Financial Statements of

BROCK UNIVERSITY

Year ended April 30, 2008

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Financial Statements

Year ended April 30, 2008

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STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

The Administration of Brock University is responsible for the preparation of the financial statements, the notes and all other financial information contained in this annual report.

The Administration has prepared the financial statements in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The Administration believes that financial statements present fairly the University's financial position as at April 30, 2008 and the results of its operations for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the Administration has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Trustees is responsible for ensuring that the Administration fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Trustees carries out its responsibility for review of the financial statements principally through the Audit Committee. The members of the Financial Planning, Audit and Human Resources Committee are not officers or employees of the University. The Financial Planning, Audit and Human Resources Committee meets with the Administration, as well as the external auditors, to discuss the results of audit examinations and financial reporting matters and to satisfy itself that each party is properly discharging its responsibilities. The auditors have full access to the Financial Planning, Audit and Human Resources Committee with and without the presence of the Administration.

The financial statements for the year ended April 30, 2008 have been reported on by KPMG LLP, Chartered Accountants, the auditors appointed by the Board of Trustees. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

Dr. Jack Lightstone
President and Vice-Chancellor

Mr. Steven Pillar
Vice-President, Finance and Administration

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Chartered Accountants
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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, 2008 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, 2008 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 27, 2008

BROCK UNIVERSITY
Statement of Financial Position

April 30, 2008, with comparative figures for 2007
(in thousands of dollars)

	2008	2007
Assets		
Current assets:		
Cash and marketable securities (note 3)	$ 70,287	$ 74,745
Accounts receivable	4,320	5,014
Government grants receivable	1,303	1,475
Prepaid expenses and other assets	920	901
Inventories	2,244	1,844
	79,074	83,979
Restricted investments (note 4):		
Cash	118	268
Marketable securities	80,504	36,659
	80,622	36,927
Capital assets (note 5)	176,983	179,797
Deferred charges (note 8)	-	3,073
	$ 336,679	$ 303,776
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 16,653	$ 19,961
Deferred revenue	6,484	7,356
Deferred contributions (note 6)	7,506	6,189
Current portion of long-term debt (note 7)	463	430
	31,106	33,936
Long-term debt (note 7)	28,659	29,122
Debentures payable (note 8)	89,879	93,000
Deferred capital contributions (note 9)	105,237	67,749
Employee future benefits obligation (note 10)	8,241	6,918
Net assets:		
Invested in capital assets (note 11)	6,503	10,744
Endowments (note 12)	33,370	28,598
Internally restricted (note 13)	33,626	33,681
Unrestricted	58	28
	73,557	73,051
Commitments (note 14)		
Contingencies (note 16)		
Subsequent events (note 19)		
	$ 336,679	$ 303,776

See accompanying notes to financial statements

On behalf of the Board:

________________ Trustee

________________ Trustee

BROCK UNIVERSITY

Statement of Operations

Year ended April 30, 2008, with comparative figures for 2007
(in thousands of dollars)

	2008	2007
Revenues:		
Government grants for general operations	$ 79,394	$ 85,094
Research grants for restricted purposes	12,065	13,868
Grants and other revenues for restricted purposes	2,295	4,660
Student fees	80,240	77,690
Ancillary operations	26,124	26,066
Investment income	4,839	4,916
Sundry	8,677	8,608
Amortization of deferred capital contributions (note 9)	3,875	3,578
	217,509	224,480
Expenses:		
Academic, library and other direct support	124,848	118,892
Administrative and advancement	9,296	9,166
Facilities management	15,097	14,514
Student support and other services	15,672	15,554
Research expenses including fellowships	12,065	13,868
Scholarships, fellowships and bursaries	10,116	9,602
Ancillary operations	22,869	23,432
Amortization of capital assets	12,165	12,040
	222,128	217,068
Excess of (expenses over revenues) revenues over expenses	$ (4,619)	$ 7,412

See accompanying notes and Schedule I to financial statements.

