Financial Statements of

BROCK UNIVERSITY

Year ended April 30, 2005

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Financial Statements

Year ended April 30, 2005

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Public Sector Salary Disclosure Act please refer to http://www.gov.on.ca/FIN/english/psecteng.htm

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AUDITORS' REPORT

The Trustees of Brock University

We have audited the statement of financial position of Brock University as at April 30, 2005 and the statements of operations and changes in net assets 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.

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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

St. Catharines, Canada
June 30, 2005

BROCK UNIVERSITY
Statement of Financial Position

April 30, 2005, with comparative figures for 2004
(in thousands of dollars)

	2005	2004
Assets		
Current assets:		
Cash and marketable securities	$ 32,714	$ 14,559
Accounts receivable	4,398	5,711
Government grants receivable	1,120	2,112
Prepaid expenses and other assets	1,824	1,413
Inventories	1,627	1,636
	41,683	25,431
Restricted investments, at cost (note 2):		
Cash	5,229	1,676
Marketable securities	23,917	19,814
	29,146	21,490
Capital assets (note 3)	161,904	164,731
	$ 232,733	$ 211,652
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 17,872	$ 14,017
Deferred revenue	7,230	6,079
Deferred contributions (note 4)	4,075	7,055
Current portion of long-term debt (note 5)	11,763	5,377
	40,940	32,528
Long-term debt (note 5)	72,134	76,289
Deferred capital contributions (note 6)	63,108	60,629
Employee future benefits obligation (note 7)	5,469	5,442
Net assets:		
Invested in capital assets (note 8)	18,568	23,391
Endowments (note 9)	21,337	17,204
Internally restricted (note 10)	12,639	5,643
Unrestricted	(1,462)	(9,474)
	51,082	36,764
Commitments (note 11)		
Contingencies (note 14)		
	$ 232,733	$ 211,652

See accompanying notes to financial statements

On behalf of the Board:

____________________ Trustee

____________________ Trustee

BROCK UNIVERSITY

Statement of Operations

Year ended April 30, 2005, with comparative figures for 2004
(in thousands of dollars)

	2005	2004
Revenues:		
Government grants for general operations	$ 68,934	$ 64,146
Research grants for restricted purposes	15,888	9,751
Grants and other revenues for restricted purposes	4,768	2,006
Student fees	69,162	63,257
Ancillary operations	23,947	22,368
Investment income (note 12)	1,174	1,959
Sundry	8,239	7,714
Amortization of deferred capital contributions (note 6)	4,203	3,280
	196,315	174,481
Expenses:		
Academic	92,326	79,171
Administrative and advancement	8,856	8,411
Plant maintenance	14,776	13,044
Student support services and other	13,621	13,455
Research	15,888	9,751
Student aid and awards	7,896	7,974
Ancillary operations	19,743	18,132
Amortization of ancillary capital assets	2,387	2,028
Amortization of other capital assets	10,637	9,362
	186,130	161,328
Excess of revenues over expenses	$ 10,185	$ 13,153

See accompanying notes and Schedule I to financial statements.

BROCK UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2005, with comparative figures for 2004
(in thousands of dollars)

	Invested in capital assets	Endowments	Internally restricted	Unrestricted	2005 Total	2004 Total
	(note 8)	(note 9)	(note 10)			
Net assets, beginning of year	$ 23,391	$ 17,204	$ 5,643	$ (9,474)	$36,764	$ 21,149
Excess of revenues over expenses (expenses over revenues)	(8,821)	-	-	19,006	10,185	13,153
Change in internally restricted net assets	-	-	6,996	(6,996)	-	-
Net change in investment in capital assets	3,998	-	-	(3,998)	-	-
Investment loss charged directly to endowment	-	(93)	-	-	(93)	(186)
Endowment contributions	-	4,226	-	-	4,226	2,648
Balance, end of year	$ 18,568	$ 21,337	$ 12,639	$ (1,462)	$ 51,082	$ 36,764

See accompanying notes to financial statements.

