

Financial Statements of

BISHOP'S UNIVERSITY

Year ended April 30, 2018

BISHOP'S UNIVERSITY

Financial Statements

Year ended April 30, 2018

Independent Auditors' Report

Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Bishop's University

We have audited the accompanying financial statements of Bishop's University, which comprise the statement of financial position as at April 30, 2018, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bishop's University as at April 30, 2018 and its results of operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Montreal, Quebec
September 28, 2018


BISHOP'S UNIVERSITY

Statement of Financial Position

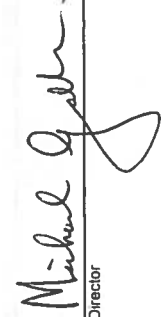
April 30, 2018, with comparative information for 2017

	Operating Fund		Restricted Funds		Capital Fund		Total
	April 30, 2018	April 30, 2017	April 30, 2018	April 30, 2017	April 30, 2018	April 30, 2017	April 30, 2017
Assets							
Current assets:							
Cash	\$ 308,972	\$ 1,676,762	\$ -	\$ -	\$ -	\$ 308,972	\$ 1,676,762
Accounts receivable	4,267,861	2,772,480	-	-	250,102	4,267,861	3,022,582
Accounts receivable - Ministère de l'Éducation et de l'Enseignement supérieur	4,117,259	4,715,266	-	-	250,742	4,328,371	4,966,008
Due from Bishop's University Foundation	139,168	-	-	-	-	139,168	-
Prepaid expenses	738,312	624,852	-	-	-	738,312	624,852
	9,571,572	9,789,360	-	-	500,844	9,782,684	10,290,204
Long-term assets:							
Accounts receivable	-	834,592	-	-	-	-	834,592
Interfund account, without interest	-	5,289,201	4,178,962	3,779,824	-	-	-
Investments (note 6)	172,937	279,895	-	-	997,752	180,525	1,277,647
Tangible capital assets (note 7)	-	-	-	-	103,930,886	86,567,218	86,567,218
Other assets (note 8)	-	-	-	-	67,373	67,373	117,069
Capital grants receivable (note 9)	-	-	-	-	748,879	748,879	1,322,577
	\$ 9,744,509	\$ 16,193,048	\$ 4,178,962	\$ 3,779,824	\$ 104,965,838	\$ 89,505,560	\$ 114,710,347
							\$ 100,409,407
Liabilities and Fund Balances							
Liabilities:							
Current liabilities:							
Bank indebtedness and credit facility (note 10)	\$ 13,700,000	\$ 18,600,000	\$ -	\$ -	\$ -	\$ 13,700,000	\$ 18,600,000
Banker's acceptances (note 11)	-	-	-	-	8,835,000	8,835,000	8,835,000
Accounts payable and accrued liabilities (note 12)	5,275,261	5,367,001	29,169	20,827	748,131	10,984,742	6,135,959
Due to Bishop's University Foundation	-	4,115,015	-	-	-	-	4,115,015
Derivative financial instrument	-	-	-	-	308,389	308,389	969,759
Unearned revenue	2,417,436	2,047,942	-	-	-	2,417,436	2,047,942
Installments on long-term debt (note 14)	-	-	-	-	8,202,317	8,202,317	2,794,689
	21,396,697	30,129,958	29,169	20,827	13,347,579	43,974,883	43,498,364
Long-term liabilities:							
Accrued liabilities related to charitable annuities	-	-	-	-	983,850	270	983,850
Interfund account, without interest	1,661,219	-	-	-	9,069,025	-	-
Deferred contributions (note 13)	-	-	4,149,793	3,758,997	-	4,149,793	3,758,997
Deferred capital contributions (note 9)	-	-	-	-	16,485,910	23,220,876	16,485,910
Long-term debt (note 14)	-	-	-	-	34,005,829	31,938,656	31,938,656
Employee future benefits (note 15)	48,054,300	45,449,100	-	-	-	48,054,300	45,449,100
	71,112,216	75,579,058	4,178,962	3,779,824	71,825,020	153,405,951	142,114,877
Fund balances:							
Unrestricted deficit	(61,367,707)	(59,386,010)	-	-	-	(61,367,707)	(59,386,010)
Invested in capital assets	-	-	-	-	22,672,103	17,680,540	17,680,540
	(61,367,707)	(59,386,010)	-	-	22,672,103	(38,695,604)	(41,705,470)
	\$ 9,744,509	\$ 16,193,048	\$ 4,178,962	\$ 3,779,824	\$ 104,965,839	\$ 89,505,560	\$ 114,710,347
							\$ 100,409,407

See accompanying notes to financial statements.

