

**Bishop's University Foundation**  
**Financial Statements**  
**April 30, 2022**

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## **Independent Auditor's Report**

To the Board of Directors of  
Bishop's University Foundation

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**Raymond Chabot  
Grant Thornton LLP**  
Suite 350  
2207 King Street West  
Sherbrooke, Quebec  
J1J 2G2

T 819-822-4000  
Toll-free: 1-800-567-6958

### **Opinion**

We have audited the financial statements of Bishop's University Foundation (hereafter "the Foundation"), which comprise the statement of financial position as at April 30, 2022, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **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 "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Foundation 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.

### **Other matter – Comparative information audited by a predecessor auditor**

The financial statements of the Foundation for the year ended April 30, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on October 20, 2021.

### **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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

#### **Auditor's 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 auditor's 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 these 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern;
- 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.

We 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.

*Raymond Chabot Grant Thornton LLP*<sup>1</sup>

Sherbrooke  
October 17, 2022

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<sup>1</sup> CPA auditor, public accountancy permit no. A125487

**Bishop's University Foundation**  
**Operations**  
Year ended April 30, 2022

	Unrestricted non-trust funds		Unrestricted trust funds		Restricted non-trust funds		Restricted trust funds		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>										
Net investment income (loss) - trust fund										
Gain on disposal of investments		(54)				(2,461)			2,750,172	(2,515)
Net change in fair value	59,827	221,131			2,690,345	9,953,603			(7,116,604)	10,174,734
Miscellaneous	(154,816)	63,265			(6,961,788)	2,847,712			4,124,154	2,910,977
	89,683				4,034,471					
Net investment income (loss) - non-trust funds										
Gain on disposal of investments	353,765	(8,719)							353,765	(8,719)
Net change in fair value	(1,383,510)	1,759,859							(1,383,510)	1,759,859
Miscellaneous	1,103,308	536,745							1,103,308	536,745
Donations										
Annual campaign	234,887	231,038			2,829,484	2,052,444	1,526,732	265,446	4,591,103	2,548,928
Capital campaign	106,750	114,022			281,766	275,349	80,332	174,683	468,848	564,054
Life insurance policies	582,188	315,882							582,188	315,882
	992,082	3,233,169			2,874,278	15,126,647	1,607,064	440,129	5,473,424	18,799,945
<b>Expenses</b>										
Donations to Bishop's University										
Scholarships and bursaries	325,462	889,340			1,976,369	1,934,941			2,301,831	2,824,281
Library fund					1,225	850			1,225	850
Student programs and projects	39,884	10,735			252,486	380,804			292,370	391,539
Athletics and Gaiter Club	1,000	1,000			1,151,175	576,780			1,152,175	577,780
Faculty support	28,000	27,900			161,650	146,000			189,650	173,900
Academic enrichment	2,518	9,284			468,239	407,465			470,757	416,749
Creative and performing arts					134,026	115,554			134,026	115,554
Research & aid to publications					242,140	138,525			276,000	232,125
SEED Foundation projects	33,860	93,600				1,721			1,179	1,721
Entrepreneurship					64,000	105,050			64,000	105,050
Life insurance premiums					32,224	5,095			32,224	5,095
Special projects	857,712	645,566			314,894	1,381,020			1,172,606	2,026,586
Sundry projects	8,662				23,162	21,805			31,824	21,805
Balance carried forward	1,297,098	1,677,425			4,822,769	5,215,610			6,119,867	6,893,035

# **Bishop's University Foundation** **Operations**

Year ended April 30, 2022

	Unrestricted non-trust funds		Unrestricted trust funds		Restricted non-trust funds		Restricted trust funds		Total	Total
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Balance brought forward	\$ 1,297,098	\$ 1,677,425	-	-	\$ 4,822,769	\$ 5,215,610	-	-	\$ 6,119,867	\$ 6,893,035
Investment management fees and miscellaneous expenses										
Bishop's University	42,000	42,000							42,000	42,000
Investment management	70,613	43,692			302,353	234,898			372,966	278,590
Custodian fees	2,738	2,058			11,722	11,066			14,460	13,124
Miscellaneous expenses	(91,606)	68,596							(91,606)	68,596
	23,745	156,346	-	-	314,075	245,964	-	-	337,820	402,310
	1,320,843	1,833,771	-	-	5,136,844	5,461,574	-	-	6,457,687	7,295,345
Excess (deficiency) of revenues over expenses	(328,761)	1,399,398	-	-	(2,262,566)	9,665,073	1,607,064	440,129	(984,263)	11,504,600

