

Financial Statements of

BISHOP'S UNIVERSITY

Year ended April 30, 2019

BISHOP'S UNIVERSITY

Financial Statements

Year ended April 30, 2019

Independent Auditors' Report

Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Bishop's University

Opinion

We have audited the financial statements of Bishop's University (the "University"), which comprise:

- the statement of financial position as at April 30, 2019
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2019, and its operations and changes in fund balances for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.



In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the University to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants.

Montréal, Canada

September 27, 2019

BISHOP'S UNIVERSITY

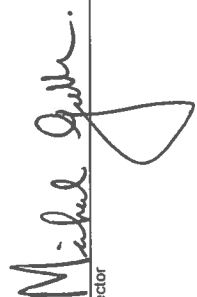
Statement of Financial Position

April 30, 2019, with comparative information for 2018

	Operating Fund			Restricted Funds			Capital Fund			Total
	April 30, 2019	April 30, 2018	April 30, 2019	April 30, 2018	April 30, 2019	April 30, 2018	April 30, 2019	April 30, 2018		
Assets										
Current assets:										
Cash	\$ 4,583,225	\$ 308,972	\$ -	\$ -	\$ -	\$ -	\$ 4,583,225	\$ 308,972	\$ 4,892,200	
Accounts receivable	4,175,375	4,267,861	157,000	-	-	-	4,332,375	4,267,861	8,594,236	
Accounts receivable - Ministère de l'Éducation et de l'Enseignement supérieur	2,933,286	4,117,259	-	-	-	-	3,134,383	4,328,371	7,262,759	
Due from Bishop's University Foundation	2,213,211	139,168	-	-	201,097	211,112	2,213,211	139,168	4,426,379	
Prepaid expenses	717,130	738,312	73,274	-	-	-	790,404	738,312	1,528,716	
	14,622,227	9,571,572	230,274	-	201,097	211,112	15,053,598	9,782,684	24,836,282	
Long-term assets:										
Interfund account, without interest	-	-	4,349,956	4,178,962	-	-	-	-	8,528,918	
Investments (note 5)	171,517	172,937	-	-	3,003	7,588	174,520	180,525	355,045	
Tangible capital assets (note 6)	-	-	-	-	120,545,311	103,930,886	120,545,311	103,930,886	244,476,197	
Other assets (note 7)	-	-	-	-	18,031	67,373	18,031	67,373	85,404	
Capital grants receivable (note 8)	-	-	-	-	-	748,879	-	748,879	748,879	
	\$ 14,793,744	\$ 9,744,509	\$ 4,580,230	\$ 4,178,962	\$ 120,757,442	\$ 104,965,838	\$ 135,791,460	\$ 114,710,347	\$ 249,502,196	
Liabilities and Fund Balances										
Liabilities:										
Current liabilities:										
Bank indebtedness and credit facility (note 9)	\$ 17,000,000	\$ 13,700,000	\$ -	\$ -	\$ -	\$ -	\$ 17,000,000	\$ 13,700,000	\$ 30,700,000	
Banker's acceptances (note 10)	-	-	-	-	7,875,000	8,362,000	7,875,000	8,362,000	16,237,000	
Accounts payable and accrued liabilities (note 11)	4,232,460	5,279,261	43,050	29,169	3,123,272	5,676,312	7,398,782	10,994,742	18,393,524	
Derivative financial instrument	-	-	-	-	490,958	308,389	490,958	308,389	799,347	
Unearned revenue	3,633,176	2,417,436	-	-	3,723,228	8,202,317	3,633,176	2,417,436	10,075,842	
Current portion of long-term debt (note 13)	-	-	-	-	3,723,228	8,202,317	3,723,228	8,202,317	11,925,545	
	24,865,636	21,396,697	43,050	29,169	15,212,458	22,549,018	40,121,144	43,974,884	84,095,032	
Long-term liabilities:										
Accrued liabilities related to charitable annuities	-	-	-	-	-	269	-	269	269	
Interfund account, without interest	2,015,367	1,661,219	-	-	2,334,589	2,517,743	4,537,180	4,149,793	8,686,973	
Deferred contributions (note 12)	-	-	4,537,180	4,149,793	-	-	27,423,724	23,220,876	31,917,517	
Deferred capital contributions (note 8)	-	-	-	-	47,606,729	34,005,829	47,606,729	34,005,829	81,612,558	
Long-term debt (note 13)	23,702,700	48,054,300	-	-	23,702,700	82,293,735	23,702,700	48,054,300	95,459,735	
Employee future benefits (note 14)	50,583,703	71,112,216	4,580,230	4,178,962	92,577,500	143,391,477	153,405,951	153,405,951	306,807,902	
	(35,789,959)	(61,367,707)	-	-	28,189,941	22,672,103	(35,789,959)	(61,367,707)	(67,967,623)	
Fund balances:										
Unrestricted deficit	(35,789,959)	(61,367,707)	-	-	28,189,941	22,672,103	(35,789,959)	(61,367,707)	(67,967,623)	
Invested in capital assets	(35,789,959)	(61,367,707)	-	-	28,189,941	22,672,103	(7,600,018)	(38,685,604)	(46,285,622)	
	\$ 14,793,744	\$ 9,744,509	\$ 4,580,230	\$ 4,178,962	\$ 120,757,442	\$ 104,965,838	\$ 135,791,459	\$ 114,710,347	\$ 249,502,196	