Approved by the Board of Governors

 Director

Director


 Director

BISHOP'S UNIVERSITY

Statement of Operations

Year ended April 30, 2018, with comparative information for 2017

	Operating Fund		Restricted Funds		Capital Fund		Total
	April 30, 2018	April 30, 2017	April 30, 2018	April 30, 2017	April 30, 2018	April 30, 2017	
Revenue:							
Grants - Ministère de l'Éducation et de l'Enseignement supérieur	\$ 25,565,906	\$ 24,245,064	\$ 578,022	\$ 412,673	\$ 2,897,213	\$ 2,702,955	\$ 29,001,141
Student academic fees	14,627,369	12,402,256	-	-	-	-	14,627,369
Other student fees	1,227,847	1,231,745	-	-	-	-	1,227,847
Other	826,285	875,059	719,196	692,217	630,467	644,234	2,175,948
Contributions - Bishop's University Foundation	807,693	388,373	3,416,050	2,480,501	323,227	293,538	4,546,970
Research grants	-	-	930,100	661,790	-	-	930,100
Student services	2,721,595	2,447,213	-	-	-	-	2,721,595
Ancillary enterprises	10,486,776	10,280,394	-	-	-	-	10,486,776
	56,283,471	51,870,104	5,643,368	4,247,181	3,790,907	3,640,727	65,717,746
Expenses							
Teaching	22,140,361	22,149,375	1,185,608	986,321	-	-	23,325,969
Funded research	-	-	1,050,538	834,217	-	-	1,050,538
Academic support:							
Library	1,593,959	1,426,179	2,420	10,060	-	-	1,596,379
Information technology and audio-visual	1,553,727	1,485,514	-	-	-	-	1,553,727
Administration support							
Administration	6,575,870	6,140,564	43,763	26,400	-	-	6,619,633
Land and buildings	4,456,143	4,237,304	6,161	589	-	-	4,462,304
Student services	3,033,793	2,510,733	1,156,336	809,780	-	-	4,190,129
Student scholarships and bursaries	29,200	93,693	2,037,332	1,489,085	-	-	2,066,532
Ancillary enterprises	8,715,927	8,070,076	161,210	90,729	-	-	8,877,137
Other interest (note 3)	47,720	111,890	-	-	-	-	47,720
Interest on long-term debt and temporary financing (note 3)	-	-	-	-	1,244,529	1,153,435	1,244,529
Interest on derivative financial instrument (note 3)	-	-	-	-	219,126	254,208	219,126
Amortization of capital assets	-	-	-	-	4,471,419	4,457,222	4,471,419
Amortization of other assets	-	-	-	-	49,696	51,466	49,696
Capital assets written off	-	-	-	-	94,677	88,390	94,677
Retirement allowances and severance costs	288,088	218,984	-	-	-	-	288,088
Employee future benefits	(314,100)	(32,800)	-	-	-	-	(314,100)
Amortization of pension plan	1,581,127	1,550,757	-	-	-	-	1,581,127
Variation of the fair value of investments	112,958	155,673	-	-	-	-	112,958
Variation of the fair value of derivative financial instrument	-	-	-	-	-	-	-
Variation of the fair value of long-term debt	-	-	-	-	(661,370)	(286,722)	(661,370)
	49,814,773	48,117,942	5,643,368	4,247,181	4,330,439	177,488	59,788,580
Excess (deficiency) of revenue over expenses	\$ 6,468,698	\$ 3,752,162	\$ -	\$ -	\$ (539,532)	\$ (2,254,760)	\$ 5,929,166
							\$ 1,497,402