BROCK UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2008, with comparative figures for 2007
(in thousands of dollars)

	Invested in capital assets	Endowments	Internally restricted	Unrestricted	2008 Total	2007 Total
	(note 11)	(note 12)	(note 13)			
Net assets, beginning of year	$ 10,744	$ 28,598	$ 33,681	$ 28	$ 73,051	$ 63,386
Change in accounting policy (note 2)	-	4,794	-	353	5,147	-
Net assets, beginning of year as restated	10,744	33,392	33,681	381	78,198	63,386
Excess of revenues over expenses (expenses over revenues)	(8,290)	-	-	3,671	(4,619)	7,412
Change in internally restricted net assets	-	-	(55)	55	-	-
Net change in investment in capital assets	4,049	-	-	(4,049)	-	-
Change in endowment net assets (note 12(a))	-	(22)	-	-	(22)	2,253
Balance, end of year	$ 6,503	$ 33,370	$ 33,626	$ 58	$ 73,557	$ 73,051

See accompanying notes to financial statements.

BROCK UNIVERSITY
Statement of Cash Flows

Year ended April 30, 2008, with comparative figures for 2007
(in thousands of dollars)

	2008	2007
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses (expenses over revenues)	$ (4,619)	$ 7,412
Add (deduct) non-cash items:		
Amortization of capital assets	12,165	12,040
Amortization of deferred capital contributions	(3,875)	(3,578)
Amortization of deferred charges	(48)	79
	3,623	15,953
Net change in non-cash working capital balances related to operations:		
Decrease (increase) in accounts receivable	694	(561)
Decrease (increase) in government grants receivable	172	(413)
(Increase) decrease in prepaid expenses and other assets	(19)	74
(Increase) decrease in inventories	(400)	386
Decrease in accounts payable and accrued liabilities	(3,308)	(1,842)
(Decrease) increase in deferred revenue	(872)	64
Increase in deferred contributions	1,317	537
Net change in employee future benefits obligations	1,323	1,879
Cash provided by operating activities	2,530	16,077
Investing and financing activities:		
Purchase of investments, net	(38,548)	(708)
Purchase of capital assets	(9,351)	(22,024)
Contributions restricted for capital purchases	41,363	4,131
Repayment of long-term debt	(430)	(624)
Change in endowment net assets	(22)	2,253
Cash used in investing and financing activities	(6,988)	(16,972)
Decrease in cash position	(4,458)	(895)
Cash, beginning of year	74,745	75,640
Cash, end of year	$ 70,287	$ 74,745
Supplemental cash flow information:		
Interest paid during the year	$ 6,903	$ 6,933

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 market value.

(b) Inventories:

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

(c) Investments:

Investments are recorded at market value.

(d) 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.

1. Significant accounting policies (continued):

(e) 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.

(f) 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):

(g) 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.

(h) 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.

(i) 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):

(j) 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.

(k) 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 $3,570,000 at April 30, 2008 and is expected to be received as follows:

(000's)		
2009	$	1,359
2010		436
2011		356
2012		2
Thereafter		1,417
	$	3,570

(l) Recently issued accounting pronouncements:

Sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation" provide additional guidance for disclosing the risks associated with both recognized and unrecognized financial instruments and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives and provides additional guidance with classification of financial instruments, from the perspective of the issuer, between liabilities and equity. The standards are effective for fiscal years beginning on or after October 1, 2007 and therefore, the University will implement them in fiscal 2009. The University has not yet determined the impact of adopting this standard on its financial statements.

Section 1535 "Capital Disclosures" provides guidelines for the disclosure of an entity's objectives, policies and processes for managing capital and quantitative disclosures about what the entity regards as capital. The standard is effective for fiscal years beginning on or after October 1, 2007 and therefore, the University will implement it in fiscal 2009. The University has not yet determined the impact of adopting this standard on its financial statements.

