

2020

Financial Statements of

# BISHOP'S UNIVERSITY

Year ended April 30, 2020

# **BISHOP'S UNIVERSITY**

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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, 2020
- 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, 2020, and its results of operations and its cash flows 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 ethical 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*

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Montréal, Canada

September 25, 2020

# BISHOP'S UNIVERSITY

## Statement of Financial Position

April 30, 2020, with comparative information for 2019

	Operating Fund		Restricted Funds		Capital Fund		Total
	April 30, 2020	April 30, 2019	April 30, 2020	April 30, 2019	April 30, 2020	April 30, 2019	
<b>Assets</b>							
Current assets:							
Cash	\$ 3,820,239	\$ 4,583,225	\$ —	\$ —	\$ —	\$ —	\$ 3,820,239
Accounts receivable	3,771,622	4,175,375	220,513	157,000	—	—	3,992,135
Accounts receivable - Ministère de l'Éducation et de l'Enseignement supérieur	1,955,145	2,933,286	—	—	123,780	201,097	2,078,925
Due from Bishop's University Foundation	5,839,587	2,213,211	—	—	—	—	5,839,587
Prepaid expenses	712,347	717,130	86,622	73,274	—	—	798,969
	16,098,940	14,622,227	307,135	230,274	123,780	201,097	16,529,855
Long-term assets:							
Interfund account, without interest	—	—	5,782,839	4,349,956	11,054,381	—	16,837,220
Investments (note 6)	173,920	171,517	—	—	49,139	3,003	223,059
Tangible capital assets (note 7)	—	—	—	—	129,740,886	120,545,311	129,740,886
Other assets	—	—	—	—	28,930	18,031	28,930
	\$ 16,272,860	\$ 14,793,744	\$ 6,069,974	\$ 4,580,230	\$ 140,997,116	\$ 120,767,442	\$ 163,359,950
							\$ 140,141,416

# BISHOP'S UNIVERSITY

## Statement of Financial Position (continued)

April 30, 2020, with comparative information for 2019

	Operating Fund		Restricted Funds		Capital Fund		Total
	April 30, 2020	April 30, 2019	April 30, 2020	April 30, 2019	April 30, 2020	April 30, 2019	
<b>Liabilities:</b>							
<b>Current liabilities:</b>							
Bank indebtedness and credit facility (note 8)	\$ 2,000,000	\$ 17,000,000	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000
Banker's acceptances (note 9)	-	-	-	-	13,676,000	13,676,000	13,676,000
Accounts payable and accrued liabilities (note 10)	4,350,045	4,232,460	80,829	43,050	4,136,595	3,123,272	8,567,469
Derivative financial instrument	-	-	-	-	1,521,341	490,958	1,521,341
Unearned revenue	4,703,003	3,633,176	-	-	-	-	4,703,003
Current portion of long-term debt (note 13)	-	-	-	-	4,008,173	3,723,228	4,008,173
	11,053,048	24,865,636	80,829	43,050	23,342,109	15,212,458	34,475,986
<b>Long-term liabilities:</b>							
Interfund account, without interest	16,837,220	2,015,367	-	-	-	-	16,837,220
Deferred contributions (note 11)	-	-	6,009,145	4,537,180	-	-	6,009,145
Deferred capital contributions (note 12)	-	-	-	-	32,868,523	27,423,724	32,868,523
Long-term debt (note 13)	-	-	-	-	52,401,555	47,806,729	52,401,555
Employee future benefits (note 14)	28,675,433	23,702,700	-	-	-	-	28,675,433
	56,565,701	50,563,703	6,089,974	4,560,230	108,632,187	92,577,500	171,287,862
<b>Fund balances</b>							
Unrestricted deficit	(40,292,841)	(35,789,959)	-	-	-	-	(40,292,841)
Invested in capital assets	-	-	-	-	32,364,929	28,189,942	32,364,929
	(40,292,841)	(35,789,959)	-	-	32,364,929	28,189,942	(7,927,912)
	\$ 16,272,860	\$ 14,793,744	\$ 6,089,974	\$ 4,560,230	\$ 140,997,116	\$ 120,767,442	\$ 163,359,950
							\$ 140,141,416

See accompanying notes to financial statements.

