

Financial Statements of

**BROCK UNIVERSITY**

Year ended April 30, 2018

# BROCK UNIVERSITY

Financial Statements

Year ended April 30, 2018

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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, 2018 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 the 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, 2018 have been reported on by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, the auditors appointed by the Board of Trustees. The auditors' report outlines the scope of their audit and their opinion on the financial statements.

A blue ink signature of Gervan Fearon, written in a cursive style.

**Gervan Fearon, Ph.D., CPA, CGA, ICD.D.**  
President and Vice-Chancellor

A black ink signature of Brian Hutchings, written in a cursive style.

**Brian Hutchings, CPA, CGA, LLM**  
Vice-President, Administration



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St. Catharines ON L2R 7G1  
Canada  
Tel 905-685-4811  
Fax 905-682-2008

## 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, 2018, 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, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

June 21, 2018

# BROCK UNIVERSITY

## Statement of Financial Position

April 30, 2018 with comparative information for 2017  
(in thousands of dollars)


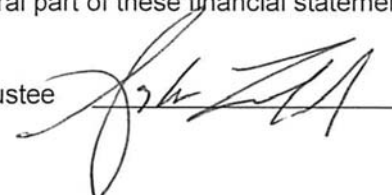
	2018	2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 2)	\$ 51,900	\$ 45,149
Accounts receivable	23,384	21,150
Government grants receivable	6,114	3,136
Prepaid expenses and other assets	397	191
Inventories	1,100	1,767
	<u>82,895</u>	<u>71,393</u>
Restricted investments (note 3)	152,326	152,715
Intangible asset (note 1(o))	1,037	-
Capital assets (note 4)	403,531	380,464
Employee future benefits asset (note 9(a))	-	11,574
	<u>\$ 639,789</u>	<u>\$ 616,146</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 16)	\$ 33,420	\$ 23,209
Deferred revenue	30,875	30,689
Deferred contributions (note 5)	9,073	7,285
Current portion of long-term debt (note 6)	2,458	2,357
	<u>75,826</u>	<u>63,540</u>
Long-term accounts payable (note 1(o))	690	-
Long-term debt (note 6)	51,224	53,682
Debenture payable (note 7)	90,236	90,191
Deferred capital contributions (note 8)	197,223	188,073
Employee future benefits obligation (note 9(a) and (b))	33,472	24,530
Total liabilities	<u>448,671</u>	<u>420,016</u>
Net assets:		
Endowments (note 10)	96,671	93,697
Invested in capital assets (note 11)	79,603	76,630
Internally restricted (note 12)	48,260	38,713
Employee future benefits	(33,472)	(12,956)
Unrestricted	56	46
	<u>191,118</u>	<u>196,130</u>
Commitments (note 13)		
Contingencies (notes 14 and 15)		
	<u>\$ 639,789</u>	<u>\$ 616,146</u>

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, 2018 with comparative information for 2017  
(in thousands of dollars)

	2018	2017
Revenues:		
Student fees	\$ 167,658	\$ 158,451
Government grants	96,156	94,160
Ancillary operations	32,273	31,329
Sales and services	15,179	13,717
Other revenues for restricted purposes	3,639	4,282
Investment income	2,004	2,218
Research grants for restricted purposes	12,794	12,372
Amortization of deferred capital contributions (note 8)	7,494	7,468
	337,197	323,997
Expenses:		
Salaries and benefits	212,064	204,882
Operating expenses	41,702	39,114
Scholarships, fellowships and bursaries	22,489	21,845
Expendable equipment, repairs and maintenance	8,502	8,525
Utilities and taxes	8,208	8,052
Interest on long-term debt	7,226	7,330
Cost of sales	6,141	6,976
Amortization of capital assets	18,817	18,455
	325,149	315,179
Excess of revenues over expenses	12,048	8,818
Net transfers to internally restricted net assets	(9,547)	(9,180)
Net transfers to invested in capital assets	(2,895)	(862)
Net transfers from employee future benefits	404	1,248
Change in unrestricted net assets in the year	(12,038)	(8,794)
Unrestricted net assets, beginning of year	46	22
Unrestricted net assets, end of year	\$ 56	\$ 46

