

*BISHOP'S UNIVERSITY*

**ANNUAL FINANCIAL REPORT**

Year ended June 30, 2007

*BISHOP'S UNIVERSITY*

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Year ended June 30, 2007

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## AUDITORS' REPORT

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To the Members of the Corporation of  
Bishop's University

We have audited the balance sheet of BISHOP'S UNIVERSITY as at June 30, 2007 and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained below we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because we were unable to confirm the long-term receivable amount from the ministère de l'Éducation, des Loisirs et du Sport du Québec for conditional grants amounting to \$4,671,875 or verify this amount by other means, we are not able to determine whether any adjustments might be necessary to accounts receivable, grants from ministère de l'Éducation, des Loisirs et du Sport du Québec, excess of expenses over revenue and fund balances.

The University has prepared its financial statements in accordance with the recommendations in the *Cahier des définitions, des termes et des directives de présentation du rapport financier annuel pour les universités du Québec* (the «Cahier»), as they are applied in the annual financial report submitted to the ministère de l'Éducation, du Loisir et du Sport du Québec. These recommendations are consistent with Canadian generally accepted accounting principles with the main exceptions relating to accrued vacation pay, pension cost, employee future benefits, capital assets, and income recognition. Note 4 describes how the Cahier's recommendations differ from Canadian generally accepted accounting principles.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the long-term receivable amount described above and the effects of the accounting methods described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the University as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Samson Bélair/Deloitte & Touche s.e.n.c.r.l.

July 11, 2008

# BISHOP'S UNIVERSITY

## REVENUE AND EXPENSES Year ended June 30

	Operating Fund			Restricted Funds			Capital Fund			Total
	2007	2006	2007	2006	2007	2006	2007	2006	2007	
<b>REVENUE</b>										
Student academic fees	8 147 598 \$	8 524 191 \$	-	-	-	-	-	-	8 147 598 \$	8 524 191 \$
Other student fees	393 921	382 095	-	-	-	-	-	-	393 921	382 095
Management fees	65 000	65 000	-	-	-	-	-	-	65 000	65 000
Grants - ministère de l'Éducation, du Loisir et du Sport du Québec (Note 6)	19 377 368	18 688 413	133 701	156 624	1 390 752	1 859 767	20 901 821	20 704 804	1 605 791	1 605 791
Other	483 956	407 427	436 968	393 677	77 900	804 687	998 824	1 605 791	1 941 842	2 557 983
Donations - Bishop's University Foundation	-	-	1 866 842	2 104 970	75 000	453 013	1 941 842	2 557 983	769 376	821 362
Research grants	-	-	769 376	821 362	-	-	769 376	821 362	918 550	920 000
Rental income - Champlain Regional College	918 550	920 000	-	-	-	-	918 550	920 000	1 597 166	1 599 375
Student services	1 597 166	1 599 375	-	-	-	-	1 597 166	1 599 375	7 628 941	7 734 174
Ancillary enterprises	7 628 941	7 734 174	-	-	-	-	7 628 941	7 734 174	1 770 313	1 737 548
Financed by the Operating Fund (Note 4)	-	-	49 900	45 000	1 720 413	1 692 548	1 770 313	1 737 548	-	-
	<b>38 612 500</b>	<b>38 320 675</b>	<b>3 256 787</b>	<b>3 521 633</b>	<b>3 264 065</b>	<b>4 810 015</b>	<b>45 133 352</b>	<b>46 632 323</b>		
<b>EXPENSES</b>										
Teaching	18 125 341	17 741 219	480 955	695 184	-	-	18 606 296	18 436 403	836 893	836 893
Funded research	-	-	820 750	836 893	-	-	820 750	836 893	-	-
Academic support:										
Library	2 150 739	2 186 274	193 913	144 002	-	-	2 344 652	2 330 276	1 003 767	1 107 813
Information technology and audio-visual	1 003 767	1 107 813	-	-	-	-	1 003 767	1 107 813	-	-
Administration support:										
Administration	3 524 595	3 469 022	207 756	282 590	-	-	3 732 351	3 751 612	612 888	629 571
Alumni and development office	612 888	629 571	-	-	-	-	612 888	629 571	3 790 681	3 821 195
Land and buildings	3 790 681	3 821 195	-	-	-	-	3 790 681	3 821 195	1 914 446	1 970 015
Student services	1 583 134	1 589 174	331 312	380 841	-	-	1 914 446	1 970 015	1 005 633	1 077 291
Student scholarship and bursaries	9 622	11 678	996 011	1 065 613	-	-	1 005 633	1 077 291	7 767 244	7 690 735
Ancillary enterprises	7 767 244	7 690 735	-	-	-	-	7 767 244	7 690 735	150 520	-
Interest	150 520	-	-	-	-	-	150 520	-	877 517	768 369
Interest charge on long-term debt and temporary financing	-	-	-	-	-	-	877 517	768 369	78 412	153 846
Interest on derivative financial instrument	-	-	-	-	-	-	78 412	153 846	1 966 801	1 986 210
Depreciation of capital assets	-	-	-	-	-	-	1 966 801	1 986 210	102 735	88 527
Amortization of other assets	-	-	-	-	-	-	102 735	88 527	224 143	450 624
Capital assets written off (Note 2)	-	-	-	-	-	-	224 143	450 624	351 207	296 260
Retirement allowances (Note 7)	351 207	296 260	-	-	-	-	351 207	296 260	468 917	-
Pension buyback (Note 7)	468 917	-	-	-	-	-	468 917	-	64 735	( 584 657)
Variation of the fair value on derivative financial instrument	-	-	-	-	-	-	64 735	( 584 657)	783 804	1 567 608
Pension plan amortization (Note 15)	783 804	1 567 608	-	-	-	-	783 804	1 567 608	3 314 343	2 862 919
	<b>40 322 459</b>	<b>40 110 549</b>	<b>3 030 697</b>	<b>3 405 123</b>	<b>3 314 343</b>	<b>2 862 919</b>	<b>46 667 499</b>	<b>46 378 591</b>		
<b>EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)</b>	<b>( 1 709 959)</b>	<b>( 1 789 874)</b>	<b>226 090</b>	<b>116 510</b>	<b>( 50 278)</b>	<b>1 947 096</b>	<b>( 1 534 147)</b>	<b>273 732</b>		