Approved by the Board of Governors:



Director



Director

# BISHOP'S UNIVERSITY

## Statement of Operations

April 30, 2020, with comparative information for 2019

	Operating Fund		Restricted Funds		Capital Fund		Total	
	April 30, 2020	April 30, 2019	April 30, 2020	April 30, 2019	April 30, 2020	April 30, 2019	April 30, 2020	April 30, 2019
<b>Revenues:</b>								
Grants - Ministère de l'Éducation et de l'Enseignement supérieur	\$ 28,445,196	\$ 27,948,469	\$ 889,740	\$ 483,282	\$ 3,456,173	\$ 3,135,842	\$ 32,783,109	\$ 31,567,593
Student academic fees	17,953,189	16,322,530	-	-	-	-	17,953,189	16,322,530
Other student fees	1,056,275	1,138,347	-	-	-	-	1,058,275	1,138,347
Other	771,642	826,891	681,363	711,544	1,038,834	848,626	2,491,539	2,387,061
Contributions - Bishop's University Foundation	1,178,986	1,514,556	3,342,044	3,226,991	596,975	455,291	5,118,005	5,196,838
Research grants	-	-	1,233,372	1,151,955	-	-	1,233,372	1,151,955
Student services	3,468,047	2,784,358	-	-	-	-	3,468,047	2,784,358
Ancillary enterprises	9,805,136	10,474,078	-	-	-	-	9,805,136	10,474,078
	62,680,471	61,009,229	6,146,519	5,573,772	5,094,082	4,439,759	73,921,072	71,022,760
<b>Expenses:</b>								
Teaching	23,333,970	21,897,578	1,454,513	1,206,659	-	-	24,788,483	23,104,237
Funded research	-	-	1,529,988	1,446,111	-	-	1,529,988	1,446,111
Academic support:								
Library	1,812,377	1,812,216	5,526	12,172	-	-	1,817,903	1,824,388
Information technology and audio-visual	1,832,756	1,661,684	-	-	-	-	1,832,756	1,661,684
Administration support:								
Administration	7,519,899	6,801,595	87,982	64,417	-	-	7,607,881	6,866,012
Land and buildings	4,945,727	4,564,492	4,429	2,056	-	-	4,950,156	4,566,548
Student services	4,404,478	3,769,891	1,018,991	975,940	-	-	5,423,469	4,745,831
Student scholarships and bursaries	33,248	32,242	1,982,502	1,751,804	-	-	2,015,750	1,784,046
Ancillary enterprises	8,671,293	8,848,950	62,588	114,613	-	-	8,733,881	8,963,563
Interest expenses (note 3)	(86,740)	124,973	-	-	2,120,168	1,750,785	2,033,428	1,875,758
Amortization of tangible capital assets	-	-	-	-	5,690,478	5,069,702	5,690,478	5,069,702
Amortization of other assets	-	-	-	-	10,349	49,342	10,349	49,342
Expensed capital purchases and disposals	-	-	-	-	48,569	325,075	48,569	325,075
Retirement allowances and severance costs	115,901	186,739	-	-	-	-	115,901	186,739
Employee future benefits (note 14)	30,474	(498,874)	-	-	-	-	30,474	(498,874)
Amortization of pension plan	1,199,499	1,382,480	-	-	-	-	1,199,499	1,382,480
Variation of the fair value of investments	(4,514)	1,191	-	-	-	-	(4,514)	1,191
Variation of the fair value of derivative financial instrument	-	-	-	-	1,030,383	182,569	1,030,383	182,569
Variation of the fair value of long-term debt	-	-	-	-	869,833	763,571	869,833	763,571
	53,808,368	50,585,157	6,146,519	5,573,772	9,789,780	8,141,044	69,724,667	64,299,973
<b>Excess (deficiency) of revenues over expenses</b>	\$ 8,872,103	\$ 10,424,072	\$ -	\$ -	\$ (4,675,698)	\$ (3,701,285)	\$ 4,196,405	\$ 6,722,787

See accompanying notes to financial statements.