See accompanying notes to financial statements

BISHOP'S UNIVERSITY
Statement of Changes in Fund Balances

Year ended April 30, 2018, with comparative information for 2017

	Operating Fund		Restricted Funds		Capital Fund		Total	
	April 30, 2018	April 30, 2017	April 30, 2018	April 30, 2017	April 30, 2018	April 30, 2017	April 30, 2018	April 30, 2017
Fund balances, beginning of year	\$ (59,386,010)	\$ (59,848,407)	\$ -	-	\$ 17,680,540	\$ 12,963,435	\$ (41,705,470)	\$ (46,884,972)
Excess (deficiency) of revenue over expenses	6,468,698	3,752,162	-	-	(539,532)	(2,254,760)	5,929,166	1,497,402
Employee future benefits - remeasurement and other items	(2,919,300)	3,682,100	-	-	-	-	(2,919,300)	3,682,100
Interfund transfers (note 4)	(5,531,095)	(6,971,865)	-	-	5,531,095	6,971,865	-	-
Fund balances, end of year	\$ (61,367,707)	\$ (59,386,010)	\$ -	-	\$ 22,672,103	\$ 17,680,540	\$ (38,695,604)	\$ (41,705,470)

See accompanying notes to financial statements.

BISHOP'S UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 5,929,166	\$ 1,497,402
Items which do not involve cash:		
Amortization of capital assets	4,471,419	4,457,222
Amortization of other assets	49,696	51,466
Amortization of deferred capital contributions	(2,584,706)	(2,537,293)
Variation of the fair value of investments	462,835	18,074
Variation of the fair value of derivative financial instrument	(661,370)	(286,722)
Variation of the fair value of long-term debt	(1,087,638)	177,488
	650,236	1,880,235
Employee future benefits	(314,100)	(32,800)
Accrued liabilities related to charitable annuities	(983,580)	77,388
Net change in non-cash operating working capital:		
Accounts receivable	226,950	(37,354)
Prepaid expenses	(113,460)	75,509
Accounts payable and accrued liabilities	2,504,084	1,321,888
Due to Bishop's University Foundation	(4,254,183)	3,314,031
Unearned revenue	369,494	147,532
Deferred contributions	390,796	(466,775)
	4,405,403	7,777,059
Investing activities:		
Acquisition of investments	(100,000)	(50,000)
Disposal of investments	734,288	149,524
Acquisition of capital assets	(19,490,390)	(8,414,106)
	(18,856,102)	(8,314,582)
Financing activities:		
Changes in credit facility	(4,900,000)	(8,400,000)
Change in banker's acceptances	(473,000)	4,105,000
Issuance of long-term debt	11,357,233	14,645,917
Repayment of long-term debt	(2,794,794)	(13,082,828)
Deferred capital contributions received	9,893,470	4,071,049
	13,082,909	1,339,138
Increase (decrease) in cash	(1,367,790)	801,615
Cash, beginning of year	1,676,765	875,150
Cash, end of year	\$ 308,975	\$ 1,676,765

See accompanying notes to financial statements.

BISHOP'S UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

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, in respect with the needs in financial information expressed by the Ministère de L'Éducation et de l'Enseignement supérieur, (hereafter "MEES"), sub-section 1.1 of the Cahier des définitions, des termes et des directives de présentation au Système d'information financière des universités.

(b) Consolidation:

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

(c) Fund accounting:

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

Operating Fund:

The Operating Fund includes teaching, academic and administration support, student services as well as ancillary enterprises such as residences and food services, sports centre, theatre and parking, all with no external restriction.

Restricted Funds:

Restricted Funds represent amounts received by the University which have donor or other external or internal restrictions and are used mainly to support student scholarships and services, academic enrichment and research activities.

Capital Fund:

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

(d) Accounting estimates:

The preparation of financial statements requires the University's management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the University may undertake in the future. Actual results may differ from these estimates. Significant estimates include assumptions used in measuring employee future benefits which is described in more details in note 15.