**BISHOP'S UNIVERSITY**

**CHANGES IN FUND BALANCES**  
Year ended June 30

	Operating Fund		Restricted Funds		Capital Fund		Total
	2007	2006	2007	2006	2007	2006	
FUND BALANCES, BEGINNING OF YEAR	( 2 374 515)	( 584 641)	1 481 742	1 365 232	27 496 076	25 548 980	26 603 303
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	( 1 709 959)	( 1 789 874)	226 090	116 510	( 50 278)	1 947 096	( 1 534 147)
FUND BALANCES, END OF YEAR	( 4 084 474) \$	( 2 374 515) \$	1 707 832 \$	1 481 742 \$	27 445 798 \$	27 496 076 \$	25 069 156 \$
							26 603 303 \$

# BISHOP'S UNIVERSITY

BALANCE SHEET  
June 30

	Operating Fund		Restricted Funds		Capital Fund		Total
	2007	2006	2007	2006	2007	2006	
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash	1 567 839	1 315 146	-	-	48 000	571 693	1 567 839
Accounts receivable	1 104 626	91 800	-	-	-	-	1 152 626
Accounts receivable - ministère de l'Éducation, du Loisir et du Sport du Québec	27 478	67 366	-	-	-	-	27 478
Due from Bishop's University Foundation	69 851	-	-	-	-	-	69 851
Due from the Pension Plan for full-time employees of Bishop's University	-	39 792	-	-	-	-	39 792
Prepaid expenses	1 723 276	1 892 973	-	-	-	-	1 723 276
	4 493 070	3 407 077	1 707 828	1 481 742	48 000	571 693	4 541 070
<b>INTERFUND ACCOUNT (Note 5)</b>	( 107 354)	3 190 527	-	( 1 600 474)	( 4 672 269)	-	824 584
<b>INVESTMENTS (Note 8)</b>	-	-	-	-	941 485	824 584	941 485
<b>CAPITAL ASSETS (Note 9)</b>	-	-	-	-	49 095 150	48 564 131	49 095 150
<b>OTHER ASSETS (Note 10)</b>	-	-	-	-	652 757	740 254	652 757
<b>LONG-TERM RECEIVABLE (Note 6)</b>	5 218 422	2 810 775	-	-	55 014	60 000	5 273 436
	9 604 138	9 408 379	1 707 828	1 481 742	49 191 932	46 088 393	60 503 898
							\$ 56 978 514
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Bank indebtedness and credit facility (Note 11)	-	2 549 448	-	-	-	6 792 000	-
Banker's acceptances (Note 12)	6 000 000	3 000 000	-	-	6 629 000	-	12 629 000
Accounts payable and accrued liabilities (Note 13)	2 900 025	2 620 650	-	-	-	-	2 900 025
Accounts payable - ministère de l'Éducation, du Loisir et du Sport du Québec	1 043 215	-	-	-	253 618	14 677	1 043 215
Derivative financial instrument	3 210 809	3 201 228	-	-	772 542	3 532 100	3 201 228
Unearned revenue	-	-	-	-	-	-	14 677
Current portion of long-term debt (Note 14)	-	-	-	-	-	-	188 883
	13 154 049	11 371 326	-	-	7 655 160	10 527 660	20 809 209
<b>RETIREMENT ALLOWANCES (Note 7)</b>	534 559	411 568	-	-	14 090 975	8 064 657	534 559
<b>LONG-TERM DEBT (Note 14)</b>	-	-	-	-	-	-	14 090 975
	13 688 608	11 782 894	-	-	21 746 135	18 592 317	35 434 743
	( 4 084 470)	( 2 374 515)	1 707 828	1 481 742	27 445 797	27 496 076	( 4 084 470)
	-	-	-	-	-	-	1 707 828
	( 4 084 470)	( 2 374 515)	1 707 828	1 481 742	27 445 797	27 496 076	27 445 797
	9 604 138	9 408 379	1 707 828	1 481 742	49 191 932	46 088 393	60 503 898
							\$ 56 978 514
<b>FUND BALANCES</b>							
Unrestricted	-	-	-	-	-	-	-
Externally restricted	-	-	-	-	-	-	-
Invested in capital assets	-	-	-	-	-	-	-
	13 688 608	11 782 894	-	-	21 746 135	18 592 317	30 375 211
	( 4 084 470)	( 2 374 515)	1 707 828	1 481 742	27 445 797	27 496 076	( 4 084 470)
	-	-	-	-	-	-	1 707 828
	( 4 084 470)	( 2 374 515)	1 707 828	1 481 742	27 445 797	27 496 076	27 445 797
	9 604 138	9 408 379	1 707 828	1 481 742	49 191 932	46 088 393	60 503 898
							\$ 56 978 514
<b>COMMITMENTS (Note 16)</b>							

