

Financial Statements of

BROCK UNIVERSITY

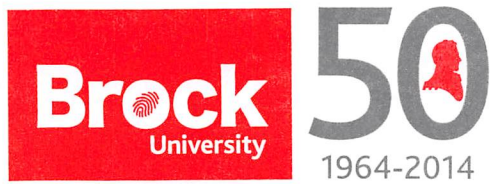
Year ended April 30, 2014

BROCK UNIVERSITY

Financial Statements

Year ended April 30, 2014

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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, 2014 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, 2014 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
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, 2014, 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, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

June 25, 2014

BROCK UNIVERSITY

Statement of Financial Position

April 30, 2014 with comparative information for 2013
(in thousands of dollars)

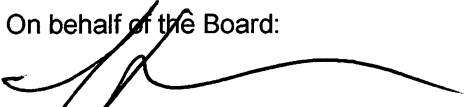
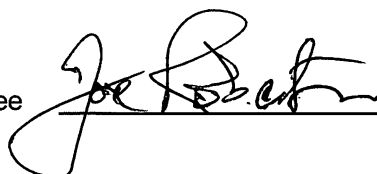
	2014	2013
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 34,024	\$ 35,652
Accounts receivable	11,366	10,809
Government grants receivable	6,668	4,061
Prepaid expenses and other assets	191	244
Inventories	1,952	3,533
	54,201	54,299
Restricted investments (note 3)	94,657	84,557
Capital assets (note 4)	374,871	362,560
	\$ 523,729	\$ 501,416

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 16)	17,513	\$ 19,647
Deferred revenue	27,019	22,123
Deferred contributions (note 5)	8,501	7,832
Current portion of long-term debt (note 6)	1,367	3,629
	54,400	53,231
Long-term debt (note 6)	43,071	44,438
Debenture payable (note 7)	90,071	90,035
Deferred capital contributions (note 8)	181,177	170,264
Employee future benefits obligation (note 9)	41,728	47,440
Net assets:		
Endowment (note 10)	74,527	63,803
Invested in capital assets (note 11)	70,937	68,151
Internally restricted (note 12)	10,874	18,852
Unrestricted	(43,056)	(54,798)
	113,282	96,008
Commitments (note 13)		
Contingencies (notes 14 and 15)		
Subsequent event (note 18)		
	\$ 523,729	\$ 501,416

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, 2014 with comparative information for 2013
(in thousands of dollars)

	2014	2013
Revenues:		
Student fees	\$ 133,525	\$ 124,963
Government grants for general operations	91,982	90,095
Ancillary operations	31,670	31,819
Sales and services	13,501	14,363
Grants and other revenues for restricted purposes	6,118	4,441
Investment income	1,647	1,549
Research grants for restricted purposes	12,347	12,974
Amortization of deferred capital contributions (note 8)	6,897	5,657
	297,687	285,861
Expenses:		
Salaries and benefits	191,442	187,253
Operating expenses	26,438	27,387
Scholarships, fellowships and bursaries	15,384	13,682
Expendable equipment, repairs and maintenance	9,104	9,032
Utilities and taxes	8,081	7,900
Interest on long-term debt	7,246	6,862
Cost of sales	7,715	8,432
Research, including fellowships	12,347	12,974
Amortization of capital assets	15,991	14,543
	293,748	288,065
Excess of revenues over expense (expenses over revenues) before undernoted	3,939	(2,204)
Pension obligation (note 9(a))	2,611	10,299
Excess of revenues over expenses	6,550	8,095
Net transfers from internally restricted net assets	7,978	11,834
Net transfers (to) / from invested in capital assets	(2,786)	3,430
Change in unrestricted net assets in the year	5,192	15,264
Unrestricted net assets, beginning of year	(54,798)	(78,157)
Unrestricted net assets, end of year	\$ (43,056)	\$ (54,798)

BROCK UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2014 with comparative information for 2013
(in thousands of dollars)

April 30, 2014	Endowments (note 10)	Invested in capital assets (note 11)	Internally restricted (note 12)	Unrestricted	April 30, 2014 Total
Net assets, beginning of year	\$ 63,803	\$ 68,151	\$ 18,852	\$(54,798)	\$ 96,008
Excess of revenues over expenses (expenses over revenues)	-	(9,403)	-	15,953	6,550
Change in internally restricted net assets	-	-	(7,978)	7,978	-
Net change in investment in capital assets (note 11(b))	-	12,189	-	(12,189)	-
Change in endowment net assets (note 10(a))	10,724	-	-	-	10,724
Net assets, end of year	\$ 74,527	\$ 70,937	\$ 10,874	\$(43,056)	\$ 113,282