(e) Financial assets and liabilities:

Initial measurement:

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

Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

Subsequent measurement:

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

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

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2018

2. Significant accounting policies (continued):

(f) Derivative financial instruments:

The University uses derivative financial instruments to reduce the interest rate exposure of its debt. It does not use financial instruments for trading or speculative purposes. The University uses an interest rate swap to manage the risk of interest rate fluctuations on its banker's acceptances. This swap requires the periodic exchange of interest without an exchange of the notional (capital) amount on which payments are calculated.

Derivative financial instruments are recognized in the statement of financial position at their fair value, and variation in fair value is recognized in the statement of operations in the Capital Fund.

(g) Revenue recognition:

(i) Contributions and grants:

The University follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and recognized as revenue in the year in which the related expenses are incurred. Where contributions relate to 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 revenues and expenses.

(iii) Other:

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

- Persuasive evidence of an arrangement exists;
- Services have been rendered;
- Collection is reasonably assured;
- When the seller's price to the buyer is fixed or determinable

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

(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 revenues and expenses 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 net fund balances. Remeasurements and other items are not reclassified to the statement of operations in a subsequent year.

(h) Cash and cash equivalents:

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

(i) Tangible capital assets:

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

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

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2018

2. Significant accounting policies (continued):

(i) Tangible capital assets (continued):

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

Amortization:

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

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

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

(j) Other assets:

The University holds an interest, representing 1/19th of the cost of a high speed telecommunication system pursuant to an agreement between the MEES, the Réseau interordinateurs scientifique Québécois (RISQ) Inc. and the universities. The annual amortization is established using the straight-line method over the term of the contract signed by the MEES and the University (16 years).

(k) Servicing of long-term debt:

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

3. Interest expenses:

	2018	2017
Interest on long-term debt	\$ 913,111	\$ 866,672
Interest on bank indebtedness, credit facility and banker's acceptances	598,264	652,861
	\$ 1,511,375	\$ 1,519,533

4. Interfund transfers:

During the year, the University transferred \$2,836,095 (2017 - \$2,003,865) 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 \$2,695,000 (2017 - \$4,968,000) 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 \$8,308,590 (2017 - \$9,422,497) 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:

	2018	2017
Balanced fund, McLean Budden, representing charitable annuity donation fund	\$ -	\$ 984,346
Money Market Fund, McLean Budden, representing Supplemental Employee Retirement Plan (SERP)	7,588	13,406
MSBI Valorisation Inc., 8 shares, 0.8%	4,000	4,000
MSBI Investment Fund - Limited partnership, 1 unit, 0.35%	168,931	275,889
Aligo Corporation Inc.	6	6
	\$ 180,525	\$ 1,277,647

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2018

7. Tangible capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 417,644	\$ -	\$ 417,644	\$ 417,644
Land improvements	3,255,716	1,648,846	1,606,870	1,647,365
Buildings	64,444,690	28,793,105	35,651,585	36,605,166
Building renovations	47,325,580	9,971,047	37,354,533	37,209,273
Building renovations in progress	21,090,565	-	21,090,565	2,940,141
Furnishings, equipment, rolling equipment, computer hardware	8,175,122	4,421,906	3,753,216	3,550,254
Library collection	7,884,268	4,269,615	3,614,653	3,704,188
Software	1,080,181	638,361	441,820	391,760
Software in progress	-	-	-	101,427
	\$ 153,673,766	\$ 49,742,880	\$ 103,930,886	\$ 86,567,218

Cost and accumulated amortization at April 30, 2017 amounted to \$133,878,769 and \$47,311,551, respectively.

During the year, capital assets fully amortized and written off totalled \$2,040,089 (2017 - \$1,664,157).

Acquisition of tangible capital assets for an amount of \$3,067,346 (2017 - \$722,649) is included in the trade payables and other operating liabilities.

