Financial Statements of

BROCK UNIVERSITY

Year ended April 30, 2016

BROCK UNIVERSITY

Financial Statements

Year ended April 30, 2016

Index Page

Statement of Administrative Responsibility 1

Independent 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 - 27

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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, 2016 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, 2016 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.

Dr. Jack Lightstone
President and Vice-Chancellor

Brian Hutchings, CPA, CGA, LLM
Vice-President, 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, 2016, 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, 2016, 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**.**

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada
June 23, 2016

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

BROCK UNIVERSITY

Statement of Financial Position

April 30, 2016 with comparative information for 2015
(in thousands of dollars)

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents (note 2)	$ 49,139	$ 44,422
Accounts receivable	18,175	18,314
Government grants receivable	2,716	6,081
Prepaid expenses and other assets	132	59
Inventories	1,561	1,499
	71,723	70,375
Restricted investments (note 3)	125,870	125,520
Capital assets (note 4)	382,467	379,349
Employee future benefits asset (note 9)	-	8,131
	$ 580,060	$ 583,375
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 16)	$ 25,329	$ 23,123
Deferred revenue	29,676	30,780
Deferred contributions (note 5)	7,164	6,823
Current portion of long-term debt (note 6)	2,261	2,171
	64,430	62,897
Long-term debt (note 6)	56,039	58,300
Debenture payable (note 7)	90,149	90,109
Deferred capital contributions (note 8)	181,021	184,509
Employee future benefits obligation (note 9)	22,579	19,646
Total liabilities	414,218	415,461
Net assets:		
Endowment (note 10)	83,098	81,695
Invested in capital assets (note 11)	75,768	67,816
Internally restricted (note 12)	29,533	29,907
Employee future benefits	(22,579)	(11,515)
Unrestricted	22	11
	165,842	167,914
Commitments (note 13)		
Contingencies (notes 14 and 15)		
	$ 580,060	$ 583,375

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, 2016 with comparative information for 2015
(in thousands of dollars)

	2016	2015
Revenues:		
Student fees	$ 152,369	$ 145,946
Government grants for general operations	88,784	90,783
Ancillary operations	32,073	31,576
Sales and services	11,986	15,472
Grants and other revenues for restricted purposes	7,944	8,398
Investment income	1,195	1,759
Research grants for restricted purposes	11,617	12,059
Amortization of deferred capital contributions (note 8)	7,072	6,740
	313,040	312,733
Expenses:		
Salaries and benefits	195,501	193,041
Operating expenses	30,613	25,797
Scholarships, fellowships and bursaries	18,217	17,695
Expendable equipment, repairs and maintenance	9,758	8,255
Utilities and taxes	8,129	7,914
Interest on long-term debt	7,439	7,487
Cost of sales	7,221	7,176
Research, including fellowships	11,617	12,059
Amortization of capital assets	18,130	16,434
	306,625	295,858
Excess of revenues over expenses	6,415	16,875
Net transfers from / (to) internally restricted net assets	374	(19,033)
Net transfers (to) / from invested in capital assets	(7,952)	3,121
Net transfers from employee future benefits	1,174	376
Change in unrestricted net assets in the year	(6,404)	(15,536)
Unrestricted net assets, beginning of year	11	(1,328)
Unrestricted net assets, end of year	22	$ 11

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

BROCK UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2016 with comparative information for 2015
(in thousands of dollars)

April 30, 2016	Employee future benefits	Endowments	Invested in capital assets	Internally restricted	Unrestricted	April 30, 2016 Total
		(note 10)	(note 11)	(note 12)		
Net assets, beginning of year	$ (11,515)	$ 81,695	$ 67,816	$ 29,907	$ 11	$ 167,914
Excess of revenues over expenses (expenses over revenues)	-	-	(11,058)	-	17,473	6,415
Change in internally restricted net assets	-	-	-	(374)	374	-
Net change in investment in capital assets (note 11 (b))	-	-	19,010	-	(19,010)	-
Actuarial loss in employee future benefits	(9,890)	-	-	-	-	(9,890)
Net current service change in employee future benefits	(1,174)	-	-	-	1,174	-
Change in endowment net assets (note 10(a))	-	1,403	-	-	-	1,403
Net assets, end of year	$ (22,579)	$ 83,098	$ 75,768	$ 29,533	$ 22	$ 165,842

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

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

BROCK UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2016 with comparative information for 2015
(in thousands of dollars)