BROCK UNIVERSITY
Statement of Cash Flows

Year ended April 30, 2005, with comparative figures for 2004
(in thousands of dollars)

	2005	2004
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ 10,185	$ 13,153
Add (deduct) non-cash items:		
Amortization of capital assets	13,024	11,390
Amortization of deferred capital contributions	(4,203)	(3,280)
	19,006	21,263
Net change in non-cash working capital balances related to operations:		
Decrease in accounts receivable	1,313	335
Decrease in government grants receivable	992	526
(Increase) in prepaid expenses and other assets	(411)	-
Decrease in inventories	9	(449)
Increase in accounts payable and accrued liabilities	3,855	3,801
Increase (decrease) in deferred revenue	1,151	(1,179)
(Decrease) in deferred contributions	(2,980)	(192)
Net change in employee future benefits obligations	27	(1,153)
Cash provided by operating activities	22,962	22,952
Investing and financing activities:		
Sale (purchase) of investments, net	(7,656)	7,145
Purchase of capital assets	(10,197)	(27,135)
Contributions restricted for capital purchases	6,682	4,304
Repayment of long-term debt	(3,500)	(3,813)
Long-term debt financing	5,731	8,500
Investment income earned on externally restricted endowments for capital preservation	(93)	(186)
Endowment contributions	4,226	2,648
Cash used in investing and financing activities	(4,807)	(8,537)
Increase in cash position	18,155	14,415
Cash and marketable securities, beginning of year	14,559	144
Cash and marketable securities, end of year	$ 32,714	$ 14,559

Supplemental cash flow information:

	2005	2004
Interest paid during the year	$ 5,685	$ 4,696

See accompanying notes to financial statements.

Brock University (the "University") was incorporated as a university under the Brock University Act. The University is dedicated to providing programs in broadly-based undergraduate education in the arts and sciences and in professional and interdisciplinary programs, and to offer graduate studies in a broad range of disciplines.

These financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of the operations of the University. Accordingly, these financial statements include the academic, administrative and other operating expenses funded by fees, grants, donations and other general revenue, endowment funds, and the ancillary operations.

The University is a charitable organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are summarized below:

(a) Cash and cash equivalents:

Cash equivalents are held for the purpose of meeting short-term cash commitments, are readily convertible to a known amount of cash and are subject to an insignificant amount of risk of changes in value. Cash equivalents include investments with maturities of three months or less from the date of acquisition. Cash and cash equivalents are valued at cost, which approximates market value.

(b) Inventories:

Inventories are stated at the lower of cost (weighted average cost) and net realizable value.

(c) Investments:

Investments, which management intends to hold for the foreseeable future, are stated at amortized cost, adjusted to recognize any declines in value that are other than temporary.

(d) Derivative financial instruments:

The University is a party to a number of derivative financial instrument contracts used to manage risks. Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense on long term debt.

Derivative financial instruments are utilized by the University in the management of its interest rate exposures. The University's policy is not to utilize derivative financial instruments for trading or speculative purposes.

1. **Significant accounting policies (continued):**

(d) Derivative financial instruments (continued):

The University formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or anticipated transactions. The University also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The University enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The University designates its interest rate hedge agreements as hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity, are deferred under other current, or non-current, assets or liabilities on the balance sheet and recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

(f) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Contributions of capital assets are capitalized at fair market value at the date of contribution. Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Buildings	2.5% to 10%
Furnishings and equipment	10% to 33 1/3%
Library books	20%

Construction costs are capitalized as work progresses and amortization commences as work is substantially completed.

(g) Works of Art:

Contributed works of art are recorded as revenue and expense, at fair market value, at the date of contribution. If the fair market value is not determinable, the contribution is recorded at a nominal amount. Artwork purchases are expensed as acquired.

1. Significant accounting policies (continued):

(h) Endowments:

Contributions restricted for endowments consist of restricted donations received by the University and donations internally designated by the Board of Trustees, in the exercise of its discretion. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors or the Board of Trustees. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Investment income on endowments that is available for spending at the discretion of the University or is available for spending as the conditions established by the donor have been met has been recorded in the statement of operations and changes in net assets. University policy has been established with the objective of protecting the real value of the endowments by having an overall investment objective for endowments to earn, over time, a rate of return at least equal to the total of inflation plus spending and the costs of administering the funds. Underlying the investment objective is a spending rate that limits allocations to an estimated long-term rate of investment return. The spending rate is reviewed annually based on a moving three year average of the investment pool period. Investment income in excess of administration costs and spending allocations will be added to capital, up to the rate of inflation. Any additional excess will be set aside in a stabilization reserve that can be drawn upon in years when income is less than the spending allocated. In the case of new endowments where the pro-rata annual investment return less administrative costs is lower than the spending allocation, the spending on these endowments may be temporarily suspended in order to preserve donor capital.

