

Bishop's University
Financial Statements
April 30, 2014

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Independent Auditor's Report

To the Board of Governors of
Bishop's University

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We have audited the accompanying financial statements of Bishop's University, which comprise the balance sheet as at April 30, 2014 and the statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and 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.

Auditor's 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 the 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 the auditor's 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, the auditor considers 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, 2014 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.

Raymond Chabot Grant Thornton LLP

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Sherbrooke
September 26, 2014

¹ CPA auditor, CA public accountancy permit n° A125487

Bishop's University **Revenues and Expenses** Year ended April 30, 2014

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Grants - Ministère de l'Enseignement supérieur, de la Recherche et de la Science	23,538,568	22,266,735	187,460	252,491	2,110,836	2,277,780	25,836,864	24,797,006
Student academic fees	11,748,885	11,865,339					11,748,885	11,865,339
Other student fees	923,875	662,567					923,875	662,567
Other	599,100	550,033	392,136	332,569	272,822	211,918	1,264,058	1,094,520
Contributions - Bishop's University Foundation			2,347,259	2,198,608	205,990	206,449	2,553,249	2,405,057
Research grants			789,614	939,279			789,614	939,279
Student services	2,319,748	2,150,802					2,319,748	2,150,802
Ancillary enterprises	11,927,632	9,400,691					11,927,632	9,400,691
	<u>51,057,808</u>	<u>46,896,167</u>	<u>3,716,469</u>	<u>3,722,947</u>	<u>2,589,648</u>	<u>2,696,147</u>	<u>57,363,925</u>	<u>53,315,261</u>
Expenses								
Teaching	20,995,638	20,994,085	474,769	673,809			21,470,407	21,667,894
Funded research			967,017	1,031,913			967,017	1,031,913
Academic support								
Library	1,442,649	1,324,229	18,834				1,461,483	1,324,229
Information technology and audio-visual	1,286,791	1,275,426					1,286,791	1,275,426
Administration				59,223				
Land and buildings	6,004,886	5,319,191	73,120				6,078,006	5,378,414
Student services	4,627,959	4,176,082	2,991				4,630,950	4,176,082
Student scholarships and bursaries	2,206,675	2,016,118	379,422	358,201			2,586,097	2,374,319
Ancillary enterprises	99,156	309,534	1,689,583	1,599,801			1,788,739	1,909,335
Interest on long-term debt and temporary financing (Note 3)	9,359,045	7,808,902	110,733				9,469,778	7,808,902
Interest on derivative financial instrument (Note 3)					850,372	924,573		924,573
Other interest (Note 3)					246,236	253,545		253,545
Amortization of tangible capital assets	44,188	38,178					44,188	38,178
Amortization of other assets			3,486,349				3,486,349	3,439,859
Capital assets written off			51,466				51,466	51,466
Retirement allowances and severance costs			25,037				25,037	75,074
Employee future benefits	17,714	222,312					17,714	222,312
Amortization of pension plan	3,694,700	1,996,800					3,694,700	1,996,800
Net change in fair value of investments	1,219,819	1,240,093					1,219,819	1,240,093
Net change in fair value of derivative financial instrument	(45,443)	8,441			450		(44,993)	8,441
Net change in fair value of long-term debt					(379,041)	74,546	(379,041)	74,546
	<u>50,953,777</u>	<u>46,729,391</u>	<u>3,716,469</u>	<u>3,722,947</u>	<u>(263,932)</u>	<u>128,648</u>	<u>58,687,183</u>	<u>128,648</u>
	<u>104,031</u>	<u>166,776</u>	<u>-</u>	<u>-</u>	<u>(1,427,289)</u>	<u>(2,251,564)</u>	<u>(1,323,258)</u>	<u>(2,084,788)</u>
Excess (deficiency) of revenues over expenses								