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

**Bishop's University Foundation**  
**Changes in Fund Balances**  
Year ended April 30, 2022

	Unrestricted non-trust funds		Unrestricted trust funds		Restricted non-trust funds		Restricted trust funds		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	4,289,221	2,641,165	1,005,448	1,005,448	20,116,707	10,973,579	51,529,134	51,131,600	76,940,510	65,751,792
Fund balances, as previously reported	315,882								315,882	
Accounting change (Note 2)	4,605,103	2,641,165	1,005,448	1,005,448	20,116,707	10,973,579	51,529,134	51,131,600	77,256,392	65,751,792
Fund balances, as restated	(328,761)	1,399,398			(2,262,566)	9,665,073	1,607,064	440,129	(984,263)	11,504,600
Excess (deficiency) of revenues over expenses	351,782	564,540			(588,786)	(521,945)	237,004	(42,595)		
Interfund transfers (Note 4)										
Fund balances, end of year	4,628,124	4,605,103	1,005,448	1,005,448	17,265,355	20,116,707	53,373,202	51,529,134	76,272,129	77,256,392

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



# Bishop's University Foundation

## Cash Flows

Year ended April 30, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses in the unrestricted and restricted non-trust funds	(2,591,327)	11,064,471
Non-cash items		
Net change in fair value of investments	8,500,114	(11,934,593)
Donated shares	(1,638,926)	
Life insurance policies donation	(582,188)	(315,882)
Loss (gain) on disposal of investments	(3,103,937)	11,234
	583,736	(1,174,770)
Changes in working capital items		
Indirect tax receivable	(3,754)	2,882
Other payables	6,980	
	3,226	2,882
Cash flows from operating activities	586,962	(1,171,888)
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(11,389,200)	(3,361,153)
Disposal of investments	15,275,633	295,192
Cash flows from investing activities	3,886,433	(3,065,961)
<b>FINANCING ACTIVITIES</b>		
Net variation in due to Bishop's University	(6,297,822)	1,877,162
Donations to the restricted trust funds	1,607,064	440,129
Cash flows from financing activities	(4,690,758)	2,317,291
<b>Net decrease in cash</b>	(217,363)	(1,920,558)
Cash, beginning of year	534,658	2,455,216
Cash, end of year	317,295	534,658

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

# Bishop's University Foundation

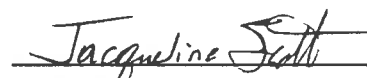
## Financial Position

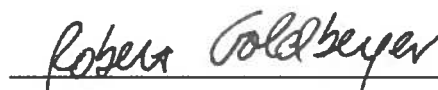
April 30, 2022

	2022	2021
	\$	\$
<b>ASSETS</b>		
Investments (Note 5)	76,475,287	84,118,971
Life insurance policies (Note 6)	898,070	315,882
Cash	317,295	534,658
Indirect tax receivable	16,204	12,450
	<u>77,706,856</u>	<u>84,981,961</u>
<b>LIABILITIES</b>		
Other payables	6,980	-
Due to Bishop's University, without interest or repayment terms	<u>1,427,747</u>	<u>7,725,569</u>
	<u>1,434,727</u>	<u>7,725,569</u>
<b>FUND BALANCES</b>		
Externally restricted		
Trust funds	47,761,140	45,917,072
Non-trust funds	17,265,355	20,116,707
Internally restricted		
Trust funds	5,612,062	5,612,062
Unrestricted		
Trust funds	1,005,448	1,005,448
Non-trust funds	<u>4,628,124</u>	<u>4,605,103</u>
	<u>76,272,129</u>	<u>77,256,392</u>
	<u>77,706,856</u>	<u>84,981,961</u>

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

On behalf of the Board,

  
Director

  
Director

# **Bishop's University Foundation**

## **Notes to Financial Statements**

April 30, 2022

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### **1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION**

The Bishop's University Foundation (hereafter the "Foundation") was incorporated in 1971 under Part III of the Companies Act (Quebec) for the purpose of receiving and maintaining funds which are to be disbursed for charitable or educational purposes for the benefit of Bishop's University. It is a registered charity under the Income Tax Act.

### **2 - ACCOUNTING CHANGES**

#### **Financial Instruments Originated or Exchanged in a Related Party Transaction**

On May 1, 2021, the Foundation applied the changes to Section 3856, Financial Instruments, of Part II of the *CPA Canada Handbook – Accounting* and Section 4460, Disclosure of Related Party Transactions by Not-for-Profit Organizations, of Part III of the *CPA Canada Handbook – Accounting*. The purpose of these changes is to provide additional recommendations on the accounting treatment of financial instruments originated or exchanged in a related party transaction.