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ 6,415	$ 16,875
Add (deduct) non-cash items:		
Amortization of capital assets	18,130	16,434
Amortization of deferred capital contributions	(7,072)	(6,740)
Amortization of deferred charges	40	38
	17,513	26,607
Net change in non-cash working capital balances related to operations:		
Increase (decrease) in accounts receivable	139	(6,948)
Decrease in government grants receivable	3,365	587
(Increase) decrease in prepaid expenses and other assets	(73)	132
(Increase) decrease in inventories	(62)	453
Increase in accounts payable and accrued liabilities	2,206	5,610
(Decrease) increase in deferred revenue	(1,104)	3,761
Increase (decrease) in deferred contributions	341	(1,678)
Net current service change in employee future benefits	1,174	376
	5,986	2,293
Cash provided by operating activities	23,499	28,900
Financing activities:		
Contributions restricted for capital purchases	3,584	10,072
Increase in long-term debt	-	18,000
Repayment of long-term debt	(2,171)	(1,967)
Cash provided by financing activities	1,413	26,105
Investing activities:		
Purchase of investments, net	(350)	(30,863)
Purchase of capital assets	(21,248)	(20,912)
Change in endowment net assets	1,403	7,168
Cash used in investing activities	(20,195)	(44,607)
Increase in cash	4,717	10,398
Cash and cash equivalents, beginning of year	44,422	34,024
Cash and cash equivalents, end of year	$ 49,139	$ 44,422

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

Incorporated in 1964, Brock University flourishes through the scholarly, creative, and professional achievement of its students, faculty and staff. Offering a range of undergraduate and graduate programs, Brock fosters teaching and research of the highest quality. As a diverse and inclusive community, we contribute positively to Canada and beyond through our imagination, innovation and commitment.

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:

These financial statements have been prepared in accordance with 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.

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.

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.

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

The University is also party to currency swap agreements used to manage foreign currency risks on endowment investment denominated in foreign currencies. Currency swaps are measured at fair value.

The University's policy is not to utilize derivative financial instruments for trading or speculative purposes.

(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 $11,697,513 (2015 - $9,925,553) and is expected to be received as follows:

(000's)	2016	2015
2016	$ -	$ 2,074
2017	2,508	1,533
2018	2,237	1,432
2019	2,152	1,323
2020	1,039	173
2021	246	-
Thereafter	3,516	3,391
	$ 11,698	$ 9,926

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.

2. Cash and cash equivalents:

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

(000's)	2016	2015
Cash and cash equivalents	$ 41,929	$ 31,004
Held for future capital projects		
Cash and cash equivalents	7,210	13,418
	$ 49,139	$ 44,422

3. Restricted investments:

The fair value of investments are as follows:

(000's)	2016	2015
Invested for endowments		
Cash and cash equivalents	$ 1,622	$ 396
Walter Scott & Partners Global Fund	38,218	38,743
Mawer Canadian Equity Pooled Fund	11,249	11,290
AllianceBernstein Core Plus Bond Fund	32,009	31,266
	83,098	81,695
Invested for unspent capital projects		
Cash and cash equivalents	9,373	8,707
	9,373	8,707
Invested for future loan repayments		
Mawer Balanced Fund	5,647	5,462
	5,647	5,462
Invested for employee future benefit reserve		
Mawer Balanced Fund	1,826	887
	1,826	887
Invested for other restricted purposes		
Cash and cash equivalents	25,390	28,210
Sunlife Global Investments	536	559
	25,926	28,769
	$ 125,870	$ 125,520

4. Capital assets:

April 30, 2016 (000's)	Cost	Accumulated amortization	Net book value
Land	$ 58,805	$ -	$ 58,805
Buildings	502,844	192,598	310,246
Furnishings and equipment	52,221	40,498	11,723
Library books	42,180	40,487	1,693
	$ 656,050	$ 273,583	$ 382,467

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

Included in buildings is $8,109,952 (2015 - $45,152,417) of construction in progress that was not amortized during the year.