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

Bishop's University
Changes in Fund Balances
Year ended April 30, 2014

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Fund balances, beginning of year	(31,869,646)	(29,365,875)			6,631,153	6,212,170	(25,238,493)	(23,153,705)
Excess (deficiency) of revenues over expenses	104,031	166,776			(1,427,289)	(2,251,564)	(1,323,258)	(2,084,788)
Interfund transfers (Note 4)	(3,750,715)	(2,670,547)			3,750,715	2,670,547		
Fund balances, end of year	<u>(35,516,330)</u>	<u>(31,869,646)</u>	<u>-</u>	<u>-</u>	<u>8,954,579</u>	<u>6,631,153</u>	<u>(26,561,751)</u>	<u>(25,238,493)</u>

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

Bishop's University

Cash Flows

Year ended April 30, 2014

	2014	2013
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	(1,323,258)	(2,084,788)
Non-cash items		
Amortization of tangible capital assets	3,486,349	3,439,859
Amortization of other assets	51,466	51,466
Amortization of deferred contributions related to tangible capital assets	(1,794,294)	(1,787,458)
Net change in fair value of investments	(188,740)	(88,515)
Net change in fair value of derivative financial instrument	(379,041)	74,546
Net change in fair value of long-term debt	(263,932)	128,648
	(411,450)	(266,242)
Employee future benefits	3,694,700	1,996,800
Charitable annuities payable	85,265	(112,870)
Net change in working capital items		
Accounts receivable	(383,718)	(2,426,920)
Due from Bishop's University Foundation	(875,680)	401,907
Prepaid expenses	(55,890)	(84,910)
Unearned revenue	(287,009)	538,720
Trade payables and other operating liabilities	750,693	(1,141,968)
Deferred contributions	354,345	(591,500)
Cash flows from operating activities	2,871,256	(1,686,983)
INVESTING ACTIVITIES		
Acquisition of investments	(100,000)	(100,000)
Disposal of investments	151,170	302,712
Acquisition of tangible capital assets	(19,109,366)	(7,844,037)
Variation in long-term receivables		67,810
Cash flows from investing activities	(19,058,196)	(7,573,515)
FINANCING ACTIVITIES		
Net change in credit facility	7,500,000	100,000
Net change in banker's acceptances	(234,000)	(224,000)
Issuance of long-term debt	10,000,000	6,475,000
Repayment of long-term debt	(7,622,370)	(1,432,759)
Deferred contributions related to tangible capital assets	6,772,398	2,567,112
Cash flows from financing activities	16,416,028	7,485,353
Net increase (decrease) in cash and cash equivalents	229,088	(1,775,145)
Cash and cash equivalents (deficiency), beginning of year	(116,079)	1,659,066
Cash and cash equivalents (deficiency), end of year	113,009	(116,079)

