Financial Statements of

# BROCK UNIVERSITY

Year ended April 30, 2009

# BROCK UNIVERSITY

Financial Statements

Year ended April 30, 2009

Index | Page


Statement of Administrative Responsibility .......... 1

Auditors' Report .......... 2

Statement of Financial Position .......... 3

Statement of Operations .......... 4

Statement of Changes in Net Assets .......... 5

Statement of Cash Flows .......... 6

Notes to Financial Statements .......... 7

Schedule I – Statement of Operations by Fund .......... 28

Brock University
Office of the President
St. Catharines, Ontario, Canada L2S 3A1
T: 905-688-5550, Ext. 3333 F: 905-688-1255
www.brocku.ca

# 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, 2009 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, 2009 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

**KPMG LLP**
**Chartered Accountants**
One St. Paul Street Suite 901
PO Box 1294 Stn Main
St. Catharines ON L2R 7A7

Telephone (905) 685-4811
Fax (905) 682-2008
Internet www.kpmg.ca

# AUDITORS' REPORT

The Trustees of Brock University

We have audited the statement of financial position of Brock University as at April 30, 2009 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, 2009 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 26, 2009

# BROCK UNIVERSITY

Statement of Financial Position

Year ended April 30, 2009, with comparative figures for 2008
(in thousands of dollars)

| | 2009 | 2008 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents (note 3) | $ 50,251 | $ 70,287 |
| Accounts receivable | 4,025 | 4,320 |
| Government grants receivable | 5,196 | 1,303 |
| Prepaid expenses and other assets | 336 | 920 |
| Inventories | 2,559 | 2,244 |
| | 62,367 | 79,074 |
| Restricted investments (note 4): | | |
| Cash | 2,207 | 118 |
| Marketable securities | 80,155 | 80,504 |
| | 82,362 | 80,622 |
| Capital assets (note 5) | 184,324 | 176,983 |
| | $ 329,053 | $ 336,679 |
| **Liabilities and Net Assets** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 16,925 | $ 16,653 |
| Deferred revenue | 7,076 | 6,484 |
| Deferred contributions (note 6) | 6,164 | 7,506 |
| Current portion of long-term debt (note 7) | 8,889 | 463 |
| | 39,054 | 31,106 |
| Long-term debt (note 7) | 22,679 | 28,659 |
| Debenture payable (note 8) | 89,906 | 89,879 |
| Deferred capital contributions (note 9) | 111,155 | 105,237 |
| Employee future benefits obligation (note 10) | 8,960 | 8,241 |
| Net assets: | | |
| Endowment | 33,219 | 33,370 |
| Internally restricted | 21,051 | 33,626 |
| Invested in capital assets | 6,302 | 6,503 |
| Unrestricted | (3,273) | 58 |
| | 57,299 | 73,557 |
| Commitments (note 14) | | |
| Contingencies (note 16) | | |
| | $ 329,053 | $ 336,679 |

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Trustee

_______________ Trustee

# BROCK UNIVERSITY

Statement of Operations

Year ended April 30, 2009, with comparative figures for 2008
(in thousands of dollars)

| | 2009 | 2008 |
|---|---|---|
| Revenues: | | |
| Government grants for general operations | $ 79,366 | $ 79,394 |
| Student fees | 85,194 | 80,240 |
| Ancillary operations | 27,558 | 26,124 |
| Research grants for restricted purposes | 14,590 | 12,065 |
| Grants and other revenues for restricted purposes | 2,998 | 3,700 |
| Investment income | 2,701 | 4,839 |
| Sundry | 12,287 | 10,564 |
| Amortization of deferred capital contributions (note 9) | 4,563 | 3,875 |
| | 229,257 | 220,801 |
| Expenses: | | |
| Salaries and benefits | 149,798 | 138,732 |
| Supplies and expenses | 12,216 | 10,944 |
| Materials and expendable equipment | 5,709 | 6,969 |
| Repairs, maintenance and rent | 5,869 | 5,661 |
| Utilities and taxes | 7,699 | 7,773 |
| Interest | 7,022 | 6,903 |
| Cost of sales | 7,784 | 7,231 |
| Other | 8,816 | 6,861 |
| Scholarships, fellowships and bursaries | 12,456 | 10,116 |
| Research expenses, including fellowships | 14,590 | 12,065 |
| Amortization of capital assets | 13,405 | 12,165 |
| | 245,364 | 225,420 |
| Excess of expenses over revenues | $ (16,107) | $ (4,619) |

See accompanying notes and Schedule I to financial statements.