See accompanying notes to financial statements

Approved by the Board of Governors


Director

Director

BISHOP'S UNIVERSITY

Statement of Operations

Year ended April 30, 2019, with comparative information for 2018

	Operating Fund			Restricted Funds			Capital Fund			Total
	April 30, 2019	April 30, 2018	April 30, 2019	April 30, 2018	April 30, 2019	April 30, 2018	April 30, 2019	April 30, 2018		
Revenues:										
Grants - Ministère de l'Éducation et de l'Enseignement supérieur	\$ 27,948,469	\$ 25,585,906	\$ 483,282	\$ 578,022	\$ 3,135,842	\$ 2,897,213	\$ 31,567,593	\$ 29,001,141		
Student academic fees	16,322,530	14,627,369	-	-	-	-	16,322,530	14,627,369		
Other student fees	1,138,347	1,227,847	-	-	-	-	1,138,347	1,227,847		
Other	826,891	826,285	711,544	719,196	848,626	630,467	2,387,061	2,175,948		
Contributions - Bishop's University Foundation	1,514,556	807,693	3,226,991	3,416,050	455,291	323,227	5,196,838	4,546,970		
Research grants	-	-	1,151,955	930,100	-	-	1,151,955	930,100		
Student services	2,784,358	2,721,595	-	-	-	-	2,784,358	2,721,595		
Ancillary enterprises	10,474,078	10,486,776	-	-	-	-	10,474,078	10,486,776		
	61,009,229	56,283,471	5,573,772	5,643,368	4,439,759	3,790,907	71,022,760	65,717,746		
Expenses:										
Teaching	21,897,578	22,140,361	1,206,659	1,185,608	-	-	23,104,237	23,325,969		
Funded research	-	-	1,446,111	1,050,538	-	-	1,446,111	1,050,538		
Academic support:										
Library	1,812,216	1,593,959	12,172	2,420	-	-	1,824,388	1,596,379		
Information technology and audio-visual	1,661,684	1,553,727	-	-	-	-	1,661,684	1,553,727		
Administration	6,801,595	6,575,870	64,417	43,763	-	-	6,866,012	6,619,633		
Land and buildings	4,564,492	4,456,143	2,056	6,161	-	-	4,566,548	4,462,304		
Student services	3,769,891	3,033,793	975,940	1,156,336	-	-	4,745,831	4,190,129		
Student scholarships and bursaries	32,242	29,200	1,751,804	2,037,332	-	-	1,784,046	2,066,532		
Ancillary enterprises	8,846,950	8,715,927	114,613	161,210	-	-	8,963,563	8,877,137		
Other interest (note 3)	124,973	47,720	-	-	-	-	124,973	47,720		
Interest on long-term debt and temporary financing (note 3)	-	-	-	-	1,602,500	1,244,529	1,602,500	1,244,529		
Interest on derivative financial instrument (note 3)	-	-	-	-	148,285	219,126	148,285	219,126		
Amortization of tangible capital assets	-	-	-	-	5,069,702	4,471,419	5,069,702	4,471,419		
Amortization of other assets	-	-	-	-	49,342	49,696	49,342	49,696		
Expensed capital purchases and disposals	-	-	-	-	325,075	94,677	325,075	94,677		
Retirement allowances and severance costs	186,739	288,088	-	-	-	-	186,739	288,088		
Employee future benefits (note 14)	(498,874)	(314,100)	-	-	-	-	(498,874)	(314,100)		
Amortization of pension plan	1,382,480	1,581,127	-	-	-	-	1,382,480	1,581,127		
Variation of the fair value of investments	1,191	112,958	-	-	-	-	1,191	112,958		
Variation of the fair value of derivative financial instrument	-	-	-	-	182,569	(661,370)	182,569	(661,370)		
Variation of the fair value of long-term debt	-	-	-	-	763,571	(1,087,638)	763,571	(1,087,638)		
	50,585,157	49,814,773	5,573,772	5,643,368	8,141,044	4,330,439	64,299,973	59,786,580		
Excess (deficiency) of revenues over expenses	\$ 10,424,072	\$ 6,468,698	\$ -	\$ -	\$ (3,701,285)	\$ (539,532)	\$ 6,722,767	\$ 5,929,166		

