

Financial Statements of

BROCK UNIVERSITY

Year ended April 30, 2019

BROCK UNIVERSITY

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Year ended April 30, 2019

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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, 2019 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, 2019 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 blue ink signature of Brian Hutchings, written in a cursive style.

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



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INDEPENDENT AUDITORS' REPORT

To the Trustees of Brock University

Opinion

We have audited the accompanying financial statements of Brock University (the University), which comprise:

- the statement of financial position as at end of April 30, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at end of April 30, 2019, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ report.

We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 University's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada
June 27, 2019

BROCK UNIVERSITY

Statement of Financial Position

April 30, 2019 with comparative information for 2018
(in thousands of dollars)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 57,342	\$ 51,900
Accounts receivable	23,960	23,384
Government grants receivable	6,275	6,114
Prepaid expenses and other assets	106	397
Inventories	1,424	1,100
	89,107	82,895
Restricted investments (note 3)	162,356	152,326
Intangible asset (note 1(o))	-	1,037
Capital assets (note 4)	422,355	403,531
Employee future benefits asset (note 9(a))	2,795	-
	\$ 676,613	\$ 639,789

Liabilities and Net Assets

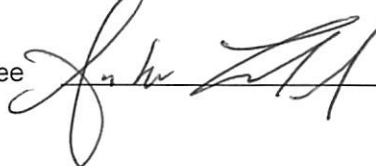
Current liabilities:		
Accounts payable and accrued liabilities (note 16)	\$ 36,577	\$ 33,420
Deferred revenue	34,802	30,875
Deferred contributions (note 5)	8,350	9,073
Current portion of long-term debt (note 6)	16,367	2,458
	96,096	75,826
Long-term accounts payable (note 1(o))	-	690
Long-term debt (note 6)	34,857	51,224
Debenture payable (note 7)	90,283	90,236
Deferred capital contributions (note 8)	201,201	197,223
Employee future benefits obligation (note 9(a) and (b))	26,786	33,472
Total liabilities	449,223	448,671
Net assets:		
Endowments (note 10)	107,026	96,671
Invested in capital assets (note 11)	95,206	79,603
Internally restricted (note 12)	49,064	48,260
Employee future benefits	(23,991)	(33,472)
Unrestricted	85	56
	227,390	191,118
Commitments (note 13)		
Contingencies (notes 14 and 15)		
	\$ 676,613	\$ 639,789

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, 2019 with comparative information for 2018
(in thousands of dollars)

	2019	2018
Revenues:		
Student fees	\$ 178,739	\$ 167,658
Government grants	96,442	96,156
Ancillary operations	33,379	32,273
Sales and services	16,126	15,179
Other revenues for restricted purposes	3,896	3,639
Investment income	3,415	2,004
Research grants for restricted purposes	14,592	12,794
Amortization of deferred capital contributions (note 8)	7,328	7,494
	<u>353,917</u>	<u>337,197</u>
Expenses:		
Salaries and benefits	220,714	212,064
Operating expenses	45,587	41,702
Scholarships, fellowships and bursaries	23,612	22,489
Expendable equipment, repairs and maintenance	10,036	8,502
Utilities and taxes	5,639	8,208
Interest on long-term debt	7,103	7,226
Cost of sales	5,664	6,141
Amortization of capital assets	19,643	18,817
	<u>337,998</u>	<u>325,149</u>
Excess of revenues over expenses	15,919	12,048
Net transfers to internally restricted net assets	(804)	(9,547)
Net transfers to invested in capital assets	(15,681)	(2,895)
Net transfers from employee future benefits	595	404
Change in unrestricted net assets in the year	<u>(15,890)</u>	<u>(12,038)</u>
Unrestricted net assets, beginning of year	56	46
Unrestricted net assets, end of year	<u>\$ 85</u>	<u>\$ 56</u>

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

BROCK UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2019 with comparative information for 2018
(in thousands of dollars)

April 30, 2019	Employee future benefits	Endowments (note 10)	Invested in capital assets (note 11)	Internally restricted (note 12)	Unrestricted	Total
Net assets, beginning of year	\$ (33,472)	\$ 96,671	\$ 79,603	\$ 48,260	\$ 56	\$ 191,118
Excess of revenues over expenses (expenses over revenues)	-	-	(12,315)	-	28,234	15,919
Change in internally restricted net assets	-	-	-	804	(804)	-
Net change in investment in capital assets (note 11(b))	-	-	27,918	-	(27,996)	(78)
Actuarial gain in employee future benefits	10,076	-	-	-	-	10,076
Net current service charge in employee future benefits	(595)	-	-	-	595	-
Change in endowment net assets (note 10(a))	-	10,355	-	-	-	10,355
Net assets, end of year	\$ (23,991)	\$ 107,026	\$ 95,206	\$ 49,064	\$ 85	\$ 227,390

