Financial Statements of

BROCK UNIVERSITY

Year ended April 30, 2007

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Financial Statements

Year ended April 30, 2007

Index

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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, 2007 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, 2007 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, Licensed Public Accountants
St. Catharines, Canada
June 28, 2007

BROCK UNIVERSITY

Statement of Financial Position

April 30, 2007, with comparative figures for 2006
(in thousands of dollars)

	2007	2006
Assets		
Current assets:		
Cash and marketable securities (note 2)	$ 74,745	$ 75,640
Accounts receivable	5,014	4,453
Government grants receivable	1,475	1,062
Prepaid expenses and other assets	901	975
Inventories	1,844	2,230
	83,979	84,360
Restricted investments, at cost (note 3):		
Cash	268	2,602
Marketable securities	36,659	33,617
	36,927	36,219
Capital assets (note 4)	179,797	169,813
Deferred charges (note 5)	3,073	3,152
	$ 303,776	$ 293,544
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 19,961	$ 21,803
Deferred revenue	7,356	7,292
Deferred contributions (note 6)	6,189	5,652
Current portion of long-term debt (note 7)	430	624
	33,936	35,371
Long-term debt (note 7)	29,122	29,552
Debentures payable (note 8)	93,000	93,000
Deferred capital contributions (note 9)	67,749	67,196
Employee future benefits obligation (note 10)	6,918	5,039
Net assets:		
Invested in capital assets (note 11)	10,744	16,109
Endowments (note 12)	28,598	26,345
Internally restricted (note 13)	33,681	19,907
Unrestricted	28	1,025
	73,051	63,386
Commitments (note 14)		
Contingencies (note 16)		
	$ 303,776	$ 293,544

See accompanying notes to financial statements

On behalf of the Board:

_______________ Trustee

_______________ Trustee

BROCK UNIVERSITY

Statement of Operations

Year ended April 30, 2007, with comparative figures for 2006
(in thousands of dollars)

	2007	2006
Revenues:		
Government grants for general operations	$ 85,094	$ 77,032
Research grants for restricted purposes	13,868	12,874
Grants and other revenues for restricted purposes	4,660	4,356
Student fees	77,690	73,418
Ancillary operations	26,066	24,689
Investment income	4,916	1,107
Sundry	8,608	7,611
Amortization of deferred capital contributions (note 9)	3,578	3,296
	224,480	204,383
Expenses:		
Academic, library and other direct support	118,892	101,150
Administrative and advancement	9,087	9,242
Facilities management	14,514	15,796
Student support and other services	15,554	13,610
Research	13,868	12,874
Student aid and awards	9,602	9,483
Ancillary operations	23,432	20,058
Amortization of ancillary capital assets	2,286	2,246
Amortization of other capital assets	9,754	9,074
Amortization of deferred charges	79	30
Expenses related to interest rate swaps	-	3,524
	217,068	197,087
Excess of revenues over expenses	$ 7,412	$ 7,296

See accompanying notes and Schedule I to financial statements.

BROCK UNIVERSITY
Statement of Changes in Net Assets

Year ended April 30, 2007, with comparative figures for 2006
(in thousands of dollars)

	Invested in capital assets (note 11)	Endowments (note 12)	Internally restricted (note 13)	Unrestricted	2007 Total	2006 Total
Net assets, beginning of year	$ 16,109	$ 26,345	$ 19,907	$ 1,025	$ 63,386	$ 51,082
Excess of revenues over expenses (expenses over revenues)	(8,462)	-	-	15,874	7,412	7,296
Change in internally restricted net assets	-	-	13,774	(13,774)	-	-
Net change in investment in capital assets	3,097	-	-	(3,097)	-	-
Investment income charged directly to endowment	-	1,455	-	-	1,455	919
Endowment contributions	-	798	-	-	798	4,089
Balance, end of year	$ 10,744	$ 28,598	$ 33,681	$ 28	$ 73,051	$ 63,386

See accompanying notes to financial statements.

