

Financial Statements of

BROCK UNIVERSITY

Years ended April 30, 2013 and 2012

BROCK UNIVERSITY

Financial Statements

Years ended April 30, 2013 and 2012

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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, 2013 and April 30, 2012 and the results of its operations for the years 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 years ended April 30, 2013 and April 30, 2012 have been reported on by KPMG LLP, Chartered 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
Vice-President, Finance and Administration



KPMG LLP

Chartered Accountants

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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, 2013, April 30, 2012 and May 1 2011, and statement of operations, changes in net assets and cash flows for the years then ended April 30, 2013 and April 30, 2012, 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 audits. We conducted our audits 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 in our audits 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, 2013, April 30, 2012 and May 1, 2011, and its results of operations and its cash flows for the years then ended April 30, 2013 and April 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants, Licensed Public Accountants

October 3, 2013
St. Catharines, Canada

BROCK UNIVERSITY

Statement of Financial Position

April 30, 2013, April 30, 2012 and May 1, 2011
(in thousands of dollars)

	April 30, 2013	April 30, 2012	May 1, 2011
Assets			
Current assets:			
Cash and cash equivalents (note 2)	\$ 35,652	\$ 53,420	\$ 36,182
Accounts receivable	10,809	9,659	15,603
Government grants receivable	4,061	4,611	3,283
Prepaid expenses and other assets	244	333	769
Inventories	3,533	3,411	2,883
	54,299	71,434	58,720
Restricted investments (note 3)	84,557	62,662	83,644
Capital assets (note 4)	362,560	353,461	327,017
	\$ 501,416	\$ 487,557	\$ 469,381

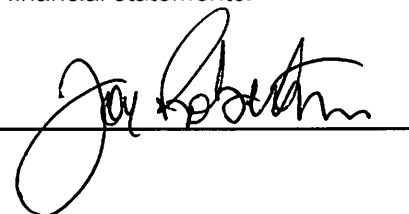
Liabilities and Net Assets

Current liabilities:			
Accounts payable and accrued liabilities (note 16)	\$ 19,647	\$ 24,758	\$ 40,216
Deferred revenue	22,123	14,244	12,246
Deferred contributions (note 5)	7,832	8,699	8,693
Current portion of long-term debt (note 6)	3,629	1,328	720
	53,231	49,029	61,875
Long-term debt (note 6)	44,438	52,656	31,288
Debenture payable (note 7)	90,035	90,000	89,968
Deferred capital contributions (note 8)	170,264	161,584	156,440
Employee future benefits obligation (note 9)	47,440	55,605	47,497
Net assets:			
Endowment (note 10)	63,803	54,573	49,968
Invested in capital assets (note 11)	68,151	71,581	72,262
Internally restricted (note 12)	18,852	30,686	28,173
Unrestricted	(54,798)	(78,157)	(68,090)
	96,008	78,683	82,313
Commitments (note 13)			
Contingencies (notes 14 and 15)			
	\$ 501,416	\$ 487,557	\$ 469,381

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

On behalf of the Board:


Trustee


Trustee

BROCK UNIVERSITY

Statement of Operations

Years ended April 30, 2013 and 2012
(in thousands of dollars)

	2013	2012
Revenues:		
Student fees	\$ 124,963	\$ 115,866
Government grants for general operations	90,095	89,630
Ancillary operations	31,819	31,120
Sales and services	14,363	11,979
Grants and other revenues for restricted purposes	4,441	3,690
Investment income	1,549	1,704
Research grants for restricted purposes	12,974	11,866
Amortization of deferred capital contributions (note 8)	5,657	4,706
	285,861	270,561
Expenses:		
Salaries and benefits	187,253	178,800
Operating expenses	27,387	25,528
Scholarships, fellowships and bursaries	13,682	12,234
Expendable equipment, repairs and maintenance	9,032	7,968
Utilities and taxes	7,900	7,435
Interest on long-term debt	6,862	6,154
Cost of sales	8,432	8,146
Research, including fellowships	12,974	11,866
Amortization of capital assets	14,543	14,376
	288,065	272,507
Excess of expenses over revenues before undernoted	(2,204)	(1,946)
Pension obligation (note 9 (a))	10,299	(6,289)
Excess of revenues over expenses (expenses over revenues)	8,095	(8,235)
Net transfers (to) from internally restricted net assets	11,834	(2,513)
Net transfers to invested in capital assets	3,430	681
Change in unrestricted net assets in the year	15,264	(1,832)
Unrestricted net assets, beginning of year	(78,157)	(68,090)
Unrestricted net assets, end of year	\$ (54,798)	\$ (78,157)