April 30, 2013	Endowments (note 10)	Invested in capital assets (note 11)	Internally restricted (note 12)	Unrestricted	April 30, 2013 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

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

BROCK UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2014 with comparative information for 2013
(in thousands of dollars)

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 6,550	\$ 8,095
Add (deduct) non-cash items:		
Amortization of capital assets	15,991	14,543
Amortization of deferred capital contributions	(6,897)	(5,657)
Amortization of deferred charges	36	35
	15,680	17,016
Net change in non-cash working capital balances related to operations:		
Increase in accounts receivable	(557)	(1,150)
(Increase) decrease in government grants receivable	(2,607)	550
Decrease in prepaid expenses and other assets	53	89
Decrease (increase) in inventories	1,581	(122)
Decrease in accounts payable and accrued liabilities	(2,134)	(5,111)
Increase in deferred revenue	4,896	7,879
Increase (decrease) in deferred contributions	669	(867)
Net change in employee future benefits obligations	(5,712)	(8,165)
Cash provided by (used in) operating activities	(3,811)	10,119
Financing activities:		
Contributions restricted for capital purchases	17,810	14,337
Increase in long-term debt	-	167
Repayment of long-term debt	(3,629)	(6,084)
Cash provided by financing activities	14,181	8,420
Investing activities:		
Purchase of investments, net	(10,100)	(21,895)
Purchase of capital assets	(28,302)	(23,642)
Change in endowment net assets	10,724	9,230
Cash used in investing activities	(27,678)	(36,307)
Decrease in cash	(1,628)	(17,768)
Cash and cash equivalents, beginning of year	35,652	53,420
Cash and cash equivalents, end of year	\$ 34,024	\$ 35,652

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

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

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

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

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

1. Significant accounting policies:

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

(a) Cash and cash equivalents:

Cash equivalents are held for the purpose of meeting short-term commitments and are readily convertible to a known amount of cash and are subject to an insignificant amount of risk of changes in value. Cash equivalents include money market funds and investments with maturities of three months or less from the date of acquisition. Cash and cash equivalents are valued at fair value.

(b) Inventories:

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

(c) Investments:

Investments are recorded at fair value.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

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

Year ended April 30, 2014

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, 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

Year ended April 30, 2014

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.

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 \$14,279,447 (2013 - \$18,007,000) and is expected to be received as follows:

(000's)	2014	2013
2014	\$ -	\$ 4,688
2015	3,694	4,034
2016	3,487	3,441
2017	1,393	1,343
2018	1,295	1,266
2019	1,238	-
Thereafter	3,172	3,235
	\$ 14,279	\$ 18,007

1. Significant accounting policies (continued):

(l) Financial instruments:

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

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

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

(m) Contributed services and materials:

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed services and materials are not recognized in these financial statements.

(n) Use of estimates:

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

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

2. Cash and cash equivalents:

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

(000's)	2014	2013
Cash and cash equivalents	\$ 33,574	\$ 33,679
Held for future capital projects Cash and cash equivalents	450	1,973
	\$ 34,024	\$ 35,652

3. Restricted investments:

The fair value of investments are as follows:

(000's)	2014	2013
Invested for endowments		
Cash and cash equivalents	\$ 637	\$ 415
Walter Scott & Partners Global Fund	32,741	34,616
Mawer Canadian Equity Pooled Fund	11,658	11,258
AllianceBernstein Core Plus Bond Fund	29,491	17,514
	74,527	63,803
Invested for unspent capital projects		
Cash and cash equivalents	9,845	10,389
	9,845	10,389
Invested for future loan repayments		
Mawer Balanced Fund	4,770	3,976
	4,770	3,976
Invested for other restricted purposes		
Cash and cash equivalents	5,049	6,006
Sunlife Global Investments	466	383
	5,515	6,389
	\$ 94,657	\$ 84,557

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

4. Capital assets:

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

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
	\$ 592,338	\$ 229,778	\$ 362,560

Included in buildings is \$33,678,384 (2013 - \$15,364,178) of construction in progress that was not amortized during the year.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

4. Capital assets (continued):

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

(000's)	2014	2013
Balance, beginning of year	\$ 362,560	\$ 353,461
Purchase of capital assets		
funded by deferred capital contributions	16,846	8,139
Purchase of capital assets internally financed	7,130	4,022
Purchase of capital assets financed by		
proceeds of long term debt	-	7,010
Purchase of capital assets financed by		
accounts payable	4,635	4,471
Sale of land	(309)	-
Amortization of capital assets	(15,991)	(14,543)
Balance, end of year	\$ 374,871	\$ 362,560

