

Financial Statements of

BROCK UNIVERSITY

Year ended April 30, 2015

BROCK UNIVERSITY

Financial Statements

Year ended April 30, 2015

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STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

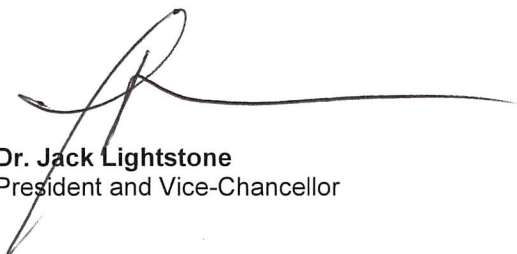
The Administration of Brock University is responsible for the preparation of the financial statements, the notes and all other financial information contained in this annual report.

The Administration has prepared the financial statements in accordance with Canadian accounting standards for not-for-profit organizations. The Administration believes that the financial statements present fairly the University's financial position as at April 30, 2015 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 Audit Committee are not officers or employees of the University. The Audit 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 Audit Committee with and without the presence of the Administration.

The financial statements for the year ended April 30, 2015 have been reported on by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants the auditors appointed by the Board of Trustees. The auditors' report outlines the scope of their audit and their opinion on the financial statements.

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a horizontal line extending to the right.

Dr. Jack Lightstone
President and Vice-Chancellor

A handwritten signature in black ink, consisting of a stylized 'B' followed by a horizontal line extending to the right.

Brian Hutchings, CPA, CGA, LLM
Vice-President, Finance and Administration



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INDEPENDENT AUDITORS' REPORT

To Trustees of Brock University

We have audited the accompanying financial statements of Brock University (the "University"), which comprise the statement of financial position as at April 30, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brock University as at April 30, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

June 25, 2015

BROCK UNIVERSITY

Statement of Financial Position

April 30, 2015 with comparative information for 2014
(in thousands of dollars)

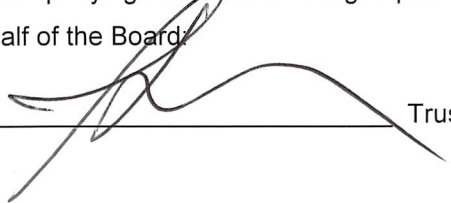
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 44,422	\$ 34,024
Accounts receivable	13,116	11,366
Government grants receivable	6,081	6,668
Prepaid expenses and other assets	59	191
Inventories	1,499	1,952
	65,177	54,201
Restricted investments (note 3)	125,520	94,657
Capital assets (note 4)	379,349	374,871
Employee future benefits asset (note 9)	8,131	-
	\$ 578,177	\$ 523,729

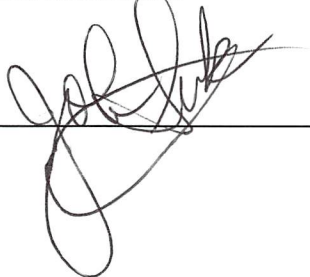
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 16)	\$ 23,123	\$ 17,513
Deferred revenue	25,582	27,019
Deferred contributions (note 5)	6,823	8,501
Current portion of long-term debt (note 6)	2,171	1,367
	57,699	54,400
Long-term debt (note 6)	58,300	43,071
Debenture payable (note 7)	90,109	90,071
Deferred capital contributions (note 8)	184,509	181,177
Employee future benefits obligation (note 9)	19,646	41,728
Net assets:		
Endowment (note 10)	81,695	74,527
Invested in capital assets (note 11)	67,816	70,937
Internally restricted (note 12)	29,907	10,874
Employee future benefits	(11,515)	(41,728)
Unrestricted	11	(1,328)
	167,914	113,282
Commitments (note 13)		
Contingencies (notes 14 and 15)		
	\$ 578,177	\$ 523,729

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

On behalf of the Board:


Trustee


Trustee

BROCK UNIVERSITY

Statement of Operations

Year ended April 30, 2015 with comparative information for 2014
(in thousands of dollars)