(i) Revenue recognition:

The University follows the deferral method of accounting for contributions, which include donations and government grants. 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. Unrestricted donations are recognized on a cash basis since pledges are not legally enforceable claims. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the year in which they are received. Student fees are recognized as revenue when courses and seminars are held. Sales and services revenue is recognized at the point of sale or when the service has been provided.

(j) Contributed services and materials:

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed services and materials are not recognized in these financial statements.

1. **Significant accounting policies (continued):**

(k) Employee future benefits:

The University provides pension benefits to employees primarily through a hybrid pension plan. Under this arrangement, the University and employees are required to make contributions based on a specified percentage of the employee's earnings. The amount of pension benefits provided to employees is based upon the accumulation of contributions and investment earnings thereon, when the employee retires, subject to a guaranteed minimum benefit amount. As the minimum benefit guarantee is an insignificant portion of the plan, the plan is essentially a defined contribution arrangement. The University records the cost of providing this benefit equal to its requirement to make contributions on an annual basis. Certain faculty are members of the Teachers' Superannuation Fund, a multi-employer defined benefit plan. Contributions to this plan are expensed when due.

The University also has a number of defined benefit programs that provide employees with benefits upon retirement or cessation of active service. The cost of these programs is determined on an actuarial basis using the projected benefit method prorated on services and management's best estimates regarding assumptions about a number of future conditions including salary changes, withdrawals, mortality rates and expected health care costs. The discount rate used to determine service cost and liabilities is based on the prevailing market interest rates on long-term fixed income securities with maturities that match the expected maturities of the obligations. The excess of the cumulative net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the expected average remaining service period of active employees.

(l) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the period reported. Actual results could differ from those estimates.

(m) Pledges:

Pledges are recorded as revenue on a cash basis and accordingly are not set up as assets in the financial statements. The total amount of pledges outstanding is approximately $3,519,000 at April 30, 2005 and is expected to be received as follows:

(000's)	
2006	$ 1,881
2007	877
2008	304
2009	276
Thereafter	181
	$ 3,519

2. Investments:

The book and market values of investments are as follows:

(000's)	2005 Book value	2005 Market value	2004 Book value	2004 Market value
Invested for endowments				
Cash and cash equivalents	$ 5,229	$ 5,259	$ 1,676	$ 1,676
Bonds	556	584	1,318	1,345
Canadian equities	229	221	138	133
McLean Budden balanced Growth Fund	15,323	17,949	14,072	16,211
	21,337	24,013	17,204	19,365
Invested for unspent capital projects				
Money market pooled fund	3,669	3,669	955	954
Invested for future loan repayments				
Bonds	3,640	4,466	3,331	4,199
McLean Budden fixed income fund	500	500	-	-
	$ 29,146	$ 32,648	$ 21,490	$ 24,518

3. Capital assets:

(000's)	2005 Cost	2005 Accumulated amortization	2005 Net book value	2004 Cost	2004 Accumulated amortization	2004 Net book value
Land	$ 1,295	$	$ 1,295	$ 1,295	$ -	$ 1,295
Buildings	224,680	76,716	147,964	219,534	69,939	149,595
Furnishings and equipment	49,894	42,138	7,757	47,155	39,093	8,062
Library books	35,826	30,937	4,888	33,514	27,735	5,779
	$ 311,695	$ 149,791	$ 161,904	$ 301,498	$ 136,767	$ 164,731

Included in buildings is $ 2,937,260 (2004 - $940,000) of construction in progress that was not amortized during the year. For the year ended April 30, 2005, total interest capitalized was $nil (2004 - $158,201).

3. Capital assets (continued):

The increase in net book value of capital assets is due to the following:

(000's)	2005	2004
Balance, beginning of year	$ 164,731	$ 148,986
Purchase of capital assets funded by deferred capital contributions	3,768	3,472
Donation of building	200	720
Purchase of capital assets internally financed	498	4,443
Purchase of capital assets financed by long-term debt	5,731	18,500
Amortization of capital assets	(13,024)	(11,390)
Balance, end of year	$ 161,904	$ 164,731

4. Deferred contributions:

Deferred contributions represent unspent externally restricted grants and donations for research and other restricted purposes. The changes in the deferred contributions balance are as follows:

(000's)	2005	2004
Balance, beginning of year	$ 7,055	$ 7,247
Grants, donations and other expendable funds	17,266	11,385
Amounts recorded as revenue during the year	(20,246)	(11,577)
Balance, end of year	$ 4,075	$ 7,055

Pursuant to an agreement among the University, the Brock University Students' Centre, Inc. and the Brock University Students' Union, Inc., a Student Centre dedicated to servicing the cultural, educational, recreational, social; and organizational interests of the student body of the University on a not-for-profit basis was constructed. The Student Centre and the land on which it is situated are owned by the University. The Brock University Students' Centre, Inc. operates the Student Centre. Substantially all the costs of construction and the interest on the Student Centre bank loan (note 5) are being covered by a special contribution of $10 per course per student. To date, an amount of $4,878,000 has been contributed by students for the Student Centre. In fiscal 2005, an amount of $950,000 (2004 - $450,000) is included in the grants and donations for restricted purposes.

5. Long-term debt:

000's	2005	2004
Decew student residence:		
6.875% mortgage loan with monthly blended payments of principal and interest of $11,298, due March 1, 2020	$ 1,266	$ 1,314
Earp student residence:		
7.2% loan with certain residences and investments pledged as security, with monthly blended payments of principal and interest of $90,570, due October 1, 2028	12,301	12,494
Lowenberger student residence:		
$6,000,000 non-revolving line of credit, with monthly payments of principal of $20,833 plus interest at the one-month Banker's Acceptance rate, due September 30, 2012, fixed at 6.15% using an interest rate swap agreement, due October 7, 2027	5,625	5,875
Lowenberger student residence:		
7.2% loan with certain residences and investments pledged as security, with monthly blended payments of principal and interest of $71,873, due October 1, 2028	9,762	9,916
Lowenberger student residence:		
Non-revolving line of credit, payable interest only monthly at the one-month Bankers' Acceptance rate (2.56% as at April 30, 2005) due October 31, 2005	5,132	1,900
Vallee student residence:		
Non-revolving loan with annual payments of principal of $300,000 until September 1, 2006 and $400,000 thereafter, plus accrued interest at the one month Bankers' Acceptance rate, fixed at 4.985% using an interest rate swap agreement, due September 1, 2009	5,500	5,800
Village I student residence:		
9.26% mortgage loan with semi-annual payments of interest only of $382,577, due December 1, 2009	8,263	8,263
Village II student residence:		
Non-revolving loan with annual payments of principal of $200,000, plus accrued interest at the six-month Bankers' Acceptance rate (2.85% as at April 30, 2005), due September 30, 2008	1,100	1,300
Village III student residence:		
6.03% fixed rate term loan with annual payments of principal of $150,000, plus monthly payments of interest, due September 3, 2008	3,300	3,450
Village renovations:		
Non-revolving loan with annual payments of principal of $275,000, plus accrued interest at the six-month Bankers' Acceptance rate (2.85% as at April 30, 2005), due September 30, 2007	550	825
Subtotal	52,799	51,137

5. Long-term debt (continued):

000's	2005	2004
Carried forward	52,799	51,137
Student centre:		
Non-revolving loan with annual payments of principal of $220,000 thereafter, plus accrued interest at prime rate (4.25% as at April 30, 2005), due September 30, 2013.	2,123	2,343
Co-generation facility:		
Non-revolving loan with annual payments of principal of $500,000, plus accrued interest at the three month Bankers' Acceptance rate, fixed at 7.21% using an interest rate swap agreement, due September 30, 2009	2,500	2,900
Hamilton campus:		
Non-revolving loan with annual payments of principal of approximately $38,000 plus interest at the one month Bankers' Acceptance rate, fixed at 6.35% using an interest rate swap agreement, due November 1, 2030	2,357	2,394
Brock 2000 Academic Buildings and Student and Community Health & Fitness Centre:		
$10,000,000 non-revolving line of credit with monthly payments of principal of $35,070, plus interest at the one-month Bankers' Acceptance rate, due September 30, 2012, fixed at 5.76% using an interest rate swap agreement due October 7, 2027	9,468	9,892
Brock 2000 Academic Buildings and Student and Community Health & Fitness Centre:		
Non-revolving line of credit, with annual payments of principal of $1,000,000 to September 30, 2006, $1,200,000 to September 30, 2011 and $1,000,000 on September 30, 2012, plus interest at the six-month Bankers' Acceptance rate (2.85% as at April 30, 2005)	9,000	9,500
Parking expansion:		
Non-revolving line of credit with annual payments of principal of $350,000 plus accrued interest fixed at 4.57% using an interest rate swap agreement, with the balance of principal due September 30, 2013	3,150	3,500
MacKenzie Chown Addition:		
Non-revolving line of credit, payable interest only monthly at the one-month Bankers' Acceptance rate (2.54% as at April 30, 2005) due October 31, 2005	2,500	-
	83,897	81,666
Less current portion	11,763	5,377
	$ 72,134	$ 76,289