BROCK UNIVERSITY

Statement of Changes in Net Assets

Years ended April 30, 2013 and 2012
(in thousands of dollars)

April 30, 2013	Endowments (note 10)	Invested in capital assets (note 11)	Internally restricted (note 12)	Unrestricted	Total
Net assets, beginning of year	\$ 54,573	\$ 71,581	\$ 30,686	\$(78,157)	\$ 78,683
Excess of revenues over expenses (expenses over revenues)	-	(8,886)	-	16,981	8,095
Change in internally restricted net assets	-	-	(11,834)	11,834	-
Net change in investment in capital assets (note 11 (b))	-	5,456	-	(5,456)	-
Change in endowment net assets (note 10(a))	9,230	-	-	-	9,230
Net assets, end of year	\$ 63,803	\$ 68,151	\$ 18,852	\$(54,798)	\$ 96,008

April 30, 2012	Endowments (note 10)	Invested in capital assets (note 11)	Internally restricted (note 12)	Unrestricted	Total
Net assets, beginning of year	\$ 49,968	\$ 72,262	\$ 28,173	\$(68,090)	\$ 82,313
Excess of revenues over expenses (expenses over revenues)	-	(9,670)	-	1,435	(8,235)
Change in internally restricted net assets	-	-	2,513	(2,513)	-
Net change in investment in capital assets (note 11 (b))	-	8,989	-	(8,989)	-
Change in endowment net assets (note 10(a))	4,605	-	-	-	4,605
Net assets, end of year	\$ 54,573	\$ 71,581	\$ 30,686	\$(78,157)	\$ 78,683

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

BROCK UNIVERSITY

Statement of Cash Flows

Years ended April 30, 2013 and 2012
(in thousands of dollars)

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses (expenses over revenues)	\$ 8,095	\$ (8,235)
Add (deduct) non-cash items:		
Amortization of capital assets	14,543	14,376
Amortization of deferred capital contributions	(5,657)	(4,706)
Amortization of deferred charges	35	32
	17,016	1,467
Net change in non-cash working capital balances related to operations:		
(Increase) decrease in accounts receivable	(1,150)	5,944
Decrease (increase) in government grants receivable	550	(1,328)
Decrease in prepaid expenses and other assets	89	436
Increase in inventories	(122)	(528)
(Decrease) increase in accounts payable and accrued liabilities	(5,111)	(15,458)
Increase in deferred revenue	7,879	1,998
(Decrease) increase in deferred contributions	(867)	6
Net change in employee future benefits obligations	(8,165)	8,108
Cash provided by operating activities	10,119	645
Financing activities:		
Contributions restricted for capital purchases	14,337	9,850
Increase in long-term debt	167	22,696
Repayment of long-term debt	(6,084)	(720)
Cash provided in financing activities	8,420	31,826
Investing activities:		
Purchase of investments, net	(21,895)	20,982
Purchase of capital assets	(23,642)	(40,820)
Change in endowment net assets	9,230	4,605
Cash used in investing activities	(36,307)	(15,233)
(Decrease) increase in cash	(17,768)	17,238
Cash and cash equivalents, beginning of year	53,420	36,182
Cash and cash equivalents, end of year	\$ 35,652	\$ 53,420

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

BROCK UNIVERSITY

Notes to Financial Statements

Years ended April 30, 2013 and 2012

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 CICA Handbook. These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions in Not-For-Profit Standards, the University has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is May 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards.

A summary of transitional adjustments recorded to net assets and excess of revenue over expenditures is provided in note 18.

(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 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 market value.

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

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. 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.

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

1. Significant accounting policies (continued):

(g) Internally imposed restrictions on net assets:

The University internally restricts the use of portions of its externally unrestricted net assets for specific future uses. 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, 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. 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 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 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.

The University uses the immediate recognition approach to account for its pension benefit plans. The University accrues its obligations under the pension benefit plans as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's assumptions used for funding purposes, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the plan assets, which are recorded at fair value, and accrued benefit obligation coincides with the University's fiscal year. The most recent actuarial valuation of the pension plans for funding purposes was as of July 1, 2011, and the next required valuation will be as of July 1, 2014.