	2015	2014
Revenues:		
Student fees	\$ 145,946	\$ 135,142
Government grants for general operations	90,783	91,966
Ancillary operations	31,576	31,393
Sales and services	15,472	13,489
Grants and other revenues for restricted purposes	8,398	6,396
Investment income	1,759	1,647
Research grants for restricted purposes	12,059	12,347
Amortization of deferred capital contributions (note 8)	6,740	6,897
	312,733	299,277
Expenses:		
Salaries and benefits	193,041	193,048
Operating expenses	25,797	25,227
Scholarships, fellowships and bursaries	17,695	17,912
Expendable equipment, repairs and maintenance	8,255	10,513
Utilities and taxes	7,914	8,090
Interest on long-term debt	7,487	7,246
Cost of sales	7,176	7,921
Research, including fellowships	12,059	12,347
Amortization of capital assets	16,434	15,991
	295,858	298,295
Excess of revenues over expenses	16,875	982
Net transfers (to) / from internally restricted net assets	(19,033)	7,978
Net transfers from / (to) invested in capital assets	3,121	(2,786)
Net transfers from / (to) employee future benefits	376	(144)
Change in unrestricted net assets in the year	(15,536)	5,048
Unrestricted net assets, beginning of year	(1,328)	(7,358)
Unrestricted net assets, end of year	\$ 11	\$ (1,328)

BROCK UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2015 with comparative information for 2014
(in thousands of dollars)

April 30, 2015	Employee future benefits	Endowments	Invested in capital assets	Internally restricted	Unrestricted	April 30, 2015 Total
		(note 10)	(note 11)	(note 12)		
Net assets, beginning of year	\$ (41,728)	\$ 74,527	\$ 70,937	\$ 10,874	\$ (1,328)	\$ 113,282
Excess of revenues over expenses (expenses over revenues)	-	-	(9,694)	-	26,569	16,875
Change in internally restricted net assets	-	-	-	19,033	(19,033)	-
Net change in investment in capital assets (note 11 (b))	-	-	6,573	-	(6,573)	-
Actuarial gain in employee future benefits	30,589	-	-	-	-	30,589
Net current service change in employee future benefits	(376)	-	-	-	376	-
Change in endowment net assets (note 10(a))	-	7,168	-	-	-	7,168
Net assets, end of year	\$ (11,515)	\$ 81,695	\$ 67,816	\$ 29,907	\$ 11	\$ 167,914

April 30, 2014	Employee future benefits	Endowments	Invested in capital assets	Internally restricted	Unrestricted	April 30, 2014 Total
		(note 10)	(note 11)	(note 12)		
Net assets, beginning of year	\$ (47,440)	\$ 63,803	\$ 68,151	\$ 18,852	\$ (7,358)	\$ 96,008
Excess of revenues over expenses (expenses over revenues)	-	-	(9,403)	-	10,385	982
Change in internally restricted net assets	-	-	-	(7,978)	7,978	-
Net change in investment in capital assets (note 11 (b))	-	-	12,189	-	(12,189)	-
Actuarial gain in employee future benefits	5,568	-	-	-	-	5,568
Net current service change in employee future benefits	144	-	-	-	(144)	-
Change in endowment net assets (note 10(a))	-	10,724	-	-	-	10,724
Net assets, end of year	\$ (41,728)	\$ 74,527	\$ 70,937	\$ 10,874	\$ (1,328)	\$ 113,282

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

BROCK UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2015 with comparative information for 2014
(in thousands of dollars)

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 16,875	\$ 982
Add (deduct) non-cash items:		
Amortization of capital assets	16,434	15,991
Amortization of deferred capital contributions	(6,740)	(6,897)
Amortization of deferred charges	38	36
	26,607	10,112
Net change in non-cash working capital balances related to operations:		
Increase in accounts receivable	(1,750)	(557)
Decrease (increase) in government grants receivable	587	(2,607)
Decrease in prepaid expenses and other assets	132	53
Decrease in inventories	453	1,581
Increase (decrease) in accounts payable and accrued liabilities	5,610	(2,134)
(Decrease) increase in deferred revenue	(1,437)	4,896
(Decrease) increase in deferred contributions	(1,678)	669
Net current service change in employee future benefits	376	(144)
	2,293	1,757
Cash provided by operating activities	28,900	11,869
Financing activities:		
Contributions restricted for capital purchases	10,072	17,810
Increase in long-term debt	18,000	-
Repayment of long-term debt	(1,967)	(3,629)
Cash provided by financing activities	26,105	14,181
Investing activities:		
Purchase of investments, net	(30,863)	(10,100)
Purchase of capital assets	(20,912)	(28,302)
Change in endowment net assets	7,168	10,724
Cash used in investing activities	(44,607)	(27,678)
Increase (decrease) in cash	10,398	(1,628)
Cash and cash equivalents, beginning of year	34,024	35,652
Cash and cash equivalents, end of year	\$ 44,422	\$ 34,024