APPROVED BY THE CORPORATION  
 M. Gauthier, Director  
 M. Gauthier, Director

**BISHOP'S UNIVERSITY****CASH FLOWS**  
Year ended June 30

2007

2006

**OPERATING ACTIVITIES**

Excess of revenue over expenses (Expenses over revenue)

( 1 534 147) \$ 273 732 \$

## Items not affecting cash:

Depreciation of capital assets

1 966 781 1 986 210

Amortization of other assets

102 735 88 527

Amortization of sinking fund

489 000 -

Variation of the fair value on derivative financial instrument

64 735 ( 584 657)

Equity earnings

( 12 520) ( 3 290)

1 076 584 1 760 522

## Net changes in non-cash working capital items:

Accounts receivable

838 327 2 656 396

Prepaid expenses

169 697 ( 79 262)

Accounts payable and accrued liabilities

1 307 910 734 789

Unearned revenue

9 581 ( 1 229 585)

Retirement allowances

122 991 ( 260 489)

Variation in amount due from Bishop's University Foundation

( 2 485) ( 67 366)

3 522 605 3 515 005

**INVESTING ACTIVITIES**

Acquisition of investments

( 114 381) ( 321 597)

Disposal of investments

10 000 -

Acquisition of capital assets

( 2 497 798) ( 4 802 866)

Acquisition of other assets

( 15 238) ( 11 320)

( 2 617 417) ( 5 135 783)

**FINANCING ACTIVITIES**

Changes in credit facility

( 2 282 396) 232 009

Change in banker's acceptances

2 837 000 2 845 000

Additional financing

6 815 000 2 000 000

Repayment of long-term debt

( 3 599 240) ( 96 958)

Contribution to sinking fund

( 438 000) ( 438 000)

Variation in long-term receivable

( 2 402 661) ( 2 870 775)

929 703 1 671 276

**INCREASE IN CASH AND CASH EQUIVALENTS**

1 834 891 50 498

**DEFICIENCY IN CASH AND CASH EQUIVALENTS,  
BEGINNING OF YEAR**

( 267 052) ( 317 550)

**CASH AND CASH EQUIVALENTS (DEFICIENCY),  
END OF YEAR (Note 18)**

1 567 839 \$ ( 267 052) \$

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

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**1. STATUS OF INCORPORATION AND NATURE OF ACTIVITIES**

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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 («University») in 1958. The mission of the University includes post-secondary education, research and community service. The University is a registered charity and, under section 149 of the Income Tax Act, is exempt from payment of income tax.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements are prepared following the recommendations of the *Cahier des définitions, des termes et des directives de présentation du rapport financier annuel pour les universités du Québec* (the «Cahier»), stipulated by the ministère de l'Éducation, du Loisir et du Sport du Québec («MELS»).

These accounting policies are in conformity with Canadian generally accepted accounting principles, except for accrued vacation pay and unpaid overtime, pension cost, employee future benefits, capital assets, presentation of the bond sinking fund in reduction of long-term debt and income recognition, as described in note 3.