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

# BROCK UNIVERSITY

## Statement of Changes in Net Assets

Year ended April 30, 2018 with comparative information for 2017  
(in thousands of dollars)

April 30, 2018	Employee future benefits	Endowments (note 10)	Invested in capital assets (note 11)	Internally restricted (note 12)	Unrestricted	April 30, 2018 Total
Net assets, beginning of year	\$ (12,956)	\$ 93,697	\$ 76,630	\$ 38,713	\$ 46	\$ 196,130
Excess of revenues over expenses (expenses over revenues)	-	-	(11,323)	-	23,371	12,048
Change in internally restricted net assets	-	-	-	9,547	(9,547)	-
Net change in investment in capital assets (note 11 (b))	-	-	14,296	-	(14,218)	78
Actuarial loss in employee future benefits	(20,112)	-	-	-	-	(20,112)
Net current service change in employee future benefits	(404)	-	-	-	404	-
Change in endowment net assets (note 10(a))	-	2,974	-	-	-	2,974
Net assets, end of year	\$ (33,472)	\$ 96,671	\$ 79,603	\$ 48,260	\$ 56	\$ 191,118

April 30, 2017	Employee future benefits	Endowments (note 10)	Invested in capital assets (note 11)	Internally restricted (note 12)	Unrestricted	April 30, 2017 Total
Net assets, beginning of year	\$ (22,579)	\$ 83,098	\$ 75,768	\$ 29,533	\$ 22	\$ 165,842
Excess of revenues over expenses (expenses over revenues)	-	-	(10,987)	-	19,805	8,818
Change in internally restricted net assets	-	-	-	9,180	(9,180)	-
Net change in investment in capital assets (note 11 (b))	-	-	11,849	-	(11,849)	-
Actuarial gain in employee future benefits	10,871	-	-	-	-	10,871
Net current service change in employee future benefits	(1,248)	-	-	-	1,248	-
Change in endowment net assets (note 10(a))	-	10,599	-	-	-	10,599
Net assets, end of year	\$ (12,956)	\$ 93,697	\$ 76,630	\$ 38,713	\$ 46	\$ 196,130

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



# BROCK UNIVERSITY

## Statement of Cash Flows

Year ended April 30, 2018 with comparative information for 2017  
(in thousands of dollars)

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 12,048	\$ 8,818
Add (deduct) non-cash items:		
Amortization of capital assets	18,817	18,455
Amortization of deferred capital contributions	(7,494)	(7,468)
Amortization of deferred charges	45	42
Donation of land	78	-
	23,494	19,847
Net change in non-cash working capital balances related to operations:		
Increase in accounts receivable	(2,234)	(2,975)
Increase in government grants receivable	(2,978)	(420)
Increase in prepaid expenses and other assets	(206)	(59)
Decrease (increase) in inventories	667	(206)
Increase in intangibles	(1,037)	-
Increase (decrease) in accounts payable and accrued liabilities	10,901	(2,120)
Increase in deferred revenue	186	1,013
Increase in deferred contributions	1,788	121
Net current service change in employee future benefits	404	1,248
	7,491	(3,398)
Cash provided by operating activities	30,985	16,449
Financing activities:		
Contributions restricted for capital purposes	16,644	14,520
Repayment of long-term debt	(2,357)	(2,261)
Cash provided by financing activities	14,287	12,259
Investing activities:		
Purchase of restricted investments, net	389	(26,845)
Purchase of capital assets	(41,884)	(16,452)
Change in endowment net assets	2,974	10,599
Cash used in investing activities	(38,521)	(32,698)
Increase (decrease) in cash	6,751	(3,990)
Cash and cash equivalents, beginning of year	45,149	49,139
Cash and cash equivalents, end of year	\$ 51,900	\$ 45,149

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

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

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

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

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

## 1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CPA Canada Handbook.

### (a) Cash and cash equivalents:

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

### (b) Inventories:

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

### (c) Investments:

Investments are recorded at fair value.

