed telecommunication system pursuant to an agreement between the MESRST, 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 MESRST and the University (16 years).

Servicing of long-term debt

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

3 - FIRST-TIME ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are the University's first financial statements prepared using new Canadian accounting standards for not-for-profit organizations (hereafter the "new accounting standards"). The date of transition to the new accounting standards is May 1, 2011.

The accounting policies presented in Note 2 and resulting from the application of the new accounting standards were used to prepare the financial statements for the year ended April 30, 2013, the comparative information and the opening balance sheet as at the date of transition.

Bishop's University

Notes to Financial Statements

April 30, 2013

3 - FIRST-TIME ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS (Continued)

Exemptions relating to first-time adoption

Section 1501, First-time Adoption by Not-for-profit Organizations, contains exemptions to full retrospective application which the University may use upon transition. The University applied the following optional exemption :

Designation of previously recognized financial instruments

On the date of the transition, the University elected to designate certain financial assets and liabilities to be measured at fair value.

Impact of transition on fund balances as at May 1, 2011

The impact of the transition to the new accounting standards on the University's fund balances at the date of transition, that is May 1, 2011 is not significant.

Reconciliation of deficiency of revenues over expenses as at April 30, 2012

The deficiency of revenues over expenses as at April 30, 2012 determined using the new accounting standards is approximately equivalent to that determined using the previous accounting standards (pre-changeover accounting standards).

Statement of cash flows

Accounting standards regarding cash flows included in the new accounting standards are similar to those included in the previous accounting standards. The University has not made any major adjustment to the statement of cash flows. The only change in the University's financial statements resulting from the new accounting standards is the removal of the requirement to disclose the amount of interest paid.

4 - INTEREST EXPENSES

	2013-04-30	2012-04-30
	\$	\$
Interest on long-term debt	718,746	674,567
Interest on bank indebtedness, credit facility and banker's acceptances	497,550	501,530
	<u>1,216,296</u>	<u>1,176,097</u>

5 - INTERFUND TRANSFERS

During the year, the University transferred \$2,771,335 (\$1,782,394 for the year ended April 30, 2012) from the Operating Fund to the Capital Fund in order to finance net cash disbursements related to fixed assets, long-term debt repayments and payments of interest on long-term debt and transferred investments from the Capital Fund to the Operating Fund for an amount of \$100,788.

6 - GOVERNMENT ASSISTANCE

The MESRST 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 \$5,465,751 (\$6,132,964 for the year ended April 30, 2012) 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 MESRST.

Bishop's University

Notes to Financial Statements

April 30, 2013

7 - INVESTMENTS

	2013-04-30	2012-04-30
	\$	\$
Balanced Fund, McLean Budden, representing charitable annuity donation fund	830,118	940,975
Money Market Fund, McLean Budden, representing Supplemental Employee Retirement Plan (SERP)	46,435	40,448
MSBI Valorisation Inc., 8 shares, 0.8%	4,000	4,000
MSBI Investment Fund - Limited partnership, 1 unit, 0.35%	87,460	96,787
	<u>968,013</u>	<u>1,082,210</u>

8 - TANGIBLE CAPITAL ASSETS

	2013-04-30		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land	417,644		417,644
Land improvements	3,154,150	882,344	2,271,806
Buildings	34,194,481	24,607,985	9,586,496
Buildings in progress	2,461,874		2,461,874
Building renovations	29,765,645	3,860,916	25,904,729
Building renovations in progress	1,557,420		1,557,420
Furnishings, equipment, rolling equipment, computer hardware	6,212,888	3,082,055	3,130,833
Library collection	7,726,808	4,129,124	3,597,684
Software	1,547,560	653,853	893,707
	<u>87,038,470</u>	<u>37,216,277</u>	<u>49,822,193</u>
			2012-04-30
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
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>

During the year, the capital assets fully amortized written off represents \$2,173,117.

9 - OTHER ASSETS

	2013-04-30	2012-04-30
	\$	\$
Telecommunication system (RISQ), at amortized cost	304,277	353,619
Other	18,656	20,780
	<u>322,933</u>	<u>374,399</u>

Bishop's University

Notes to Financial Statements

April 30, 2013

10 - CAPITAL GRANTS RECEIVABLE AND DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

Capital grants receivable relate to capital grants approved by the MESRST but funded through long-term debt issued in the University's name or not yet funded. These amounts are due immediately, however their collection is not expected within the next fiscal year and, accordingly, they are presented as long-term.

Deferred contributions related to tangible capital assets represent the unamortized amount of donations and grants received for the purchase of tangible capital assets.