See accompanying notes to financial statements.

BISHOP'S UNIVERSITY
Statement of Changes in Fund Balances

Year ended April 30, 2019, with comparative information for 2018

	Operating Fund		Restricted Funds		Capital Fund		Total
	April 30, 2019	April 30, 2018	April 30, 2019	April 30, 2018	April 30, 2019	April 30, 2018	
Fund balances, beginning of year	\$ (61,367,707)	\$ (59,386,010)	\$ -	\$ -	\$ 22,672,103	\$ 17,680,540	\$ (38,695,604)
Excess (deficiency) of revenues over expenses	10,424,072	6,468,698	-	-	(3,701,285)	(539,532)	6,722,787
Employee future benefits - remeasurement and other items	24,372,800	(2,919,300)	-	-	-	-	24,372,800
Interfund transfers (note 4)	(9,219,124)	(5,531,095)	-	-	9,219,124	5,531,095	-
Fund balances, end of year	\$ (35,789,959)	\$ (61,367,707)	\$ -	\$ -	\$ 28,189,942	\$ 22,672,103	\$ (7,600,017)

See accompanying notes to financial statements

BISHOP'S UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 6,722,787	\$ 5,929,166
Items which do not involve cash:		
Amortization of tangible capital assets	5,069,702	4,471,419
Amortization of other assets	49,342	49,696
Amortization of deferred capital contributions	(3,050,734)	(2,584,706)
Amortization of deferred financing costs	9,342	-
Loss on disposal of tangible capital assets	92,504	-
Variation of the fair value of investments	1,191	462,835
Variation of the fair value of derivative financial instrument	182,569	(661,370)
Variation of the fair value of long-term debt	763,571	(1,087,638)
	<u>3,117,487</u>	<u>650,236</u>
Employee future benefits (note 14)	21,200	(314,100)
Accrued liabilities related to charitable annuities	(269)	(983,580)
Net change in non-cash operating working capital:		
Accounts receivable	1,129,474	226,950
Prepaid expenses	(52,092)	(113,460)
Accounts payable and accrued liabilities	(3,633,061)	2,504,084
Due from Bishop's University Foundation	(2,074,043)	(4,254,183)
Unearned revenue	1,215,740	369,494
Deferred contributions	387,387	390,796
	<u>6,834,610</u>	<u>4,405,403</u>
Investing activities:		
Acquisition of investments	(100,000)	(100,000)
Disposal of investments	104,814	734,288
Proceeds of disposition of tangible capital assets	194,679	-
Acquisition of tangible capital assets	(21,924,209)	(19,490,390)
	<u>(21,724,716)</u>	<u>(18,856,102)</u>
Financing activities:		
Changes in credit facility	3,300,000	(4,900,000)
Changes in banker's acceptances	(487,000)	(473,000)
Capitalized deferred financing costs	(151,482)	-
Issuance of long-term debt	16,894,628	11,357,233
Repayment of long-term debt	(8,394,248)	(2,794,794)
Deferred capital contributions received	8,002,461	9,893,470
	<u>19,164,359</u>	<u>13,082,909</u>
Increase (decrease) in cash	4,274,253	(1,367,790)
Cash, beginning of year	308,972	1,676,762
Cash, end of year	<u>\$ 4,583,225</u>	<u>\$ 308,972</u>