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

1. Significant accounting policies (continued):

(i) Employee future benefits (continued):

In years between valuations, the University uses a roll-forward technique to estimate the accrued benefit obligation. The University recognizes the accrued benefit obligations net of the fair value of the any plan amounts adjusted for any valuation allowance in the statement of financial position at the end of the year. The cost of the plan, comprising (i) changes in the accrued benefit obligation other than those resulting from benefit payments to plan members and net of any employee contributions; (ii) the actual return on plan assets; and (iii) the change in the valuation allowance is recorded in the statement of operations.

Actuarial gains (losses) on plan assets and past service costs arising from plan amendments are immediately recognized into income at the date of the amendment.

(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.

The University accounts for interest rate swaps as hedges. The University formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. This process includes linking the interest rate swaps to specific long-term debt on the statement of financial position. The University also formally assesses, both at the hedge's inception and on an on-going basis, whether the interest rate swaps that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items.

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 \$18,007,000 at April 30, 2013 (2012 - \$14,866,467) and is expected to be received as follows:

(000's)	2013	2012
2013	\$ -	\$ 3,486
2014	4,688	2,873
2015	4,034	3,145
2016	3,441	2,716
2017	1,343	626
2018	1,266	-
Thereafter	3,235	2,020
	<u>\$ 18,007</u>	<u>\$ 14,866</u>

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

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 (continued)

Years ended April 30, 2013 and 2012

2. Cash and cash equivalents:

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

(000's)	April 30, 2013	April 30, 2012	May 1, 2011
Cash and cash equivalents	\$ 33,679	\$ 28,546	\$ 26,182
Held for future capital projects Cash and cash equivalents	1,973	24,874	10,000
	\$ 35,652	\$ 53,420	\$ 36,182

3. Restricted investments:

The market values of investments are as follows:

(000's)	April 30, 2013	April 30, 2012	May 1, 2011
Invested for endowments			
Cash and cash equivalents	\$ 415	\$ 705	\$ (573)
McLean Budden			
Equity Growth Fund	-	-	11,263
Fixed Income Pooled Fund	-	14,649	19,799
Walter Scott & Partners Global Fund	34,616	29,189	19,479
Mawer Equity Income Pooled Fund	11,258	10,030	-
Alliance Bernstein Pooled Fund	17,514	-	-
	63,803	54,573	49,968
Invested for unspent capital projects			
Cash and cash equivalents	10,389	4,356	30,892
	10,389	4,356	30,892
Invested for future loan repayments			
McLean Budden long-term fixed income fund	-	3,733	2,784
Mawer balanced fund	3,976	-	-
	3,976	3,733	2,784
Invested for other restricted purposes			
Cash and cash equivalents	6,006	-	-
Sunlife Global Investments	383	-	-
	6,389	-	-
	\$ 84,557	\$ 62,662	\$ 83,644

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

4. Capital assets:

April 30, 2013 (000's)	Cost	Accumulated amortization	Net book value
Land	\$ 59,114	\$ -	\$ 59,114
Buildings	447,952	152,388	295,564
Furnishings and equipment	45,029	38,491	6,538
Library books	40,243	38,899	1,344
	<u>\$ 592,338</u>	<u>\$ 229,778</u>	<u>\$ 362,560</u>

April 30, 2012 (000's)	Cost	Accumulated amortization	Net book value
Land	\$ 59,114	\$ -	\$ 59,114
Buildings	427,080	140,788	286,292
Furnishings and equipment	67,881	61,165	6,716
Library books	39,682	38,343	1,339
	<u>\$ 593,757</u>	<u>\$ 240,296</u>	<u>\$ 353,461</u>

May 1, 2011 (000's)	Cost	Accumulated amortization	Net book value
Land	\$ 58,805	\$ -	\$ 58,805
Buildings	389,533	129,321	260,212
Furnishings and equipment	65,412	58,816	6,596
Library books	39,187	37,783	1,404
	<u>\$ 552,937</u>	<u>\$ 225,920</u>	<u>\$ 327,017</u>

Included in buildings is \$15,364,178 (2012 - \$112,626,076) of construction in progress that was not amortized during the year.