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

Bishop's University Balance Sheet

April 30, 2014

	Operating Fund		Restricted Funds		Capital Fund		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
ASSETS								
Current								
Cash	113,009	2,476,925					113,009	2,476,925
Accounts receivable	2,180,770		13,636		205,886		2,194,406	
Accounts receivable - Ministère de l'Enseignement supérieur, de la Recherche et de la Science	4,401,490	4,358,863			38,577	43,673	4,440,067	4,402,536
Due from Bishop's University Foundation	833,365						833,365	
Prepaid expenses	583,943	528,053					583,943	528,053
	8,112,577	7,363,841	13,636	-	38,577	249,559	8,164,790	7,613,400
Long-term								
Accounts receivable	834,592						834,592	
Interfund account, without interest	9,617,966	3,415,524	2,547,415	2,191,951			1,105,583	968,013
Investments (Note 6)	142,620	91,460			962,963	876,553	70,059,458	49,822,193
Tangible capital assets (Note 7)					271,467	322,933	271,467	322,933
Other assets (Note 8)					2,161,664	2,670,119	2,161,664	2,670,119
Capital grants receivable (Note 9)			2,561,051	2,191,951	73,494,129	53,941,357	82,597,554	61,396,658
	18,707,755	10,870,825						
LIABILITIES								
Current								
Bank indebtedness and credit facility (Note 10)	17,600,000	10,216,079			5,243,000	5,477,000	17,600,000	10,216,079
Banker's acceptances (Note 11)							5,243,000	5,477,000
Trade payables and other operating liabilities (Note 12)	5,168,361	4,434,044	19,934	5,179	5,955,107	1,339,238	11,143,402	5,778,461
Due to Bishop's University Foundation		42,315			1,068,018	1,447,059	1,068,018	1,447,059
Derivative financial instrument (Note 11)	1,589,224	1,876,233			1,689,100	7,763,230	1,589,224	1,876,233
Unearned revenue							1,689,100	7,763,230
Current portion of long-term debt	24,357,585	16,568,671	19,934	5,179	13,955,225	16,026,527	38,332,744	32,600,377
Long-term								
Accrued liabilities related to charitable annuities					912,921	827,656	912,921	827,656
Interfund accounts, without interest			2,541,117	2,186,772	12,165,381	5,607,475	2,541,117	2,186,772
Deferred contributions (Note 13)								
Deferred contributions related to tangible capital assets (Note 9)					9,625,728	5,156,079	9,625,728	5,156,079
Long-term debt (Note 14)					27,880,295	19,692,467	27,880,295	19,692,467
Employee future benefits (Note 15)	29,866,500	26,171,800					29,866,500	26,171,800
	64,224,085	42,740,471	2,561,051	2,191,951	64,539,550	47,310,204	109,159,305	86,635,151
FUND BALANCES (NEGATIVE)								
Unrestricted	(35,516,330)	(31,869,646)			8,954,579	6,631,153	(35,516,330)	(31,869,646)
Invested in capital assets	(35,516,330)	(31,869,646)	-	-	8,954,579	6,631,153	(26,561,751)	(25,238,493)
	18,707,755	10,870,825	2,561,051	2,191,951	73,494,129	53,941,357	82,597,554	61,396,658

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

Approved by the Board of Governors



Director

Michael Goldstein
Director

Bishop's University

Notes to Financial Statements

April 30, 2014

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, is exempt from payment of income tax.

2 - SIGNIFICANT ACCOUNTING POLICIES

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'Enseignement supérieur, de la Recherche et de la Science (hereafter the "MESRS"), sub-section 1.1 of the *Cahier des définitions, des termes et des directives de présentation du Système d'information financière des universités*.

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.

Fund accounting

These financial statements are prepared on a fund accounting basis using the deferral 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 or internal restrictions 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.

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.

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 the 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 revenues and expenses in the year the reversal occurs.

Bishop's University
Notes to Financial Statements
 April 30, 2014

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 the balance sheet at their fair value, and variation in fair value is recognized in the statement of revenues and expenses in the Capital Fund.

Revenue recognition

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.

Interest and dividend revenue is recorded on an accrual basis. 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.

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;
- The price to the buyer is fixed or determinable;
- Collection is reasonably assured.

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

Contributed supplies and services

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.

Pension and other retirement benefit plans

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 plan for full-time employees. The annual additional contribution to amortize the going-concern deficit of the pension plan for eligible full-time employees is recognized as an expense in the statement of revenues and expenses in the Operating Fund.

The cost of providing pension benefits and post-employment and post-retirement benefits other than pensions is determined periodically by independent actuaries. The actuarial valuation performed every three years is based on the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). For the purpose of calculating the expected return on plan assets, the assets are valued at fair value.

Actuarial gains or losses arise from the difference between the actual long-term rate of return on plan assets for the year and the expected long-term rate of return on plan assets for that year, or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain or loss over 10% of the greater of the benefit obligation and the fair value of plan assets is depreciated over the average remaining service period of active employees, being 10 to 12 years.

Past service costs arising from plan amendments are deferred and depreciated on a straight-line basis over the average remaining service period of employees active at the date of the amendments.

Bishop's University

Notes to Financial Statements

April 30, 2014

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Tangible capital assets

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

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

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

Amortization

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

	<u>Periods</u>
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

Write-down

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 Revenues and Expenses.

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 MESRS, 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 MESRS and the University (16 years).