8. Other assets:

	2018	2017
Telecommunication system (RISQ), at amortized cost	\$ 57,567	\$ 106,909
Other	9,806	10,160
	\$ 67,373	\$ 117,069

9. Capital grants receivable and deferred capital contributions

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

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

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

	2018	2017
Capital grants receivable (net of deferred contributions related to tangible capital assets), beginning of year	\$ (15,163,233)	\$ (13,629,477)
Amortization of deferred capital contributions	2,584,706	2,537,293
Deferred contributions received	(9,893,470)	(4,071,049)
Capital grants receivable (net of deferred contributions related to tangible capital assets), end of year	\$ (22,471,997)	\$ (15,163,233)

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

	2018	2017
Capital grants receivable	\$ 748,879	\$ 1,322,677
Deferred capital contributions	(23,220,876)	(16,485,910)
	\$ (22,471,997)	\$ (15,163,233)

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2018

9. Capital grants receivable and 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

	2018	2017
Capital grants receivable, beginning of year	\$ 1,322,677	\$ 1,704,576
Amortization of deferred contributions	1,751,985	1,695,166
Deferred contributions received	(2,325,783)	(2,077,065)
Capital grants receivable, end of year	\$ 748,879	\$ 1,322,677

Bishop's University Foundation

	2018	2017
Deferred capital contributions, beginning of year	\$ (2,350,864)	\$ (2,486,638)
Amortization of deferred contributions	302,802	293,472
Deferred contributions received	(1,585,337)	(157,698)
Deferred capital contributions, end of year	\$ (3,633,399)	\$ (2,350,864)

Others

	2018	2017
Deferred capital contributions, beginning of year	\$ (14,135,046)	\$ (12,847,415)
Amortization of deferred contributions	529,919	548,855
Deferred contributions received	(5,982,350)	(1,836,286)
Deferred capital contributions, end of year	\$ (19,587,477)	\$ (14,135,046)

10. Bank indebtedness and credit facility:

The University has an authorized line of credit of \$34,300,000, bearing interest at either prime rate (2.70%; 2017 - 2.70%) or banker's acceptances rate plus 0.30% stamping fees (1.91%; 2017 - 1.17%) and renewable in July 2018 of which \$20,600,000 remained unused at year-end.

11. Banker's acceptances:

The University has an authorized line of credit facility of \$8,362,000 (2017 - \$8,835,000) by way of banker's acceptances, bearing interest at prime rate plus 0.30% stamping fees (1.93%; 2017 - 1.22%), as part of the financing of the students residences (Paterson and Abbott).

On April 30, 2018, the University has an agreement to swap interest rates, maturing in September 2028 and August 2041. Under this agreement, payments or receipts for the difference between the fixed interest rate of 5.42% and 1.814% and variable rate based on prime rate plus 0.3% stamping fees are made.

The notional amount of the swap agreement entered into by the University is \$8,362,000 as at April 30, 2018. The fair value of liabilities of the swap made according to information obtained from the financial institution is \$308,389.

12. Accounts payable and other accrued liabilities:

	2018	2017
Accounts payable and other accrued liabilities	\$ 10,124,002	\$ 5,059,769
Vacation and overtime accruals	860,739	1,076,190
	\$ 10,984,741	\$ 6,135,959

Included in accounts payable and other accrued liabilities are government remittances payable of \$286,937.

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2018

13. Deferred contributions:

Deferred contributions represent the unspent portion of funds received for restricted purposes other than capital purchases which are disclosed in note 9.

	2018	2017
Balance, beginning of year	\$ 3,758,997	\$ 4,225,772
Deferred contributions received	6,034,164	3,780,406
Amortization of deferred contributions	(5,643,368)	(4,247,181)
Balance, end of year	\$ 4,149,793	\$ 3,758,997

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

	2018	2017
Academic, students services and bursaries	\$ 2,323,781	\$ 2,212,962
Research	815,554	635,507
Other	1,010,458	910,528
	\$ 4,149,793	\$ 3,758,997