BROCK UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2007, with comparative figures for 2006
(in thousands of dollars)

	2007	2006
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ 7,412	$ 7,296
Add (deduct) non-cash items:		
Amortization of capital assets	12,040	11,320
Amortization of deferred capital contributions	(3,578)	(3,296)
Amortization of deferred charges	79	30
	15,953	15,350
Net change in non-cash working capital balances related to operations:		
(Increase) decrease in accounts receivable	(561)	(55)
Decrease in government grants receivable	(413)	58
(Increase) decrease in prepaid expenses and other assets	74	849
(Increase) decrease in inventories	386	(603)
Increase in accounts payable and accrued liabilities	(1,842)	3,931
Increase (decrease) in deferred revenue	64	62
Increase (decrease) in deferred contributions	537	1,577
Net change in employee future benefits obligations	1,879	(430)
Cash provided by operating activities	16,077	20,739
Investing and financing activities:		
Purchase of investments, net	(708)	(7,073)
Purchase of capital assets	(22,024)	(19,229)
Contributions restricted for capital purchases	4,131	7,384
Repayment of long-term debt	(624)	(53,721)
Proceeds on debenture issue	-	93,000
Investment income earned on externally restricted endowments for capital preservation	1,455	919
Endowment contributions	798	4,089
Payment of deferred financing costs	-	(3,182)
Cash used in investing and financing activities	(16,972)	22,187
Increase in cash position	(895)	42,926
Cash, beginning of year	75,640	32,714
Cash, end of year	$ 74,745	$ 75,640
Supplemental cash flow information:		
Interest paid during the year	$ 6,933	$ 5,497

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) Deferred charges:

Deferred charges represent the unamortized cost of the issue of the debenture. Amortization is provided on a straight-line basis, over the term of the related debt and is included in the amortization of deferred charges for the year.

1. Significant accounting policies (continued):

(e) 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.

(f) 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.

(g) 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.

1. Significant accounting policies (continued):

(h) 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.

(i) 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.

(j) 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. During 2007, the University signed a new agreement with the Brock University Faculty Association (BUFA) which took effect on July 1, 2006. Under the terms of this agreement, faculty retiring on or after July 1, 2006 are entitled to a health care spending account (HCSA) of $2,000 per annum. 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.

1. Significant accounting policies (continued):

(k) 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.

(l) 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 $2,042 at April 30, 2007 and is expected to be received as follows:

(000's)	
2008	$ 876
2009	872
2010	204
2011	84
Thereafter	6
	$ 2,042

2. Cash and marketable securities:

The book and market values of the cash and marketable securities are as follows:

(000's)		2007		2006
	Book value	Market value	Book value	Market value
Cash and cash equivalents	$ 34,373	$ 34,373	$ 51,134	$ 52,475
Canada T-Bills	361	363	4	5
Bonds	28,466	28,400	-	-
	63,200	63,136	51,138	52,480
Held for future capital projects				
Cash and cash equivalents	11,545	11,545	24,502	24,502
	$ 74,745	$ 74,681	$ 75,640	$ 76,982

3. Restricted investments:

The book and market values of investments are as follows:

(000's)	2007 Book value	2007 Market value	2006 Book value	2006 Market value
Invested for endowments				
Cash and cash equivalents	$ 268	$ 268	$ 2,602	$ 2,602
Bonds	-	-	1,382	1,416
Canadian equities	-	-	182	173
McLean Budden balanced Growth Fund	28,330	33,124	22,179	25,928
	28,598	33,392	26,345	30,119
Invested for unspent capital projects				
Money market pooled fund	664	664	3,177	3,177
Invested for future loan repayments				
Bonds	6,961	7,384	3,978	4,550
McLean Budden short-term fixed income fund	222	222	2,719	2,704
McLean Budden long-term fixed income fund	482	475	-	-
	$ 36,927	$ 42,137	$ 36,219	$ 40,550

4. Capital assets:

(000's)			2007			2006
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	$ 1,865	$ -	$ 1,865	$ 1,865	$ -	$ 1,865
Buildings	260,349	91,857	168,492	240,659	83,908	156,751
Furnishings and equipment	53,773	47,200	6,573	52,015	44,525	7,490
Library books	36,920	34,053	2,867	36,344	32,637	3,707
	$ 352,907	$ 173,110	$ 179,797	$ 330,883	$ 161,070	$ 169,813

Included in buildings is $2,230,486 (2006 - $10,696,654) of construction in progress that was not amortized during the year.