See accompanying notes to financial statements.

BISHOP'S UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

1. Statutes and nature of operations:

Bishop's University was funded 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 (Canada), is exempt from payment of income tax.

2. Significant accounting policies:

(a) Basis of presentation:

The University's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Consolidation:

The net result of the not-for-profit organization affiliated with the University, the Bishop's University Foundation, is not consolidated in these financial statements. However, key information is reported in note 18.

(c) Fund accounting:

These financial statements are prepared on a fund accounting basis using the deferral method of accounting for not-for-profit organizations. The funds used are categorized as follows:

Operating Fund:

The Operating Fund 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:

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:

The Capital Fund includes funds expended on assets of a long-term nature, including tangible capital assets and certain investments.

(d) 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. Significant estimates include assumptions used in measuring employee future benefits which is described in more details in note 14.

(e) 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 sole 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 cost or 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.

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2019

2. Significant accounting policies (continued):

(e) Financial assets and liabilities (continued):

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 certain 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 operations in the year the reversal occurs.

(f) 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 an 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 financial position at their fair value, and variation in fair value is recognized in the statement of operations in the Capital Fund.

(g) Revenue recognition:

(i) Contributions and grants:

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 tangible capital assets, the revenue is recognized on the same basis as the amortization of the asset acquired. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Moreover, 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.

(ii) Net investment income:

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting. Interest income is recognized on a time apportionment basis whereas dividend income is recognized when it is acquired by the University. 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 operations.

(iii) Other:

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;
- Services have been rendered;
- Collection is reasonably assured;
- When the seller's price to the buyer is fixed or determinable

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

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2019

2. Significant accounting policies (continued):

(g) Revenue recognition (continued):

(iv) Employee Future benefits:

The University accrues its obligation under the defined benefit plans as the employees render the service necessary to earn the pension benefits. More specifically, the University recognizes its obligations under the defined benefit plans on the statement of financial position, net of the fair value of plan assets. The University determines the defined benefit obligations using the most recent actuarial valuation prepared for funding purposes, which is extrapolated to the University's year end. The total defined benefit plan cost includes current service cost and finance cost and is recognized in the statement of operations under Employee Future Benefits net of contributions and reallocation.

Remeasurements and other items, which includes actuarial gains and losses relating to obligations, the difference between the actual return on plan assets and interest income deducted from the finance cost as well as past service cost, are recognized separately on the statement of changes in fund balances. Remeasurements and other items are not reclassified to the statement of operations in a subsequent year.

(h) 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.

(i) 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 MEES. Amortization is based on their estimated useful lives according to the straight-line method over the following periods:

Asset	Period
Land improvements	10 or 20 years
Buildings	20, 40 or 50 years
Building renovations	25, 30 or 40 years
Furnishings, rolling equipment and software	5 years
Equipment	5, 10 or 15 years
Computer hardware	3 years
Library collection	10 years

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 operations.

(j) 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 MEES, 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 MEES and the University (16 years).

(k) Servicing of long-term debt:

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

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2019

3. Interest expenses:

	2019	2018
Interest on long-term debt	\$ 1,239,686	\$ 913,111
Interest on bank indebtedness, credit facility and banker's acceptances	636,072	598,264
	\$ 1,875,758	\$ 1,511,375

4. Interfund transfers:

During the year, the University transferred \$2,611,070 (2018 - \$2,836,095) 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 \$6,608,054 (2018 - \$2,695,000) from the Operating Fund to the Capital Fund as a reserve mainly for future assets acquisitions and renovations.