# BISHOP'S UNIVERSITY

Statement of Changes in Fund Balances

April 30, 2020, with comparative information for 2019

	Operating Fund		Restricted Funds		Capital Fund		Total	
	April 30, 2020	April 30, 2019	April 30, 2020	April 30, 2019	April 30, 2020	April 30, 2019	April 30, 2020	April 30, 2019
Fund balances, beginning of year	\$ (35,789,959)	\$ (61,367,707)	\$ -	\$ -	\$ 28,189,942	\$ 22,672,103	\$ (7,600,017)	\$ (38,695,604)
Excess (deficiency) of revenues over expenses	8,872,103	10,424,072	-	-	(4,675,698)	(3,701,285)	4,196,405	6,722,787
Employee future benefits - remeasurement and other items	(4,524,300)	24,372,800	-	-	-	-	(4,524,300)	24,372,800
Interfund transfers (note 4)	(8,850,685)	(9,219,124)	-	-	8,850,685	9,219,124	-	-
<b>Fund balances, end of year</b>	<b>\$ (40,292,841)</b>	<b>\$ (35,789,959)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,364,929</b>	<b>\$ 28,189,942</b>	<b>\$ (7,927,912)</b>	<b>\$ (7,600,017)</b>

See accompanying notes to financial statements.

# BISHOP'S UNIVERSITY

## Statement of Cash Flows

Year ended April 30, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating:		
Excess of revenues over expenses	\$ 4,196,405	\$ 6,722,787
Items which do not involve cash:		
Amortization of tangible capital assets	5,690,478	5,069,702
Amortization of other assets	10,349	49,342
Amortization of deferred capital contributions	(3,539,029)	(3,050,734)
Amortization of deferred financing costs	12,090	9,342
Loss on disposal of tangible capital assets	33,886	92,504
Variation of the fair value of investments	(4,514)	1,191
Variation of the fair value of derivative financial instrument	1,030,383	182,569
Variation of the fair value of long-term debt	869,833	763,571
	<u>4,103,476</u>	<u>3,117,487</u>
Employee future benefits (note 14)	448,433	21,200
Net change in non-cash operating working capital:		
Accounts receivable	1,395,698	1,129,474
Prepaid expenses	(8,565)	(52,092)
Accounts payable and accrued liabilities	185,293	(3,633,330)
Due from Bishop's University Foundation	(3,626,376)	(2,074,043)
Unearned revenue	1,069,827	1,215,740
Deferred contributions	1,471,965	387,387
	<u>9,236,156</u>	<u>6,834,610</u>
Investing:		
Acquisition of investments	(159,900)	(100,000)
Disposal of investments	115,875	104,814
Proceeds of disposition of tangible capital assets	-	194,679
Acquisition of tangible capital assets	(13,936,545)	(21,924,209)
Acquisition of other assets	(21,248)	-
	<u>(14,001,818)</u>	<u>(21,724,716)</u>
Financing activities:		
Changes in credit facility	(15,000,000)	3,300,000
Changes in banker's acceptances	5,801,000	(487,000)
Capitalized deferred financing costs	(47,012)	(151,482)
Issuance of long-term debt	7,968,088	16,894,628
Repayment of long-term debt	(3,723,228)	(8,394,248)
Deferred capital contributions received	9,003,828	8,002,461
	<u>4,002,676</u>	<u>19,164,359</u>
(Decrease) increase in cash	(762,986)	4,274,253
Cash, beginning of year	4,583,225	308,972
Cash, end of year	<u>\$ 3,820,239</u>	<u>\$ 4,583,225</u>

See accompanying notes to financial statements.

# BISHOP'S UNIVERSITY

## Notes to Financial Statements

Year ended April 30, 2020

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### 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* (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) 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 capital assets and certain investments.