2. Change in accounting policy:

Effective May 1, 2007, the University adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3855 "Financial Instruments - Recognition and Measurement" and 3861 “Financial Instruments – Presentation and Disclosure”. Under the new standards, all financial instruments are initially recorded on the statement of financial position at fair value. They are subsequently valued at fair value or amortized cost depending on the classification selected for the financial instrument. Financial assets are classified as either "held-for-trading", "held-to-maturity", "available-for-sale", or "loans and receivables" and financial liabilities are classified as either "held-for trading" or "other liabilities". Financial assets and liabilities classified as held-for-trading are measured at fair value with the change in fair value recorded in the statement of operations or in the endowment fund for externally restricted investments. Financial assets classified as held-to-maturity or loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized costs using the effective interest method. Available-for-sale financial assets that have a quoted price in an active market are measured at fair value with the change in fair value recorded in net assets. Such gains or losses are reclassified to the statement of operations when the related financial asset is disposed of or when the decline in value is considered to be other-than-temporary.

The University has classified its financial instruments as follows:

Cash and marketable securities	Held-for-trading
Accounts receivable	Loans and receivable
Government grants receivable	Loans and receivable
Investments	Held-for-trading
Accounts payable and accrued liabilities	Other liabilities
Current and long-term debt	Other liabilities

The University has designated its endowed investments as held-for-trading and, as such, these investments are recorded at fair value in the current year. In prior years, endowed investments were recorded at cost and realized gains and losses were recognized in the year of disposal. As a result of adopting these Sections, the opening balances of the investments and endowment funds have been increased by $4,794,000.

The University has designated its cash and marketable securities as held-for-trading and, as such, these investments are recorded at fair value in the current year. In prior years, cash and marketable securities were recorded at cost and realized gains and losses were recognized in the year of disposal. As a result of adopting these Sections, the opening balances of the cash and marketable securities and unrestricted net assets have been increased by $353,000.

3. Cash and marketable securities:

As disclosed in note 2, cash and marketable securities are recorded at market value in 2008 and at book value in 2007. The market and book values of the cash and marketable securities are as follows:

(000's)	2008		2007	
	Market value	Book value	Market value	**Book value**
Cash and cash equivalents	$ 20,475	$ 20,475	$ 34,373	$ 34,373
Canada T-Bills	10,162	10,162	364	361
Bonds	30,016	29,486	28,400	28,466
	60,653	60,123	63,137	63,200
Held for future capital projects				
Cash and cash equivalents	9,634	9,634	11,545	11,545
	$ 70,287	$ 69,757	$ 74,682	$ 74,745

4. Restricted investments:

As disclosed in note 2, investments are recorded at market value in 2008 and at book value in 2007. The market and book values of investments are as follows:

(000's)	2008		2007	
	Market value	Book value	Market value	**Book value**
Invested for endowments				
Cash and cash equivalents	$ 118	$ 118	$ 268	$ 268
McLean Budden balanced Growth Fund	33,252	30,860	33,124	28,330
	33,370	30,978	33,392	28,598
Invested for unspent capital projects				
Money market pooled fund	38,206	38,206	664	664
Invested for future loan repayments				
Bonds	7,830	7,493	7,384	6,961
McLean Budden short-term fixed income fund	234	233	222	222
McLean Budden long-term fixed income fund	982	1,011	475	482
	$ 80,622	$ 77,921	$ 42,137	$ 36,927

5. Capital assets:

(000's)			2008			2007
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	$ 1,865	$ -	$ 1,865	$ 1,865	$ -	$ 1,865
Buildings	267,600	100,352	167,248	260,349	91,857	168,492
Furnishings and equipment	55,346	49,522	5,824	53,773	47,200	6,573
Library books	37,446	35,400	2,046	36,920	34,053	2,867
	$ 362,257	$ 185,274	$ 176,983	$ 352,907	$ 173,110	$ 179,797

Included in buildings is $6,647,245 (2007 - $2,230,486) 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)	2008	2007
Balance, beginning of year	$ 179,797	$ 169,813
Purchase of capital assets funded by deferred capital contributions	3,821	6,594
Purchase of capital assets internally financed	3,619	2,473
Purchase of capital assets financed by long-term debt	1,911	12,957
Amortization of capital assets	(12,165)	(12,040)
Balance, end of year	$ 176,983	$ 179,797

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)	2008	2007
Balance, beginning of year	$ 6,189	$ 5,652
Grants, donations and other expendable funds	13,383	14,489
Amounts recorded as revenue during the year	(12,066)	(13,952)
Balance, end of year	$ 7,506	$ 6,189

7. Long-term debt:

(000's)	2008	2007
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	$ 11,629	$ 11,869
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	9,230	9,420
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
	29,122	29,552
Less current portion	463	430
	$ 28,659	$ 29,122

(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 $7,830,048 (2007 – $7,384,623). In addition, the University has McLean Budden short-term fixed income funds with a market value of $234,110 (2007 - $221,820). 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 4).