### (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.

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

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## 1. Significant accounting policies (continued):

### (e) Works of art:

Contributed works of art are recorded as revenue and expense, at fair market value, at the date of contribution. If the fair market value is not determinable, the contribution is recorded at a nominal amount. Artwork purchases are expensed as acquired.

### (f) Endowments:

Contributions restricted for endowments consist of restricted donations received by the University and donations internally designated by the Board of Trustees, in the exercise of its discretion. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors or the Board of Trustees. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Investment income on endowments that is available for spending at the discretion of the University or is available for spending as the conditions established by the donor have been met has been recorded in the Statement of Operations. University policy has been established with the objective of protecting the real value of the endowments by having an overall investment objective for endowments to earn, over time, a rate of return at least equal to the total of inflation plus spending and the costs of administering the funds. The spending rate is reviewed annually. Investment income in excess of administration costs and spending allocations will be added to capital. In the case of endowments where the original donation adjusted for inflation is higher than the market value of the fund, spending may be temporarily suspended in order to preserve donor capital.

### (g) Internally imposed restrictions on net assets:

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

### (h) Revenue recognition:

The University follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledged donations are recognized on a cash basis since pledges are not legally enforceable claims. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the year in which they are received. Student fees are recognized as revenue when courses and seminars are held. Sales and services and ancillary revenue is recognized at the point of sale or when the service has been provided.

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

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## 1. Significant accounting policies (continued):

### (i) Employee future benefits:

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

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

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

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

The most recent actuarial valuation of the pension plan for funding purposes was as of July 1, 2017 and the next required valuation will be as of July 1, 2020.

The most recent actuarial valuation of the non-pension benefits for accounting purposes was as of April 30, 2017.

### (j) Derivative financial instrument and hedge accounting:

The University is party to interest rate swap agreements used to manage the exposure to market risks from changing interest rates. The University applies hedge accounting for its interest rate swaps. Payments and receipts under the interest rate swaps are recognized as adjustments to interest expense on long-term debt.

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

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

## 1. Significant accounting policies (continued):

### (k) Pledges:

Pledges are recorded as revenue on a cash basis and accordingly are not set up as assets in the financial statements. The total amount of pledges outstanding is approximately \$9,144,870 (2017 - \$9,960,218) and is expected to be received as follows:

(000's)	2018	2017
2018	\$ 2,567	\$ 2,684
2019	1,217	2,347
2020	447	1,083
2021	278	325
2022	171	177
Thereafter	4,465	3,344
	\$ 9,145	\$ 9,960

### (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.

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

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## 1. Significant accounting policies (continued):

### (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.

### (o) Intangible assets:

The carrying amount of an intangible asset whose life is determined to be indefinite is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may exceed its fair value. An impairment loss is recognized when the asset's carrying amount exceeds its fair value. Impairment losses are not subsequently reversed.

Included in intangible assets are emissions allowances recognized at a cost of \$1,037 (2017 - \$nil) resulting from Ontario's Cap and Trade Program under the Climate Change Mitigation and Low-carbon Economy Act, 2016 (the "Cap and Trade program"), which sets out a framework for the reduction in greenhouse gas ("GHG") emissions for the province of Ontario. The University is a mandatory participant in the program. The first compliance period for Cap and Trade program is January 1, 2017 to December 31, 2020.

Because the University operates cogeneration plants, a beneficial technology, it receives free GHG emissions allowances, which are reasonably expected to meet or exceed the University's GHG emissions during each year. The allowances are granted on an annual basis and, in return, the University is required to remit allowances equal to its actual emissions at the end of the compliance period. In the absence of specific accounting guidance, the University has adopted the government grants approach, whereby a provision is only recognized when actual emissions exceed the emission allowances granted for the compliance period.