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

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

Incorporated in 1964, Brock University has continually developed rigorous undergraduate, graduate and doctoral programs, including experiential learning opportunities and one of Canada's largest co-op programs. Our cross-disciplinary and interdisciplinary programs offer multi-faceted degrees that help students build careers and get jobs. Our culture allows students to develop intellectually and build the kind of social maturity and personal character that today's economy and employers demand.

These financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations controlled by the University. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue; restricted purpose funds, including endowment, research and trust; and the ancillary operations, such as residence and parking.

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

1. Significant accounting policies:

On May 1, 2011, the University adopted Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CPA Canada Handbook.

(a) Cash and cash equivalents:

Cash equivalents are held for the purpose of meeting short-term commitments and 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 money market funds and investments with maturities of three months or less from the date of acquisition. Cash and cash equivalents are valued at fair value.

(b) Inventories:

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

(c) Investments:

Investments are recorded at fair value.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

1. Significant accounting policies (continued):

(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.

(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. 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. The spending rate is reviewed annually. Investment income in excess of administration costs and spending allocations will be added to capital. In the case of endowments where the original donation adjusted for inflation is higher than the market value of the fund, spending may be temporarily suspended in order to preserve donor capital.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

1. Significant accounting policies (continued):

(g) Internally imposed restrictions on net assets:

The University internally restricts the use of portions of its unrestricted net assets for specific future use. When incurred, expenses are charged to operations and the balance of internally restricted net assets is reduced accordingly.

(h) Revenue recognition:

The University follows the deferral method of accounting for contributions. 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. Pledged 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 and ancillary revenue is recognized at the point of sale or when the service has been provided.

(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 specific percentage of the employee's earnings. The amount of pension benefits provided to employees is based on the accumulation of contributions and investment earnings thereon, when the employee retires, subject to a guaranteed minimum benefit amount. Certain faculty are also members of the Teacher's Superannuation Fund, a multi-employer defined benefit plan.

The University provides other non-pension benefits to most of its employees, including retiree medical and dental benefits until the age of 65, accumulating sick leave benefits, pre-retirement leave benefits and for specific employees a health-care spending account.

The University accrues its benefit obligations for these employee future benefits as the employees render the services necessary to earn them. The actuarial determination of the accrued benefit obligations for these employee future benefits uses the projected benefit method prorated on service. For purposes of measuring the benefit obligations, the funding valuation is used for the pension and the accounting valuation is used for the non-pension benefits.

The University recognizes the amount of benefit obligations net of the fair value of plan assets in the statement of financial position. Current service and finance costs are expensed during the year, while remeasurement and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized as a direct increase or decrease in net assets. In years between valuations, a roll-forward technique is used to estimate the accrued benefit obligations.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

1. Significant accounting policies (continued):

(i) Employee future benefits (continued):

The most recent actuarial valuation of the pension plan for funding purposes was as of July 1, 2014 and the next required valuation will be as of July 1, 2017.

The most recent actuarial valuation of the non-pension benefits for accounting purposes was as of April 30, 2014 and the next scheduled valuation will be as of April 30, 2017.

(j) Derivative financial instrument and hedge accounting:

The University is party to interest rate swap agreements used to manage the exposure to market risks from changing interest rates. The University's policy is not to utilize derivative financial instruments for trading or speculative purposes.

Payments and receipts under the interest rate swaps are recognized as adjustments to interest expense on long-term debt.