# BROCK UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2009, with comparative figures for 2008
(in thousands of dollars)

| | Endowments | Internally restricted | Invested in capital assets | Unrestricted | 2009 Total | 2008 Total |
|---|---|---|---|---|---|---|
| | (note 11) | (note 12) | (note 13) | | | |
| Net assets, beginning of year | $ 33,370 | $ 33,626 | $ 6,503 | $ 58 | 73,557 | $ 78,198 |
| Excess of expenses over revenues | - | - | (8,842) | (7,265) | (16,107) | (4,619) |
| Change in internally restricted net assets | - | (12,575) | - | 12,575 | - | - |
| Net change in investment in capital assets | - | - | 8,641 | (8,641) | - | - |
| Change in endowment net assets (note 11(a)) | (151) | - | - | - | (151) | (22) |
| Net assets, end of year | $ 33,219 | $ 21,051 | $ 6,302 | $ (3,273) | 57,299 | $ 73,557 |

See accompanying notes to financial statements.

# BROCK UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2009, with comparative figures for 2008
(in thousands of dollars)

| | 2009 | 2008 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of expenses over revenues | $ (16,107) | $ (4,619) |
| Add (deduct) non-cash items: | | |
| Amortization of capital assets | 13,405 | 12,165 |
| Amortization of deferred capital contributions | (4,563) | (3,875) |
| Amortization of deferred charges | 27 | (48) |
| | (7,238) | 3,623 |
| Net change in non-cash working capital balances related to operations: | | |
| Decrease in accounts receivable | 295 | 694 |
| (Increase) decrease in government grants receivable | (3,893) | 172 |
| Decrease (increase) in prepaid expenses and other assets | 584 | (19) |
| (Increase) in inventories | (315) | (400) |
| Increase (decrease) in accounts payable and accrued liabilities | 272 | (3,308) |
| Increase (decrease) in deferred revenue | 592 | (872) |
| (Decrease) increase in deferred contributions | (1,342) | 1,317 |
| Net change in employee future benefits obligations | 719 | 1,323 |
| Cash (used) provided by operating activities | (10,326) | 2,530 |
| Investing and financing activities: | | |
| Purchase of investments, net | (1,740) | (38,548) |
| Purchase of capital assets | (20,746) | (9,351) |
| Contributions restricted for capital purchases | 10,481 | 41,363 |
| Increase in long-term debt | 2,909 | - |
| Repayment of long-term debt | (463) | (430) |
| Change in endowment net assets | (151) | (22) |
| Cash used in investing and financing activities | (9,710) | (6,988) |
| Decrease in cash position | (20,036) | (4,458) |
| Cash and cash equivalents, beginning of year | 70,287 | 74,745 |
| Cash and cash equivalents, end of year | $ 50,251 | $ 70,287 |
| Supplemental cash flow information: | | |
| Interest paid during the year | $ 7,015 | $ 6,903 |

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. Marketable securities are represented by bonds which 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, cash equivalents and marketable securities 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% |

## 1. Significant accounting policies (continued):

(d) Capital assets (continued):

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

(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:

(i) Pension benefit plan:

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. 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.

Assets of the pension plan are valued using market values at April 30, 2009. 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):**

(i) Employee future benefits (continued):

(ii) Other benefit plan:

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.

(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 $16,194,230 at April 30, 2009 and is expected to be received as follows:

| (000's) | |
|---|---|
| 2010 | $ 4,676 |
| 2011 | 2,720 |
| 2012 | 2,585 |
| Thereafter | 6,213 |
| | $ 16,194 |

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

(l) Financial instruments:

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued new accounting standards: Handbook Section 3862 "Financial Instruments - Disclosures", Handbook Section 3863 "Financial Instruments - Presentation". These standards were expected to be effective for the University's financial statements for the year ended April 30, 2009. However, in December 2008, the CICA eliminated the requirement for not-for-profit entities to adopt these standards. The University has continued to disclose and present financial instruments under Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" for the year end April 30, 2009.