4. Capital assets (continued):

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

(000's)	2016	2015
Balance, beginning of year	$ 379,349	$ 374,871
Purchase of capital assets funded by deferred capital contributions	2,616	10,329
Purchase of capital assets internally financed	13,247	833
Purchase of capital assets funded by the contingency reserve	3,425	-
Purchase of capital assets financed by proceeds of long term debt	1,960	5,033
Purchase of capital assets financed by accounts payable	-	4,717
Amortization of capital assets	(18,130)	(16,434)
Balance, end of year	$ 382,467	$ 379,349

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)	2016	2015
Balance, beginning of year	$ 6,823	$ 8,501
Grants, donations and other expendable funds	11,958	10,381
Amounts recorded as revenue during the year	(11,617)	(12,059)
Balance, end of year	$ 7,164	$ 6,823

6. Long-term debt:

(000's)	2016	2015
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	$ 8,934	$ 9,360
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	7,103	7,442
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	25,583	26,269
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	16,680	17,400
	58,300	60,471
Less current portion	2,261	2,171
	$ 56,039	$ 58,300

Debt maturities:

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

(000's)	
2017	$ 2,261
2018	2,357
2019	2,458
2020	16,367
2021	1,962
Thereafter	32,895
	$ 58,300

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, 2016. 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, 2016 was 2.70%). 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 paid 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 paid 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:

	2016		2015	
(000's)	Notional value	Fair value	Notional value	Fair value
Cairns Family Health and Bioscience Research Complex	$25,583	$29,011	$26,269	$29,613
Marilyn I. Walker School of Fine and Performing Arts Building	16,680	17,152	17,400	17,906
	$42,263	$46,163	$43,669	$47,519

7. Debenture payable:

(000's)	2016	2015
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	(2,851)	(2,891)
	$ 90,149	$ 90,109

The fair value of the debenture payable is $111,953,400 (2015 - $111,972,000). Fair value has been determined using the market price of the debenture $120.38 (2015 - $120.40).

The University has established an internal sinking fund and purchased units in the Mawer Balanced Fund with a market value of $5,647,086 (2015 - $5,461,553). 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)	2016	2015
Balance, beginning of year	$ 184,509	$ 181,177
Less amortization of deferred capital contributions	(7,072)	(6,740)
Add contributions restricted for capital purposes	3,584	10,072
Balance, end of year	$ 181,021	$ 184,509

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

(000's)	2016	2015
Unamortized capital contributions used to purchase assets	$ 171,648	$ 175,802
Unspent capital contributions	9,373	8,707
	$ 181,021	$ 184,509

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, 2016. A summary of the financial status of the plan is as follows:

(000's)	2016	2015
Accrued benefit obligation	$ 436,290	$ 432,544
Fair value of plan assets	434,541	440,675
Accrued benefit (liability) asset	$ (1,749)	$ 8,131

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

	2016	2015
Discount rate on defined benefit costs	6.00%	6.00%
Rate of compensation increases	3.75%	3.75%
Expected long-term rate of return on plan assets	6.00%	6.00%

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

(000's)	2016	2015
Current service cost (defined contribution)	$ 11,284	$ 9,150
Current service cost (defined benefit)	1,226	1,898
Unfunded liability (going concern)	413	2,117
Multi-employer teachers plan	21	24
Total	$ 12,944	$ 13,189

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 accounting valuation was performed as at April 30, 2014.

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

(000's)	2016	2015
Accrued benefit obligation	$ 20,830	$ 19,646
Fair value of plan assets	-	-
Accrued benefit liability	$ 20,830	$ 19,646

The University established an internally restricted reserve (note 12) for employee future benefits of $1,825,691 (2015 – $887,227).

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

	2016	2015
Discount rate	3.25% – 3.85%	3.70% - 4.45%
Health-care costs	8.46% (2015 - 8.46%) decreasing over 15 years to 4.50%	
Other benefits costs	4.50%	4.50%

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

(000's)	2016	2015
Non-pension defined benefit plans	$ 3,099	$ 2,805
Non-pension benefit plans	536	559
Total	$ 3,635	$ 3,364

10. Endowments:

(a) Change in endowment net assets:

The following were recorded directly to endowment net assets:

(000's)	2016	2015
Contributions restricted for endowments	$ 938	$ 4,150
Investment income	4,193	2,620
Internally allocated for endowment spending	(1,995)	(6,915)
Unrealized (loss) gain	(1,733)	7,313
	$ 1,403	$ 7,168

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)	2016	2015
Externally endowed	$ 76,776	$ 75,376
Internally endowed	6,322	6,319
	$ 83,098	$ 81,695

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)	2016	2015
Expendable funds available for awards, beginning of year	$ 683	$ 793
Investment income eligible for expenditures	519	175
Bursaries awarded	(323)	(285)
Expendable funds available for awards, end of year	$ 879	$ 683
Total OSOTF, Phase One, end of year	$ 9,843	$ 9,416
Number of bursaries awarded	130	130