Servicing of long-term debt

For the long-term debt obligations, the Gouvernement du 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

	<u>2014</u>	<u>2013</u>
	\$	\$
Interest on long-term debt	705,562	718,746
Interest on bank indebtedness, credit facility and banker's acceptances	435,234	497,550
	<u>1,140,796</u>	<u>1,216,296</u>

4 - INTERFUND TRANSFERS

During the year, the University transferred \$3,023,901 (\$2,771,335 for the year ended April 30, 2013) 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 \$726,814 from the Operating Fund to the Capital Fund as a reserve for future assets acquisitions (\$100,788 of investments from the Capital Fund to the Operating Fund for the year ended April 30, 2013).

Bishop's University

Notes to Financial Statements

April 30, 2014

5 - GOVERNMENT ASSISTANCE

The MESRS 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 \$2,679,387 (\$5,465,751 for the year ended April 30, 2013) 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 MESRS.

6 - INVESTMENTS

	2014	2013
	\$	\$
Balanced Fund, McLean Budden, representing charitable annuity donation fund	913,416	830,118
Money Market Fund, McLean Budden, representing Supplemental Employee Retirement Plan (SERP)	49,547	46,435
MSBI Valorisation Inc., 8 shares, 0.8%	4,000	4,000
MSBI Investment Fund - Limited partnership, 1 unit, 0.35%	138,620	87,460
	<u>1,105,583</u>	<u>968,013</u>

7 - TANGIBLE CAPITAL ASSETS

	2014		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land	417,644		417,644
Land improvements	3,154,150	1,041,252	2,112,898
Buildings	34,194,481	25,110,200	9,084,281
Buildings in progress	21,680,582		21,680,582
Building renovations	32,435,183	4,878,891	27,556,292
Building renovations in progress	1,307,316		1,307,316
Furnishings, equipment, rolling equipment, computer hardware	6,966,421	3,621,854	3,344,567
Library collection	7,879,812	4,228,054	3,651,758
Software	1,670,979	797,139	873,840
Software in progress	30,280		30,280
	<u>109,736,848</u>	<u>39,677,390</u>	<u>70,059,458</u>

	2013		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Land	417,644		417,644
Land improvements	3,154,150	882,344	2,271,806
Buildings	34,194,481	24,607,985	9,586,496
Buildings in progress	2,461,874		2,461,874
Building renovations	29,765,645	3,860,916	25,904,729
Building renovations in progress	1,557,420		1,557,420
Furnishings, equipment, rolling equipment, computer hardware	6,212,888	3,082,055	3,130,833
Library collection	7,726,808	4,129,124	3,597,684
Software	1,547,560	653,853	893,707
	<u>87,038,470</u>	<u>37,216,277</u>	<u>49,822,193</u>

During the year, the capital assets fully amortized written off represents \$1,025,235.

Acquisition of tangible capital assets for an amount of \$5,933,539 (\$1,319,291 as at April 30, 2013) is included in the trade payables and other operating liabilities.

8 - OTHER ASSETS

	2014	2013
	\$	\$
Telecommunication system (RISQ), at amortized cost	254,935	304,277
Other	16,532	18,656
	<u>271,467</u>	<u>322,933</u>

Bishop's University

Notes to Financial Statements

April 30, 2014

9 - CAPITAL GRANTS RECEIVABLE AND DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

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

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

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

	2014	2013
	\$	\$
Capital grants receivable (net of deferred contributions related to tangible capital assets), beginning of year	(2,485,960)	(1,706,306)
Amortization of deferred contributions	1,794,294	1,787,458
Deferred contributions received	(6,772,398)	(2,567,112)
Capital grants receivable (net of deferred contributions related to tangible capital assets), end of year	<u>(7,464,064)</u>	<u>(2,485,960)</u>

The detailed changes in the capital grants receivable and the deferred contributions balances, presented by principal funds providers, are as follows:

Ministère de l'Enseignement supérieur, de la Recherche et de la Science

	2014	2013
	\$	\$
Capital grants receivable, beginning of year	2,670,119	2,889,472
Amortization of deferred contributions	1,377,112	1,390,854
Deferred contributions received	(1,885,567)	(1,610,207)
Capital grants receivable, end of year	<u>2,161,664</u>	<u>2,670,119</u>