The University records the emissions allowances as intangible assets and deferred contributions at fair market value. The emissions allowances contributions are amortized into the statement of operations each period and recorded in grant revenue. The associated emissions expense is recorded each period in utilities expense and long-term accounts payable. The emissions allowances will be surrendered at the end of the compliance period and used to settle the liability.

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

## 2. Cash and cash equivalents:

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

(000's)	2018	2017
Cash and cash equivalents	\$ 43,972	\$ 37,555
Held for future capital projects Cash and cash equivalents	7,928	7,594
	<u>\$ 51,900</u>	<u>\$ 45,149</u>

## 3. Restricted investments:

The fair value of investments are as follows:

(000's)	2018	2017
Invested for endowments		
Cash and cash equivalents	\$ 344	\$ 428
Walter Scott & Partners Global Equity Fund	44,410	46,481
Mawer Canadian Equity Pooled Fund	13,726	13,242
Barings Global High Yield Credit Strategies Fund	19,238	-
AllianceBernstein Core Plus Bond Fund	18,953	33,546
	<u>96,671</u>	<u>93,697</u>
Invested for unspent capital projects		
Cash and cash equivalents	2,932	16,645
	<u>2,932</u>	<u>16,645</u>
Invested for future loan repayments		
Mawer Balanced Fund	6,696	6,413
	<u>6,696</u>	<u>6,413</u>
Invested for employee future benefit reserve		
Mawer Balanced Fund	4,123	3,041
	<u>4,123</u>	<u>3,041</u>
Invested for other restricted purposes		
Cash and cash equivalents	41,248	32,297
Sunlife Global Investments	656	622
	<u>41,904</u>	<u>32,919</u>
	<u>\$ 152,326</u>	<u>\$ 152,715</u>

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

## 4. Capital assets:

April 30, 2018 (000's)	Cost	Accumulated amortization	Net book value
Land	\$ 58,883	\$ -	\$ 58,883
Buildings	543,228	221,968	321,260
Furnishings and equipment	66,097	44,852	21,245
Library books	43,792	41,649	2,143
	<u>\$ 712,000</u>	<u>\$ 308,469</u>	<u>\$ 403,531</u>

April 30, 2017 (000's)	Cost	Accumulated amortization	Net book value
Land	\$ 58,805	\$ -	\$ 58,805
Buildings	512,477	207,223	305,254
Furnishings and equipment	56,850	42,203	14,647
Library books	42,820	41,062	1,758
	<u>\$ 670,952</u>	<u>\$ 290,488</u>	<u>\$ 380,464</u>

Included in buildings and furnishings and equipment is \$43,238,134 (2017 - \$11,530,897) of construction in progress that was not amortized during the year.

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

(000's)	2018	2017
Balance, beginning of year	\$ 380,464	\$ 382,467
Purchase of capital assets		
funded by deferred capital contributions	30,357	7,248
Purchase of capital assets internally financed	11,861	9,539
Purchase of capital assets funded by the contingency reserve	-	49
Purchase of capital assets financed by proceeds of long term debt	(334)	(384)
Amortization of capital assets	(18,817)	(18,455)
Balance, end of year	<u>\$ 403,531</u>	<u>\$ 380,464</u>



# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

## 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)	2018	2017
Balance, beginning of year	\$ 7,285	\$ 7,164
Grants, donations and other expendable funds	14,967	12,493
Amounts recorded as revenue during the year	(13,179)	(12,372)
Balance, end of year	\$ 9,073	\$ 7,285