The changes require that financial assets originated or acquired and financial liabilities issued or assumed in a related party transaction be initially measured at cost, with the exception of certain specific financial instruments that are initially measured at fair value. The cost of a financial asset originated or acquired or of a financial liability issued or assumed in these circumstances depends on whether the instrument has repayment terms. When the financial instrument has repayment terms, its cost is determined using the undiscounted cash flows, excluding interest and dividend payments, and less any impairment losses previously recognized by the transferor. The cost of a financial instrument that does not have repayment terms is determined using the consideration transferred or received in the transaction.

The changes generally require that financial assets and liabilities from related party transactions be subsequently measured using the cost method, except for investments in equity instruments that are quoted in an active market which are measured at fair value.

The changes provide additional guidance on how to measure the impairment loss of a financial asset originated or acquired in a related party transaction subsequently measured using the cost method.

The changes also require that an organization recognizes the effect of the forgiveness of a financial asset originated or created in a related party transaction or the extinguishment of a financial liability issued or assumed in a related party transaction in operations or in accordance with the accounting method used to recognize contributions.

In accordance with the transitional provisions, these changes, that are applicable for fiscal years beginning on or after January 1, 2021, have been applied retrospectively taking certain relief measures into account.

Application of the changes did not have any impact on the financial statements for the year ended April 30, 2021.

# **Bishop's University Foundation**

## **Notes to Financial Statements**

April 30, 2022

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### **2 - ACCOUNTING CHANGES (Continued)**

#### **Change in the Method of Accounting for Life Insurance Policies**

During the year, the Foundation retrospectively changed the method of accounting for life insurance policies. Previously, the Foundation did not recognize donations of life insurance policies, whereas it should have. For the year ended April 30, 2021, this change led to an increase in both donation revenues and excess of revenue over expenses of \$315,882. Additionally, as at April 30, 2021, this change led, in Unrestricted non-trust funds, to an increase in life insurance policies and fund balances of \$315,882.

### **3 - SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation**

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

#### **Accounting estimates**

The preparation of financial statements requires 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 knowledge of current events and actions that the Foundation may undertake in the future. Actual results may differ from these estimates.

#### **Fund accounting**

##### *Unrestricted non-trust funds*

The Unrestricted non-trust funds represent contributions not received for endowment and net investment income, neither of which is subject to restrictions as to usage or is subject to internal restrictions as to usage.

An example is a donation designated for the University's Highest Priority Fund. Both the full amount of the donation itself and all income it generates can be used at the discretion of the Foundation.

##### *Unrestricted trust funds*

The Unrestricted trust funds represent contributions received for endowment. These contributions are to be invested and held in perpetuity. The investment income earned thereon, which is either not subject to restrictions as to usage or is subject to internal restrictions as to usage, is accounted for in the Unrestricted non-trust fund and is to be used to fund the priorities of Bishop's University. The Unrestricted fund balances include the internally restricted and the completely unrestricted.

An example is a donation designated for the Unrestricted Opportunity Fund. The principal cannot be used; however, all income it generates can be used at the discretion of the Foundation.

##### *Restricted non-trust funds*

The Restricted non-trust funds represent contributions not received for endowment and net investment income, both of which are subject to external restrictions as to usage.

# **Bishop's University Foundation**

## **Notes to Financial Statements**

April 30, 2022

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### **3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### *Restricted non-trust funds*

An example is a donation designated for the Non-Endowed Bursary Fund. Both the full amount of the donation itself and all income it generates must be used to fund the Bishop's University bursary program.

#### *Restricted trust funds*

The Restricted trust funds represent contributions received for endowment. These amounts are to be invested and held in perpetuity. The investment income earned thereon, which is subject to restrictions as to usage, is accounted for in the Restricted non-trust fund and is to be used to fund scholarships, research and various initiatives of Bishop's University.

An example is a donation designated for the Endowed Scholarship Fund. The principal cannot be used, and all income it generates must be used to fund the Bishop's University scholarship program.

### **Revenue recognition**

#### *Donations*

The Foundation follows the restricted fund method of accounting for donations.

The Foundation follows the restricted fund method in which restricted contributions are recognized upon receipt in the fund corresponding to the purpose for which they were contributed.

The Foundation 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.

#### *Net investment income*

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting. Income from interest in net income of balanced pooled funds and investment funds is recognized upon distribution. Changes in fair value are recognized when they occur.