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 cash equivalents | 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 |

## 1. Significant accounting policies (continued):

(m) Future changes in accounting policies:

The following changes in accounting policies are applicable to years beginning on or after January 1, 2009. Management is assessing the impact of these revisions to the future financial statements. The impact is expected to be limited to reclassification of numbers in the financial statements with additional disclosure.

The CICA has issued revisions to section 4400 which relate to not-for-profit organizations. These changes now allow the optional disclosure of net assets invested in capital assets, require application of the section 1540 "Cash Flow Statements", and requires reporting of revenue and expenses on a gross basis in the statement of operations unless not required by other CICA guidance.

A new section, CICA 4470, "Disclosure of Allocated Expenses by Not-for-Profit Organizations", requires certain disclosures when fundraising and general support expenses are allocated to other functions.

## 2. Change in accounting policies:

Effective May 1, 2008, the University adopted the recommendation of Section 1535 "Capital Disclosures" which 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. This change results in additional disclosures, which are provided in note 19.

## 3. Cash and cash equivalents:

The market values of the cash and cash equivalents are as follows:

| (000's) | 2009 | 2008 |
|---|---|---|
| Cash and cash equivalents | $ 3,918 | $ 20,475 |
| Canada T-Bills | 8,782 | 10,162 |
| Bonds | 30,845 | 30,016 |
| | 43,545 | 60,653 |
| Held for future capital projects | | |
| Cash and cash equivalents | 6,706 | 9,634 |
| | $ 50,251 | $ 70,287 |

## 4. Restricted investments:

The market values of investments are as follows:

| (000's) | 2009 | 2008 |
|---|---|---|
| Invested for endowments | | |
| Cash and cash equivalents | $ 2,207 | $ 118 |
| McLean Budden balanced Growth Fund | 28,320 | 33,252 |
| | 30,527 | 33,370 |
| Invested for unspent capital projects | | |
| Cash and cash equivalents | 18,450 | - |
| Money market pooled fund | 8,457 | 38,206 |
| BMO Nesbitt Burns fixed income | 15,048 | - |
| Invested for future loan repayments | | |
| Bonds | 6,841 | 7,830 |
| McLean Budden short-term fixed income fund | 1,562 | 234 |
| McLean Budden long-term fixed income fund | 1,477 | 982 |
| | $ 82,362 | $ 80,622 |

## 5. Capital assets:

| (000's) | | | 2009 | | | 2008 |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Cost | Accumulated amortization | Net book value |
| Land | $ 2,415 | $ - | $ 2,415 | $ 1,865 | $ - | $ 1,865 |
| Buildings | 283,756 | 109,181 | 174,575 | 267,600 | 100,352 | 167,248 |
| Furnishings and equipment | 58,708 | 53,027 | 5,681 | 55,346 | 49,522 | 5,824 |
| Library books | 38,124 | 36,471 | 1,653 | 37,446 | 35,400 | 2,046 |
| | $ 383,003 | $ 198,679 | $ 184,324 | $ 362,257 | $ 185,274 | $ 176,983 |

Included in buildings is $6,976,696 (2008 - $6,647,245) of construction in progress that was not amortized during the year.

## 5. Capital assets (continued):

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

| (000's) | 2009 | 2008 |
|---|---|---|
| Balance, beginning of year | $ 176,983 | $ 179,797 |
| Purchase of capital assets funded by deferred capital contributions | 6,731 | 3,821 |
| Purchase of capital assets internally financed | 8,178 | 3,619 |
| Purchase of capital assets financed by long-term debt | 5,837 | 1,911 |
| Amortization of capital assets | (13,405) | (12,165) |
| Balance, end of year | $ 184,324 | $ 176,983 |