(b) Debt maturities:

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

(000's)	
2009	$ 463
2010	8,760
2011	534
2012	574
2013	616
Thereafter	18,175
	$ 29,122

7. Long-term debt (continued):

(c) Bank credit facility:

The University has available operating lines of credit totaling $5,000,000 which were not utilized at April 30, 2008. The interest rate on the operating line of credit, when drawn, is prime less .55% (the prime rate at April 30, 2008 is 4.75%) and amounts are due on demand.

(d) Fair value:

The approximate fair value of the longterm debt is $33,657,000 (2007 - $34,304,000).

8. Debenture payable:

(000's)	2008	2007
Debenture payable, bearing interest at 4.967%, $2,309,000 payable Interest only semi-annually, due December 14, 2045	$ 93,000	$ 93,000
Deferred refinancing expenses	(3,121)	-
	$ 89,879	$ 93,000

Deferred refinancing expenses were previously recorded as an asset on the statement of financial position as deferred charges (note 2).

The University has established an internal sinking fund and purchased McLean Budden long-term fixed income funds with a market value of $981,702 (2007 - $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 4).

The approximate fair value of the debenture payable is $88,700,000 (2007 - $94,632,000).

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)	2008	2007
Balance, beginning of year	$ 67,749	$ 67,196
Less amortization of deferred capital contributions	(3,875)	(3,578)
Add contributions restricted for capital purposes	41,363	4,131
Balance, end of year	$ 105,237	$ 67,749

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

(000's)	2008	2007
Unamortized capital contributions used to purchase assets	$ 67,031	$ 67,085
Unspent capital contributions	38,206	664
	$ 105,237	$ 67,749

10. Employee future benefits obligation:

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. Effective July 1, 2006, 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)	2008	2007
Accrued benefit obligation	$ 10,990	$ 10,947
Balance of unamortized amounts	(2,749)	(4,029)
Accrued benefit liability	$ 8,241	$ 6,918

10. Employee future benefits obligation (continued):

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

(000's)	Pension benefit plans 2008	Pension benefit plans 2007	Other benefit plans 2008	Other benefit plans 2007
Defined benefit plans	$ -	$ -	$ 1,818	$ 2,509
Non-pension benefit plans	-	-	495	630
Defined contribution plan	7,821	6,748	-	-
Contributions to a multi-employer teachers plan	110	106	-	-

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

	2008	2007
Discount rate	5.50 – 6.00%	5.25%
Health care costs	10.00% in 2007 decreasing over 7 years to 5.00%	
Other benefits costs	5.00%	5.00%

11. Net assets invested in capital assets:

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

(000's)	2008	2007
Capital assets, net (note 5)	$ 176,983	$ 179,797
Less amounts financed by:		
Long-term debt (note 7)	(29,122)	(29,552)
Deferred capital contributions (note 9)	(67,031)	(67,085)
Debenture payable	(83,961)	(83,961)
Marketable securities held for future capital projects (note 3)	9,634	11,545
Balance, end of year	$ 6,503	$ 10,744

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

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

(000's)		2008		2007
Repayment of long-term debt	$	430	$	624
Purchase of capital assets internally financed		3,619		2,473
Increase in invested in capital assets	$	4,049	$	3,097
Amortization expense	$	12,165	$	12,040
Less amount of amortization expense related to capital assets purchased with restricted contributions		(3,875)		(3,578)
Decrease in invested in capital assets	$	8,290	$	8,462

12. Endowments:

(a) Change in endowment net assets:

The following were recorded directly to endowment net assets:

(000's)		2008		2007
Contributions restricted for endowments		885		798
Investment income		2,660		2,360
4.5% internally allocated for scholarship spending		(1,165)		(905)
Unrealized loss		(2,402)		-
	$	(22)	$	2,253