**Fund accounting**

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

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

**Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of revenue and expenses reported in the financial statements. Actual results could differ from these estimates.



**NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**Revenue recognition**

Contributions of an unrestricted nature are recognized as revenue of the Operating Fund. Restricted contributions are recognized as revenue of the appropriate Restricted Fund. All the contributions are recognized in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Tuition fees are recorded as revenue in the financial year in which the course sessions are held.

**Government grants**

The reported operating grant revenue represents grants received and due from the MELS for the twelve-months period ended May 31. Pursuant to the requirements of the MELS, the operating grant instalment for the month of June is deferred as unearned revenue and taken into income the following financial year.

Government of Quebec operating grants are recorded in the financial year for which they are granted. A portion of these grants are based on second prior year student enrollment information. The grant amount is adjusted to reflect actual figures in future years based on then current calculation methods.

A portion of the government grant is contingent upon the University attaining certain objectives. Corrections to the amount of the grants may only be known after the year-end and adjustments, if any, will only be made at that time.

Capital expenditure grants are specifically designated for the purchase of capital assets and are recorded upon payment by the MELS. Capital expenditure grants also include grants related to the payment of interest on long-term debt and temporary financing of capital expenditures authorized by the MELS.

**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 it is reported as Note 16.

**Pension plan and fringe benefits**

Pursuant to the requirements of the MELS, no provision is recorded for unpaid vacation or unpaid overtime.

The University sponsors a defined benefit pension plan for eligible full-time employees and a money purchase pension plan for eligible part-time employees. In addition, the University sponsors a non-registered supplemental pension for full-time employees.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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The University contributes to these plans as per legal and plan requirements and in accordance with the most recent actuarial evaluations. Pension costs are charged to the Operating Fund on a cash basis as plan funding is provided.

As required by the MELS, the expenses of employee benefit costs are charged to the Operating Fund when disbursed and no provision is made for future benefit costs.

**Investments**

Investments are carried at the lower of cost or market value, but the participation in the limited partnership is accounted for using the equity method. Investments are written down when there has been a loss in value that is other than temporary.

**Capital assets in Capital Fund**

Capital assets are carried at cost. Contributed capital assets are recorded at their fair value at the date of contribution.

Capital assets purchased within the Operating Fund or the Restricted Funds are charged to expenditures in the respective fund in the same period in which the related operating revenue is recorded in the Capital Fund. The cost of such acquisitions is also added to capital assets and the fund balance in the Capital Fund.

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 carried as an expenditure in the Operating Fund.

Assets of a capital nature that do not meet the MELS monetary capitalization threshold are capitalized in the year and immediately written-off in the Capital Fund.

The annual depreciation rates and methods are prescribed by the MELS. Depreciation is based on their estimated useful life using the following methods and rates:

	Methods	Rates
Buildings	diminishing balance	2%
Furnishings	straight-line	5 years
Equipment	straight-line	8 years
Computer, software and hardware	straight-line	5 years
Library collection	straight-line	40 years
Rolling equipment	straight-line	5 years
Parking lots	straight-line	20 years

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**Other assets**

Bishop's University holds an interest, representing 1/19th of the cost of a high speed telecommunication system pursuant to an agreement between the MELS, the Réseau inter-ordinateurs scientifique Québécois (RISQ) inc. and the universities. The annual depreciation is established by using the straight-line method over the term of the contract signed by MELS and the University.

**Bond discounts**

The amortization of bond discounts is accounted for using the straight-line method over the term of the related bond.

**Derivative financial instruments**

Derivative financial instruments held for risk management purposes that are not eligible for hedge accounting are recognized on the balance sheet at their fair value, with changes in fair value recognized in revenue and expenses of the Capital Fund. Gains or losses on instruments not qualifying for hedge accounting upon adoption of AcG-13 and EIC-128 are recognized in revenues and expenses in the same period as those on the hedged item.

**Interfund transfers**

The interfund transfers are without interest or repayment terms.

**Carrying charges on long-term debt**

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

**Retirement Allowances**

Retirement allowances are charged to Operating Fund expenditures in the year that a retirement agreement is signed.

**Cash and cash equivalents**

The University's cash and cash equivalents include cash less outstanding cheques. Amounts drawn under the credit facility are considered to be a financing activity and are not included in cash and cash equivalents (Note 18).

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

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**3. FUTURE CHANGES IN ACCOUNTING POLICIES**

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**Financial instruments**

In April 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3855, Financial Instruments - Recognition and Measurement; and Section 3865, Hedges. All these Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2006. Accordingly, the University will adopt the new standards for its fiscal year beginning July 1, 2007. These standards provide guidance on: the recognition, measurement, classification and presentation of financial assets and liabilities including financial and non-financial derivative instruments and embedded derivatives; reporting items in other comprehensive income; hedge accounting criteria and methodologies and presentation of equity.