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

(000's)	2007	2006
Balance, beginning of year	$ 169,813	$ 161,904
Purchase of capital assets funded by deferred capital contributions	6,594	7,926
Purchase of capital assets internally financed	2,473	3,292
Purchase of capital assets financed by long-term debt	12,957	8,011
Amortization of capital assets	(12,040)	(11,320)
Balance, end of year	$ 179,797	$ 169,813

5. Deferred charges:

Deferred charges include deferred refinancing costs, bond forward costs, and costs relating to arranging additional financing and are charged against earnings over the term of the financing arrangements.

(000's)	2007	2006
Bond forward costs	$ 2,725	$ 2,725
Refinancing costs	372	372
Other costs	85	85
	3,182	3,182
Less: Accumulated amortization	109	30
Balance, end of year	$ 3,073	$ 3,152

6. 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)	2007	2006
Balance, beginning of year	$ 5,652	$ 4,075
Grants, donations and other expendable funds	14,489	15,412
Amounts recorded as revenue during the year	(13,952)	(13,835)
Balance, end of year	$ 6,189	$ 5,652

7. Long-term debt:

(000's)	2007	2006
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	$ 11,869	$ 12,093
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	9,420	9,597
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
Student centre: Non-revolving loan with annual payments of principal of $220,000 thereafter, plus accrued interest at prime rate, due September 30, 2013	-	223
	29,552	30,176
Less current portion	430	624
	$ 29,122	$ 29,552

(a) Offsetting investments:

The University has established an internal sinking fund and purchased strip bonds which are due over a period of time from 2009 to 2010, with a maturity value of $8,163,948 and a current market value of $7,384,623 (2006 – $4,550,388). In addition, the University has McLean Budden short-term fixed income funds with a market value of $221,820 (2006 - $2,704,058). 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 3).

7. Long-term debt (continued):

(b) Debt maturities:

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

(000's)		
2008	$	430
2009		462
2010		8,760
2011		534
2012		574
Thereafter		18,792
	$	29,552

(c) Bank credit facility:

The University has available operating lines of credit totaling $5,000,000 which were not utilized at April 30, 2007. The interest rate on the operating line of credit, when drawn, is prime less .55% (the prime rate at April 30, 2007 is 4.5%) and amounts are due on demand.

8. Debenture payable:

(000's)		2007		2006
Debenture payable, bearing interest at 4.967%, $2,309,000 payable Interest only semi-annually, due December 14, 2045	$	93,000	$	93,000
	$	93,000	$	93,000

During 2007, the University established an internal sinking fund and purchased McLean Budden long-term fixed income funds with a market value of $475,486. It is management's intention to continue to make annual contributions so that the ultimate proceeds of the investments will be applied against the debenture payable, due December 14, 2045 (see note 3).

9. 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)	2007	2006
Balance, beginning of year	$ 67,196	$ 63,108
Less amortization of deferred capital contributions	(3,578)	(3,296)
Add contributions restricted for capital purposes	4,131	7,384
Balance, end of year	$ 67,749	$ 67,196

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

(000's)	2007	2006
Unamortized capital contributions used to purchase assets	$ 67,085	$ 64,069
Unspent capital contributions	664	3,127
	$ 67,749	$ 67,196

10. 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. During 2007, the University signed a new agreement with the Brock University Faculty Association (BUFA) which took effect on July 1, 2006. Under the terms of this agreement, faculty retiring on or after July 1, 2006 are entitled to a health care spending account (HCSA) of $2,000 per annum.