April 30, 2018	Employee future benefits	Endowments (note 10)	Invested in capital assets (note 11)	Internally restricted (note 12)	Unrestricted	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 charge 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

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

BROCK UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2019 with comparative information for 2018
(in thousands of dollars)

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 15,919	\$ 12,048
Add (deduct) non-cash items:		
Amortization of capital assets	19,643	18,817
Amortization of deferred capital contributions	(7,328)	(7,494)
Amortization of deferred charges	47	45
(Sale) Donation of land	(78)	78
	28,203	23,494
Net change in non-cash working capital balances related to operations:		
Increase in accounts receivable	(576)	(2,234)
Increase in government grants receivable	(161)	(2,978)
Decrease (increase) in prepaid expenses and other assets	291	(206)
(Increase) decrease in inventories	(324)	667
Decrease (increase) in intangible asset	1,037	(1,037)
Increase in accounts payable and accrued liabilities	2,467	10,901
Increase in deferred revenue	3,927	186
(Decrease) increase in deferred contributions	(723)	1,788
Net current service charge in employee future benefits	595	404
	6,533	7,491
Cash provided by operating activities	34,736	30,985
Financing activities:		
Contributions restricted for capital purposes	11,306	16,644
Repayment of long-term debt	(2,458)	(2,357)
Cash provided by financing activities	8,848	14,287
Investing activities:		
Net change in restricted investments	(10,030)	389
Purchase of capital assets	(38,467)	(41,884)
Change in endowment net assets	10,355	2,974
Cash used in investing activities	(38,142)	(38,521)
Increase in cash	5,442	6,751
Cash and cash equivalents, beginning of year	51,900	45,149
Cash and cash equivalents, end of year	\$ 57,342	\$ 51,900

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

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

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 Organizations 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, 2019

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, 2019

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, 2019

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 \$9,292,077 (2018 - \$9,144,870) and is expected to be received as follows:

(000's)	2019	2018
2019	\$ -	\$ 2,567
2020	1,565	1,217
2021	512	447
2022	301	278
2023	183	171
2024	180	-
Thereafter	6,552	4,465
	<u>\$ 9,293</u>	<u>\$ 9,145</u>

(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.

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.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

1. Significant accounting policies (continued):

(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.

(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 \$nil (2018 - \$1,037) 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.

On July 3, 2018 the Government of Ontario repealed the Climate Change Mitigation and Low-carbon Economy Act, revoking regulations related to the Cap and Trade Program. Ontario-issued Cap and Trade allowances and program obligations were eliminated and revalued to \$0. Participants' accounts were frozen and no transactions using allowances or other carbon instruments were allowed. GHG Reporting and verification requirements are still enacted under the Environmental Protection Act (as per O.Reg. 380/18) and it is applicable to Brock.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

2. Cash and cash equivalents:

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

(000's)	2019	2018
Cash and cash equivalents	\$ 49,085	\$ 43,972
Held for future capital projects Cash and cash equivalents	8,257	7,928
	<u>\$ 57,342</u>	<u>\$ 51,900</u>

3. Restricted investments:

The fair value of investments are as follows:

(000's)	2019	2018
Invested for endowments		
Cash and cash equivalents	\$ 127	\$ 344
Walter Scott & Partners Global Equity Fund	51,939	44,410
Mawer Canadian Equity Pooled Fund	14,891	13,726
Barings Global High Yield Credit Strategies Fund	19,977	19,238
AllianceBernstein Core Plus Bond Fund	20,092	18,953
	<u>107,026</u>	<u>96,671</u>
Invested for unspent capital projects		
Cash and cash equivalents	980	2,932
Invested for future loan repayments		
Mawer Balanced Fund	7,370	6,696
Invested for employee future benefit reserve		
Mawer Balanced Fund	5,485	4,123
Invested for other restricted purposes		
Cash and cash equivalents	40,798	41,248
Sunlife Global Investments	697	656
	<u>41,495</u>	<u>41,904</u>
	<u>\$ 162,356</u>	<u>\$ 152,326</u>