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

	<u>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$
Capital grants receivable (net of deferred contributions related to tangible capital assets), beginning of year	(1,706,306)	(284,376)
Amortization of deferred contributions	1,787,458	1,397,009
Deferred contributions received	<u>(2,567,112)</u>	<u>(2,818,939)</u>
Capital grants receivable (net of deferred contributions related to tangible capital assets), end of year	<u>(2,485,960)</u>	<u>(1,706,306)</u>

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

Ministère de l'Enseignement supérieur, de la Recherche, de la Science et de la Technologie

	<u>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$
Capital grants receivable, beginning of year	2,889,472	3,039,687
Amortization of deferred contributions	1,390,854	1,024,552
Deferred contributions received	<u>(1,610,207)</u>	<u>(1,174,767)</u>
Capital grants receivable, end of year	<u>2,670,119</u>	<u>2,889,472</u>

Bishop's University Foundation

	<u>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$
Deferred contributions, beginning of year	(1,598,467)	(1,710,325)
Amortization of deferred contributions	204,852	196,158
Deferred contributions received	<u>(198,440)</u>	<u>(84,300)</u>
Deferred contributions, end of year	<u>(1,592,055)</u>	<u>(1,598,467)</u>

Others

	<u>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$
Deferred contributions, beginning of year	(2,997,311)	(1,613,738)
Amortization of deferred contributions	191,752	176,299
Deferred contributions received	<u>(758,465)</u>	<u>(1,559,872)</u>
Deferred contributions, end of year	<u>(3,564,024)</u>	<u>(2,997,311)</u>

Bishop's University

Notes to Financial Statements

April 30, 2013

11 - BANK INDEBTEDNESS AND CREDIT FACILITY

The University has an authorized line of credit of \$22,000,000, bearing interest at either prime rate (3%) or banker's acceptances rate plus 0.3% stamping fees (1.52%; 1.5% as at April 30, 2012) and renewable in August 2013, of which \$11,900,000 remained unused at year-end.

The bank indebtedness includes the following elements:

	<u>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$
Regular bank overdraft	(116,079)	
Banker's acceptances representing credit facility	<u>(10,100,000)</u>	<u>(10,000,000)</u>
	<u>(10,216,079)</u>	<u>(10,000,000)</u>

12 - BANKER'S ACCEPTANCES

The University has an authorized line of credit facility of \$5,477,000 (\$5,701,000 as at April 30, 2012) by way of banker's acceptances, bearing interest at prime rate plus 0.3% stamping fees (1.52%; 1.5% as at April 30, 2012), as part of the financing of the Paterson's students residence.

On April 30, 2013, 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 (1.52% as at April 30, 2013) are made.

The notional amount of the swap agreement entered into by the University is \$5,477,000 as at April 30, 2013. The fair value of liabilities of the swap made according to information obtained from the financial institution is \$1,447,059.

13 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	<u>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$
Accounts payable and other accrued liabilities	4,660,333	4,531,331
Vacation and overtime accruals	<u>1,118,128</u>	<u>1,069,807</u>
	<u>5,778,461</u>	<u>5,601,138</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>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$
Balance, beginning of year	2,778,272	2,675,428
Deferred contributions received	3,131,447	3,883,713
Amortization of deferred contributions	<u>(3,722,947)</u>	<u>(3,780,869)</u>
Balance, end of year	<u>2,186,772</u>	<u>2,778,272</u>

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

	<u>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$
Academic, student services and bursaries	1,438,722	1,480,542
Research	320,068	976,119
Other	<u>427,982</u>	<u>321,611</u>
Balance, end of year	<u>2,186,772</u>	<u>2,778,272</u>