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)	2014	2013
Balance, beginning of year	\$ 7,832	\$ 8,699
Grants, donations and other expendable funds	13,016	12,107
Amounts recorded as revenue during the year	(12,347)	(12,974)
Balance, end of year	\$ 8,501	\$ 7,832

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

6. Long-term debt:

(000's)	2014	2013
Fixed rate instruments:		
Earp student residence:		
7.2% loan with certain residences and investments pledged as security, with monthly blended payments of principal and interest of \$91, due October 1, 2028	\$ 9,757	\$ 10,127
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	7,756	8,049
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
Cairns Family Health and Bioscience Research Complex:		
4.69% mortgage loan with monthly blended payments of principal and interest of \$159, due June 29, 2022	26,925	27,550
	44,438	48,067
Less current portion	1,367	3,629
	\$ 43,071	\$ 44,438

Debt maturities:

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

(000's)	
2015	\$ 1,367
2016	1,451
2017	1,541
2018	1,637
2019	1,738
Thereafter	36,704
	\$ 44,438

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

6. Long-term debt (continued):

(a) 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, 2014. 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, 2014 was 3.00%). Amounts are due on demand.

(b) Interest rate swap:

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

7. Debenture payable:

(000's)	2014	2013
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	(2,929)	(2,965)
	\$ 90,071	\$ 90,035

The University has established an internal sinking fund and purchased units in the Mawer Balanced Fund with a market value of \$4,770,295 (2013 - \$3,975,804). 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

Year ended April 30, 2014

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)	2014	2013
Balance, beginning of year	\$ 170,264	\$ 161,584
Less amortization of deferred capital contributions	(6,897)	(5,657)
Add contributions restricted for capital purposes	17,810	14,337
Balance, end of year	\$ 181,177	\$ 170,264

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

(000's)	2014	2013
Unamortized capital contributions used to purchase assets	\$ 171,350	\$ 159,883
Unspent capital contributions	9,827	10,381
	\$ 181,177	\$ 170,264

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

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, 2014. A summary of the financial status of the plan is as follows:

(000's)	2014	2013
Accrued benefit obligation	\$ 419,287	\$ 372,394
Fair value of plan assets	395,450	345,946
Accrued benefit liability	\$ (23,837)	\$ (26,448)

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

	2014	2013
Discount rate	5.25%	5.25%
Rate of compensation increases	3.75%	3.75%
Expected long-term rate of return on plan assets	5.25%	5.25%

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

(000's)	2014	2011
Pension benefit plan	\$ 17,033	\$ 16,382
Multi-employer teachers plan	62	72

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

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, 2014.

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

(000's)	2014	2013
Accrued benefit obligation	\$ 17,891	\$ 20,992
Fair value of plan assets	-	-
Accrued benefit liability	\$ (17,891)	\$ (20,992)

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

	2014	2013
Discount rate	3.70% - 4.45%	4.25% - 4.85%
Health care costs	8.46% (2013 – 9.2%) decreasing over 16 years to 4.5%	
Other benefits costs	4.50%	4.50%

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

(000's)	2014	2013
Non-pension defined benefit plans	\$ (2,615)	\$ 2,580
Non-pension benefit plans	485	446

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Notes to Financial Statements

Year ended April 30, 2014

10. Endowments:

(a) Change in endowment net assets:

The following were recorded directly to endowment net assets:

(000's)	2014	2013
Contributions restricted for endowments	\$ 2,875	\$ 2,957
Investment income	4,302	1,627
Internally allocated for endowment spending	(1,111)	(1,077)
Unrealized gain	4,658	5,723
	\$ 10,724	\$ 9,230

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)	2014	2013
Externally endowed	\$ 50,526	\$ 47,650
Internally endowed	24,001	16,153
	\$ 74,527	\$ 63,803

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

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)	2014	2013
Expendable funds available for awards, beginning of year	\$ 362	\$ 333
Investment income eligible for expenditures	660	274
Bursaries awarded	(229)	(245)
Expendable funds available for awards, end of year	\$ 793	\$ 362
Total OSOTF, Phase One, end of year	\$ 9,614	\$ 8,640
Number of bursaries awarded	130	130

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

(000's)	2014		2013	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$ 9,800	\$ 8,272	\$ 8,850	\$ 8,247
Unrealized gain for the year	701	-	925	-
Investment income (loss) less bursaries awarded	550	550	25	25
Endowment balance, end of year	\$11,051	\$ 8,822	\$ 9,800	\$ 8,272