(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 \$9,925,553 (2014 - \$14,279,447) and is expected to be received as follows:

(000's)	2015	2014
2015	\$ -	\$ 3,694
2016	2,074	3,487
2017	1,533	1,393
2018	1,432	1,295
2019	1,323	1,238
2020	173	-
Thereafter	3,391	3,172
	\$ 9,926	\$ 14,279

1. Significant accounting policies (continued):

(l) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The University has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the University determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the University expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(m) 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.

(n) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowances for receivables, valuation of derivative financial instruments, accrued liabilities and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in income in the year in which they become known.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

2. Cash and cash equivalents:

The market values of the cash and cash equivalents are comprised of:

(000's)	2015	2014
Cash and cash equivalents	\$ 31,004	\$ 33,574
Held for future capital projects Cash and cash equivalents	13,418	450
	\$ 44,422	\$ 34,024

3. Restricted investments:

The fair value of investments are as follows:

(000's)	2015	2014
Invested for endowments		
Cash and cash equivalents	\$ 396	\$ 637
Walter Scott & Partners Global Fund	38,743	32,741
Mawer Canadian Equity Pooled Fund	11,290	11,658
AllianceBernstein Core Plus Bond Fund	31,266	29,491
	81,695	74,527
Invested for unspent capital projects		
Cash and cash equivalents	8,707	9,845
	8,707	9,845
Invested for future loan repayments		
Mawer Balanced Fund	5,462	4,770
	5,462	4,770
Invested for employee future benefit reserve		
Mawer Balanced Fund	887	-
	887	-
Invested for other restricted purposes		
Cash and cash equivalents	28,210	5,049
Sunlife Global Investments	559	466
	28,769	5,515
	\$ 125,520	\$ 94,657

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

4. Capital assets:

April 30, 2015 (000's)	Cost	Accumulated amortization	Net book value
Land	\$ 58,805	\$ -	\$ 58,805
Buildings	488,280	178,129	310,151
Furnishings and equipment	48,385	39,162	9,223
Library books	41,112	39,942	1,170
	\$ 636,582	\$ 257,233	\$ 379,349

April 30, 2014 (000's)	Cost	Accumulated amortization	Net book value
Land	\$ 58,805	\$ -	\$ 58,805
Buildings	470,406	165,113	305,293
Furnishings and equipment	48,232	38,734	9,498
Library books	40,713	39,438	1,275
	\$ 618,156	\$ 243,285	\$ 374,871

Included in buildings is \$45,152,417 (2014 - \$33,678,384) of construction in progress that was not amortized during the year.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

4. Capital assets (continued):

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

(000's)	2015	2014
Balance, beginning of year	\$ 374,871	\$ 362,560
Purchase of capital assets		
funded by deferred capital contributions	10,329	16,846
Purchase of capital assets internally financed	833	7,130
Purchase of capital assets financed by		
proceeds of long term debt	5,033	-
Purchase of capital assets financed by		
accounts payable	4,717	4,635
Sale of land	-	(309)
Amortization of capital assets	(16,434)	(15,991)
Balance, end of year	\$ 379,349	\$ 374,871

5. 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)	2015	2014
Balance, beginning of year	\$ 8,501	\$ 7,832
Grants, donations and other expendable funds	10,381	13,016
Amounts recorded as revenue during the year	(12,059)	(12,347)
Balance, end of year	\$ 6,823	\$ 8,501

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

6. Long-term debt:

(000's)	2015	2014
Fixed rate instruments:		
Earp student residence:		
7.2% loan with certain residences and investments pledged as security, with monthly blended payments of principal and interest of \$91, due October 1, 2028	\$ 9,360	\$ 9,757
Lowenberger student residence:		
7.2% loan with certain residences and investments pledged as security, with monthly blended payments of principal and interest of \$72, due October 1, 2028	7,442	7,756
Cairns Family Health and Bioscience Research Complex:		
4.69% mortgage loan with monthly blended payments of principal and interest of \$159, due June 29, 2022	26,269	26,925
Marilyn I. Walker School of Fine and Performing Arts Building:		
2.45% serial mortgage loan with fixed monthly principal payments of \$60 plus interest, due June 3, 2019	17,400	-
	60,471	44,438
Less current portion	2,171	1,367
	\$ 58,300	\$ 43,071

Debt maturities:

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

(000's)	
2016	\$ 2,171
2017	2,261
2018	2,357
2019	2,458
2020	2,567
Thereafter	48,657
	\$ 60,471

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

6. Long-term debt (continued):

(a) Bank credit facility:

The University has available operating lines of credit of \$20,000,000 and \$5,000,000 which were not utilized at April 30, 2015. The interest rate on the operating lines of credit, when drawn, are the Bank's Prime lending rate from time to time minus 0.55% and the Bank's Prime lending rate from time to time, respectively (the prime rate at April 30, 2015 was 2.85%). Amounts are due on demand.