Bishop's University

Notes to Financial Statements

April 30, 2013

15 - LONG-TERM DEBT

	2013-04-30	2012-04-30
	\$	\$
Serviced by the University		
<i>To finance heating tunnel - capital renovations:</i>		
Term loan, principal balance of \$632,772 (\$664,804 as at April 30, 2012), 5%, payable in monthly blended instalments of \$5,379, maturing in October 2016	688,950	718,835
<i>To finance the construction of food kiosk:</i>		
Term loan, principal balance of \$13,757 (\$66,115 as at April 30, 2012), 7.374%, payable in monthly blended instalments of \$4,646, maturing in July 2013	13,802	67,879
<i>To finance the new student system:</i>		
Term loan, principal balance of \$435,417, 2.53%, payable in monthly capital instalments of \$3,958, maturing in June 2017	439,406	
Serviced by the Gouvernement du Québec		
<i>MESRST 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 \$1,440,000 (\$1,520,000 as at April 30, 2012), 4.26%, payable in annual capital instalments of \$80,000, renewable in March 2014	1,487,762	1,599,446
Term loan, principal amount of \$4,567,800 (\$4,854,240 as at April 30, 2012), 4.394%, payable in annual capital instalments of \$286,440, renewable in September 2013	4,617,402	5,055,676
Term loan, principal amount of \$5,325,216 (\$5,662,608 as at April 30, 2012), 2.559%, payable in annual capital instalments of \$337,392, renewable in June 2016	5,538,990	5,782,059
Term loan, principal amount of \$6,720,000 (\$7,000,000 as at April 30, 2012), 1.9257%, payable in annual capital instalments of \$280,000, renewable in April 2017	6,796,378	6,895,038
Term loan, principal amount of \$6,000,000, 2.1182%, payable in annual capital instalments of \$240,000, renewable in June 2018	6,054,108	
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, 5.07%		70,876
<i>To finance the construction of Kuehner, Munster and Abott student residences subsidized by the MESRST:</i>		
Mortgage loans, secured by buildings having a net carrying amount of \$187,456, principal amount of \$181,903 (\$247,775 as at April 30, 2012), 5.125% to 5.75%, payable in semi-annual blended instalments of \$39,285, maturing at various dates from December 2014 to 2016	193,929	265,911
<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 \$625,835 (\$651,793 as at April 30, 2012), 5.07%, payable in semi-annual blended instalments of \$29,382, renewable in May 2013	633,918	673,263

Bishop's University

Notes to Financial Statements

April 30, 2013

15 - LONG-TERM DEBT (Continued)

	<u>2013-04-30</u>	<u>2012-04-30</u>
	\$	\$
<i>To finance the construction of a synthetic turf subsidized by:</i>		
<i>The MESRST:</i>		
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$901,419 (\$1,003,187 as at April 30, 2012), 5.89%, payable in annual blended instalments of \$160,879, renewable in May 2019	991,052	1,092,948
<i>The City of Sherbrooke:</i>		
Term loan, 4.25%		62,877
	<u>27,455,697</u>	<u>22,284,808</u>
Current portion	<u>(7,763,230)</u>	<u>(1,393,293)</u>
	<u>19,692,467</u>	<u>20,891,515</u>

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

	<u>\$</u>
2014	7,763,230
2015	1,115,192
2016	1,101,236
2017	11,148,383
2018	620,930
2019 and more	5,095,148

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 \$105,635 (\$111,976 in 2012).
- 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 1, 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 1, 2009.

The University contributes additional amounts of \$2,027,400 (\$1,124,360 in 2012) of which \$426,534 (\$159,783 in 2012) was paid by employees in fringe benefits and \$616,280 (\$255,507 in 2012) is due from the employees.

Bishop's University

Notes to Financial Statements

April 30, 2013

16 - EMPLOYEE FUTURE BENEFITS (Continued)

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

	2013-04-30				
	Pension Plan for Full-Time Employees	SERP	Post- Retirement Insurance	Early Retirement Program	Total
	\$	\$	\$	\$	\$
Accrued benefit obligation	(149,659,000)	(2,564,500)	(21,396,800)	(2,519,200)	(176,139,500)
Fair value of plan assets	99,526,000				99,526,000
Funded status - deficit plan surplus	(50,133,000)	(2,564,500)	(21,396,800)	(2,519,200)	(76,613,500)
Balance of unamortized amounts	44,102,800	943,200	6,346,700	(951,000)	50,441,700
Accrued benefit liability	<u>(6,030,200)</u>	<u>(1,621,300)</u>	<u>(15,050,100)</u>	<u>(3,470,200)</u>	<u>(26,171,800)</u>

Each plan presented above is not fully funded.

Plan assets consist of (percentage of plan assets):

Equity securities	59.6%				59.6%
Debt securities	31.2%				31.2%
Other	9.2%				9.2%
Total	<u>100%</u>	-	-	-	<u>100%</u>

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

Accrued benefit obligation as of April 30					
Discount rate	4%	4%	4%	4%	4%
Rate of compensation increase	2%	2%	n.a.	n.a.	2%
Benefit costs for the years ended April 30					
Discount rate	4.75%	4.75%	4.75%	4.75%	4.75%
Expected long-term rate of return on plan assets	6.75%	n.a.	n.a.	n.a.	6.75%
Rate of compensation increase	2%	2%	n.a.	n.a.	2%

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

Benefit costs	4,560,900	211,700	1,848,900	377,300	6,998,800
Cash payments recognized by the University	4,400,900	91,500	287,300	222,300	5,002,000
Benefit paid by the plans	7,141,200	91,500	287,300	222,300	7,742,300

	2012-04-30				
	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	<u>(5,870,200)</u>	<u>(1,501,100)</u>	<u>(13,488,500)</u>	<u>(3,315,200)</u>	<u>(24,175,000)</u>

Each plan presented above is not fully funded.