## 6. Long-term debt:

(000's)	2018	2017
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	\$ 7,991	\$ 8,483
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	6,342	6,733
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	24,109	24,863
Marilyn I. Walker School of Fine and Performing Arts Building:		
2.45% serial mortgage loan with fixed monthly principal payments of \$60 plus interest, due June 3, 2019	15,240	15,960
	53,682	56,039
Less current portion	2,458	2,357
	\$ 51,224	\$ 53,682

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

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

Debt maturities:

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

(000's)	
2019	\$ 2,458
2020	16,367
2021	1,962
2022	2,085
2023	21,979
Thereafter	8,831
	<hr/>
	\$ 53,682

### (a) Bank credit facility:

The University has available operating lines of credit of \$20,000,000 and \$5,000,000 which were not utilized at April 30, 2018. 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, 2018 was 3.45%). Amounts are due on demand.

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

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

### (b) Interest rate swap:

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

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

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

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

(000's)	2018		2017	
	Notional value	Fair value	Notional value	Fair value
Cairns Family Health and Bioscience Research Complex	\$ 24,109	\$ 25,285	\$ 24,863	\$ 27,666
Marilyn I. Walker School of Fine and Performing Arts Building	15,240	15,247	15,960	16,276
	\$ 39,349	\$ 40,532	\$ 40,823	\$ 43,942

The fair value of the swaps are determined using the benchmark valuation methodology without consideration for non-performance or counterparty risk.

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

## 7. Debenture payable:

(000's)	2018	2017
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	(2,764)	(2,809)
	\$ 90,236	\$ 90,191

The fair value of the debenture payable is \$113,074,980 (2017 - \$113,772,480). Fair value has been determined using the market quote of the debenture \$121.59 (2017 - \$122.34).

The University has established an internal sinking fund and purchased units in the Mawer Balanced Fund with a market value of \$6,696,030 (2017 - \$6,412,943). It is the University's policy to annually review the sinking fund investment structure and required contributions so that the ultimate proceeds of the investments will be applied against the debenture payable, due December 14, 2045 (note 3).

## 8. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations. The changes in the deferred capital contributions balance are as follows:

(000's)	2018	2017
Balance, beginning of year	\$ 188,073	\$ 181,021
Less amortization of deferred capital contributions	(7,494)	(7,468)
Add contributions restricted for capital purposes	16,644	14,520
Balance, end of year	\$ 197,223	\$ 188,073

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

(000's)	2018	2017
Unamortized capital contributions used to purchase assets	\$ 194,291	\$ 171,428
Unspent capital contributions	2,932	16,645
	\$ 197,223	\$ 188,073

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

## 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, 2017. The next required actuarial funding valuation will be July 1, 2020.

The University measured its accrued benefit obligation and fair value of plan assets for accounting purposes as at April 30, 2018. A summary of the financial status of the plan is as follows:

(000's)	2018	2017
Accrued benefit obligation	\$ 510,722	\$ 476,280
Fair value of plan assets	502,032	487,854
Accrued benefit (liability) asset	\$ (8,690)	\$ 11,574

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

	2018	2017
Discount rate on defined benefit costs	5.45%	6.00%
Rate of compensation increases	3.25%	3.75%
Expected long-term rate of return on plan assets	6.00%	6.00%

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

(000's)	2018	2017
Current service cost (defined contribution)	\$ 11,940	\$ 11,563
Current service cost (defined benefit)	1,335	1,257
Unfunded liability (going concern)	413	413
Multi-employer teachers plan	27	21
Total	\$ 13,715	\$ 13,254

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

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

(b) Other benefit plans:

The University has a number of non-pension future benefits that are available to most of its employees. These non-pension benefits include retiree medical and dental benefits until the age of 65, accumulating sick leave benefits and pre-retirement leave benefits and, for specific employees, a health-care spending account. The latest actuarial accounting valuation was performed as at April 30, 2017.

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

(000's)	2018	2017
Accrued benefit obligation	\$ 24,782	\$ 24,530
Fair value of plan assets	-	-
Accrued benefit liability	\$ 24,782	\$ 24,530

The University established an internally restricted reserve (note 12) for employee future benefits of \$5,709,691 (2017 – \$3,040,738).