## 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) | 2009 | 2008 |
|---|---|---|
| Balance, beginning of year | $ 7,506 | $ 6,189 |
| Grants, donations and other expendable funds | 13,247 | 13,383 |
| Amounts recorded as revenue during the year | (14,589) | (12,066) |
| Balance, end of year | $ 6,164 | $ 7,506 |

## 7. Long-term debt:

| (000's) | 2009 | 2008 |
|---|---|---|
| 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 | $ 11,372 | $ 11,629 |
| 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 | 9,025 | 9,230 |
| 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 |
| 460 St. David's Road: | | |
| 6.27% mortgage loan with monthly blended payments of principal and interest of $25,459, due September 1, 2013 | 2,908 | - |
| | 31,568 | 29,122 |
| Less current portion | 8,889 | 463 |
| | $ 22,679 | $ 28,659 |

## 7. Long-term debt (continued):

(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 $6,840,424 (2008 – $7,830,048). In addition, the University has McLean Budden short-term fixed income funds with a market value of $1,562,169 (2008 - $234,110). 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) | | |
|---|---|---|
| 2010 | $ | 8,889 |
| 2011 | | 671 |
| 2012 | | 720 |
| 2013 | | 771 |
| 2014 | | 3,004 |
| Thereafter | | 17,513 |
| | $ | 31,568 |

(c) Bank credit facility:

The University has available operating lines of credit totaling $5,000,000 which were not utilized at April 30, 2009. The interest rate on the operating line of credit, when drawn, is prime less .55% (the prime rate at April 30, 2009 is 2.25%) and amounts are due on demand.

(d) Fair value:

The approximate fair value of the long-term debt is $33,360,000 (2008 - $33,657,000).

## 8. Debenture payable:

| (000's) | | 2009 | | 2008 |
|---|---|---|---|---|
| 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 | | (3,094) | | (3,121) |
| | $ | 89,906 | $ | 89,879 |

The University has established an internal sinking fund and purchased McLean Budden long-term fixed income funds with a market value of $1,477,060 (2008 - $981,702). 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 5).

The approximate fair value of the debenture payable is $76,553,000 (2008 - $88,700,000).

## 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) | | 2009 | | 2008 |
|---|---|---|---|---|
| Balance, beginning of year | $ | 105,237 | $ | 67,749 |
| Less amortization of deferred capital contributions | | (4,563) | | (3,875) |
| Add contributions restricted for capital purposes | | 10,481 | | 41,363 |
| Balance, end of year | $ | 111,155 | $ | 105,237 |

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

| (000's) | | 2009 | | 2008 |
|---|---|---|---|---|
| Unamortized capital contributions used to purchase assets | $ | 69,199 | $ | 67,031 |
| Unspent capital contributions | | 41,956 | | 38,206 |
| | $ | 111,155 | $ | 105,237 |

## 10. Employee future benefits obligation:

(a) Pension benefit plan:

The University sponsors a hybrid pension plan, which contains both a defined contribution component and a defined benefit component. The defined contribution component of the plan is funded by University and member contributions and provides a benefit to members based on their accumulated account balance. The defined benefit component of the plan is funded by University contributions and provides for a guaranteed minimum benefit. The latest actuarial funding valuation was performed as at July 1, 2008. The next required actuarial funding valuation will be July 1, 2011.

The University measured its accrued benefit obligation and fair value of plan assets for accounting purposes as at April 30, 2009. A summary of the financial status of the plan is as follows:

| (000's) | | 2009 |
|---|---|---|
| Accrued benefit obligation | $ | 215,739 |
| Fair value of plan assets | | 212,172 |
| Plan deficit | | (3,567) |
| Balance of unamortized actuarial loss | | 3,567 |
| Accrued benefit liability | $ | - |

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

| | 2009 |
|---|---|
| Discount rate | 8.5% |
| Rate of compensation increases | 3.5% to 4.5% |
| Expected long-term rate of return on plan assets | 7% |

The contribution and the amount expensed for the University's pension benefit plans is as follows:

| (000's) | | 2009 | | 2008 |
|---|---|---|---|---|
| Pension benefit plan | $ | 8,589 | $ | 7,821 |
| Multi-employer teachers plan | | 111 | | 110 |

## 10. Employee future benefits obligation (continued):

(b) Other benefit plan:

The University has a number of non-pension future benefits that are available to most of its employees. These non-pension benefits include retiree medical and dental benefits until the age of 65, accumulating sick leave benefits and pre-retirement leave benefits and, for faculty only, a health care spending account.