#### (c) 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.

# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

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## 2. Significant accounting policies (continued):

### (d) 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.

#### 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 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.

### (e) 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.

# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

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## 2. Significant accounting policies (continued):

### (f) 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 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.

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 student fees, student services, as well as 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; and
- 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, 2020

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## 2. Significant accounting policies (continued):

### (f) 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 balance sheet, 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.

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.

### (g) 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.

### (h) 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.

# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 2. Significant accounting policies (continued):

### (h) Tangible capital assets (continued):

#### 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, 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.

### (i) 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.

## 3. Interest expenses:

	2020	2019
Interest on long-term debt	\$ 1,511,515	\$ 1,239,686
Interest on bank indebtedness, credit facility and banker's acceptances	521,913	636,072
	<u>\$ 2,033,428</u>	<u>\$ 1,875,758</u>

# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

#### 4. Interfund transfers:

During the year, the University transferred \$2,995,967 (2019 - \$2,611,070) 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 \$5,854,718 (2019 - \$6,608,054) from the Operating Fund to the Capital Fund as a reserve mainly for future assets acquisitions and renovations.

#### 5. Government assistance:

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 \$13,189,988 (2019 - \$10,021,699) 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.

#### 6. Investments:

	2020	2019
Money Market Fund, McLean Budden, representing Supplemental Employee Retirement Plan (SERP), measured at fair value	\$ 49,139	\$ 3,003
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	160,014	167,511
Aligo Corporation Inc., measured at cost	6	6
La Tribune - Coop, measured at cost	9,900	-
	<u>\$ 223,059</u>	<u>\$ 174,520</u>



# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 7. Tangible capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 381,444	\$ —	\$ 381,444	\$ 381,444
Land improvements	3,381,739	1,975,921	1,405,818	1,490,895
Buildings	64,586,217	30,384,480	34,201,737	34,494,252
Building renovations	78,977,700	14,273,251	64,704,449	58,585,490
Building renovations in progress	20,300,253	—	20,300,253	16,767,674
Furnishings, equipment, rolling equipment, computer hardware	10,048,010	5,504,260	4,543,750	4,748,754
Library collection	7,992,167	4,392,918	3,599,249	3,563,807
Software	1,317,414	713,228	604,186	512,995
	<b>\$ 186,984,944</b>	<b>\$ 57,244,058</b>	<b>\$ 129,740,886</b>	<b>\$ 120,545,311</b>

Cost and accumulated amortization at April 30, 2019 amounted to \$173,764,196 and \$53,218,885, respectively.

During the year, the capital assets fully amortized written off represent \$1,699,234 (2019 - \$1,880,880).

Acquisition of tangible capital assets for an amount of \$4,094,841 (2019 - \$3,111,447) is included in the trade payables and other operating liabilities.

## 8. Bank indebtedness and credit facility:

The University has an authorized line of credit of \$30,100,000, bearing interest at either prime rate (2.45%; 2019 - 2.70%) or banker's acceptances rate plus 0.30% stamping fees (0.87%; 2019 - 2.25%) and renewable in July 2020, of which \$28,100,000 remained unused at year-end.

# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 9. Banker's acceptances:

The University has an authorized line of credit facility of \$13,676,000 (2019 - \$7,875,000) by way of banker's acceptances, bearing interest at prime rate plus 0.30% stamping fees (1.92%; 2019 - 2.28%), as part of the financing of the students residences (Paterson, Abbott and Munster).

On April 30, 2020, the University has an agreement to swap interest rates, maturing in September 2028, July 2034 and August 2041. Under this agreement, payments or receipts for the difference between the fixed interest rate of 5.42%, 1.814% and 2.72% and variable rate based on prime rate plus 0.30%, 0.75% or 0,85% stamping fees are made.

The notional amount of the swap agreement entered into by the University is \$13,676,000 as at April 30, 2020. The fair value of liabilities of the swap made according to information obtained from the financial institution is \$1,521,341.