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

	2018	2017
Discount rate	3.40% - 3.8%	3.30% – 4.00%
Prescription drug costs	7.45% (2017 – 7.72%) decreasing to 4.50% in and after 2030	
Other benefits costs	4.50%	4.50%
Health Care Spending Account	2.00%	2.00%

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

(000's)	2018	2017
Non-pension defined benefit plans	\$ 3,173	\$ 3,185
Non-pension benefit plans	656	622
Total	\$ 3,829	\$ 3,807

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

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## 10. Endowments:

(a) Change in endowment net assets:

The following were recorded directly to endowment net assets:

(000's)	2018	2017
Contributions restricted for endowments	\$ 1,271	\$ 1,453
Investment income	6,256	1,987
Internally allocated for endowment spending	(2,396)	(1,999)
Unrealized (loss) gain	(2,157)	9,158
	\$ 2,974	\$ 10,599

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

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

(000's)	2018	2017
Externally endowed	\$ 89,425	\$ 86,556
Internally endowed	7,246	7,141
	\$ 96,671	\$ 93,697

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

## 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)	2018	2017
Expendable funds available for awards, beginning of year	\$ 836	\$ 879
Investment income eligible for expenditures	855	281
Bursaries awarded	(368)	(324)
Expendable funds available for awards, end of year	\$ 1,323	\$ 836
Total OSOTF, Phase One, end of year	\$ 10,800	\$ 9,790
Number of bursaries awarded	130	130

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

(000's)	2018		2017	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$13,243	\$ 8,955	\$11,976	\$ 8,965
Unrealized (loss) gain for the year	(294)	-	1,277	-
Investment income (loss) less bursaries awarded	524	524	(10)	(10)
Endowment balance, end of year	\$13,473	\$ 9,479	\$13,243	\$ 8,955



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Notes to Financial Statements

Year ended April 30, 2018

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## 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)	2018	2017
Expendable funds available for awards, beginning of year	\$ 530	\$ 542
Investment income eligible for expenditures	333	118
Bursaries awarded	(149)	(130)
Expendable funds available for awards, end of year	\$ 714	\$ 530
Total OSOTF, Phase Two, end of year	\$ 4,371	\$ 3,986
Number of bursaries awarded	32	32

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

(000's)	2018		2017	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$ 5,095	\$ 3,456	\$ 4,597	\$ 3,456
Unrealized (loss) gain for the year	(115)	-	498	-
Investment income less bursaries awarded	200	200	-	-
Endowment balance, end of year	\$ 5,180	\$ 3,656	\$ 5,095	\$ 3,456

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

## 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)		2018		2017
Expendable funds available for awards, beginning of year	\$	3,067	\$	3,082
Investment income eligible for expenditures		1,827		631
Bursaries awarded		(748)		(646)
Expendable funds available for awards, end of year	\$	4,146	\$	3,067
Total OTSS, end of year	\$	24,230	\$	22,059
Number of bursaries awarded		560		422

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

(000's)	2018		2017	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$ 28,219	\$ 18,992	\$ 25,490	\$ 19,001
Unrealized (loss) gain in the current year	(631)	-	2,738	-
Investment income (loss) less bursaries awarded	1,091	1,091	(9)	(9)
Endowment balance, end of year	\$ 28,679	\$ 20,083	\$ 28,219	\$ 18,992

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

## 11. Net assets invested in capital assets:

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

(000's)	2018	2017
Capital assets, net (note 4)	\$ 403,531	\$ 380,464
Less amounts financed by:		
Long-term debt (note 6)	(53,682)	(56,039)
Deferred capital contributions (note 8)	(194,291)	(171,428)
Debenture payable	(83,961)	(83,961)
Cash and cash equivalents held for future capital projects (note 2)	7,928	7,594
Donated land	78	-
Balance, end of year	\$ 79,603	\$ 76,630