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)	2007	2006
Accrued benefit obligation	$ 10,947	$ 6,220
Fair value of plan assets	-	-
Funded status - plan surplus (deficit)	10,947	6,220
Balance of unamortized amounts	(4,029)	(1,181)
Accrued benefit liability	6,918	5,039
Valuation allowance	-	-
Accrued benefit liability, net of valuation allowance	$ 6,918	$ 5,039

10. Employee future benefits (continued):

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

	Pension benefit plans		Other benefit plans	
(000's)	2007	2006	2007	2006
Defined benefit plans	$ -	$ -	$ 2,509	$ 594
Non-pension benefit plans	-	-	630	1,024
Defined contribution plan	6,748	7,003	-	-
Contributions to a multi-employer teachers plan	106	99	-	-

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

	2007	2006
Discount rate	5.25%	5.50%
Health care costs	10.00% in 2007 decreasing over 5 years to 5.00%	4.50%
Other benefits costs	5.00%	4.50%

11. Net assets invested in capital assets:

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

(000's)	2007	2006
Capital assets, net (note 4)	$ 179,797	$ 169,813
Less amounts financed by:		
Long-term debt (note 7)	(29,552)	(30,176)
Deferred capital contributions (note 9)	(67,085)	(64,069)
Debenture payable	(83,961)	(83,961)
Marketable securities held for future capital projects (note 2)	11,545	24,502
Balance, end of year	$ 10,744	$ 16,109

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

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

(000's)	2007	2006
Repayment of long-term debt	$ 624	$ 2,273
Purchase of capital assets internally financed	2,473	3,292
Increase in invested in capital assets	$ 3,097	$ 5,565
Amortization expense	$ 12,040	$ 11,320
Less amount of amortization expense related to capital assets purchased with restricted contributions	(3,578)	(3,296)
Decrease in invested in capital assets	$ 8,462	$ 8,024

12. Endowments:

(a) Investment income:

In fiscal 2007, investment income on endowments was $2,360,150 (2006 - $1,633,525). The 4.5% internally allocated for scholarship spending of $905,099 (2006 - $714,657) was added to deferred contributions. The net balance of $1,455,051 (2006 - $918,868) represents an increase in capital and was added directly to endowment net assets.

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

(000's)	2007	2006
Externally restricted	$ 25,830	$ 23,683
Internally restricted	2,768	2,662
	$ 28,598	$ 26,345

12. 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 based on book value:

(000's)	2007	2006
Endowment balance, beginning of year	$ 7,880	$ 7,717
Investment income earned representing capital preservation	358	163
Endowment balance, end of year	$ 8,238	$ 7,880

Schedule of Changes in Expendable Funds Available for Awards:

(000's)	2007	2006
Expendable funds available for awards, beginning of year	$ 56	$ -
Investment income eligible for expenditures	347	347
Bursaries awarded	(311)	(291)
Expendable funds available for awards, end of year	$ 92	$ 56
Total endowment, end of year	$ 8,330	$ 7,936
Number of bursaries awarded	238	220

The market value of the endowment as at April 30, 2007 was $9,618,356.

12. Endowments (continued):

(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 ("OSOTF") 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 period from May 1, 2006 to April 30, 2007, comparative figures are for the period from April 1, 2005 to April 30, 2006.

Schedule of Changes in Endowment Balance based on book value:

(000's)		2007		2006
Endowment balance, beginning of period	$	3,012	$	3,748
Unmatched funds transferred to OTSS (note 12(e))		-		(815)
Investment income preserved as capital		106		79
Endowment balance, end of period	$	3,118	$	3,012

Schedule of Changes in Expendable Funds Available for Awards:

(000's)		2007		2006
Expendable funds available for awards, beginning of period	$	190	$	135
Investment income eligible for expenditures		169		169
Bursaries awarded		(145)		(114)
Expendable funds available for awards, end of period	$	214	$	190
Total endowment, end of period	$	3,332	$	3,202
Number of bursaries awarded		139		140

The market value of the endowment as at April 30, 2007 was $3,641,006.