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

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)	2014		2013	
Expendable funds available for awards, beginning of year	\$	265	\$	261
Investment income eligible for expenditures		246		99
Bursaries awarded		(94)		(95)
Expendable funds available for awards, end of year	\$	417	\$	265
Total OSOTF, Phase Two, end of year	\$	3,733	\$	3,400
Number of bursaries awarded		32		32

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

(000's)	2014		2013	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$ 3,717	\$ 3,135	\$ 3,368	\$ 3,130
Unrealized gain for the year	265	-	344	-
Investment income (loss) less bursaries awarded	181	181	5	5
Endowment balance, end of year	\$ 4,163	\$ 3,316	\$ 3,717	\$ 3,135

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

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)	2014	2013
Expendable funds available for awards, beginning of year	\$ 1,180	\$ 973
Investment income eligible for expenditures	1,446	604
Bursaries awarded	(418)	(397)
Expendable funds available for awards, end of year	\$ 2,208	\$ 1,180
Total OTSS, end of year	\$ 20,413	\$ 18,365
Number of bursaries awarded	341	332

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

(000's)	2014		2013	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$20,597	\$17,185	\$18,586	\$17,074
Cash donations received	-	-	-	-
Funds received from the Ministry	-	-	-	-
Unrealized gain in the current year	1,454	-	1,900	-
Investment income less bursaries awarded	1,019	1,019	111	111
Endowment balance, end of year	\$23,070	\$18,204	\$20,597	\$17,185

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

11. Net assets invested in capital assets:

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

(000's)	2014	2013
Capital assets, net (note 4)	\$ 374,871	\$ 362,560
Less amounts financed by:		
Long-term debt (note 6)	(44,438)	(48,067)
Deferred capital contributions (note 8)	(171,350)	(159,883)
Debenture payable	(83,961)	(83,961)
Accounts payable (note 4)	(4,635)	(4,471)
Cash and cash equivalents held for future capital projects (note 2)	450	1,973
Balance, end of year	\$ 70,937	\$ 68,151

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

(000's)	2014	2013
Repayment of long-term debt	\$ 3,629	\$ 1,222
Purchase of capital assets internally financed	7,130	4,022
Payment of accounts payable related to capital assets	1,430	212
Increase in invested in capital assets	12,189	5,456
Amortization expense	(15,991)	(14,543)
Less amortization of deferred capital contributions	6,897	5,657
Disposal of land	(309)	-
Decrease in invested in capital assets	(9,403)	(8,886)
Net change in invested in capital assets	\$ 2,786	\$ (3,430)

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

12. Internally restricted net assets:

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

(000's)	2014	2013
Faculty departments	\$ -	\$ 2,638
Other departments	-	831
Student support grants, bursaries and fellowships	411	1,025
Library department and acquisitions	-	16
Capital and infrastructure projects and reserves	1,050	10,679
Operating project accounts	1,328	1,286
Research funds with no external obligations	916	365
Start-up funds	809	872
Professional Expense Accounts	1,590	-
(2013 professional expense account balances were recorded in unrestricted net assets totaling \$1,124)		
Sinking fund (note 7)	4,770	1,140
(2014 sinking fund includes principal contributions and investment income earned; 2013 sinking fund included investment income with the principal contributions recorded in unrestricted net assets totaling \$2,836)		
	\$ 10,874	\$ 18,852

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

13. Commitments:

- a) As at April 30, 2014, the estimated costs to complete approved capital and renovation projects are approximately \$15,578,071 (2013 - \$32,418,000), 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):

2015	\$	1,096
2016		1,072
2017		1,070
2018		1,060
2019		1,052
Thereafter		4,471
		<hr/>
		\$ 9,821

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, 2014.

15. Contingencies:

The nature of the University's activities are such that there may be litigation and other contingencies pending or in the prospect at any time. With respect to claims at April 30, 2014, 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 or other contingencies.

16. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$4,737,000 (2013 - \$4,396,000), which includes amounts payable for HST and payroll related taxes.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2014

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).

18. Subsequent event:

On June 2, 2014, the University obtained \$18,000,000 of unsecured floating rate long-term debt relating to the 198 St. Paul Street Facility. The University entered into an interest rate swap agreement to fix the interest rate at 2.45% for 5 years. The maturity dates of the interest rate swap are the same as the maturity dates of the associated long-term debt (June 1, 2019). The loan requires fixed monthly principal payments of \$60,000 plus interest.

19. Comparative figures:

The comparative financial statements have been reclassified to conform to the presentation of the 2014 financial statements.