A summary of the financial status of the plans is as follows:

| (000's) | 2009 | 2008 |
|---|---|---|
| Accrued benefit obligation | $ 9,427 | $ 10,990 |
| Fair value of plan assets | - | - |
| Plan deficit | (9,427) | (10,990) |
| Balance of unamortized actuarial loss | 467 | 2,749 |
| Accrued benefit liability | $ (8,960) | $ (8,241) |

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

| | 2009 | 2008 |
|---|---|---|
| Discount rate | 7% – 8% | 5.5% – 6% |
| Health care costs | 10% in 2009 decreasing over 10 years to 4.5% | |
| Other benefits costs | 5% | 5% |

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

| (000's) | 2009 | 2008 |
|---|---|---|
| Non-pension defined benefit plans | $ 1,222 | $ 1,818 |
| Non-pension benefit plans | 503 | 495 |

## 11. Endowments:

(a) Change in endowment net assets:

The following were recorded directly to endowment net assets:

| (000's) | 2009 | 2008 |
|---|---|---|
| Contributions restricted for endowments | $ 6,016 | $ 885 |
| Investment income | 907 | 2,660 |
| 4.5% internally allocated for scholarship spending | (1,142) | (1,165) |
| Unrealized loss | (5,932) | (2,402) |
| | $ (151) | $ (22) |

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

| (000's) | 2009 | 2008 |
|---|---|---|
| Externally restricted | $ 30,931 | $ 24,926 |
| Internally restricted | 2,288 | 8,444 |
| | $ 33,219 | $ 33,370 |

## 11. 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) | 2009 | 2008 |
|---|---|---|
| Endowment balance, beginning of year | $ 8,633 | $ 8,238 |
| Investment income earned representing capital preservation | (40) | 395 |
| Endowment balance, end of year | $ 8,593 | $ 8,633 |

Schedule of Changes in Expendable Funds Available for Awards:

| (000's) | 2009 | 2008 |
|---|---|---|
| Expendable funds available for awards, beginning of year | $ 156 | $ 92 |
| Investment income eligible for expenditures | 298 | 371 |
| Bursaries awarded | (278) | (307) |
| Expendable funds available for awards, end of year | $ 176 | $ 156 |
| Total endowment, end of year | $ 8,769 | $ 8,789 |
| Number of bursaries awarded | 126 | 134 |

The market value of the endowment as at April 30, 2009 was $7,563,663 (2008 - $9,299,699).

## 11. 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) | | 2009 | | 2008 |
|---|---|---|---|---|
| Endowment balance, beginning of period | $ | 3,280 | $ | 3,118 |
| Investment income preserved as capital | | - | | 162 |
| Endowment balance, end of period | $ | 3,280 | $ | 3,280 |

Schedule of Changes in Expendable Funds Available for Awards:

| (000's) | | 2009 | | 2008 |
|---|---|---|---|---|
| Expendable funds available for awards, beginning of period | $ | 234 | $ | 214 |
| Investment income eligible for expenditures | | 96 | | 132 |
| Bursaries awarded | | (99) | | (112) |
| Expendable funds available for awards, end of period | $ | 231 | $ | 234 |
| Total endowment, end of period | $ | 3,511 | $ | 3,514 |
| Number of bursaries awarded | | 28 | | 44 |

The market value of the endowment as at April 30, 2009 was $2,898,789 (2008 - $3,463,354).