In December 2006, the CICA issued Section 3862, Financial instruments - Disclosures; Section 3863, Financial instruments - Presentation; and Section 1535, Capital disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the University will adopt the new standards for its fiscal year beginning July 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments establishes standards for presentation of financial instruments and non-financial derivatives. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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4. DIFFERENCE BETWEEN CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The differences between the accounting requirement under the *Cahier des définitions, des termes et des directives de présentation du rapport financier annuel pour les universités du Québec* (the «Cahier») stipulated by the MELS, as applied by the University, and Canadian generally accepted accounting principles are the following:

- In the course of operations, capital assets are purchased within the Operating and Restricted Funds. However, the MELS requires that these assets be recorded as expenses of the respective fund, and capitalized, amortized and recorded as revenue in the Capital Fund. During the year, the Capital assets acquired by the Operating Fund totalled \$1 720 413 (\$1 692 548 in 2006).
- Expenses are recorded on the accrual basis, with the exception of vacation pay and unpaid overtime. As required by the MELS, the University accounts for vacation pay on a cash basis. Under the accrual method, the estimated vacation pay accrual would have been \$603,000 (\$661,000 in 2006) and the estimated overtime accrual would have been \$64,600 (\$51,000 in 2006), resulting in a decrease of \$44,400 in the excess of expenses over revenue for the year (decrease of \$61,000 in the excess of revenue over expenses in 2006).
- The Government of Quebec contributes annually to a bond sinking fund on behalf of the University. This fund is intended for repayment of bonds at maturity and consequently the MELS requires that the amount be presented as a reduction of long-term debt.
- Employee benefits and pension cost are expensed when paid, rather than accrued during the employee's service. The impractical nature of determining the calculation of future costs for disclosure purposes is such that the amount was not determined as of the date of this report.
- The MELS requires the June 2007 operating grant instalment of \$1,415,000 to be recorded as unearned revenue rather than as an Operating Fund revenue (\$1,323,000 in 2006). Had this grant been accounted for in accordance with Canadian generally accepted accounting principles the excess of expenses over revenues would have increase of \$92,000 (decrease of \$1,117,700 in 2006)
- Had the above items been accounted for as at June 30, 2007, the total of expenses over revenue would have increase by \$47,600 to an excess of expenses over revenue of \$1,626,747. This amount does not include the effect of accounting for employee future benefits which has not been quantified.

**BISHOP'S UNIVERSITY**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

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**5. GOVERNMENT ASSISTANCE**

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The MELS financially supports certain capital projects of the University each year for which the form of funding is finalized at a later date. Included in the interfund amounts due to and from the Operating and Capital Funds respectively is approximately \$298,758 (\$1,222,000 in 2006) 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 Government. The then remaining interfund balance as at June 30, 2007 of approximately \$1,301,716 (\$3,450,269 in 2006) represents capital projects which have been financed by the University through the Operating Fund.

The interfund accounts are without interest and repayment conditions.

Subsequent to the year end, the University will receive a maximum grant of \$752,000 from the Ministère de la Culture et des Communications to support the Centennial Theatre' renovations which are now financed within the Operating Fund.

<b>6. PROVINCE OF QUEBEC GRANTS</b>	<b>2007</b>	<b>2006</b>
Operating Fund		
Operating grant	18 509 368 \$	17 762 813 \$
Matching gift	868 000	926 000
	<hr/>	<hr/>
	19 377 368 \$	18 688 813 \$
	<hr/>	<hr/>
Student services	169 200 \$	162 700 \$
	<hr/>	<hr/>
Capital Fund		
Subsidy - interest on long-term debt	427 792 \$	369 376 \$
Repayment of long-term debt	127 816	45 332
Sinking fund credits	438 000	438 000
Temporary financing of capital acquisitions	107 644	723 559
Equipment	289 500	283 500
	<hr/>	<hr/>
	1 390 752 \$	1 859 767 \$
	<hr/>	<hr/>
Restricted Funds		
Research and other revenue	191 166 \$	211 524 \$
	<hr/>	<hr/>

Included in the long-term receivables under the Operating Fund are \$4 671 875 in conditional grants for the years ended June 30, 2006 and 2007 and a \$501 300 receivable dating from 2003. Both receivables are from the MELS.