The MEES 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 \$10,021,699 (2018 - \$8,308,590) 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 MEES.

5. Investments:

	2019	2018
Money Market Fund, McLean Budden, representing Supplemental Employee Retirement Plan (SERP), measured at fair value	\$ 3,003	\$ 7,588
MSBI Valorisation Inc., 8 shares, 0.8%, measured at cost	4,000	4,000
MSBI Investment Fund - Limited partnership, 1 unit, 0.35%, measured at cost	167,511	168,931
Aligo Corporation Inc., measured at cost	6	6
	\$ 174,520	\$ 180,525

6. Tangible capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 381,444	\$ -	\$ 381,444	\$ 417,644
Land improvements	3,300,464	1,809,569	1,490,895	1,606,870
Buildings	64,068,216	29,573,964	34,494,252	35,651,585
Building renovations	70,443,982	11,858,492	58,585,490	37,354,534
Building renovations in progress	16,767,674	-	16,767,674	21,090,564
Furnishings, equipment, rolling equipment and computer hardware	9,627,219	4,878,465	4,748,754	3,753,215
Library collection	7,907,480	4,343,673	3,563,807	3,614,654
Software	1,267,717	754,722	512,995	441,820
	\$ 173,764,196	\$ 53,218,885	\$ 120,545,311	\$ 103,930,886

Cost and accumulated amortization at April 30, 2018 amounted to \$153,673,766 and \$49,742,880, respectively.

During the year, the tangible capital assets fully amortized written off represent \$1,880,880 (2018 - \$ 2,040,089).

During the year, the University sold the Knowlton campus for \$194,679. The net book value of the land and building sold was \$287,183, resulting in a net loss of \$92,504.

Acquisition of tangible capital assets for an amount of \$3,114,447 (2018 - \$3,067,346) is included in accounts payable and accrued liabilities.

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2019

7. Other assets:

	2019	2018
Telecommunication system (RISQ), at amortized cost	\$ 8,225	\$ 57,567
Other	9,806	9,806
	<u>\$ 18,031</u>	<u>\$ 67,373</u>

8. Capital grants receivable and deferred capital contributions:

Capital grants receivable relate to capital grants approved by the MEES 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 operations. The total changes in the capital grants receivable and the deferred contributions balances are as follows:

	2019	2018
Capital grants receivable (net of deferred contributions related to tangible capital assets), beginning of year	\$ (22,471,997)	\$ (15,163,233)
Amortization of deferred capital contributions	3,050,734	2,584,706
Deferred contributions received	(8,002,461)	(9,893,470)
Capital grants receivable (net of deferred contributions related to tangible capital assets), end of year	<u>\$ (27,423,724)</u>	<u>\$ (22,471,997)</u>

The net balance is presented on the Statement of Financial Position as follows:

	2019	2018
Capital grants receivable	\$ -	\$ 748,879
Deferred capital contributions	(27,423,724)	(23,220,876)
	<u>\$ (27,423,724)</u>	<u>\$ (22,471,997)</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

	2019	2018
Capital grants receivable, beginning of year	\$ 748,879	\$ 1,322,677
Amortization of deferred contributions	1,896,548	1,751,985
Deferred contributions received	(3,171,212)	(2,325,783)
Deferred capital contributions, end of year	<u>\$ (525,785)</u>	<u>\$ 748,879</u>

Bishop's University Foundation

	2019	2018
Deferred capital contributions, beginning of year	\$ (3,633,399)	\$ (2,350,864)
Amortization of deferred contributions	455,252	302,802
Deferred contributions received	(3,177,247)	(1,585,337)
Deferred capital contributions, end of year	<u>\$ (6,355,394)</u>	<u>\$ (3,633,399)</u>

Other

	2019	2018
Deferred capital contributions, beginning of year	\$ (19,587,477)	\$ (14,135,046)
Amortization of deferred contributions	698,934	529,919
Deferred contributions received	(1,654,002)	(5,982,350)
Deferred capital contributions, end of year	<u>\$ (20,542,545)</u>	<u>\$ (19,587,477)</u>

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2019

9. Bank indebtedness and credit facility:

The University has an authorized line of credit of \$44,800,000, bearing interest at either prime rate (2.70%; 2018 - 2.70%) or banker's acceptances rate plus 0.30% stamping fees (2.25%; 2018 - 1.91%) and renewable in July 2019, of which \$23,780,000 remained unused at year-end.