5. Long-term debt (continued):

(a) Offsetting investments:

The University has purchased strip bonds which are due over a period of time from 2009 to 2010, with a maturity value of $5,242,375 and a current discounted value of $3,639,770. In addition, the University purchased McLean Budden short-term fixed income funds with a market value of $500,647. It is management's intention that the ultimate proceeds of these investments will be applied against long-term debt for the Village 1 Student residence (see note 2).

(b) Debt maturities:

The following are the future minimum annual debt principal repayments due over the next five fiscal years and thereafter:

(000's)		
2006	$	11,763
2007		4,166
2008		4,226
2009		7,264
2010		15,920
Thereafter		40,558
	$	83,897

(c) Bank credit facility:

The University has available operating lines of credit totaling $5,000,000 which were not utilized at April 30, 2005. The interest rate on the operating line of credit, when drawn, is prime less 0.375% (the prime rate at April 30, 2005 is 4.25%) and amounts are due on demand.

(d) Interest rate swaps:

The fair value of the interest rate swap agreements is based on amounts quoted by the University's banks to realize favourable contracts or settle unfavourable contracts, taking into account interest rates at April 30, 2005. At April 30, 2005, the interest rate swap agreement is in a net unfavourable position, of $3,221,272 which is an unrecorded liability. In accordance with the University's policy as outlined in note 1(d), this liability has not been recorded.

6. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and changes in net assets. The changes in the deferred capital contributions balance are as follows:

(000's)	2005	2004
Balance, beginning of year	$ 60,629	$ 59,605
Less amortization of deferred capital contributions	(4,203)	(3,280)
Add contributions restricted for capital purposes	6,682	4,304
Balance, end of year	$ 63,108	$ 60,629

The balance of unamortized capital contributions related to capital assets consists of the following:

(000's)	2005	2004
Unamortized capital contributions used to purchase assets	$ 59,439	$ 59,674
Unspent capital contributions	3,669	955
	$ 63,108	$ 60,629

7. Employee future benefits:

The University has a number of defined benefit and defined contribution plans providing pension and other future benefits to most of its employees. Non-pension benefits include retiree medical and life insurance benefits until the age of 65, accumulating sick leave benefits and pre-retirement leave benefits.

The reconciliation of the funded status of the defined benefit plans to the amounts recorded in the financial statements is as follows:

	Other benefit plan	
(000's)	2005	2004
Accrued benefit obligation	$ 6,732	$ 6,839
Fair value of plan assets	–	–
Funded status - plan surplus (deficit)	(6,732)	(6,839)
Balance of unamortized amounts	1,263	1,397
Accrued benefit liability	(5,469)	(5,442)
Valuation allowance	–	–
Accrued benefit liability, net of valuation allowance	$ (5,469)	$ (5,442)

7. Employee future benefits (continued):

The expense for the University's benefit plans is as follows:

(000's)	2005	2004	2005	2004
	Pension benefit plans		Other benefit plans	
Defined benefit plans	$ -	$ -	$ 1,249	$ 216
Non-pension benefit plans	-	-	1,222	1,369
Defined contribution plan	6,380	5,726	-	-
Contributions to a multi-employer plan	92	113	-	-

The principal actuarial assumptions adopted in measuring the University's employee future benefits obligation are as follows:

	2005	2004
Discount rate	5.75%	6.25%
Health care costs	9.0% in 2001 decreasing over 5 years to 4.5%	
Other benefits costs	4.50%	4.50%

8. Net assets invested in capital assets:

(a) Net assets invested in capital assets consist of the following:

(000's)	2005	2004
Capital assets, net (note 3)	$ 161,904	$ 164,731
Less amounts financed by:		
Long-term debt (note 5)	83,897	81,666
Deferred capital contributions (note 6)	59,439	59,674
Balance, end of year	$ 18,568	$ 23,391