(b) Interest rate swap:

The University has entered into interest rate swap agreements to manage the volatility of interest rates.

The University converted a net notional of \$28,000,000 of floating rate long-term debt relating to the Cairns Family Health and Bioscience Research Complex. The fixed rate received under the interest rate swap is 4.69%. The maturity date of the interest rate swap is the same as the maturity date of the associated long-term debt of June 29, 2022.

The University converted a net notional of \$18,000,000 of floating rate long-term debt relating to the Marilyn I. Walker School of Fine and Performing Arts Building. The fixed rate received under the interest rate swap is 2.45%. The maturity date of the interest rate swap is the same as the maturity date of the associated long-term debt of June 3, 2019.

The notional and fair values of the interest rate swap agreement is as follows:

(000's)	2015		2014	
	Notional value	Fair value	Notional value	Fair value
Cairns Family Health and Bioscience Research Complex	\$ 26,269	\$ 29,613	\$ 26,925	\$ 29,233
Marilyn I. Walker School of Fine and Performing Arts Building	17,400	17,906	-	-
	\$ 43,669	\$ 47,519	\$ 26,925	\$ 29,233

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

7. Debenture payable:

(000's)	2015	2014
Debenture payable, bearing interest at 4.967%, \$2,309 payable interest only semi-annually, due December 14, 2045	\$ 93,000	\$ 93,000
Deferred refinancing expenses	(2,891)	(2,929)
	\$ 90,109	\$ 90,071

The fair value of the debenture payable is \$111,972,000 (2014 - \$95,594,700). Fair value has been determined using the market price of the debenture \$120.40 (2014 - \$102.79).

The University has established an internal sinking fund and purchased units in the Mawer Balanced Fund with a market value of \$5,461,553 (2014 - \$4,770,295). It is the University's policy to annually review the sinking fund investment structure and required contributions so that the ultimate proceeds of the investments will be applied against the debenture payable, due December 14, 2045 (note 3).

8. 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. The changes in the deferred capital contributions balance are as follows:

(000's)	2015	2014
Balance, beginning of year	\$ 181,177	\$ 170,264
Less amortization of deferred capital contributions	(6,740)	(6,897)
Add contributions restricted for capital purposes	10,072	17,810
Balance, end of year	\$ 184,509	\$ 181,177

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

(000's)	2015	2014
Unamortized capital contributions used to purchase assets	\$ 175,802	\$ 171,350
Unspent capital contributions	8,707	9,827
	\$ 184,509	\$ 181,177

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

9. 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, 2014. The next required actuarial funding valuation will be July 1, 2017.

The University measured its accrued benefit obligation and fair value of plan assets for accounting purposes as at April 30, 2015. A summary of the financial status of the plan is as follows:

(000's)	2015	2014
Accrued benefit obligation	\$ 432,544	\$ 419,287
Fair value of plan assets	440,675	395,450
Accrued benefit asset (liability)	\$ 8,131	\$ (23,837)

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

	2015	2014
Discount rate on defined benefit costs	6.00%	5.25%
Rate of compensation increases	3.75%	3.75%
Expected long-term rate of return on plan assets	6.00%	5.25%

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

(000's)	2015	2014
Pension benefit plan	\$ 13,165	\$ 17,033
Multi-employer teachers plan	24	62

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

9. Employee future benefits obligation (continued):

(b) Other benefit plans:

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 specific employees, a health-care spending account. The latest actuarial funding valuation was performed as at April 30, 2015.