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

4. Capital assets:

April 30, 2019 (000's)	Cost	Accumulated amortization	Net book value
Land	\$ 59,690	\$ -	\$ 59,690
Buildings	571,957	236,914	335,043
Furnishings and equipment	72,781	47,392	25,389
Library books	44,558	42,325	2,233
	\$ 748,986	\$ 326,631	\$ 422,355

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
	\$ 712,000	\$ 308,469	\$ 403,531

Included in buildings and furnishings and equipment is \$22,925,966 (2018 - \$43,238,134) 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)	2019	2018
Balance, beginning of year	\$ 403,531	\$ 380,464
Purchase of capital assets		
funded by deferred capital contributions	13,258	30,357
Purchase of capital assets internally financed	25,538	11,861
Purchase of capital assets funded by the contingency reserve	-	-
Purchase of capital assets financed by proceeds of long term debt	(329)	(334)
Amortization of capital assets	(19,643)	(18,817)
Balance, end of year	\$ 422,355	\$ 403,531

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

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)	2019	2018
Balance, beginning of year	\$ 9,073	\$ 7,285
Grants, donations and other expendable funds	13,629	14,967
Amounts recorded as revenue during the year	(14,352)	(13,179)
Balance, end of year	\$ 8,350	\$ 9,073

6. Long-term debt:

(000's)	2019	2018
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	\$ 7,462	\$ 7,991
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	5,923	6,342
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	23,319	24,109
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	14,520	15,240
	51,224	53,682
Less current portion	16,367	2,458
	\$ 34,857	\$ 51,224

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

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)	
2020	\$ 16,367
2021	1,962
2022	2,085
2023	21,979
2024	1,357
Thereafter	7,474
	<hr/>
	\$ 51,224

(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, 2019. 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, 2019 was 3.95%). Amounts are due on demand.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

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 agreements is as follows:

(000's)	2019		2018	
	Notional value	Fair value	Notional value	Fair value
Cairns Family Health and Bioscience Research Complex	\$ 23,319	\$ 24,613	\$ 24,109	\$ 25,285
Marilyn I. Walker School of Fine and Performing Arts Building	14,520	14,593	15,240	15,247
	\$ 37,839	\$ 39,206	\$ 39,349	\$ 40,532

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

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Notes to Financial Statements

Year ended April 30, 2019

7. Debenture payable:

(000's)	2019	2018
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	(2,717)	(2,764)
	\$ 90,283	\$ 90,236

The fair value of the debenture payable is \$117,288,810 (2018 - \$113,074,980). Fair value has been determined using the market quote of the debenture \$126.18 (2018 - \$121.59).

The University has established an internal sinking fund and purchased units in the Mawer Balanced Fund with a market value of \$7,369,771 (2018 - \$6,696,030). 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)	2019	2018
Balance, beginning of year	\$ 197,223	\$ 188,073
Less amortization of deferred capital contributions	(7,328)	(7,494)
Add contributions restricted for capital purposes	11,306	16,644
Balance, end of year	\$ 201,201	\$ 197,223

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

(000's)	2019	2018
Unamortized capital contributions used to purchase assets	\$ 200,221	\$ 194,291
Unspent capital contributions	980	2,932
	\$ 201,201	\$ 197,223

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Notes to Financial Statements

Year ended April 30, 2019

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, 2019. A summary of the financial status of the plan is as follows:

(000's)	2019	2018
Accrued benefit obligation	\$ 558,549	\$ 510,722
Fair value of plan assets	561,344	502,032
Accrued benefit asset (liability)	\$ 2,795	\$ (8,690)

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

	2019	2018
Discount rate on defined benefit costs	5.45%	5.45%
Rate of compensation increases	3.25%	3.25%
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)	2019	2018
Current service cost (defined contribution)	\$ 12,112	\$ 11,940
Current service cost (defined benefit)	1,863	1,335
Unfunded liability (going concern)	1,812	413
Multi-employer teachers plan	-	27
Total	\$ 15,787	\$ 13,715

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Notes to Financial Statements

Year ended April 30, 2019

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)	2019	2018
Accrued benefit obligation	\$ 26,786	\$ 24,782
Fair value of plan assets	-	-
Accrued benefit liability	\$ 26,786	\$ 24,782

The University established an internally restricted reserve (note 12) for employee future benefits of \$7,072,166 (2018 – \$5,709,691).