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

(000's)	2008				2007			
		Market value		Book value		Market value		**Book value**
Externally restricted	$	29,949	$	28,067	$	30,160	$	25,830
Internally restricted		3,421		2,911		3,232		2,768
	$	33,370	$	30,978	$	33,392	$	28,598

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)		2008		2007
Endowment balance, beginning of year	$	8,238	$	7,880
Investment income earned representing capital preservation		395		358
Endowment balance, end of year	$	8,633	$	8,238

Schedule of Changes in Expendable Funds Available for Awards:

(000's)		2008		2007
Expendable funds available for awards, beginning of year	$	92	$	56
Investment income eligible for expenditures		371		347
Bursaries awarded		(307)		(311)
Expendable funds available for awards, end of year	$	156	$	92
Total endowment, end of year	$	8,789	$	8,330
Number of bursaries awarded		134		238

The market value of the endowment as at April 30, 2008 was $9,299,699 (2007 - $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.

Schedule of Changes in Endowment Balance based on book value:

(000's)		2008		2007
Endowment balance, beginning of period	$	3,118	$	3,012
Investment income preserved as capital		162		106
Endowment balance, end of period	$	3,280	$	3,118

Schedule of Changes in Expendable Funds Available for Awards:

(000's)		2008		2007
Expendable funds available for awards, beginning of period	$	214	$	190
Investment income eligible for expenditures		132		169
Bursaries awarded		(112)		(145)
Expendable funds available for awards, end of period	$	234	$	214
Total endowment, end of period	$	3,514	$	3,332
Number of bursaries awarded		44		139

The market value of the endowment as at April 30, 2008 was $3,463,354 (2007 - 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.

Schedule of Changes in Endowment Balance based on book value:

(000's)		2008		2007
Endowment balance, beginning of year	$	5,906	$	4,891
Cash donations received		243		265
Funds receivable from the Ministry		243		265
Investment income preserved as capital		236		485
Endowment balance, end of year	$	6,628	$	5,906

Schedule of Changes in Expendable Funds Available for Awards:

(000's)		2008		2007
Expendable funds available for awards, beginning of period	$	-	$	-
Investment income eligible for expenditures		220		-
Bursaries awarded		(150)		-
Expendable funds available for awards, end of period	$	70	$	-
Total endowment, end of period	$	6,698	$	5,906
Number of bursaries awarded		63		-

The market value of the endowment as at April 30, 2008 was $7,139,425 (2007 - 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)	2008	2007
Operations:		
Faculty departments	$ 4,988	$ 5,475
An agreement exists that permit faculty departments to automatically carryforward cumulative unspent budgeted funds. These funds are typically committed for targeted expenditures.		
Other departments	2,742	1,500
Unspent budgeted funds for specific programs are automatically carried forward. In addition, other departments are permitted to make specific annual requests for targeted expenditures.		
Student support grants, bursaries and fellowships	1,950	607
Budgeted funds established for specific student initiatives are committed for their intended purpose.		
Library department and acquisitions	595	475
An agreement exists that permits the library department to automatically carryfoward cumulative unspent budgeted funds.		
Capital and infrastructure projects and reserves	3,285	3,380
Department reserve funds and global budgets established for specific capital and infrastructure initiatives.		
Global Budget Initiatives	2,121	4,333
Unspent targeted global funds that are held centrally until departmental allocations are known.		
Year end provincial operating grants	-	7,289
March 2007 received unrestricted grants from the provincial government which were unbudgeted and unallocated.		
Operating Budget	12,653	4,664
One-time budgeted funds committed to the annual operating budget.		
	28,334	27,723
Accumulated interest on investments for specific purposes	4,014	3,130
These funds are earned on investments that have been established for the repayment of the residence debt and debentures payable.		
Segregated funds	1,278	2,828
These funds are not included in the operating budget revenues and expenses as they are for specific purposes such as funds internally designated for research and student awards.		
	$ 33,626	$ 33,681

14. Commitments:

a) As at April 30, 2008, the estimated costs to complete approved capital and renovation projects are approximately $2,593,973 (2007 - $2,981,000), 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):

2009	$ 1,805
2010	1,304
2011	1,019
2012	1,000
2013	1,020
Thereafter	5,000
	$ 11,148

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, 2008.