**11. 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) | | 2009 | | 2008 |
|---|---|---|---|---|
| Endowment balance, beginning of year | $ | 6,628 | $ | 5,906 |
| Cash donations received | | 1,388 | | 243 |
| Funds receivable from the Ministry | | 3,005 | | 243 |
| Investment income preserved as capital | | (27) | | 236 |
| Endowment balance, end of year | $ | 10,994 | $ | 6,628 |

Schedule of Changes in Expendable Funds Available for Awards:

| (000's) | | 2009 | | 2008 |
|---|---|---|---|---|
| Expendable funds available for awards, beginning of period | $ | 70 | $ | - |
| Investment income eligible for expenditures | | 234 | | 220 |
| Bursaries awarded | | (137) | | (150) |
| Expendable funds available for awards, end of period | $ | 167 | $ | 70 |
| Total endowment, end of period | $ | 11,161 | $ | 6,698 |
| Number of bursaries awarded | | 135 | | 63 |

The market value of the endowment as at April 30, 2009 was $10,163,134 (2008 – $7,139,425).

## 12. Internally restricted net assets:

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

| (000's) | 2009 | 2008 |
|---|---|---|
| Operations: | | |
| Faculty departments | $ 3,889 | $ 4,988 |
| An agreement exists that permit faculty departments to automatically carryforward cumulative unspent budgeted funds. These funds are typically committed for targeted expenditures. | | |
| Other departments | 3,914 | 2,742 |
| 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 | 715 | 1,950 |
| Budgeted funds established for specific student initiatives are committed for their intended purpose. | | |
| Library department and acquisitions | 721 | 595 |
| An agreement exists that permits the library department to automatically carryfoward cumulative unspent budgeted funds. | | |
| Capital and infrastructure projects and reserves | 3,303 | 3,285 |
| Department reserve funds and global budgets established for specific capital and infrastructure initiatives. | | |
| Global Budget Initiatives | 1,497 | 2,121 |
| Unspent targeted global funds that are held centrally until departmental allocations are known. | | |
| Operating Budget | 3,335 | 12,653 |
| One-time budgeted funds committed to the annual operating budget. | | |
| | 17,374 | 28,334 |
| Accumulated interest on investments for specific purposes | 3,205 | 4,014 |
| These funds are recognized on investments that have been established for the repayment of the residence debt and debentures payable. | | |
| Segregated funds | 472 | 1,278 |
| These funds are not included in the operating budget revenues and expenses as they are internally designated for specific purposes. | | |
| | $ 21,051 | $ 33,626 |

## 13. Net assets invested in capital assets:

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

| (000's) | 2009 | 2008 |
|---|---|---|
| Capital assets, net (note 5) | $ 184,324 | $ 176,983 |
| Less amounts financed by: | | |
| Long-term debt (note 7) | (31,568) | (29,122) |
| Deferred capital contributions (note 9) | (69,199) | (67,031) |
| Debenture payable | (83,961) | (83,961) |
| Marketable securities held for future capital projects (note 3) | 6,706 | 9,634 |
| Balance, end of year | $ 6,302 | $ 6,503 |

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

| (000's) | 2009 | 2008 |
|---|---|---|
| Repayment of long-term debt | $ 463 | $ 430 |
| Purchase of capital assets internally financed | 8,178 | 3,619 |
| Increase in invested in capital assets | $ 8,641 | $ 4,049 |
| Amortization expense | $ 13,405 | $ 12,165 |
| Less amount of amortization expense related to capital assets purchased with restricted contributions | (4,563) | (3,875) |
| Decrease in invested in capital assets | $ 8,842 | $ 8,290 |

## 14. Commitments:

a) As at April 30, 2009, the estimated costs to complete approved capital and renovation projects are approximately $16,017,447 (2008 - $2,593,973), 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):

| | |
|---|---|
| 2010 | $ 1,326 |
| 2011 | 1,043 |
| 2012 | 1,024 |
| 2013 | 1,037 |
| 2014 | 1,057 |
| Thereafter | 3,960 |
| | $ 9,447 |

## 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, 2009.

## 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, 2009, 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, 2009, the Brock Foundation (the "Foundation"), a Crown agent, had a balance of donations on hand of $908,333 (2008 - $317,740) which the University anticipates will be conveyed to them after year-end. The University acts as investment manager for the Foundation.

## 19. Capital management:

In managing capital, the University focuses on liquid resources available for operations. The University's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purpose. The need for sufficient liquid resources is considered in the preparation of the annual operating budget and capital projects, with actual results being compared to budget on a regular basis, and in the monitoring and forecasting of cash flows.