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

4. Capital assets (continued):

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

(000's)	April 30, 2013	April 30, 2012
Balance, beginning of year	\$ 353,461	\$ 327,017
Purchase of capital assets funded by deferred capital contributions	8,139	13,630
Transfer of land from Foundation	-	308
Purchase of capital assets internally financed	4,022	7,652
Purchase of capital assets financed by proceeds of long term debt	7,010	7,822
Purchase of capital assets financed by accounts payable	4,471	11,408
Amortization of capital assets	(14,543)	(14,376)
Balance, end of year	\$ 362,560	\$ 353,461

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)	April 30, 2013	April 30, 2012	May 1, 2011
Balance, beginning of year	\$ 8,699	\$ 8,693	\$ 8,973
Grants, donations and other expendable funds	12,107	11,873	17,050
Amounts recorded as revenue during the year	(12,974)	(11,867)	(17,330)
Balance, end of year	\$ 7,832	\$ 8,699	\$ 8,693

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

6. Long-term debt:

(000's)	April 30, 2013	April 30, 2012	May 1, 2011
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	\$ 10,127	\$ 10,477	\$ 10,797
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	8,049	8,315	8,568
460 St. David's Road: 6.27% mortgage loan with monthly blended payments of principal and interest of \$25, due September 1, 2013	2,341	2,496	2,643
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	27,550	32,696	10,000
	48,067	53,984	32,008
Less current portion	3,629	1,328	720
	\$ 44,438	\$ 52,656	\$ 31,288

(a) Debt maturities:

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

(000's)	
2014	\$ 3,629
2015	1,367
2016	1,451
2017	1,541
2018	1,637
Thereafter	38,442
	\$ 48,067

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

6. Long-term debt (continued):

(b) Bank credit facility:

The University has available operating lines of credit of \$10,000,000 and \$5,000,000 which were not utilized at April 30, 2013. 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, 2013 was 3.00%). Amounts are due on demand.

The University has available a committed overdraft loan totaling \$15,000,000 which was not utilized at April 30, 2013. The loan is to provide an interim bridge facility to assist in the construction of the Cairns Family Health and Bioscience Research Complex and the Marilyn I. Walker School of Fine and Performing Arts. The interest rate on the committed overdraft loan, when drawn, is the Bank's Prime lending rate from time to time (the prime rate at April 30, 2013 was 3.00%) and has a maturity date of 3 years from financial close.

(c) 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 and Marilyn I. Walker School of Fine and Performing Arts. The fixed rates received under the interest rate swaps range from 2.85% to 4.69%. The maturity dates of the interest rate swaps are the same as the maturity dates of the associated long-term debt of June 29, 2022.

7. Debenture payable:

(000's)	April 30, 2013	April 30, 2012	May 1, 2011
Debenture payable, bearing interest at 4.967%, \$2,309 payable interest only semi-annually, due December 14, 2045	\$ 93,000	\$ 93,000	\$ 93,000
Deferred refinancing expenses	(2,965)	(3,000)	(3,032)
	\$ 90,035	\$ 90,000	\$ 89,968

The University has established an internal sinking fund and purchased units in Mawer Balanced Fund with a market value of \$3,975,804 (2012 - \$3,732,630). 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).

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

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)	April 30, 2013	April 30, 2012	May 1, 2011
Balance, beginning of year	\$ 161,584	\$ 156,440	\$ 125,700
Less amortization of deferred capital contributions	(5,657)	(4,706)	(5,881)
Add contributions restricted for capital purposes	14,337	9,850	36,621
Balance, end of year	\$ 170,264	\$ 161,584	\$ 156,440

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

(000's)	April 30, 2013	April 30, 2012	May 1, 2011
Unamortized capital contributions used to purchase assets	\$ 159,883	\$ 157,401	\$ 148,477
Unspent capital contributions	10,381	4,183	7,963
	\$ 170,264	\$ 161,584	\$ 156,440

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

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, 2011. The next required actuarial funding valuation will be July 1, 2014.

The University measured its accrued benefit obligation and fair value of plan assets for accounting purposes as at April 30, 2013. A summary of the financial status of the plan is as follows:

(000's)	April 30, 2013	April 30, 2012	May 1, 2011
Accrued benefit obligation	\$ 372,394	\$ 335,752	\$ 315,920
Fair value of plan assets	345,946	299,005	285,462
Accrued benefit liability	\$ (26,448)	\$ (36,747)	\$ (30,458)

The accrued benefit liability of the pension benefit plan has decreased by \$10,299,000 (2012 - increased by \$6,289,000).

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

	April 30, 2013	April 30, 2012	May 1, 2011
Discount rate	5.25%	5.25%	5.75%
Rate of compensation increases	3.75%	3.75%	3.75%
Expected long-term rate of return on plan assets	5.25%	5.25%	5.25%

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

(000's)	April 30, 2013	April 30, 2012	May 1, 2011
Pension benefit plan	\$ 16,382	\$ 15,354	\$ 10,578
Multi-employer teachers plan	72	85	99

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

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, 2013.