## 10. Accounts payable and other accrued liabilities:

	2020	2019
Accounts payable and other accrued liabilities	\$ 8,004,200	\$ 6,742,734
Vacation and overtime accruals	563,269	656,048
	<u>\$ 8,567,469</u>	<u>\$ 7,398,782</u>

## 11. Deferred contributions:

Deferred contributions represent the unspent portion of funds received for restricted purposes other than capital purchases which are disclosed in Note 12.

	2020	2019
Balance, beginning of year	\$ 4,537,180	\$ 4,149,793
Deferred contributions received	7,596,380	5,961,159
Amortization of deferred contributions	(6,124,415)	(5,573,772)
Balance, end of year	<u>\$ 6,009,145</u>	<u>\$ 4,537,180</u>

# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 11. Deferred contributions (continued):

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

	2020	2019
Academic, students services and bursaries	\$ 3,785,329	\$ 2,380,454
Research	1,286,667	779,365
Other	937,149	1,377,361
	<u>\$ 6,009,145</u>	<u>\$ 4,537,180</u>

## 12. 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 payable and the deferred contributions balances are as follows:

	2020	2019
Capital grants payable (net of deferred contributions related to tangible capital assets), beginning of year	\$ (27,423,724)	\$ (22,471,997)
Amortization of deferred capital contributions	3,539,029	3,050,734
Deferred contributions received	(9,003,828)	(8,002,461)
	<u>\$ (32,888,523)</u>	<u>\$ (27,423,724)</u>

# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 12. Deferred capital contributions (continued):

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*

	2020	2019
Deferred capital contributions, beginning of year	\$ (525,785)	\$ 748,879
Amortization of deferred contributions	2,073,596	1,896,548
Deferred contributions received	(3,362,515)	(3,171,212)
	<u>\$ (1,814,704)</u>	<u>\$ (525,785)</u>

### *Bishop's University Foundation*

	2020	2019
Deferred capital contributions, beginning of year	\$ (6,355,394)	\$ (3,633,399)
Amortization of deferred contributions	596,140	455,252
Deferred contributions received	(3,158)	(3,177,247)
	<u>\$ (5,762,412)</u>	<u>\$ (6,355,394)</u>

### *Others*

	2020	2019
Deferred capital contributions, beginning of year	\$ (20,542,545)	\$ (19,587,477)
Amortization of deferred contributions	869,293	698,934
Deferred contributions received	(5,638,155)	(1,654,002)
	<u>\$ (25,311,407)</u>	<u>\$ (20,542,545)</u>

# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 13. Long-term debt:

	2020	2019
<b>Serviced by the University:</b>		
<i>To finance heating tunnel - capital renovations:</i>		
Term loan, principal balance of \$341,990 (2019 - \$390,508), 2.12%, payable in monthly blended instalments of \$4,697, maturing in October 2021	\$ 343,369	\$ 390,301
<i>To finance Kuehner Residence renovations:</i>		
Term loan, principal balance of \$5,952,000 (2019 - \$6,208,000), 3.44%, payable in monthly capital instalments of \$21,333, maturing in July 2028 <sup>(i)</sup>	5,952,000	6,208,000
<b>Serviced by the Gouvernement du Québec:</b>		
<i>MEES 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 \$1,260,000 (2019 - \$1,320,000), 2.696%, payable in annual capital instalments of \$60,000, renewable in June 2032	1,378,918	1,355,181
Term loan, principal amount of \$2,520,000 (2019 - \$2,640,000), 3.23%, payable in annual capital instalments of \$120,000, renewable in June 2034	2,744,239	2,716,450
Term loan, principal amount of \$11,022,662 (2019 - \$11,960,108), 2.13%, payable in annual capital instalments of \$937,446, renewable in September 2026	11,711,970	12,150,755
Term loan, principal amount of \$7,951,322 (2019 - \$8,357,901), 2.753%, payable in annual capital instalments of \$406,579, renewable in September 2027 <sup>(i)</sup>	7,951,322	8,357,901
Term loan, principal amount of \$5,697,243 (2019 - \$5,934,628), 2.990%, payable in annual capital instalments of \$237,385, renewable in March 2044 <sup>(i)</sup>	5,697,243	5,934,628
Term loan, principal amount of \$4,320,000 (2019 - \$4,560,000), 2.944%, payable in annual capital instalments of \$240,000, renewable in March 2038 <sup>(i)</sup>	4,320,000	4,560,000
Term loan, principal amount of \$7,968,088 (2019 - nil), 2.439%, payable in annual capital instalments of \$398,404 renewable in October 2039 <sup>(i)</sup>	7,968,088	-
Balance carried forward	48,067,149	41,673,216

# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 13. Long-term debt (continued):

	2020	2019
Balance brought forward	\$ 48,067,149	\$ 41,673,216
<b>Serviced by other sources:</b>		
<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 nil (2019 - \$151,490), 5.89%, reimbursed during the year	-	156,661
<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 \$3,985,573 (2019 - \$4,712,314), 3.097%, payable in annual blended instalments of \$872,681, renewable in September 2024	4,214,925	4,863,340
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$1,500,974 (2019 - \$1,729,614), 2.576%, payable in annual blended instalments of \$273,195, renewable in October 2025	1,558,593	1,744,831
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$588,243 (2019 - \$664,303), 2.493%, payable in annual blended instalments of \$92,621 renewable in December 2026	615,652	669,208
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$2,130,473 (2019 - \$2,364,842), 2.833%, payable in annual blended instalments of \$301,365 renewable in January 2028 <sup>(i)</sup>	2,130,471	2,364,841
	56,586,790	51,472,097
Current portion of long-term debt	(4,008,173)	(3,723,228)
	52,578,617	47,748,869
Deferred financing costs	(177,062)	(142,140)
	\$ 52,401,555	\$ 47,606,729

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

2021	\$ 4,008,173
2022	4,288,948
2023	4,035,707
2024	4,075,989
2025	4,117,447
2026 and thereafter	34,712,304

<sup>(i)</sup> From 2017-2018 onwards, 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, 2020

## 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 \$938,033 for the residual rights related to the Pension plan for Full-Time Employees 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, 2020	Pension plan for Full-Time Employees	SERP	Post- retirement program	Retirement program	Total
Defined benefit obligation	\$ (147,511,333)	\$ (1,723,800)	\$ (16,502,100)	\$ (2,391,300)	\$ (168,128,533)
Fair value of plan assets	139,453,100	-	-	-	139,453,100
Funded status - deficit and defined benefit liability	\$ (8,058,233)	\$ (1,723,800)	\$ (16,502,100)	\$ (2,391,300)	\$ (28,675,433)

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

Accrued benefit obligation as of April 30:				
Discount rate	5.28%	5.28%	5.50%	5.50%
Rate of compensation increase	2.50%	2.50%	n/a	2.50%
Benefit costs for the years ended April 30:				
Discount rate	5.28%	5.28%	5.50%	5.50%
Rate of compensation increase excluding step increases	2.50%	2.50%	n/a	2.50%

# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 14. Employee future benefits (continued):

April 30, 2019	Pension plan for Full-Time Employees	SERP	Post- retirement program	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 as of April 30:					
Discount rate	5,50%	5,50%	5,50%	5,50%	
Rate of compensation increase	2,50%	2,50%	n/a	2,50%	
Benefit costs for the years ended April 30:					
Discount rate	5,50%	5,50%	5,50%	5,50%	
Rate of compensation increase excluding step increases	2,50%	2,50%	n/a	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 \$407,543 including the following payments over the next four years:

2021	\$	315,261
2022		72,157
2023		19,622
2024		503
	\$	407,543

The University has undertaken several capital projects and, as a result, has commitments totalling \$11,806,287. Of these commitments \$220,261 is expected to be met in 2020-2021, while \$11,586,026 is expected to be met in 2021-2022.



# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

## 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, 2020, 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.

On May 15, 2020, an application for authorization to institute a class action and for the granting of representative status was filed by a student at Laval University against several universities (HEC, ENAP, ETS, INRS, Polytechnique, Bishop's, Concordia, Université Laval, UdM, UQAT, UQAC, UQAM, UQO, UQAR and UQTR). As part of this request, the student alleges that the measures taken by the universities concerned for the winter 2020 term, following the health emergency measures decreed by the Québec government in response to the COVID-19 pandemic, have substantially affected the quality of education provided to students and claim from them part of the tuition fees paid by students for the winter term 2020. The amount of damages cannot be estimated at this time.

## 17. Related entity - Bishop's University Foundation:

The University exercises significant influence over the Bishop's University Foundation (hereafter, the "Foundation") since certain Board members and members of senior management are on the Board of the Foundation. The Foundation must use its resources exclusively to advance the mission of the University. The Foundation is incorporated under Part III of the Québec *Compagnies Act* and is a charitable organization under both the *Income Tax Act* (Canada) and the *Taxation Act* (Québec).

During the year ended April 30, 2020, total income received from the Foundation of \$6,501,631 (2019 - \$8,173,631) is included in the statement of operations. The outstanding balance as at April 30, 2020 is \$5,839,587 (2019 - \$2,213,211), and is recorded as a due from the Foundation without interest on the statement of financial position.

The Foundation's fund balances are the following:

	2020	2019
Endowment fund	\$ 52,137,048	\$ 50,062,907
Other restricted funds	10,973,579	17,522,313
Other unrestricted funds	2,641,165	3,526,041
	<u>\$ 65,751,792</u>	<u>\$ 71,111,261</u>

# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

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## 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 9). This agreement covers the conversion of variable interest rates into fixed rates and is not eligible for hedge accounting. As at April 30, 2020, the negative fair value of this derivative financial instrument is \$1,521,341 (2019 - \$490,958) 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 represents 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.

# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

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## 18. Financial instruments (continued):

### Financial risks (continued):

The University's main financial risk exposures are detailed as follows (continued):

#### *Liquidity risk* (continued):

#### Carrying amount of financial assets by categories:

The carrying amount of the University's financial assets that are measured at amortized cost totals \$15,730,885 (2019 - \$14,263,193), whereas the carrying amount of financial assets measured at fair value totals \$49,139 (2019 - \$3,003) and the carrying amount of investments in equity instruments measured at cost totals \$173,620 (2019 - \$171,217).

#### Guaranteed financial liabilities:

As at April 30, 2020, the total carrying amount of guaranteed financial liabilities is \$50,291,422 (2019 - \$44,873,796).

## 19. Subsequent events:

Prior to April 30, 2020, the COVID-19 outbreak was declared a pandemic (the "pandemic") by the World Health Organization. The University halted in-person activity, restricted its facilities to staff and students and moved online education format in middle March 2020 based on a directive received from the Ministry of Education. The spring/summer semester was moved to an online format and the fall 2020 semester format will be a hybrid one. The University continues to monitor the situation, plan for the fall 2020 semester and beyond, and prepare to roll back to an exclusive online format if required.

As a result of the pandemic, the University may experience increased risk exposure in several areas. This includes an increased credit risk exposure on accounts receivable where the risk of default on contractual obligations may increase.

The University's fixed-rate financial instruments by way of swap contracts and application of hedge accounting help mitigate the potential exposure to changing interest rate risks.

The University's defined benefit component of its pension plan is subject to risk exposure as the underlying instruments recognized within the pension plan are subject to market volatility and uncertainty for which the ultimate length and duration are not yet known at this time.

As at April 30, 2020, the University did not have significant adjustment to reflect the possible future impact of COVID-19. Management has assessed the going concern assumptions and believes there are no issues given the University's access to sufficient liquid resources to see through operations in the coming year. Given that the outcome and timeframe to recover from the current pandemic are highly unpredictable, it is not practicable to estimate and disclose its financial effect on future operations at this time.

# BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2020

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## 20. Comparative information:

Certain comparative information has been reclassified to conform with the financial statements presentation adopted in the current year.