10. Banker's acceptances:

The University has an authorized line of credit facility of \$7,875,000 (2018 - \$8,362,000) by way of banker's acceptances, bearing interest at prime rate plus 0.30% stamping fees (2.28%; 2018 - 1.93%), as part of the financing of the students residences (Paterson and Abbott).

The University has an agreement to swap interest rates, maturing in September 2028 and August 2041. Under this agreement, payments or receipts for the difference between the fixed interest rate of 5.42% and 1.814% and variable rate based on prime rate plus 0.3% stamping fees are made.

The notional amount of the swap agreement entered into by the University is \$7,875,000 as at April 30, 2019. The fair value of liabilities of the swap is \$490,958.

11. Accounts payable and accrued liabilities:

	2019	2018
Accounts payable and accrued liabilities	\$ 6,742,734	\$ 10,124,003
Vacation and overtime accruals	656,048	860,739
	<u>\$ 7,398,782</u>	<u>\$ 10,984,742</u>

12. Deferred contributions:

Deferred contributions represent the unspent portion of funds received for restricted purposes other than capital purchases which are disclosed in note 8.

	2019	2018
Balance, beginning of year	\$ 4,149,793	\$ 3,758,997
Deferred contributions received	5,961,159	6,034,164
Amortization of deferred contributions	(5,573,772)	(5,643,368)
Balance, end of year	\$ 4,537,180	\$ 4,149,793

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

	2019	2018
Academic, students services and bursaries	\$ 2,380,454	\$ 2,323,781
Research	779,365	815,554
Other	1,377,361	1,010,458
	<u>\$ 4,537,180</u>	<u>\$ 4,149,793</u>

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2019

13. Long-term debt:

	2019	2018
Serviced by the University:		
<i>To finance heating tunnel - capital renovations:</i>		
Term loan, principal balance of \$390,508 (2018 - \$437,978), 2.12%, payable in monthly blended instalments of \$4,697, maturing in October 2021	\$ 390,301	\$ 412,725
<i>To finance Centennial Theatre renovations:</i>		
Term loan, principal amount of \$0 (2018 - \$457,318), 3.10%, payable in semi-annual blended instalments of \$25,673, reimbursed during the year	-	455,384
<i>To finance Kuehner Residence renovations:</i>		
Term loan, principal balance of \$6,208,000 (2018 - \$0), 3.44%, payable in monthly capital instalments of \$21,333, maturing in July 2028 ⁽ⁱ⁾	6,208,000	-
Serviced by le gouvernement du Québec:		
<i>MEES capital grants are authorized under the five year university capital investment plan (Plan quinquennal d'investissements) and are funded by le 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 le gouvernement du Québec:</i>		
Term loan, principal amount of \$0 (2018 - \$4,800,000), 2.1182%, payable in annual capital instalments of \$240,000, reimbursed during the year	-	4,808,965
Term loan, principal amount of \$1,320,000 (2018 - \$1,380,000), 2.696%, payable in annual capital instalments of \$60,000, renewable in June 2032	1,355,181	1,357,100
Term loan, principal amount of \$2,640,000 (2018 - \$2,760,000), 3.23%, payable in annual capital instalments of \$120,000, renewable in June 2034	2,716,450	2,748,338
Term loan, principal amount of \$11,960,108 (2018 - \$12,897,554), 2.13%, payable in annual capital instalments of \$937,446, renewable in September 2026	12,150,755	12,604,387
Term loan, principal amount of \$8,357,901 (2018 - \$8,764,480), 2.753%, payable in annual capital instalments of \$406,579, renewable in September 2027	8,357,901	8,764,480
Term loan, principal amount of \$5,934,628 (2018 - \$0), 2.990%, payable in annual capital instalments of \$237,385, renewable in March 2044 ⁽ⁱ⁾	5,934,628	-
Term loan, principal amount of \$4,560,000 (2018 - \$0), 2.944%, payable in annual capital instalments of \$240,000, renewable in March 2038 ⁽ⁱ⁾	4,560,000	-
Serviced by other sources:		
<i>To finance the construction of a synthetic turf subsidized by MEES:</i>		
Mortgage loans, secured by a mobile hypothec on the universality of property, principal amount of \$151,490 (2018 - \$294,994), 5.89%, payable in blended instalments of \$160,879, renewable in May 2019	156,661	309,264
<i>To finance the construction of a sport center subsidized by the MEES:</i>		
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$4,712,314 (2018 - \$5,417,224), 3.097%, payable in annual blended instalments of \$872,681, renewable in September 2024	4,863,340	5,496,222
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$1,729,614 (2018 - \$1,952,512), 2.576%, payable in annual blended instalments of \$273,195, renewable in Oct 2025	1,744,831	1,931,037
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$664,303 (2018 - \$738,512), 2.493%, payable in annual blended instalments of \$92,621 renewable in December 2026	669,208	727,490
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$2,364,841 (2018 - \$2,592,754), 2.833%, payable in annual blended instalments of \$301,365 renewable in January 2028 ⁽ⁱ⁾	2,364,841	2,592,754
	51,472,097	42,208,146
Current portion of long-term debt	(3,723,228)	(8,202,317)
	47,748,869	34,005,829
Deferred financing costs	(142,140)	-
	\$ 47,606,729	\$ 34,005,829