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2018

14. Long-term debt:

	2018	2017
Serviced by the University:		
<i>To finance heating tunnel - capital renovations:</i>		
Term loan, principal balance of \$437,978 (2017 - \$484,522), 2.12%, payable in monthly blended instalments of \$4,697, maturing in October 2021	\$ 412,725	\$ 481,712
<i>To finance the new student system:</i>		
Term loan, repaid during the year	-	245,946
<i>To finance Centennial Theatre renovations</i>		
Term loan, principal amount of \$457,318 (2017 - \$493,680), 3.10%, payable in semi-annual blended instalments of \$25,673, renewable in May 2018	455,384	501,482
Serviced by the gouvernement du Québec:		
<i>MEES capital grants are authorized under the five year university capital investment plan (Plan quinquennal d'investissements) and are funded by 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 \$4,800,000 (2017 - \$5,040,000), 2.1182%, payable in annual capital instalments of \$240,000, renewable in June 2018	4,808,965	5,114,782
Term loan, principal amount of \$1,380,000 (2017 - \$1,440,000), 2.696%, payable in annual capital instalments of \$60,000, renewable in June 2032	1,357,100	1,455,606
Term loan, principal amount of \$2,760,000 (2017 - \$2,880,000), 3.23%, payable in annual capital instalments of \$120,000, renewable in June 2034	2,748,338	2,917,648
Term loan, principal amount of \$12,897,554 (2017 - \$13,835,000), 2.13%, payable in annual capital instalments of \$937,446, renewable in September 2026	12,604,387	14,115,721
Term loan, principal amount of \$8,764,481 (2017 - \$0), 2.753%, payable in annual capital instalments of \$406,579, renewable in September 2027 ¹	8,764,480	-
Serviced by other sources:		
<i>To finance the construction of a synthetic turf subsidized by MEES:</i>		
Mortgage loans, secured by a mobile hypothec on the universality of property, principal amount of \$294,994 (2017 - \$430,582), 5.89%, payable in blended instalments of \$160,879, renewable in May 2019	309,264	464,810
<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 \$5,417,224 (2017 - \$6,100,958), 3.097%, payable in annual blended instalments of \$872,681, renewable in September 2024	5,496,222	6,401,438
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$1,952,512 (2017 - \$2,169,813), 2.576%, payable in annual blended instalments of \$273,195, renewable in Oct 2025	1,931,037	2,209,598
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$738,512 (2017 - \$810,917), 2.493%, payable in annual blended instalments of \$92,621 renewable in December 2026	727,490	824,602
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$2,592,754 (2017 - \$0), 2.833%, payable in annual blended instalments of \$301,365 renewable in January 2028 ¹	2,592,754	-
	42,208,146	34,733,345
Current portion of long-term debt	(8,202,317)	(2,794,689)
	\$ 34,005,829	\$ 31,938,656

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

2019	\$ 8,202,317
2020	2,989,843
2021	2,876,384
2022	3,157,089
2023	2,903,918
2024 and thereafter	22,363,777

¹From 2017-2018 and going forward, the University has elected to initially recognize new debt agreements at their fair value and subsequently measure them at amortized cost.

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2018

15. 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 December 31, 2015, and the next valuation will be on June 30, 2018.

The University contributes additional amounts of \$ 2,682,960 (2017 - \$2,627,640) of which \$1,073,184 (2017 - \$1,051,056) was paid by employees in fringe benefits.

The funding status of the benefit plans is as follows:

April 30, 2018	Pension plan for full-time employees	SERP	Post- retirement insurance	Retirement program	Total
Defined benefit obligation	\$ (155,678,700)	\$ (2,215,000)	\$ (16,304,700)	\$ (2,898,500)	\$ (177,096,900)
Fair Value of plan assets	129,042,600	-	-	-	129,042,600
Funded status - deficit and defined benefit liability	\$ (26,636,100)	\$ (2,215,000)	\$ (16,304,700)	\$ (2,898,500)	\$ (48,054,300)

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

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

April 30, 2017	Pension plan for full-time employees	SERP	Post- retirement insurance	Retirement program	Total
Defined benefit obligation	\$ (152,725,500)	\$ (2,074,800)	\$ (15,810,700)	\$ (2,849,300)	\$ (173,460,300)
Fair Value of plan assets	128,011,200	-	-	-	128,011,200
Funded status - deficit and defined benefit liability	\$ (24,714,300)	\$ (2,074,800)	\$ (15,810,700)	\$ (2,849,300)	\$ (45,449,100)