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

	2016		2015	
(000's)	Market	Book	Market	Book
Endowment balance, beginning of year	$11,995	$ 8,734	$11,051	$ 8,822
Unrealized (loss) gain for the year	(250)	-	1,032	-
Investment income (loss) less bursaries awarded	231	231	(88)	(88)
Endowment balance, end of year	$11,976	$ 8,965	$11,995	$ 8,734

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)	2016	2015
Expendable funds available for awards, beginning of year	$ 445	$ 417
Investment income eligible for expenditures	224	140
Bursaries awarded	(127)	(112)
Expendable funds available for awards, end of year	$ 542	$ 445
Total OSOTF, Phase Two, end of year	$ 3,998	$ 3,792
Number of bursaries awarded	30	32

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

	2016		2015	
(000's)	Market	Book	Market	Book
Endowment balance, beginning of year	$ 4,584	$ 3,347	$ 4,163	$ 3,316
Unrealized (loss) gain for the year	(96)	-	390	-
Investment income less bursaries awarded	109	109	31	31
Endowment balance, end of year	$ 4,597	$ 3,456	$ 4,584	$ 3,347

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)	2016	2015
Expendable funds available for awards, beginning of year	$ 2,429	$ 2,208
Investment income eligible for expenditures	1,262	777
Bursaries awarded	(609)	(556)
Expendable funds available for awards, end of year	$ 3,082	$ 2,429
Total OTSS, end of year	22,084	$ 20,799
Number of bursaries awarded	393	369

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

	2016		2015	
(000's)	Market	Book	Market	Book
Endowment balance, beginning of year	$25,386	$18,370	$23,070	$18,204
Unrealized (loss) gain in the current year	(527)	-	2,150	-
Investment income less bursaries awarded	631	631	166	166
Endowment balance, end of year	$25,490	$19,001	$25,386	$18,370

11. Net assets invested in capital assets:

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

(000's)	2016	2015
Capital assets, net (note 4)	$ 382,467	$ 379,349
Less amounts financed by:		
Long-term debt (note 6)	(58,300)	(60,471)
Deferred capital contributions (note 8)	(171,648)	(175,802)
Debenture payable	(83,961)	(83,961)
Accounts payable (note 4)	-	(4,717)
Cash and cash equivalents held for future capital projects (note 2)	7,210	13,418
Balance, end of year	$ 75,768	$ 67,816

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

(000's)	2016	2015
Repayment of long-term debt	$ 2,171	$ 1,967
Purchase of capital assets internally financed	16,672	833
Payment of accounts payable related to capital assets	167	3,773
Increase in invested in capital assets	19,010	6,573
Amortization expense	(18,130)	(16,434)
Less amortization of deferred capital contributions	7,072	6,740
Decrease in invested in capital assets	(11,058)	(9,694)
Net change in invested in capital assets	$ 7,952	$ 3,121

12. Internally restricted net assets:

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

(000's)	2016	2015
Capital and infrastructure projects and reserves	$ 9,262	$ 10,339
Operating project accounts	1,077	1,674
Research funds with no external obligations	2,089	1,538
Start-up funds	910	913
Professional expense reimbursement accounts	2,546	2,444
Sinking fund (note 7)	5,647	5,462
Employee future benefits reserve	1,826	887
Debt repayment reserve	950	475
Contingency reserve	2,001	4,500
Strategic initiative fund	2,200	1,000
Encumbrance reserve	1,025	675
	$ 29,533	$ 29,907

13. Commitments:

a) As at April 30, 2016, the estimated costs to complete approved capital and renovation projects are approximately $3,960,038 (2015 - $2,891,503), which will be funded by government grants, donations, operations and long-term debt proceeds.

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

2017	$ 1,442
2018	1,432
2019	1,424
2020	1,424
2021	1,424
Thereafter	4,229
	$ 11,375

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, 2016.

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, 2016, 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.

16. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $4,675,000 (2015 - $4,707,000), 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.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at April 30, 2016 is $3,273,319 (2015 - $2,246,506).

(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.

17. Financial risks (continued):

(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. The University currently holds forward contracts to hedge 100% of its exposure to US dollar equity investments held in the endowment fund. At year end the University had forward foreign exchange contracts to sell currency with an aggregated value of $14,583,600 USD (2015 - $nil). At April 30, 2016 there is a $nil unrealized foreign exchange gain/loss resulting from the mark to market of foreign exchange contracts.

(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. Comparative figures:

The comparative financial statements have been reclassified to conform to the presentation of the 2016 financial statements.