⁽ⁱ⁾ From 2017-2018 and going forward, the University has elected to initially recognize new debt agreements at their fair value and subsequently measure them at amortized cost.

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2019

13. Long-term debt (continued):

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

2020	\$	3,723,228
2021		3,609,769
2022		3,890,543
2023		3,637,303
2024		2,257,410
2025 and thereafter		33,875,454

14. Employee future benefits:

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

The University also maintains a Supplemental Employee Retirement Plan (SERP) for members of the Pension Plan for Full-Time Employees.

The University also sponsors a defined contribution pension plan for eligible part-time employees.

Certain employees (Faculty and Librarians) of the University have access to early retirement plans as defined in their collective agreement.

The most recent actuarial valuation of the pension plans for funding purposes was as of June 30, 2018, and next valuation will be on June 30, 2021.

An amount of \$520,174 for the residual rights related to pension future benefits was allocated to the Teaching, Academic support, Administration support and Ancillary enterprises expense accounts on the statement of operations.

The funding status of the benefit plans is as follows:

April 30, 2019	Pension plan for Full-Time Employees	SERP	Post- retirement insurance	Retirement program	Total
Defined benefit obligation	\$ (143,384,000)	\$ (1,726,600)	\$ (17,303,400)	\$ (2,219,900)	\$ (164,633,900)
Fair value of plan assets	140,931,200	-	-	-	140,931,200
Funded status - deficit and defined benefit liability	\$ (2,452,800)	\$ (1,726,600)	\$ (17,303,400)	\$ (2,219,900)	\$ (23,702,700)

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

Accrued benefit obligation					
Discount rate	5.50%	5.50%	5.50%	5.50%	5.50%
Rate of compensation increase	2.50%	2.50%	n/a	2.50%	2.50%
Benefit costs					
Discount rate	5.50%	5.50%	5.50%	5.50%	5.50%
Rate of compensation increase excluding step increases	2.50%	2.50%	n/a	2.50%	2.50%

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2019

14. Employee future benefits (continued):

April 30, 2018	Pension plan for Full-Time Employees	SERP	Post- retirement insurance	Retirement program	Total
Defined benefit obligation	\$ (155,678,700)	\$ (2,215,000)	\$ (16,304,700)	\$ (2,898,500)	\$ (177,096,900)
Fair value of plan assets	129,042,600	-	-	-	129,042,600
Funded status - deficit and defined benefit liability	\$ (26,636,100)	\$ (2,215,000)	\$ (16,304,700)	\$ (2,898,500)	\$ (48,054,300)
The significant assumptions used are as follows (weighted average in percentage):					
Accrued benefit obligation					
Discount rate	5.50%	5.50%	5.50%	5.50%	5.50%
Rate of compensation increase	2.50%	2.50%	n/a	2.50%	2.50%
Benefit cost					
Discount rate	5.50%	5.50%	5.50%	5.50%	5.50%
Rate of compensation increase excluding step increases	2.50%	2.50%	n/a	2.50%	2.50%