**BISHOP'S UNIVERSITY****NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

**7. RETIREMENT ALLOWANCES AND PENSION BUYBACK**

A special early retirement offer has been available to employees since 1996 and the following amounts will be due on retirement:

	Balance due 2006	New allowances	Paid allowances	Balance due 2007
2001 - 2002	16 588 \$	- \$	3 132 \$	13 456 \$
2004 - 2005	2 700	-	2 700	-
2005 - 2006	26 837	-	26 837	-
2006 - 2007	258 782	96 158	195 547	159 393
2007 - 2008	76 164	195 046	-	271 210
2008 - 2009	30 497	42 565	-	73 062
2009 - 2010	-	17 438	-	17 438
	411 568 \$	351 207 \$	228 216 \$	534 559 \$

During the year, Bishop's University incurred costs of \$468,917 relating to a Pension Buyback program. This program allowed a certain group of employees to contribute to the Bishop's University Pension Plan for Full-Time employees for years of past service."

**8. INVESTMENTS**

	2007	2006
Balanced Fund, McLean Budden, representing charitable annuity donation fund (Quoted market value: 2007 - \$669,943; 2006 - \$584,619)	669 943 \$	584 619 \$
Money Market Fund, McLean Budden, representing Supplemental Employee Retirement Plan (SERP) (Quoted market value: 2007 - \$25,599; 2006 - \$48,662)	25 599	48 662
MSBI inc. 400 shares, (representing 0.5% of the capital)	4 000	4 000
MSBI Investment Fund - Limited partnership, 1 unit, (representing 0.5% of partnership) (cost: 2007 - \$54 000; 2006 - \$24,000) (Note 16)	41 480	27 290
Sixtron Advanced Materials Inc., 133 333 common shares A, (representing 5.76% of vote)	13	13
Sixtron Advanced Materials Inc., convertible loan	75 000	75 000
Sixtron Advanced Materials Inc., Advance	75 000	75 000
Sixtron Advanced Materials Inc., convertible loan	50 000	-
Sherbrooke Air Ltd, - share, (2006 - 10,000)	-	10 000
Coopérative de Solidarité Air Sherbrooke (1 unit)	450	-
	941 485 \$	824 584 \$

*BISHOP'S UNIVERSITY*

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

9. CAPITAL ASSETS

	2007		
	Cost	Accumulated depreciation	Net value
Land	304 284 \$	- \$	304 284 \$
Buildings	56 249 483	20 785 893	35 463 590
Furnishings, equipment, rolling equipment, computer and hardware	5 128 070	2 871 506	2 256 564
Software	641 372	377 614	263 758
Library collection	13 165 937	2 910 518	10 255 419
Parking lots	654 515	102 980	551 535
	76 143 661 \$	27 048 511 \$	49 095 150 \$

	2006		
	Cost	Accumulated depreciation	Net value
Land	304 284 \$	- \$	304 284 \$
Buildings	54 971 967	20 065 084	34 906 883
Furnishings, equipment, rolling equipment, computer and hardware	5 286 659	2 535 207	2 751 452
Software	692 266	456 894	235 372
Library collection	12 391 331	2 581 345	9 809 986
Parking lots	627 651	71 497	556 154
	74 274 158 \$	25 710 027 \$	48 564 131 \$

During the year ended June 30, 2007, \$628,295 of fully depreciated capital assets were written off in conformity with MELS requirements (\$590,062 in 2006).



**BISHOP'S UNIVERSITY**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

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<b>10. OTHER ASSETS</b>	<b>2007</b>	<b>2006</b>
Telecommunication system (RISQ), at amortized cost	592 106 \$	641 448 \$
Bond discount, at amortized cost	42 083	69 597
Other	18 568	29 209
	<hr/>	<hr/>
	652 757 \$	740 254 \$

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**11. BANK INDEBTEDNESS AND CREDIT FACILITY**

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The University has an authorized line of credit of \$9,000,000 bearing interest at either prime rate or banker's acceptances rate plus 0,25% stamping fees and renewable on December 31, 2007.

Since April 2008, the University has exceeded its authorized line of credit. As at July 11, 2008, the amount over the authorized line of credit was \$209,275.

**12. BANKER'S ACCEPTANCES**

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As part of the financing of a new residence, the University entered into a \$7.2 million declining 25-year interest rate swap contract with a bank in 2003. This contract effectively converts a floating interest rate into a fixed rate of 5,42% until 2028. As part of this financing, the University has an authorized line of credit facility of \$7.2 million by way of banker's acceptances bearing interest at prime rate plus 0,25% stamping fees and renewable on December 31, 2007.

As part of its credit facility (Note 11), the University has \$6 million of banker's acceptances bearing interest from 4,22% to 4,41% and renewable in July, August and December 2007.