12. Endowments (continued):

(e) Ontario Trust for Student Support

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Trust for Student Scholarship ("OTSS") matching program to award student aid as a result of raising an equal amount of endowment donations to an allocated ceiling.

(000's)		2007		2006
Endowment balance, beginning of year	$	4,891	$	-
Cash donations received		265		897
Funds receivable from the Ministry		265		3,102
Investment income preserved as capital		485		77
Transfer from OSOTF, Phase Two (note 11(d))		-		815
Endowment balance, end of year	$	5,906	$	4,891
Number of bursaries awarded		-		-

The market value of the endowment as at April 30, 2007 was $6,896,279.

13. Internally restricted net assets:

Internally restricted net assets carried forward for allocation and spending in subsequent years consist of the following:

(000's)	2007	2006
Operations:		
Year end provincial operating grants During March 2007 unrestricted grants were received from the provincial government which were unbudgeted and unallocated.	$ 7,289	$ -
Faculty departments An agreement exists that permit faculty departments to automatically carryforward cumulative unspent budgeted funds. These funds are typically committed for targeted expenditures.	5,475	4,132
Other departments Unspent budgeted funds for specific programs are automatically carried forward. In addition, other departments are permitted to make specific annual requests for targeted expenditures.	1,500	1,100
Student support grants, bursaries and fellowships Budgeted funds established for specific student initiatives are committed for their intended purpose.	607	1,265
Library department and acquisitions An agreement exists that permits the library department to automatically carryfoward cumulative unspent budgeted funds.	475	533
Capital and infrastructure projects and reserves Department reserve funds and global budgets established for specific capital and infrastructure initiatives.	3,380	1,649
Global Budget Initiatives Unspent targeted global funds that are held centrally until departmental allocations are known.	4,333	2,200
Operating Budget One-time budgeted funds committed to the annual operating budget.	4,664	2,880
	27,723	13,759
Segregated project funds These funds are not included in the operating budget revenues and expenses as they are for very short term or specific purposes such as funds internally designated for research.	2,379	3,259
Accumulated interest on investments for specific purposes These funds are earned on investments that have been established for the repayment of the residence debt and debentures payable.	3,130	2,728
Accumulated excess of interest earned over student awards These funds represent interest earned in the year that exceeds the student awards issued and are set aside for future awards.	449	161
	$ 33,681	$ 19,907

14. Commitments:

a) As at April 30, 2007, the estimated costs to complete approved capital and renovation projects are approximately $2,981,000 (2006 - $15,431,000), which will be funded by government grants, donations, operations and debenture proceeds currently held in marketable securities.

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

2008	$ 2,018
2009	2,018
2010	1,499
2011	930
2012	894
Thereafter	1,092
	$ 8,451

15. 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, 2007.

16. 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, 2007, 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.

17. Fair value:

For certain of the University's financial instruments, including cash, 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 marketable securities and investments, determined based on quoted market values, are disclosed in notes 2 and 3.

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

(000's)		2007		2006
	Book value	Market value	Book value	Market value
Long term debt with fixed interest rates	$ 29,552	$ 34,204	$ 30,174	$ 34,606
Debenture with fixed income rate	93,000	94,632	93,000	93,274
	$ 122,552	$ 128,836	$ 123,174	$ 127,880

18. Brock Foundation:

As at April 30, 2007, the Brock Foundation (the "Foundation"), a Crown agent, had a balance of donations on hand of $308,357 (2006 - $309,592) which the University anticipates will be conveyed to them after year-end. The University acts as investment manager for the Foundation.

19. Comparative financial statements:

The comparative financial statements have been reclassified to conform to the presentation of the 2007 financial statements.

20. Segmented Information:

The Statement of Operations consolidates all the revenue and expense activities of the university. Schedule 1 segments these activities of the university into the following funds: general and ancillary operations, externally restricted research and student awards, internally restricted, investments in capital and endowments. In addition the net assets for these segments are provided.