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

Accrued benefit obligation					
Discount rate	5.50%	5.50%	5.50%	5.50%	5.50%
Rate of compensation increase	2.50%	2.50%	n/a	2.50%	2.50%
Benefit costs					
Discount rate	5.75%	5.75%	5.75%	5.75%	5.75%
Rate of compensation increase excluding step increases	2.50%	2.50%	n/a	2.50%	2.50%

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2018

16. Commitments:

The University has entered into long-term lease agreements for equipment and telecommunication services expiring at different dates up to April 30, 2021. Future minimum lease payments aggregate \$471,322 including the following payments over the next three years:

2019	\$	257,230
2020		150,952
2021		63,140
	\$	471,322

The University has undertaken several capital projects and, as a result, has commitments totalling \$13,206,289. \$13,157,289 of these commitments is expected to be met in 2018 - 2019, while \$49,000 is expected to be met in 2019 - 2020.

17. 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, 2018, 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.

18. Related entity - Bishop's University Foundation:

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

The Foundation is not consolidated in the University's financial statements. A financial summary of this non-consolidated entity as at April 30, 2018 and 2017 and for the periods then ended is as follows:

Financial position

	2018	2017
Current assets	\$ 5,215,414	\$ 7,249,392
Investments at fair value	61,448,861	51,856,676
	\$ 66,664,275	\$ 59,106,068
Current liabilities	\$ 143,595	\$ -
Fund balances (a)	66,520,680	59,106,068
	\$ 66,664,275	\$ 59,106,068

Results of operations and changes in fund balances

	Year ended April 30, 2018	Year ended April 30, 2017
Revenue:		
Investment income	\$ 1,675,933	\$ 6,770,182
Donations and others	12,857,632	7,284,307
	14,533,565	14,054,489
Total expenses (b)	(7,251,851)	(3,605,787)
Gain (loss) on disposal on investments	132,898	(396,774)
Excess of revenue over expenses and net change in fund balances	\$ 7,414,612	\$ 10,051,928

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2018

18. Related entity - Bishop's University Foundation (continued):

Cash flows

	Year ended April 30, 2018	Year ended April 30, 2017
Operating activities	\$ (8,230,766)	\$ 3,239,890
Investing and financing activities	10,291,715	(213,454)
Increase in cash	\$ 2,060,949	\$ 3,026,436

(a) In accordance with donors' designations, \$46,648,957 (2017 - \$37,197,620) of the Foundation's assets are to be held in perpetuity. The investment revenue earned is used mainly to support student scholarships and services, academic enrichment, as well as to support and research activities.

(b) Total expenditures include contributions of \$6,741,808 (2017 - \$3,117,845) and management fees of \$36,000 (2017 - \$36,000) to the University.

The Foundation's financial statements for the year ended April 30, 2018 are not yet approved by the Board of Governors of the Foundation at the date of issuance of the University's financial statements.

19. 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 11). This agreement covers the conversion of variable interest rates into fixed rates and is not eligible for hedge accounting. As at April 30, 2018, the negative fair value of this derivative financial instrument is \$308,389 (2017 - \$969,759) and is presented as a liability in the statement of financial position.

(b) Other price risk:

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

Liquidity risk:

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

Carrying amount of financial assets by categories:

The carrying amount of the University's financial assets that are measured at amortized cost totals \$9,793,251 (2017 - \$11,822,621), whereas the carrying amount of financial assets measured at fair value totals \$7,588 (2017 - \$997,753) and the carrying amount of investments in equity instruments measured at cost totals \$172,937 (2017 - \$279,895).

Guaranteed financial liabilities:

As at April 30, 2018, the total carrying amount of guaranteed financial liabilities is \$41,795,421 (2017 - \$33,504,206).

BISHOP'S UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2018

20. Subsequent event:

As at July 3, 2018, the University has entered into a debt agreement with the Fédération des caisses Desjardins du Québec for an amount of \$6,400,000. The funds received are to be used to finance the renovations of the Keuhner residences. The debt bears interest at a rate of 3.44% with monthly payments of \$21,333 beginning August 27, 2018.

21. Comparative information:

Comparative amounts of the prior year have been reclassified in the statement of operations to be consistent with the presentation of the current year.