8. Net assets invested in capital assets (continued):

(b) The change in net assets invested in capital assets is calculated as follows:

(000's)	2005	2004
Repayment of long-term debt	$ 3,500	$ 3,813
Purchase of capital assets internally financed	498	4,263
Increase in invested in capital assets	3,998	8,076
Donation of land	-	(180)
Amortization expense	13,024	11,390
Less amount of amortization expense related to capital assets purchased with restricted contributions	(4,203)	(3,280)
Decrease in invested in capital assets	8,821	7,930
	$ (4,823)	$ 146

9. Endowments:

(a) Investment income:

In fiscal 2005, investment income on endowments was $598,365 (2004 - $496,326). The 5% internally allocated for scholarship spending of $690,981 (2004 - $683,000) was added to deferred contributions and the balance $92,616 (2004 – $186,608) representing a reduction in capital, was deducted directly from endowment net assets.

(b) Contributions restricted for endowments consist of the following:

(000's)	2005	2004
Externally restricted	$ 18,786	$ 14,507
Internally restricted	2,551	2,697
	$ 21,337	$ 17,204

9. Endowments (continued):

(c) Ontario Student Opportunity Trust Fund, Phase One:

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund matching program, Phase One to award student aid as a result of raising an equal amount of endowed donations.

Schedule of Changes in Endowment Balance:

(000's)	2005	2004
Endowment balance, beginning of year	$ 7,569	$ 7,460
Investment income earned representing capital preservation	148	109
Endowment balance, end of year	$ 7,717	$ 7,569

Schedule of Changes in Expendable Funds Available for Awards:

(000's)	2005	2004
Investment income	$ 477	$ 331
Bursaries awarded	(477)	(331)
Expendable funds available for awards, end of year	$ -	$ -
Number of bursaries awarded	415	256

(d) Ontario Student Opportunity Trust Fund, Phase Two:

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund matching program, Phase Two to award student aid as a result of raising an equal amount of endowed donations. The following information relates to the Trust fund for the year ended March 31, 2005 as requested by the Government.

Schedule of Donations Received/Pledged Between March 27, 2003 and March 31, 2005:

(000's)	
Cash donations matched during the year	$ 984
Cash donations received between March 27, 2003 and March 31, 2004, that were matched in 2003/4	482
Outstanding unmatched cash donations at March 31, 2005	815
Outstanding pledges received between January 1, 2004 and March 31, 2005	225
	$ 2,506

9. Endowments (continued):

(e) Ontario Student Opportunity Trust Fund, Phase Two (continued):

Schedule of Changes in Endowment Balance:

(000's)		2005		2004
Endowment balance, beginning of year	$	2,297	$	-
Cash donations received		467		1,815
Funds receivable from the Ministry		-		255
Funds received from the Ministry		984		227
Endowment balance, end of year	$	3,748	$	2,297

Schedule of Changes in Expendable Funds Available for Awards:

(000's)		2005		2004
Expendable funds available for awards, beginning of year	$	55	$	-
Investment income		88		55
Bursaries awarded		(8)		-
Expendable funds available for awards, end of year	$	135	$	55
Number of bursaries awarded		8		0

10. Internally restricted net assets:

Internally restricted net assets consist of funds set aside for the following purposes:

(000's)		2005		2004
Operations:				
Faculty departments	$	2,383	$	1,569
Other departments		1,592		685
Library books		105		219
Capital related		472		960
Other		6,025		670
		10,577		4,103
Accumulated interest on offsetting investments (note 5(a))		2,390		2,082
Accumulated excess of student awards over interest earned		(328)		(542)
	$	12,639	$	5,643

Internally restricted net assets for departments represent cumulative unspent budgeted funds that departments are permitted to carry forward to the following year, less cumulative overspending of other departments.

11. Commitments:

a) As at April 30, 2005, the estimated costs to complete approved capital and renovation projects are approximately $5,648,000 (2004 - $16,255,000), which will be funded by government grants, donations and operations.

b) The following are the future minimum annual operating lease payments due over the next five fiscal years and thereafter (in 000's):

2006	$ 1,914
2007	1,941
2008	1,941
2009	1,941
2010	1,433
Thereafter	2,880
	$ 12,050

12. Investment income:

Investment income included in the statement of operations and changes in net assets is calculated as follows:

(000's)	2005	2004
Total investment income earned	$ 1,081	$ 1,773
Investment income shortfall deducted from endowment net assets (note 10)	93	186
	$ 1,174	$ 1,959

13. Canadian Universities Reciprocal Insurance Exchange:

The University is a member of the Canadian Universities Reciprocal Insurance Exchange ("CURIE"). CURIE is a pooling of the property damage and public liability insurance risks of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment in the event members' premiums are insufficient to cover losses and expenses. No assessment has been made for the year ended April 30, 2005.