Bishop's University

Notes to Financial Statements

April 30, 2013

16 - EMPLOYEE FUTURE BENEFITS (Continued)

	2012-04-30				
	Pension Plan for Full-Time Employees	SERP	Post- Retirement Insurance	Early Retirement Program	Total
	\$	\$	\$	\$	\$
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%	n.a.	n.a.	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%	n.a.	n.a.	n.a.	6.75%
Rate of compensation increase	2%	2%	n.a.	n.a.	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	3,916,300
Benefit paid by the plans	6,738,200	87,800	289,900	220,000	7,335,900

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 \$2,059,564, including the following payments over the next five years:

	\$
2014	1,615,272
2015	95,406
2016	82,930
2017	74,856
2018	63,700

The University has undertaken several capital projects and, as a result, has commitments totalling \$25,291,808. These commitments are expected to be met in the normal course of operations.

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, 2013, 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.

Bishop's University

Notes to Financial Statements

April 30, 2013

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, 2013 and 2012 and for the years then ended is as follows:

	<u>2013-06-30</u>	<u>2012-06-30</u>
	\$	\$
Financial position		
Current assets	635,731	220,350
Investments, at fair value	<u>33,854,149</u>	<u>30,827,856</u>
Total assets	<u>34,489,880</u>	<u>31,048,206</u>
Current liabilities		469,272
Fund balances (a)	<u>34,489,880</u>	<u>30,578,934</u>
	<u>34,489,880</u>	<u>31,048,206</u>
	<u>2013-06-30</u>	<u>2012-06-30</u>
	\$	\$
Results of operations and changes in fund balances		
Investment income	4,138,410	714,544
Donations and others	<u>2,402,854</u>	<u>5,004,060</u>
Total revenues	<u>6,541,264</u>	<u>5,718,604</u>
Total expenditures (b)	<u>(2,991,408)</u>	<u>(3,247,558)</u>
Gain on disposal of investments	<u>361,090</u>	<u>128,920</u>
Excess of revenues over expenditures and net changes in fund balances	<u>3,910,946</u>	<u>2,599,966</u>
	<u>2013-06-30</u>	<u>2012-06-30</u>
	\$	\$
Cash Flows		
Operating activities	(454,771)	(342,297)
Investing and financing activities	<u>360,396</u>	<u>270,849</u>
Cash increase (decrease)	<u>(94,375)</u>	<u>(71,448)</u>

(a) In accordance with donor, designated gifts, \$26,261,270 (\$25,325,419 as at June 30, 2012), 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 \$2,466,378 (\$2,774,732 in 2012) and management fees of \$36,000 (\$36,000 in 2012) to the University.

The Foundation's financial statements for the year ended June 30, 2013 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, 2013

20 - FINANCIAL INSTRUMENTS

Financial risks

The University's main financial risk exposure is as follows.

Credit risk

The University is exposed to credit risk regarding the financial assets recognized in the balance sheet, other than investments in the balanced fund. The University has determined that the financial assets with more credit risk exposure are accounts receivable and capital grants receivable, since failure of any of these parties to fulfil their obligations could result in significant losses for the University.

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, investing and financing activities.

– Interest rate risk:

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

The banker's acceptances bear interest at a variable rate and the University is, therefore, exposed to the cash flow 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, 2013, the negative fair value of this derivative financial instrument is \$1,447,059 (\$1,372,513 as at April 30, 2012) and is presented as a liability in the statement of the balance sheet.

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

– Other price risk:

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

Liquidity risk

The University's liquidity risk represent the risk that the University could encounter difficulty in meeting obligations associated with its financial liabilities. The University is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of the balance sheet.

Carrying amount of financial assets by category

The carrying amount of the University's financial assets that are measured at amortized cost totals \$9,755,467 (\$9,634,367 as at April 30, 2012), whereas the carrying amount of financial assets measured at fair value totals \$876,553 (\$981,423 as at April 30, 2012) and the carrying amount of investments in equity instruments measured at cost totals \$91,460 (\$100,787 as at April 30, 2012)

Guaranteed financial liabilities

As at April 30, 2013, the total carrying amount of guaranteed financial liabilities is \$25,679,622

21 - SUBSEQUENT EVENT

After year-end a lawsuit in the amount of approximately \$7,500,000 has been filed against the University for personal damages sustained by a student. The management has transmitted this claim to their insurers.