### **Financial assets and liabilities**

#### *Initial measurement*

Upon initial measurement, the Foundation's financial assets and liabilities from transactions not concluded with related parties and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. The Foundation's financial assets and liabilities from related party transactions are measured at cost.

**Bishop's University Foundation**  
**Notes to Financial Statements**  
 April 30, 2022

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**3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Subsequent measurement*

At each reporting date, the Foundation measures its financial assets and liabilities from transactions not concluded with related parties at amortized cost (including any impairment in the case of financial assets), except for investments which are measured at fair value, whereas those from related party transactions are measured using the cost method (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost or using the cost method, the Foundation assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Foundation determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a 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 amortized cost or using the cost method is recognized in operations in the year the reversal occurs.

**Foreign currency translation**

The Foundation uses the temporal method to translate transactions denominated in a foreign currency. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates, with the exception of those recognized at fair value, which are translated at the exchange rate in effect at the balance sheet date. Revenue and expenses are translated at the average rate for the period, with the exception of the amortization of assets translated at the historical exchange rates, which is translated at the same exchange rates as the related assets. The related exchange gains and losses are accounted for in the earnings for the year.

**Related party transactions**

Related party transactions with Bishop's University, who has a significant influence, are measured at the exchange amount, excluding the resulting financial instruments.

**4 - INTERFUND TRANSFERS**

During the year, the Board of Directors assigned an amount of \$551,782 (\$564,540 in 2021) from the Restricted non-trust funds to the Unrestricted non-trust funds. This assignment was made in accordance with a motion approved by the Board of Directors of the Foundation for the application of an annual "Enhancement Fee" of up to 1% applied to Restricted trust funds in order to provide additional funding to the University for its priorities and initiatives. The annual amount is funded by the return on investment recorded in the Restricted non-trust fund.

Additionally, from time to time, modifications to gift designations initiated by the donor or other transactions impacting the fund in which a transaction should be accounted for occur, and an interfund transfer is required. In 2022, \$37,004 were assigned from the Restricted non-trust funds to the Restricted trust funds and \$200,000 were assigned from the Unrestricted non-trust funds to the Restricted funds (\$42,595 from the Restricted trust funds to the Restricted non-trust funds in 2021), in line with donor's wishes.

# Bishop's University Foundation

## Notes to Financial Statements

April 30, 2022

### 5 - INVESTMENTS

	<u>2022</u>	<u>2021</u>
	\$	\$
Balanced pooled funds		
Cash	1,766,913	4,106,269
Canadian fixed income	19,634,856	22,932,452
Canadian equities	15,215,377	18,329,024
US equities	18,988,591	20,794,219
Other foreign equities	14,223,550	17,487,007
	<u>69,829,287</u>	<u>83,648,971</u>
Private equity		
MSBI Investment Fund I, Limited Partnership (*)		220,000
iNovia Capital Investment Fund II, Limited Partnership (*)	250,000	250,000
Brookfield investment fund (US\$5,000,000)	6,396,000	
	<u>6,646,000</u>	<u>470,000</u>
	<u>76,475,287</u>	<u>84,118,971</u>

(\*) MSBI/iNovia Investment Fund Limited Partnership was created to promote the commercialization of discoveries and inventions in various domains of science and technology.

### Commitment

The Foundation has undertaken to make investments that will be financed over the coming years in accordance with the terms agreed in the agreement. The commitment made by the Foundation as at April 30, 2022 totals \$6,396,000 (US\$5,000,000) for a Brookfield investment fund.

### 6 - LIFE INSURANCE POLICIES

The Foundation is the known beneficiary of life insurance policies with an aggregate death benefit totalling \$6,339,995 (\$5,089,995 as at April 30, 2021).

### 7 - FINANCIAL RISKS

#### Credit risk

Some investments indirectly expose the Foundation to credit risk.

#### Market risk

The Foundation's financial instruments expose it to market risk, in particular, to currency risk, interest rate risk and other price risk, resulting from its investing activities.

#### Currency risk

The Foundation is exposed to currency risk due to cash and investments denominated in U.S. dollars totalling \$6,583,961.

Balanced pooled funds also indirectly expose the Foundation to currency risk.

**Bishop's University Foundation**  
**Notes to Financial Statements**  
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**7 - FINANCIAL RISKS (Continued)**

*Interest rate risk*

The investments in balanced pooled funds indirectly expose the Foundation to interest rate risk.

*Other price risk*

The Foundation is exposed to other price risk due to balanced pooled funds investments since changes in market prices could result in changes in the fair value or cash flows of these instruments.

**Liquidity risk**

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