15. Commitments:

The University has entered into long-term lease agreements for equipment and telecommunication services expiring at different dates up to April 30, 2024. Future minimum lease payments aggregate \$391,868 including the following payments over the next five years:

2020	\$ 241,357
2021	116,056
2022	26,562
2023	7,425
2024	468
	<u>\$ 391,868</u>

The University has undertaken several capital projects and, as a result, has capital expenditure commitments totalling \$3,134,120 expected to be paid over the following year.

16. Contingent liabilities:

Litigation:

In the normal course of its activities, the University is party to various legal proceedings. Although it is not possible to determine the ultimate outcome of such proceedings initiated and ongoing as at April 30, 2019, 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 liabilities.

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2019

17. 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 (Canada). 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 April 30, 2019 and 2018 and for the periods then ended is as follows:

Financial position

	2019	2018
Current assets	\$ 498,978	\$ 5,215,414
Investments at fair value	72,837,779	61,448,861
	<u>\$ 73,336,757</u>	<u>\$ 66,664,275</u>
Current liabilities	\$ 2,225,495	\$ 143,595
Fund balances (a)	71,111,262	66,520,680
	<u>\$ 73,336,757</u>	<u>\$ 66,664,275</u>

Results of operations and changes in fund balances

	Year ended April 30, 2019	Year ended April 30, 2018
Revenue:		
Investment income	\$ 6,165,643	\$ 1,675,933
Donations and others	6,536,240	12,857,632
	<u>12,701,883</u>	<u>14,533,565</u>
Total expenses (b)	(8,173,631)	(7,251,851)
Gain on disposal on investments	62,330	132,898
	<u>\$ 4,590,582</u>	<u>\$ 7,414,612</u>

Cash flows

	Year ended April 30, 2019	Year ended April 30, 2018
Operating activities	\$ (1,237,702)	\$ (8,230,766)
Investing and financing activities	(3,476,019)	10,291,715
	<u>\$ (4,713,721)</u>	<u>\$ 2,060,949</u>

(a) In accordance with donors' designations, \$50,062,908 (2018 - \$46,648,957) of the Foundation's assets are to be held in perpetuity. The investment revenue earned is used mainly to support student scholarships and services, academic enrichment, as well as to support and research activities.

(b) Total expenses include contributions of \$7,794,027 (2018 - \$6,741,808) and management fees of \$36,000 (2018 - \$36,000) to the University.

The Foundation's financial statements for the year ended April 30, 2019 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 (continued)

Year ended April 30, 2019

18. Financial instruments:

Financial risks:

The University's main financial risk exposures are detailed as follows.

Credit risk:

The University is exposed to credit risk regarding the financial assets recognized in the statement of financial position, other than investments in the balanced fund. The University has determined that the financial assets with more credit risk exposure are accounts receivable, the due from Bishop's University Foundation and capital grants receivable, since failure of any of these parties to fulfil their obligations could result in significant losses for the University. Additionally, the investments in balanced fund and the money market fund also indirectly expose the University to credit risk.

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 as follows:

(a) 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 10). This agreement covers the conversion of variable interest rates into fixed rates and is not eligible for hedge accounting. As at April 30, 2019, the negative fair value of this derivative financial instrument is \$490,958 (2018 - \$308,389) and is presented as a liability in the statement of financial position.

(b) 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 financial position. There were no changes to the risk exposure to the University from the previous period.

19. Subsequent event:

In August 2019, the University entered into a debt agreement with the Bank of Montreal to borrow \$6,500,000. The funds will be used to finance the renovation of the Munster Hall residence. The debt has an amortization period of 15 years and is accompanied by a SWAP with a 2.94% interest rate.