The University has an available line of credit of $5.0 million that can be used when sufficient cash flow is not available from operations to cover operating and capital expenditures. This line of credit was not utilized during the current fiscal year.

As at April 30, 2009, the University has met its objective of having sufficient liquid resources to meet its current obligations.

## 20. Comparative financial statements:

The comparative financial statements have been reclassified to conform to the presentation of the 2009 financial statements.

## 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 expenses over revenue (Schedule I) | $ (7,265) |
| Net adjustments to restate to an operating budget basis | (3,867) |
| Excess of expenses over revenue on an operating budget basis | (11,132) |
| Opening unrestricted surplus from the operating budget | 203 |
| Transfers from internally restricted - operations (note 12) | 10,960 |
| Ending unrestricted surplus on an operating budget basis | $ 31 |

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 included only in the operating budget are 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, 2009
(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 | $ 79,366 | $ - | $ 79,366 | $ - | $ - | $ 79,366 | $ - | $ 79,366 |
| Student fees | 85,076 | 118 | 85,194 | - | - | 85,194 | - | 85,194 |
| Ancillary operations | 27,558 | - | 27,558 | - | - | 27,558 | - | 27,558 |
| Research grants for restricted purposes | - | 14,590 | 14,590 | - | - | 14,590 | - | 14,590 |
| Grants and donations for restricted purposes | 2,151 | 847 | 2,998 | - | - | 2,998 | 6,015 | 9,013 |
| Investment income | 2,701 | - | 2,701 | - | - | 2,701 | (5,024) | (2,323) |
| Sundry | 12,287 | - | 12,287 | - | - | 12,287 | - | 12,287 |
| Amortization of deferred capital contributions | - | - | - | - | 4,563 | 4,563 | - | 4,563 |
| | 209,139 | 15,555 | 224,694 | - | 4,563 | 229,257 | 991 | 230,248 |
| Expenses: | | | | | | | | |
| Salaries and benefits | 149,798 | - | 149,798 | - | - | 149,798 | - | 149,798 |
| Supplies and expenses | 12,216 | - | 12,216 | - | - | 12,216 | - | 12,216 |
| Materials and expendable equipment | 5,709 | - | 5,709 | - | - | 5,709 | - | 5,709 |
| Repairs, maintenance and rent | 5,869 | - | 5,869 | - | - | 5,869 | - | 5,869 |
| Utilities and taxes | 7,699 | - | 7,699 | - | - | 7,699 | - | 7,699 |
| Interest | 7,022 | - | 7,022 | - | - | 7,022 | - | 7,022 |
| Cost of sales | 7,784 | - | 7,784 | - | - | 7,784 | - | 7,784 |
| Other | 8,816 | - | 8,816 | - | - | 8,816 | - | 8,816 |
| Scholarships, fellowships and bursaries | 11,491 | 2,782 | 14,273 | - | - | 14,273 | 1,142 | 15,415 |
| Research | - | 12,773 | 12,773 | - | - | 12,773 | - | 12,773 |
| Amortization of capital assets | - | - | - | - | 13,405 | 13,405 | - | 13,405 |
| | 216,404 | 15,555 | 231,959 | - | 13,405 | 245,364 | 1,142 | 246,506 |
| Excess of revenues over expenses (expenses over revenues) | (7,265) | - | (7,265) | - | (8,842) | (16,107) | (151) | (16,258) |
| Inter-fund transfers: | | | | | | | | |
| Change in investment in capital assets | (8,641) | - | (8,641) | - | 8,641 | - | - | - |
| Change in internally restricted net assets | 12,575 | - | 12,575 | (12,575) | - | - | - | - |
| Changes in net assets | (3,331) | - | (3,331) | (12,575) | (201) | (16,107) | (151) | (16,258) |
| Net assets, beginning of year | 58 | - | 58 | 33,626 | 6,503 | 40,187 | 33,370 | 73,557 |
| Net assets, end of year | $ (3,273) | $ - | $ (3,273) | $ 21,051 | $ 6,302 | $ 24,080 | $ 33,219 | $ 57,299 |