Bishop's University Foundation

	2014	2013
	\$	\$
Deferred contributions, beginning of year	(1,592,055)	(1,598,467)
Amortization of deferred contributions	201,004	204,852
Deferred contributions received	(47,474)	(198,440)
Deferred contributions, end of year	<u>(1,438,525)</u>	<u>(1,592,055)</u>

Others

	2014	2013
	\$	\$
Deferred contributions, beginning of year	(3,564,024)	(2,997,311)
Amortization of deferred contributions	216,178	191,752
Deferred contributions received	(4,839,357)	(758,465)
Deferred contributions, end of year	<u>(8,187,203)</u>	<u>(3,564,024)</u>

Bishop's University

Notes to Financial Statements

April 30, 2014

10 - BANK INDEBTEDNESS AND CREDIT FACILITY

The University has an authorized line of credit of \$34,000,000, bearing interest at either prime rate (3%) or banker's acceptances rate plus 0.3% stamping fees (1.54%; 1.52% as at April 30, 2013) and renewable on July 2014, of which \$16,400,000 remained unused at year-end.

The bank indebtedness includes the following elements:

	2014	2013
	\$	\$
Regular bank overdraft		116,079
Banker's acceptances representing credit facility	17,600,000	10,100,000
	<u>17,600,000</u>	<u>10,216,079</u>

11 - BANKER'S ACCEPTANCES

The University has an authorized line of credit facility of \$5,243,000 (\$5,477,000 as at April 30, 2013) by way of banker's acceptances, bearing interest at prime rate plus 0.3% stamping fees (1.54%; 1.52% as at April 30, 2013), as part of the financing of the Paterson's students residence.

On April 30, 2014, the University has an agreement to swap interest rates, maturing in September 2028. Under this agreement, payments or receipts for the difference between the fixed interest rate of 5.42% and variable rate based on prime rate plus 0.3% stamping fees (1.54% as at April 30, 2014) are made.

The notional amount of the swap agreement entered into by the University is \$5,243,000 as at April 30, 2014. The fair value of liabilities of the swap made according to information obtained from the financial institution is \$1,068,018.

12 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	2014	2013
	\$	\$
Accounts payable and other accrued liabilities	9,958,783	4,660,333
Vacation and overtime accruals	1,184,619	1,118,128
	<u>11,143,402</u>	<u>5,778,461</u>

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.

	2014	2013
	\$	\$
Balance, beginning of year	2,186,772	2,778,272
Deferred contributions received	4,070,814	3,131,447
Amortization of deferred contributions	(3,716,469)	(3,722,947)
Balance, end of year	<u>2,541,117</u>	<u>2,186,772</u>

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

	2014	2013
	\$	\$
Academic, student services and bursaries	1,451,488	1,438,722
Research	289,670	320,068
Other	799,959	427,982
Balance, end of year	<u>2,541,117</u>	<u>2,186,772</u>