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

(000's)	2015	2014
Accrued benefit obligation	\$ 19,646	\$ 17,891
Fair value of plan assets	-	-
Accrued benefit liability	\$ 19,646	\$ 17,891

The University established an internally restricted reserve (note 12) for employee future benefits of \$887,227 (2014 – nil)

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

	2015	2014
Discount rate	3.7% - 4.45%	3.70% - 4.45%
Health-care costs	8.46% (2014 – 8.46%) decreasing over 15 years to 4.5%	
Other benefits costs	4.50%	4.50%

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

(000's)	2015	2014
Non-pension defined benefit plans	\$ 2,805	\$ 3,397
Non-pension benefit plans	559	485

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

10. Endowments:

(a) Change in endowment net assets:

The following were recorded directly to endowment net assets:

(000's)	2015	2014
Contributions restricted for endowments	\$ 4,150	\$ 2,875
Investment income	2,620	4,302
Internally allocated for endowment spending	(6,915)	(1,111)
Unrealized gain	7,313	4,658
	\$ 7,168	\$ 10,724

It is the University's policy to endow any amounts not made available for spending during the fiscal year. These amounts are recorded as a direct increase to endowments as preservation of capital.

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

(000's)	2015	2014
Externally endowed	\$ 76,328	\$ 69,660
Internally endowed	5,367	4,867
	\$ 81,695	\$ 74,527

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

10. 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 ("OSOTF") matching program, Phase One to award student aid as a result of raising an equal amount of endowed donations. The OSOTF represents a portion of the endowment fund.

Schedule of Changes in Expendable Funds Available for Awards:

(000's)	2015	2014
Expendable funds available for awards, beginning of year	\$ 793	\$ 362
Investment income eligible for expenditures	175	660
Bursaries awarded	(285)	(229)
Expendable funds available for awards, end of year	\$ 683	\$ 793
Total OSOTF, Phase One, end of year	\$ 9,416	\$ 9,614
Number of bursaries awarded	130	130

Schedule of Changes in Endowment Balance based on book and market value:

(000's)	2015		2014	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$11,051	\$ 8,822	\$ 9,800	\$ 8,272
Unrealized gain for the year	1,032	-	701	-
Investment (loss) income less bursaries awarded	(88)	(88)	550	550
Endowment balance, end of year	\$11,995	\$ 8,734	\$11,051	\$ 8,822

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

10. Endowments (continued):

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

Externally restricted endowments include grants provided by the Government of Ontario from the OSOTF matching program, Phase Two to award student aid as a result of raising an equal amount of endowed donations. The OSOTF represents a portion of the endowment fund.

Schedule of Changes in Expendable Funds Available for Awards:

(000's)	2015	2014
Expendable funds available for awards, beginning of year	\$ 417	\$ 265
Investment income eligible for expenditures	140	246
Bursaries awarded	(112)	(94)
Expendable funds available for awards, end of year	\$ 445	\$ 417
Total OSOTF, Phase Two, end of year	\$ 3,792	\$ 3,733
Number of bursaries awarded	32	32

Schedule of Changes in Endowment Balance based on book and fair value:

(000's)	2015		2014	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$ 4,163	\$ 3,316	\$ 3,717	\$ 3,135
Unrealized gain for the year	390	-	265	-
Investment income less bursaries awarded	31	31	181	181
Endowment balance, end of year	\$ 4,584	\$ 3,347	\$ 4,163	\$ 3,316

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

10. 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. The OTSS represents a portion of the endowment fund.

Schedule of Changes in Expendable Funds Available for Awards:

(000's)		2015		2014
Expendable funds available for awards, beginning of year	\$	2,208	\$	1,180
Investment income eligible for expenditures		777		1,446
Bursaries awarded		(556)		(418)
Expendable funds available for awards, end of year	\$	2,429	\$	2,208
Total OTSS, end of year	\$	20,799	\$	20,413
Number of bursaries awarded		369		341

Schedule of Changes in Endowment Balance based on book and fair value:

(000's)	2015		2014	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$23,070	\$18,204	\$20,597	\$17,185
Cash donations received	-	-	-	-
Funds received from the Ministry	-	-	-	-
Unrealized gain in the current year	2,150	-	1,454	-
Investment income less bursaries awarded	166	166	1,019	1,019
Endowment balance, end of year	\$25,386	\$18,370	\$23,070	\$18,204