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

(000's)	2018	2017
Repayment of long-term debt	\$ 2,357	\$ 2,261
Purchase of capital assets internally financed (note 4)	11,861	9,588
Donated land	78	-
Increase in invested in capital assets	14,296	11,849
Amortization expense	(18,817)	(18,455)
Less amortization of deferred capital contributions	7,494	7,468
Decrease in invested in capital assets	(11,323)	(10,987)
Net change in invested in capital assets	\$ 2,973	\$ 862

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

## 12. Internally restricted net assets:

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

(000's)	2018	2017
Capital and infrastructure projects and reserves	\$ 12,385	\$ 11,712
Operating project accounts	2,013	1,664
Research funds with no external obligations	1,727	2,083
Start-up funds	1,124	1,142
Professional expense reimbursement accounts	2,716	2,556
Sinking fund (note 7)	6,696	6,413
Employee future benefits reserve (note 9)	5,710	3,041
Debt repayment reserve	4,457	2,895
Contingency reserve	3,303	2,568
Strategic initiative fund	7,182	3,894
Encumbrance reserve	947	745
	\$ 48,260	\$ 38,713

## 13. Commitments:

- As at April 30, 2018, the estimated costs to complete approved capital and renovation projects are approximately \$22,682,523 (2017 - \$46,546,676), which will be funded by government grants, donations and operations.
- The following are the future minimum annual operating lease payments due over the next five fiscal years and thereafter (in 000's):

2019	\$ 2,200
2020	2,200
2021	2,200
2022	2,200
2023	2,200
Thereafter	3,458
	\$ 14,458

## 14. Canadian Universities Reciprocal Insurance Exchange:

The University is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE). CURIE is a pooling of the property damage and public liability insurance risks of its members. All members pay annual deposit premiums that are actuarially determined and are subject to further assessment in the event members' premiums are insufficient to cover losses and expenses. No assessment has been made for the year ended April 30, 2018.

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

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## 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, 2018, the Administration believes that the University has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, Administration believes that such claims are not expected to have a material effect on the University's financial position. No provision has been accrued in these financial statements.

## 16. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$4,213,000 (2017 - \$4,767,000), which includes amounts payable for payroll-related taxes.

## 17. Research revenue and expenses:

The Statement of Operations consolidates all the revenue and expense activity of the University. The schedule below separates externally restricted research revenue and expense by financial statement line item for increased transparency of research grant activity.

(000's)	2018	2017
Revenues:		
Grant revenue	\$ 12,519	\$ 12,318
Grant revenue – central overhead	275	54
	<u>12,794</u>	<u>12,372</u>
Expenses:		
Salaries and benefits	3,596	3,758
Operating expenses	5,703	5,599
Scholarships, fellowships and bursaries	2,470	2,216
Expendable equipment, repairs and maintenance	1,025	799
	<u>12,794</u>	<u>12,372</u>
Excess of revenue over expenses	<u>\$ -</u>	<u>\$ -</u>

# BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2018

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## 18. Financial risks:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The University deals with creditworthy counterparties to mitigate the risk of financial loss from defaults.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at April 30, 2018 is \$5,605,777 (2017 - \$4,341,362).

### (b) Interest rate risk:

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

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

### (c) Currency risk:

The University is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including underlying investments in pooled funds denominated in foreign currencies because the fair value and future cash flows will fluctuate due to the changes in the relative value of the foreign currencies against the Canadian dollar. The University manages currency risk through monitoring activities and adherence to the investment policy. Presently equity instruments are not hedged; the University has adopted a mechanism to apply a US dollar hedge under certain market conditions.

### (d) Liquidity risk:

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. 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 (notes 6 and 7).

## 19. Comparative figures:

The comparative financial statements have been reclassified to conform to the presentation of the 2018 financial statements.