Bishop's University

Notes to Financial Statements

April 30, 2014

14 - LONG-TERM DEBT

	2014 \$	2013 \$
Serviced by the University		
<i>To finance heating tunnel - capital renovations:</i>		
Term loan, principal balance of \$599,101 (\$632,772 as at April 30, 2013), 5%, payable in monthly blended instalments of \$5,379, maturing in October 2016	637,975	688,950
<i>To finance the construction of food kiosk:</i>		
Term loan, 7.374%		13,802
<i>To finance the new student system:</i>		
Term loan, principal balance of \$387,917 (\$435,417 as at April 30, 2013), 2.53%, payable in monthly capital instalments of \$3,958, maturing in June 2017	391,617	439,406
Serviced by the Gouvernement du Québec		
<i>MESRS 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 \$4,987,824 (\$5,325,216 as at April 30, 2013), 2.559%, payable in annual capital instalments of \$337,392, renewable in June 2016	5,151,030	5,538,990
Term loan, principal amount of \$6,440,000 (\$6,720,000 as at April 30, 2013), 1.9257%, payable in annual capital instalments of \$280,000, renewable in April 2017	6,512,454	6,796,378
Term loan, principal amount of \$5,760,000 (\$6,000,000 as at April 30, 2013), 2.1182%, payable in annual capital instalments of \$240,000, renewable in June 2018	5,732,614	6,054,108
Term loan, principal amount of \$8,044,814, 1.382%, payable in annual capital instalments of \$455,186, renewable in April 2016	8,066,910	
Term loan, principal amount of \$1,500,000, 1.435%, payable in annual capital instalments of \$85,600, renewable in December 2016	1,499,450	
Term loan, 4.26%		1,487,762
Term loan, 4.394%		4,617,402
Serviced by other sources		
<i>To finance the construction of Kuehner, Munster and Abbott student residences subsidized by the MESRS:</i>		
Mortgage loans, secured by buildings having a net carrying amount of \$117,795, principal amount of \$112,415 (\$181,903 as at April 30, 2013), 5.125% to 5.75%, payable in semi-annual blended instalments of \$39,285, maturing at various dates from December 2014 to 2016	118,318	193,929
<i>To finance Centennial Theatre renovations subsidized by the ministère de la Culture, des Communications et de la Condition féminine</i>		
Term loan, principal amount of \$596,021 (\$625,835 as at April 30, 2013), 3.10% (5.07% as at April 30, 2013), payable in semi-annual blended instalments of \$25,673, renewable in May 2018	593,856	633,918

Bishop's University

Notes to Financial Statements

April 30, 2014

14 - LONG-TERM DEBT (Continued)

	2014	2013
	\$	\$
<i>To finance the construction of a synthetic turf subsidized by:</i>		
<i>The MESRS:</i>		
Mortgage loan, secured by a movable hypothec on the universality of property, principal amount of \$793,621 (\$901,419 as at April 30, 2013), 5.89%, payable in annual blended instalments of \$160,879, renewable in May 2019	865,171	991,052
	<u>29,569,395</u>	<u>27,455,697</u>
Current portion	<u>(1,689,100)</u>	<u>(7,763,230)</u>
	<u>27,880,295</u>	<u>19,692,467</u>

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

	\$
2015	1,689,100
2016	8,810,622
2017	12,512,407
2018	657,256
2019	5,400,683
2020 and more	151,645

15 - EMPLOYEE FUTURE BENEFITS

Pension Plans

- 1) The University sponsors a defined benefit pension plan for eligible full-time employees (the "Pension Plan for Full-Time Employees").
- 2) The University also maintains a Supplemental Employee Retirement Plan (SERP) for members of the Pension Plan for Full-Time Employees.
- 3) 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 \$129,925 (\$105,635 in 2013).
- 4) Certain employees (Faculty and Librarians) of the University have access to early retirement plans as defined in their collective agreement.

The University measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at April 30 of each year. The most recent actuarial valuation of the pension plans for funding purposes was as of June 30, 2011 and the next required valuation will be as of June 30, 2014.

Starting July 1, 2008, the University has to contribute additional annual amounts until June 30, 2026 in order to amortize the going-concern deficit. A portion of these amounts is assumed by the employees since July 1, 2009.

The University contributes additional amounts of \$2,027,400 (\$2,027,400 in 2013) of which \$787,307 (\$426,534 in 2013) was paid by employees in fringe benefits and \$647,798 (\$616,280 in 2013) is due from the employees.

Bishop's University
Notes to Financial Statements
April 30, 2014

15 - EMPLOYEE FUTURE BENEFITS (Continued)

Information about the University's benefit plans is as follows:

					2014
	Pension Plan for Full-Time Employees	SERP	Post- Retirement Insurance	Early Retirement Program	Total
	\$	\$	\$	\$	\$
Accrued benefit obligation	(161,064,700)	(2,759,100)	(20,258,500)	(2,786,100)	(186,868,400)
Fair value of plan assets	112,860,900				112,860,900
Funded status - deficit plan surplus	(48,203,800)	(2,759,100)	(20,258,500)	(2,786,100)	(74,007,500)
Balance of unamortized amounts	40,719,700	984,000	3,309,800	(872,500)	44,141,000
Accrued benefit liability	(7,484,100)	(1,775,100)	(16,948,700)	(3,658,600)	(29,866,500)

Each plan presented above is not fully funded.