14. Contingencies:

The nature of the University's activities are such that there may be litigation pending or in the prospect at any time. With respect to claims at April 20, 2005, administration believes that the University has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, administration believes that such claims are not expected to have a material effect on the University's financial position. No provision has been accrued in these financial statements in respect of the above litigation.

15. Fair value:

For certain of the University's financial instruments, including cash and cash equivalents, accounts receivable, government grants receivable and accounts payable and accrued liabilities, the carrying values approximate the fair values due to their short-term maturity. The fair value of investments are determined based on quoted market values as disclosed in note 2.

The fair market value of long-term debt is as follows:

(000's)		2005		2004
	Book value	Market value	Book value	Market value
Long term debt with fixed interest rates	$ 34,892	$ 25,286	$ 35,437	$ 25,446
Long term debt with variable interest rates (without any consideration of interest rate swaps)	49,005	49,005	46,229	46,229
	$ 83,897	$ 74,291	$ 81,666	$ 71,675

The fair value of the interest rate swaps is disclosed in note 5(d).

16. Brock Foundation:

As at April 30, 2005, the Brock Foundation (the "Foundation"), a Crown agent, had a balance of donations on hand of $327,000 (2004 - $24,000) which the University anticipates will be conveyed to them after year-end. The University acts as investment manager for the Foundation.

17. Comparative financial statements:

The comparative financial statements have been reclassified to conform to the presentation of the 2005 financial statements.

BROCK UNIVERSITY

Schedule I – Statement of Operations by Fund

Year ended April 30, 2005
(in thousands of dollars)

	Operating fund and ancillary enterprises	Research and student awards	Total unrestricted	Internally restricted	Invested in capital assets	Subtotal	Endowments	Total
Revenues:								
Government grants for general operations	$ 68,934	$ -	$ 68,934	$ -	$ -	$ 68,934	$ -	$ 68,934
Grants and donations for restricted purposes	-	20,656	20,656	-	-	20,656	4,226	24,882
Student fees	63,297	5,865	69,162	-	-	69,162	-	69,162
Ancillary operations	23,947	-	23,947	-	-	23,947	-	23,947
Investment income	1,081	93	1,174	-	-	1,174	(93)	1,081
Sundry	8,239	-	8,239	-	-	8,239	-	8,239
Amortization of deferred capital contributions	-	-	-	-	4,203	4,203	-	4,203
	165,498	26,614	192,112	-	4,203	196,315	4,133	200,448
Expenses:								
Academic	92,326	-	92,326	-	-	92,326	-	92,326
Administrative and advancement	8,856	-	8,856	-	-	8,856	-	8,856
Plant maintenance	14,776	-	14,776	-	-	14,776	-	14,776
Student support services and other	13,621	-	13,621	-	-	13,621	-	13,621
Research	-	15,888	15,888	-	-	15,888	-	15,888
Student aid and awards	-	7,896	7,896	-	-	7,896	-	7,896
Ancillary operations	19,743	-	19,743	-	-	19,743	-	19,743
Amortization of ancillary capital assets	-	-	-	-	2,387	2,387	-	2,387
Amortization of other capital assets	-	-	-	-	10,637	10,637	-	10,637
	149,322	23,784	173,106	-	13,024	186,130	-	186,130
	16,176	2,830	19,006	-	(8,821)	10,185	4,133	14,318
Interfund transfers:								
Change in investment in capital assets	(3,998)	-	(3,998)	-	3,998	-	-	-
Change in internally restricted net assets	(6,996)	-	(6,996)	6,996	-	-	-	-
Changes in net assets	5,182	2,830	8,012	6,996	(4,823)	10,185	4,133	14,318
Net assets, beginning of year	(8,932)	(542)	(9,474)	5,643	23,391	19,560	17,204	36,764
Net assets, end of year	$ (3,750)	$ 2,288	$ (1,462)	$ 12,639	$ 18,568	$ 29,745	$ 21,337	$ 51,082

See accompanying notes to financial statements.