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

(000's)	April 30, 2013	April 30, 2012	May 1, 2011
Accrued benefit obligation	\$ 20,992	\$ 18,858	\$ 17,039
Fair value of plan assets	-	-	-
Accrued benefit liability	\$ (20,992)	\$ (18,858)	\$ (17,039)

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

	April 30, 2013	April 30, 2012	May 1, 2011
Discount rate	4.25% - 4.85%	4.25% - 4.85%	4.25% - 4.85%
Health care costs	9.20% in 2011 decreasing over 19 years to 4.50%		
Other benefits costs	4.50%	4.50%	4.50%

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

(000's)	2013	2012
Non-pension defined benefit plans	\$ 2,580	\$ 2,382
Non-pension benefit plans	446	563

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

10. Endowments:

(a) Change in endowment net assets:

The following were recorded directly to endowment net assets:

(000's)	April 30, 2013	April 30, 2012	May 1, 2011
Contributions restricted for endowments	\$ 2,957	\$ 3,652	\$ 5,361
Investment income	1,627	1,302	2,203
Internally allocated for scholarship spending	(1,077)	(458)	(804)
Unrealized gain	5,723	109	1,631
	<u>\$ 9,230</u>	<u>\$ 4,605</u>	<u>\$ 8,391</u>

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. Unrealized gains are included as internally endowed.

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

(000's)	April 30, 2013	April 30, 2012	May 1, 2011
Externally endowed	\$ 47,650	\$ 44,661	\$ 41,011
Internally endowed	16,153	9,912	8,957
	<u>\$ 63,803</u>	<u>\$ 54,573</u>	<u>\$ 49,968</u>

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

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)	2013	2012
Expendable funds available for awards, beginning of year	\$ 333	\$ 389
Investment income eligible for expenditures	274	191
Bursaries awarded	(245)	(247)
Expendable funds available for awards, end of year	\$ 362	\$ 333
Total OSOTF, Phase One, end of year	\$ 8,640	\$ 8,580
Number of bursaries awarded	130	132

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

(000's)	2013		2012	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$ 8,850	\$ 8,247	\$ 8,887	\$ 8,289
Unrealized gain for the year	925	-	5	-
Investment income (loss) less bursaries awarded	25	25	(42)	(42)
Endowment balance, end of year	\$ 9,800	\$ 8,272	\$ 8,850	\$ 8,247

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

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)	2013	2012
Expendable funds available for awards, beginning of year	\$ 261	\$ 290
Investment income eligible for expenditures	99	67
Bursaries awarded	(95)	(96)
Expendable funds available for awards, end of year	\$ 265	\$ 261
Total OSOTF, Phase Two, end of year	\$ 3,400	\$ 3,390
Number of bursaries awarded	32	32

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

(000's)	2013		2012	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$ 3,368	\$ 3,130	\$ 3,391	\$ 3,154
Unrealized gain for the year	344	-	1	-
Investment income (loss) less bursaries awarded	5	5	(24)	(24)
Endowment balance, end of year	\$ 3,717	\$ 3,135	\$ 3,368	\$ 3,130

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

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)		2013		2012
Expendable funds available for awards, beginning of year	\$	973	\$	698
Investment income eligible for expenditures		604		500
Bursaries awarded		(397)		(225)
Expendable funds available for awards, end of year	\$	1,180	\$	973
Total OTSS, end of year	\$	18,365	\$	18,047
Number of bursaries awarded		332		219

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

(000's)	2013		2012	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$18,586	\$17,074	\$16,935	\$15,451
Cash donations received	-	-	660	660
Funds received from the Ministry	-	-	787	787
Unrealized gain in the current year	1,900	-	28	-
Investment income less bursaries awarded	111	111	176	176
Endowment balance, end of year	\$20,597	\$17,185	\$18,586	\$17,074

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

11. Net assets invested in capital assets:

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

(000's)	April 30, 2013	April 30, 2012	May 1, 2011
Capital assets, net (note 4)	\$ 362,560	\$ 353,461	\$ 327,017
Less amounts financed by:			
Long-term debt (note 6)	(48,067)	(53,984)	(32,008)
Deferred capital contributions (note 8)	(159,883)	(157,401)	(148,477)
Debenture payable	(83,961)	(83,961)	(83,961)
Accounts payable (note 4)	(4,471)	(11,408)	(309)
Cash and cash equivalents held for future capital projects (note 2)	1,973	24,874	10,000
Balance, end of year	\$ 68,151	\$ 71,581	\$ 72,262