General operations include government operating grants, tuition fees and other income received to fund salaries, benefits, material and supplies, bursaries and general operating costs associated with instruction, academic, student and administrative support services and research other than sponsored or contract research. Ancillary operations include services provided which are supplementary to the university's primary function of instruction and research. They include the bookstore, parking, student residences and conferences services.

The format adopted for the operating budget enhances accountability and budgetary control of resources. The following schedule adjusts for those activities contained within the general and ancillary operations category to a basis consistent with the preparation and approval of the university's annual operating budget.

General and Ancillary Operations –	
Excess of revenues over expenses (Schedule 1)	$ 15,874
Net adjustments to restate to an operating budget basis	(5,025)
Excess of revenues over expenses on an operating budget basis	10,849
Opening unrestricted surplus from the operating budget	4,564
Transfers to internally restricted - operations (note 13)	(13,964)
Ending unrestricted surplus on an operating budget basis	$ 1,449

Net adjustments relate to revenue and expenses that are treated differently in the financial statements, under generally accepted accounting principles from the treatment in the operating budget. Revenues that are not included in the operating budget such as donations and trust fund contributions, investment income for the internal sinking funds, and project funds designated for specific purposes such as internal research. Expenditures not included in the operating budget include actuarially determined costs for employee future benefit costs, and student awards and bursaries paid through the trust fund. Expenses in the operating budget include principle repayments, sinking fund contributions and capital purchases for equipment, computers and library books.

BROCK UNIVERSITY

Schedule I – Statement of Operations by Fund

Year ended April 30, 2007
(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	$ 85,094	$ -	$ 85,094	$ -	$ -	$ 85,094	$ -	$ 85,094
Research grants for restricted purposes	-	13,868	13,868	-	-	13,868	798	14,666
Grants and donations for restricted purposes	968	3,692	4,660	-	-	4,660	-	4,660
Student fees	74,239	3,451	77,690	-	-	77,690	-	77,690
Ancillary operations	26,066	-	26,066	-	-	26,066	-	26,066
Investment income	4,916	-	4,916	-	-	4,916	2,360	7,276
Sundry	8,608	-	8,608	-	-	8,608	-	8,608
Amortization of deferred capital contributions	-	-	-	-	3,578	3,578	-	3,578
	199,891	21,011	220,902	-	3,578	224,480	3,158	227,638
Expenses:								
Academic	118,892	-	118,892	-	-	118,892	-	118,892
Administrative and advancement	9,087	-	9,087	-	-	9,087	-	9,087
Plant maintenance	14,514	-	14,514	-	-	14,514	-	14,514
Student support and other services	15,554	-	15,554	-	-	15,554	-	15,554
Research	-	13,868	13,868	-	-	13,868	-	13,868
Student aid and awards	2,459	7,143	9,602	-	-	9,602	905	10,507
Ancillary operations	23,432	-	23,432	-	-	23,432	-	23,432
Amortization of ancillary capital assets	-	-	-	-	2,286	2,286	-	2,286
Amortization of other capital assets	-	-	-	-	9,754	9,754	-	9,754
Deferred charges	79	-	79	-	-	79	-	79
	184,017	21,011	205,028	-	12,040	217,068	905	217,973
Excess of revenues over expenses (expenses over revenue)	15,874	-	15,874	-	(8,462)	7,412	2,253	9,665
Inter-fund transfers:								
Change in investment in capital assets	(3,097)	-	(3,097)	-	3,097	-	-	-
Change in internally restricted net assets	(13,774)	-	(13,774)	13,774	-	-	-	-
Changes in net assets	(997)	-	(997)	13,774	(5,365)	7,412	2,253	9,665
Net assets, beginning of year	1,025	-	1,025	19,907	16,109	37,041	26,345	63,386
Net assets, end of year	$ 28	$ -	$ 28	$ 33,681	$ 10,744	$ 44,453	$ 28,598	$ 73,051