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

11. Net assets invested in capital assets:

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

(000's)	2015	2014
Capital assets, net (note 4)	\$ 379,349	\$ 374,871
Less amounts financed by:		
Long-term debt (note 6)	(60,471)	(44,438)
Deferred capital contributions (note 8)	(175,802)	(171,350)
Debenture payable	(83,961)	(83,961)
Accounts payable (note 4)	(4,717)	(4,635)
Cash and cash equivalents held for future capital projects (note 2)	13,418	450
Balance, end of year	\$ 67,816	\$ 70,937

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

(000's)	2015	2014
Repayment of long-term debt	\$ 1,967	\$ 3,629
Purchase of capital assets internally financed	833	7,130
Payment of accounts payable related to capital assets	3,773	1,430
Increase in invested in capital assets	6,573	12,189
Amortization expense	(16,434)	(15,991)
Less amortization of deferred capital contributions	6,740	6,897
Disposal of land	-	(309)
Decrease in invested in capital assets	(9,694)	(9,403)
Net change in invested in capital assets	\$ 3,121	\$ 2,786

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Notes to Financial Statements

Year ended April 30, 2015

12. Internally restricted net assets:

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

(000's)	2015	2014
Student support grants, bursaries and fellowships	\$ -	\$ 411
Capital and infrastructure projects and reserves	10,339	1,050
Operating project accounts	1,674	1,328
Research funds with no external obligations	1,538	916
Start-up funds	913	809
Professional expense reimbursement accounts	2,444	1,590
Sinking fund (note 7)	5,462	4,770
Employee future benefits reserve	887	-
Debt repayment reserve	475	-
Contingency reserve	4,500	-
Strategic initiative fund	1,000	-
Encumbrance reserve	675	-
	\$ 29,907	\$ 10,874

13. Commitments:

- As at April 30, 2015, the estimated costs to complete approved capital and renovation projects are approximately \$2,891,503 (2014 - \$15,578,071), which will be funded by government grants, donations, operations and long-term debt proceeds.
- The following are the future minimum annual operating lease payments due over the next five fiscal years and thereafter (in 000's):

2016	\$ 1,328
2017	1,442
2018	1,432
2019	1,424
2020	1,424
Thereafter	6,839
	\$ 13,889

14. 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 that 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, 2015.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2015

15. 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, 2015, the 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.

16. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$4,707,000 (2014 - \$4,737,000), which includes amounts payable for payroll-related taxes.

17. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The University deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. Grants are received shortly after the fiscal year end.

(b) Interest rate risk:

The University is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the University to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

The University mitigates interest rate risk on its term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the term debt for a fixed rate (see note 6). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

(c) Currency risk:

The University is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including underlying investments in pooled funds denominated in foreign currencies because the fair value and future cash flows will fluctuate due to the changes in the relative value of the foreign currencies against the Canadian dollar. The University manages currency risk through monitoring activities and adherence to the investment policy.

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Notes to Financial Statements

Year ended April 30, 2015

17. Financial risks (continued):

(d) Liquidity risk:

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. Trade accounts payable and accrued liabilities are generally paid shortly after year end. For long-term debt, the University has established investments to provide for cash flow requirements (note 6).

18. Adoption of reporting employee future benefits by not-for-profit organizations:

Effective May 1, 2014, the University adopted Section 3463, "Reporting Employee Future Benefits by Not-for-Profit Organizations", of the CPA Handbook – Accounting, on a retrospective basis. Section 3463.01 provides that a not-for-profit organization applies Section 3462 except as otherwise provided for in Section 3463.

In accordance with Section 3463, remeasurements and other items are recognized directly in net assets on the statement of financial position, rather than in the statement of operations, and presented as a separately identified item in the statement of changes in net assets.

The University continues to measure the pension obligation using the funding method and the non-pension benefits using the accounting method.

There was no net change in net assets but the excess of revenue over expenses on the statement of operations did decrease for the year ended April 30, 2014 from \$6,550,000 to \$982,000 with a difference of \$5,568,000 recorded in salaries and benefits on the statement of operations.

19. Comparative figures:

The comparative financial statements have been reclassified to conform to the presentation of the 2015 financial statements.