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

(000's)	April 30, 2013	April 30, 2012	May 1, 2011
Repayment of long-term debt	\$ 1,222	\$ 720	\$ 671
Donation of land	-	308	-
Purchase of capital assets internally financed	4,022	7,652	1,623
Payment of accounts payable related to capital assets	212	309	2,510
Increase in invested in capital assets	5,456	8,989	4,804
Amortization expense	(14,543)	(14,376)	(13,500)
Less amortization of deferred capital contributions	5,657	4,706	5,881
Decrease in invested in capital assets	(8,886)	(9,670)	(7,619)
Net change in invested in capital assets	\$ (3,430)	\$ (681)	\$ (2,815)

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

12. Internally restricted net assets:

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

(000's)	April 30, 2013	April 30, 2012	May 1, 2011
Operations:			
Faculty departments Faculties are permitted to make specific annual requests for encumbrances and targeted expenditures.	\$ 2,638	\$ 8,557	\$ 6,688
Other departments Other departments are permitted to make specific annual requests for encumbrances and targeted expenditures.	831	7,228	7,618
Student support grants, bursaries and fellowships Budgeted funds established for specific student initiatives are committed for their intended purpose.	1,025	1,675	1,790
Library department and acquisitions Encumbered funds established for specific student initiatives are committed for their intended purpose.	16	650	796
Capital and infrastructure projects and reserves Department reserve funds and global budgets established for specific capital and infrastructure initiatives.	10,679	4,725	4,541
Global budget initiatives Unspent targeted global funds that are held centrally until departmental allocations are known.	-	662	1,501
Operating budget One-time budgeted funds committed to the annual operating budget.	-	3,472	1,769
Project accounts	2,158	2,570	2,754
	17,347	29,539	27,457
Accumulated interest on investments for specific purposes These funds are recognized on investments that have been established for the repayment of the debentures payable.	1,140	897	423
Research funds with no external obligations These funds are recognized revenue from research contracts and have been restricted for use on research projects	365	250	293
	\$ 18,852	\$ 30,686	\$ 28,173

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

13. Commitments:

- a) As at April 30, 2013, the estimated costs to complete approved capital and renovation projects are approximately \$32,418,000 (2012 - \$17,774,000), 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):

2013	\$	383
2014		92
2015		58
2016		18
2017		8
Thereafter		-
	\$	559

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 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, 2013.

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, 2013, 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 \$4,396,000 (April 30, 2012 - \$484,000, May 1, 2011 - \$3,863,000), which includes amounts payable for HST and payroll related taxes.

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

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.

(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.

(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).

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

18. Transition note:

(a) Net assets:

The following table summarizes the impact of the transition to Not-for-profit standards on the University's net assets as of May 1, 2011 (in 000's):

Net assets:	
As previously reported under Canadian generally accepted accounting principles, April 30, 2011	\$ 60,325
Transition election to record capital assets at fair value (i)	56,390
Transition election to recognize all cumulative actuarial gains and losses on employee future benefits (ii)	(34,723)
Transition election to apply hedge accounting (iii)	321
<hr/>	
Restated	<hr/> \$ 82,313 <hr/>

In accordance with transitional provisions of ASPE, the University has elected to use the following exemptions:

(i) Fair value:

The University has elected to measure land at May 1, 2011 using the fair value election.

(ii) Employee future benefits:

The University has elected to recognize all cumulative actuarial gains and losses and past services costs in opening net assets.

(iii) Interest rate swaps:

The University has elected to apply hedge accounting and has eliminated all deferred unrealized losses on interest rate swap agreements in opening net assets and long term obligations.

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Years ended April 30, 2013 and 2012

18. Transition note (continued):

- (b) Excess of revenue over expenses:

As a result of the above noted elections and the retrospective application of Not-For-Profit Standards, the University recorded the following adjustments to excess of revenue over expenses for the year ended April 30, 2012 (in 000's):

Excess of expenses over revenues:

As previously reported under Canadian generally accepted accounting principles for year ended April 30, 2012	\$ (2,301)
Increase to employee future benefit expense as a result of electing to recognize all cumulative actuarial gains and losses	(5,934)

Restated for the year ended April 30, 2012	\$ (8,235)
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19. Comparative figures:

The comparative financial statements have been reclassified to conform to the presentation of the 2013 financial statements.