<b>13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES</b>	<b>2007</b>	<b>2006</b>
Accounts payable and accrued liabilities	2 206 135 \$	2 620 650 \$
Due to the Pension Plans for employees	693 890	-
	<hr/>	<hr/>
	2 900 025 \$	2 620 650 \$

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*BISHOP'S UNIVERSITY*

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NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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14. LONG-TERM DEBT	2007	2006
Bonds		
Series 1B, 2.8%, expired during the year	- \$	3 401 000 \$
Series 1B, 3.95%, maturing on February 26, 2010	6 099 000	6 099 000
Less: accumulated sinking fund credits	( 825 000)	( 876 000)
	<u>5 274 000</u>	<u>8 624 000</u>
10 year term loan, bearing an annual interest rate of 5.08%, repayable in semi-annual instalments of \$36,853, including interests, until February 2008	341 462	395 750
50 year mortgage loans, bearing annual interest rates, varying from 5.125% to 5.75%, repayable in semi-annual instalments of \$39,285, including interests, until 2016	529 191	577 007
8 year term loan, bearing an annual interest rate of 4.26%, repayable in annual instalments in capital of \$80,000 until March 2014	1 920 000	2 000 000
6 year term loan, bearing an annual interest rate of 4.394%, repayable in annual instalments of \$286,440, including interests, until September 2013	6 000 000	-
10 year term loan, bearing an annual interest rate of 5%, repayable in monthly instalments of \$5,739 including interests, until September 2016	798 864	-
	<u>14 863 517</u>	<u>11 596 757</u>
Current portion	( 772 542)	( 3 532 100)
	<u>14 090 975 \$</u>	<u>8 064 657 \$</u>

Scheduled principal and interest payments of the various series of bonds are based on annual subsidies from the Government of Quebec which are subject to the required credits being voted annually by the Government of Quebec. The rights to these annual credits are assigned to a trust with a trust company for the exclusive benefit of the registered holders of the related bond series.

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

2008 -	\$431,168
2008 -	\$341,374 (subject to refinancing)
2009 -	\$721,672
2010 -	\$725,752
2010	\$4,449,000 (subject to refinancing)
2011 -	\$455,464
2012	\$460,215

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

**15. PENSION PLANS**

1) The University sponsors a defined benefit pension plan for eligible full-time employees (the «Full-time Plan»).

Following the adoption of the *Regulation concerning municipalities and universities*, market value must now be used when determining net assets available for funding purposes valuations, as opposed to amounts which included smoothing adjustments in order to reflect long-term trends that were previously used.

The market value and the actuarial value of net assets for benefits, and the actuarial present value of accrued pension for funding purposes are as follows:

	2007	2006
<b>Pension plan financial statement purpose:</b>		
Market value of net assets available for benefits	97 373 070 \$	85 133 538 \$
<b>Funding purposes:</b>		
Market value of net assets available for benefits	97 373 070 \$	- \$
Estimated actuarial value of net assets available for benefits	-	80 442 600
Estimated actuarial present value of accrued pension benefits	96 625 400	84 710 200
Estimated actuarial surplus (deficit) on a going-concern basis	747 670 \$	(4 267 600) \$

The actuarial information for funding purposes as summarized above is based on the extrapolation to June 30, 2007, of a formal valuation as at December 31, 2006, which showed an actuarial surplus for funding purposes of \$1,444,200.

At the date of the last formal actuarial valuation, December 31, 2006, the solvency market value of net assets was \$96,297,600 while the actuarial solvency value of accrued pension benefits was \$100,292,200 resulting in a solvency deficiency of \$3,994,600.

As per the actuarial valuation report as at June 30, 2005, the Plan had both a going-concern unfunded liability and a solvency deficiency, and the employer had to contribute additional amounts to fund these deficits. The following table indicates the details of the amounts paid to the Plan by the employer in 2006-2007, between July 1, 2006 and December 31, 2006:

	2006-2007 amortization payments
Going-concern	\$303,704
Solvency	\$480,100
	<b>\$783,804</b>

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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15. PENSION PLANS (continued)

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As per the last actuarial valuation report dated December 31, 2006, the Plan no longer showed an unfunded liability for funding purposes, therefore the going-concern deficit amortization payments stopped as at January 1, 2007. Furthermore, following the adoption of the Regulation concerning municipalities and universities, amortization schedules for previous solvency deficiencies were eliminated as of December 31, 2006 and no additional amortization schedules were required to fund the current solvency deficiency. Therefore the solvency deficit amortization payments by the employer also stopped as at January 1, 2007.