Plan assets consist of (percentage of plan assets):

Equity securities	62.1%				62.1%
Debt securities	28.1%				28.1%
Other	9.8%				9.8%
Total	100%	-	-	-	100%

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

Accrued benefit obligation as of April 30					
Discount rate	4.25%	4.25%	4.25%	4.25%	4.25%
Rate of compensation increase	2%	2%	N.A.	N.A.	2%
Benefit costs for the years ended April 30					
Discount rate	4%	4%	4%	4%	4%
Expected long-term rate of return on plan assets	6.50%	N.A.	N.A.	N.A.	6.50%
Rate of compensation increase	2%	2%	N.A.	N.A.	2%

Other information about the University's defined benefit plans is as follows:

Benefit costs	4,525,400	248,200	2,194,300	206,100	7,174,000
Cash payments recognized by the University	3,071,500	94,400	295,700	17,700	3,479,300
Benefit paid by the plans	7,465,000	94,400	295,700	17,700	7,872,800

					2013
	Pension Plan for Full-Time Employees	SERP	Post- Retirement Insurance	Early Retirement Program	Total
	\$	\$	\$	\$	\$
Accrued benefit obligation	(149,659,000)	(2,564,500)	(21,396,800)	(2,519,200)	(176,139,500)
Fair value of plan assets	99,526,000				99,526,000
Funded status - deficit plan surplus	(50,133,000)	(2,564,500)	(21,396,800)	(2,519,200)	(76,613,500)
Balance of unamortized amounts	44,102,800	943,200	6,346,700	(951,000)	50,441,700
Accrued benefit liability	(6,030,200)	(1,621,300)	(15,050,100)	(3,470,200)	(26,171,800)

Each plan presented above is not fully funded.

Bishop's University
Notes to Financial Statements
April 30, 2014

15 - EMPLOYEE FUTURE BENEFITS (Continued)

					2013
	Pension Plan for Full-Time Employees	SERP	Post- Retirement Insurance	Early Retirement Program	Total
	\$	\$	\$	\$	\$
Plan assets consist of (percentage of plan assets):					
Equity securities	59.6%				59.6%
Debt securities	31.2%				31.2%
Other	9.2%				9.2%
Total	100%	—	—	—	100%

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

Accrued benefit obligation as of April 30					
Discount rate	4%	4%	4%	4%	4%
Rate of compensation increase	2%	2%	N.A.	N.A.	2%
Benefit costs for the years ended April 30					
Discount rate	4.75%	4.75%	4.75%	4.75%	4.75%
Expected long-term rate of return on plan assets	6.75%	N.A.	N.A.	N.A.	6.75%
Rate of compensation increase	2%	2%	N.A.	N.A.	2%

Other information about the University's defined benefit plans is as follows:

Benefit costs	4,560,900	211,700	1,848,900	377,300	6,998,800
Cash payments recognized by the University	4,400,900	91,500	287,300	222,300	5,002,000
Benefit paid by the plans	7,141,200	91,500	287,300	222,300	7,742,300

16 - COMMITMENTS

The University has entered into long-term lease agreements for equipment and telecommunication services expiring at different dates up to April 20, 2020. Future minimum lease payments aggregate \$596,946, including the following payments over the next five years:

	\$
2015	153,717
2016	126,601
2017	118,528
2018	69,300
2019	65,100

The University has undertaken several capital projects and, as a result, has commitments totalling \$7,822,872. These commitments serviced by external sources are expected to be met in the normal course of operations.

17 - CONTINGENT LIABILITIES

Litigation

A lawsuit in the amount of \$9,300,000 has been filed against the University for personal damages sustained by a student. The management has transmitted this claim to their insurers. It is not possible at this time to determine the ultimate amount of the liability that may arise as a result of this lawsuit.