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 30, 2008, 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 3 and 4. The fair market value of long-term debt is disclosed in notes 7 and 8.

18. Brock Foundation:

As at April 30, 2008, the Brock Foundation (the "Foundation"), a Crown agent, had a balance of donations on hand of $317,740 (2007 - $308,357) which the University anticipates will be conveyed to them after year-end. The University acts as investment manager for the Foundation.

19. Subsequent events:

On June 18, 2008, the University purchased land and buildings at the corner of St. David's Road and Glenridge Avenue for the purchase price of $6,500,000. The University has assumed the balance of the mortgage in the amount of $3,019,473 bearing interest at 6.27% with monthly blended payments of principal and interest of $25,459, due September 1, 2013.

20. Comparative financial statements:

The comparative financial statements have been reclassified to conform to the presentation of the 2008 financial statements (note 2).

21. Segmented Information:

The Statement of Operations consolidates all the revenue and expense activities of the university. Schedule I 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 I)	$ 3,671
Net adjustments to restate to an operating budget basis	(4,306)
Excess of expenses over revenue on an operating budget basis	(635)
Opening unrestricted surplus from the operating budget	1,449
Transfers to internally restricted - operations (note 13)	(611)
Ending unrestricted surplus on an operating budget basis	$ 203

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. Expenses 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, 2008
(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	$ 79,394	$ -	$ 79,394	$ -	$ -	$ 79,394	$ -	$ 79,394
Research grants for restricted purposes	-	12,065	12,065	-	-	12,065	-	12,065
Grants and donations for restricted purposes	2,295	-	2,295	-	-	2,295	885	3,180
Student fees	76,801	3,439	80,240	-	-	80,240	-	80,240
Ancillary operations	26,124	-	26,124	-	-	26,124	-	26,124
Investment income	4,839	-	4,839	-	-	4,839	258	5,097
Sundry	8,677	-	8,677	-	-	8,677	-	8,677
Amortization of deferred capital contributions	-	-	-	-	3,875	3,875	-	3,875
	198,130	15,504	213,634	-	3,875	217,509	1,143	218,652
Expenses:								
Salaries and benefits	139,895	-	139,895	-	-	139,895	-	139,895
Supplies and expenses	11,172	-	11,172	-	-	11,172	-	11,172
Materials and expendable equipment	5,292	-	5,292	-	-	5,292	-	5,292
Repairs, maintenance and rent	5,879	-	5,879	-	-	5,879	-	5,879
Utilities and taxes	7,773	-	7,773	-	-	7,773	-	7,773
Interest	6,903	-	6,903	-	-	6,903	-	6,903
Cost of sales	7,231	-	7,231	-	-	7,231	-	7,231
Other	3,637	-	3,637	-	-	3,637	-	3,637
Scholarships, fellowships and bursaries	6,677	4,827	11,504	-	-	11,504	1,165	12,669
Research	-	10,677	10,677			10,677	-	10,677
Amortization of capital assets	-	-	-	-	12,165	12,165	-	12,165
	194,459	15,504	209,963	-	12,165	222,128	1,165	223,293
Excess of revenues over expenses (expenses over revenues)	3,671	-	3,671	-	(8,290)	(4,619)	(22)	(4,641)
Inter-fund transfers:								
Change in investment in capital assets	(4,049)	-	(4,049)	-	4,049	-	-	-
Change in internally restricted net assets	55	-	55	(55)	-	-	-	-
Changes in net assets	(323)	-	(323)	(55)	(4,241)	(4,619)	(22)	(4,641)
Net assets, beginning of year	28	-	28	33,681	10,744	44,453	28,598	73,051
Change in accounting policy	353	-	353	-	-	353	4,794	5,147
Net assets, beginning of year as restated	381	-	381	33,681	10,744	44,806	33,392	78,198
Net assets, end of year	$ 58	$ -	$ 58	$ 33,626	$ 6,503	$ 40,187	$ 33,370	$ 73,557