- 2) The University also sponsors a defined contribution pension plan for eligible part-time employees. The contributions to this plan by the University amounted to approximately \$90,000 (\$100,000 in 2006).
- 3) The University also maintains a Supplemental Employee Retirement Plan (SERP) for members of the Full-time Plan. The estimated actuarial liability is estimated at \$1,327,100 as at June 30, 2007 of which \$25,599 is funded. Should the Full-time Plan be in an actuarial surplus, the University may take contribution holidays under the Full-time Plan in order to fund this SERP liability.

16. COMMITMENTS

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The University has entered into long-term lease agreements for equipment expiring at different dates between October 31, 2007 to June 30, 2009. Future minimum lease payments will aggregate \$411,300 including the following payments over the next years:

2008 -	\$179,300
2009 -	\$162,300
2010 -	\$53,850
2011 -	\$15,900

The University also has commitments for payments to MSBI Investment Fund, a limited partnership, created to promote the commercialisation of discoveries and inventions in various domains of science and technology. This project is also supported financially by Bishop's University Foundation, McGill University, l'Université de Sherbrooke, certain hospitals and by the Québec Government. The University is committed to funding a further \$56,000 which is expected to be paid in the next fiscal year.

The University has undertaken several capital projects and as a result has commitments totalling \$344,000. These commitments are expected to be met in the normal course of the operations.

Subsequent to year end, changes in senior administration have resulted in future commitments to individuals totalling approximately \$500 000 plus benefits where applicable.

## ***BISHOP'S UNIVERSITY***

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

#### **17. RELATED ENTITY - BISHOP'S UNIVERSITY FOUNDATION**

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

The Foundation is not consolidated in the University's financial statements. A financial summary of this non-consolidated entity as at June 30, 2007 and 2006 and for the years then ended is as follows:

<b>Financial position</b>	<b>2007</b>	<b>2006</b>
Current assets	146 155 \$	85 287 \$
Investments, at cost (quoted market value: 2007 - \$27,903,867; 2006 - \$25,318,739)	24 599 020	22 878 448
Total assets	24 745 175 \$	22 963 735 \$
Current liabilities	70 251 \$	- \$
Fund balances (Note a)	24 674 924	22 963 735
	24 745 175 \$	22 963 735 \$

- a) In accordance with donor - designated gifts, \$22,753,450 (2006 - \$21 976 538) of the Foundation's assets must be maintained for at least 10 years from the date of the gift. The investment revenue earned is mainly used to support student scholarships and services, academic enrichment and support and research activities.

<b>Results of operations</b>	<b>2007</b>	<b>2006</b>
Investment income	1 477 793 \$	1 133 580 \$
Donations	1 478 017	1 504 623
Total revenues	2 955 810	2 638 203
Total expenditures (Note b)	(2 130 484)	(2 582 193)
Gain on disposal of investments	885 863	136 043
Excess revenue	1 711 189 \$	192 053 \$

**BISHOP'S UNIVERSITY**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

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**17. RELATED ENTITY - BISHOP'S UNIVERSITY FOUNDATION (continued)**

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b) Total expenditures include contributions of \$1,976,842 as donations and management fees (\$2,419,970 in 2006) to the University.

<b>Cash flows</b>	<b>2007</b>	<b>2006</b>
Operating activities	787 815 \$	17 751 \$
Investing activities	( 648 950)	( 175 475)
Cash increase (decrease)	138 865 \$ (	157 724) \$

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**18. ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOWS**

**2007**                      **2006**

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The cash and the bank indebtedness include the following elements:

Cash	1 567 839 \$	- \$
Regular bank overdraft	- (	267 052)
Bank overdraft representing credit facility	- (	2 282 396)
	1 567 839 \$ (	2 549 448) \$

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NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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19. FINANCIAL INSTRUMENTS

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*Credit risk*

The University provides credit in the normal course of its operations and maintains provisions for potential losses. A significant portion of the University's receivables are due from governments which are believed to be at low risk of default.

*Interest rate risk*

The University has concluded a long-term interest rate swap agreement to minimize short-term debt financing costs and to manage interest rate fluctuations risk. This agreement covers the conversion of variable interest rates into fixed rates.

The long-term debt bears fixed interest rates for the loans. Consequently, the long-term debt interest rate fluctuation risk is minimal.

*Fair value*

For financial instruments such as cash, accounts receivable from Bishop's University Fondation, and from Pension Plan, long-term receivable, banker's acceptances, accounts payable and accrued liabilities, the carrying values are equivalent to their market value, by the nature of the short-term maturities of these financial instruments.

The fair value of investments in listed companies is approximately equal to their quoted market value, as described in note 8.

The fair value of unlisted investments is not readily obtainable and is presented at its historical cost or equity value.

The fair value of long-term debt, excluding reductions for the sinking fund, are based on rates currently available to the University for debt with similar terms and maturities, is \$14,740,066 at June 30, 2007 (\$11,546,400 in 2006).