Moreover, in the normal course of its activities, the University is party to various legal proceedings, including claims related to labour laws and the Civil Code of Québec. Although it is not possible to determine the ultimate outcome of such proceedings initiated and ongoing as at April 30, 2014, 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.

Bishop's University

Notes to Financial Statements

April 30, 2014

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. 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, 2014 and 2013 and for the years then ended is as follows:

	<u>2014-06-30</u>	<u>2013-06-30</u>
	\$	\$
Financial position		
Current assets	1,447,150	635,731
Investments, at fair value	<u>39,628,908</u>	<u>33,854,149</u>
Total assets	<u>41,076,058</u>	<u>34,489,880</u>
Current liabilities	1,377,522	
Fund balances (a)	<u>39,698,536</u>	34,489,880
	<u>41,076,058</u>	<u>34,489,880</u>
	<u>2014-06-30</u>	<u>2013-06-30</u>
	\$	\$
Results of operations and changes in fund balances		
Investment income	6,538,210	4,138,410
Donations and others	<u>2,641,419</u>	<u>2,402,854</u>
Total revenues	9,179,629	6,541,264
Total expenditures (b)	<u>(4,020,409)</u>	<u>(2,991,408)</u>
Gain on disposal of investments	49,436	361,090
Excess of revenues over expenditures and net changes in fund balances	<u>5,208,656</u>	<u>3,910,946</u>
	<u>2014-06-30</u>	<u>2013-06-30</u>
	\$	\$
Cash Flows		
Operating activities	(542,847)	(454,771)
Investing and financing activities	<u>1,184,781</u>	<u>360,396</u>
Cash increase (decrease)	<u>641,934</u>	<u>(94,375)</u>

(a) In accordance with donor, designated gifts, \$27,573,124 (\$26,261,270 as at June 30, 2013), 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 as well as support and research activities.

(b) Total expenditures include contributions of \$3,721,164 (\$2,466,378 in 2013) and management fees of \$36,000 (\$36,000 in 2013) to the University.

The Foundation's financial statements for the year ended June 30, 2014 are not yet approved by the Board of Governors of the Foundation at the date of issuance of the University's financial statements.

Bishop's University

Notes to Financial Statements

April 30, 2014

19 - FINANCIAL INSTRUMENTS

Financial risks

The University's main financial risk exposure is as follows.

Credit risk

The University is exposed to credit risk regarding the financial assets recognized in the balance sheet, 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.

The credit risk regarding cash is considered to be negligible because it is held by a reputable financial institution with an investment grade external credit rating.

Market risk

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

— 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, 2014, the negative fair value of this derivative financial instrument is \$1,068,018 (\$1,447,059 as at April 30, 2013) and is presented as a liability in the statement of the balance sheet.

The long-term debt serviced by the University and by other sources bears interest at a fixed rate and the University is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The long-term debt serviced by the Gouvernement du Québec does not bear any risk since the debt service is financed by the Gouvernement du Québec.

— Other price risk:

The University is exposed to other price risk due to investments in balanced fund and money market fund, 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 category

The carrying amount of the University's financial assets that are measured at amortized cost totals \$10,577,103 (\$9,755,466 as at April 30, 2013), whereas the carrying amount of financial assets measured at fair value totals \$962,963 (\$876,553 as at April 30, 2013) and the carrying amount of investments in equity instruments measured at cost totals \$142,620 (\$91,460 as at April 30, 2013).

Guaranteed financial liabilities

As at April 30, 2014, the total carrying amount of guaranteed financial liabilities is \$27,945,947.

20 - SUBSEQUENT EVENT

Subsequent to its year-end, the University obtained a new long-term loan in the Capital Fund at the amount of \$7,407,426, bearing interest at 3.097%, payable in annual instalments of \$872,681, maturing in September 2024. This long-term loan is serviced (capital and interest) by the ministère des Affaires municipales et de l'Occupation du territoire.