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

	2019	2018
Discount rate	2.90% - 3.40%	3.40% - 3.80%
Prescription drug costs	7.15% (2018 – 7.45%) decreasing to 4.00% in and after 2040	
Other benefits costs	4.00%	4.50%
Health Care Spending Account	2.00%	2.00%

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

(000's)	2019	2018
Non-pension defined benefit plans	\$ 4,250	\$ 3,173
Non-pension benefit plans	697	656
Total	\$ 4,947	\$ 3,829

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

10. Endowments:

(a) Change in endowment net assets:

The following were recorded directly to endowment net assets:

(000's)	2019	2018
Contributions restricted for endowments	\$ 1,887	\$ 1,271
Investment income	7,032	6,256
Internally allocated for endowment spending	(2,464)	(2,396)
Unrealized gain (loss)	3,900	(2,157)
	\$ 10,355	\$ 2,974

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)	2019	2018
Externally endowed	\$ 99,159	\$ 89,425
Internally endowed	7,867	7,246
	\$ 107,026	\$ 96,671

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Notes to Financial Statements

Year ended April 30, 2019

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)	2019	2018
Expendable funds available for awards, beginning of year	\$ 1,323	\$ 836
Investment income eligible for expenditures	880	855
Bursaries awarded	(502)	(368)
Expendable funds available for awards, end of year	\$ 1,701	\$ 1,323
Total OSOTF, Phase One, end of year	\$ 11,752	\$ 10,800
Number of bursaries awarded	130	130

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

(000's)	2019		2018	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$ 13,473	\$ 9,479	\$ 13,243	\$ 8,955
Unrealized gain (loss) for the year	477	-	(294)	-
Investment income less bursaries awarded	573	573	524	524
Endowment balance, end of year	\$ 14,523	\$ 10,052	\$ 13,473	\$ 9,479

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

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)	2019	2018
Expendable funds available for awards, beginning of year	\$ 714	\$ 530
Investment income eligible for expenditures	341	333
Bursaries awarded	(201)	(149)
Expendable funds available for awards, end of year	\$ 854	\$ 714
Total OSOTF, Phase Two, end of year	\$ 4,727	\$ 4,371
Number of bursaries awarded	31	32

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

(000's)	2019		2018	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$ 5,180	\$ 3,656	\$ 5,095	\$ 3,456
Unrealized gain (loss) for the year	183	-	(115)	-
Investment income less bursaries awarded	216	216	200	200
Endowment balance, end of year	\$ 5,579	\$ 3,872	\$ 5,180	\$ 3,656

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

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)		2019		2018
Expendable funds available for awards, beginning of year	\$	4,146	\$	3,067
Investment income eligible for expenditures		1,870		1,827
Bursaries awarded		(1,006)		(748)
Expendable funds available for awards, end of year	\$	5,010	\$	4,146
Total OTSS, end of year	\$	26,289	\$	24,230
Number of bursaries awarded		583		560

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

(000's)	2019		2018	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$ 28,679	\$ 20,083	\$ 28,219	\$ 18,992
Unrealized gain (loss) for the year	1,014	-	(631)	-
Investment income less bursaries awarded	1,194	1,194	1,091	1,091
Endowment balance, end of year	\$ 30,887	\$ 21,277	\$ 28,679	\$ 20,083

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

11. Net assets invested in capital assets:

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

(000's)	2019	2018
Capital assets, net (note 4)	\$ 422,355	\$ 403,531
Less amounts financed by:		
Long-term debt (note 6)	(51,224)	(53,682)
Deferred capital contributions (note 8)	(200,221)	(194,291)
Debenture payable	(83,961)	(83,961)
Cash and cash equivalents held for future capital projects (note 2)	8,257	7,928
Donated land	-	78
Balance, end of year	\$ 95,206	\$ 79,603

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

(000's)	2019	2018
Repayment of long-term debt	\$ 2,458	\$ 2,357
Purchase of capital assets internally financed (note 4)	25,538	11,861
Sale/Donated land	(78)	78
Increase in invested in capital assets	27,918	14,296
Amortization expense	(19,643)	(18,817)
Less amortization of deferred capital contributions	7,328	7,494
Decrease in invested in capital assets	(12,315)	(11,323)
Net change in invested in capital assets	\$ 15,603	\$ 2,973

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

12. Internally restricted net assets:

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

(000's)	2019	2018
Capital and infrastructure projects and reserves	\$ 7,224	\$ 12,385
Operating project accounts	2,791	2,013
Research funds with no external obligations	2,341	1,727
Start-up funds	1,171	1,124
Professional expense reimbursement accounts	2,738	2,716
Sinking fund (note 7)	7,370	6,696
Employee future benefits reserve (note 9)	7,072	5,710
Debt repayment reserve	6,753	4,457
Contingency reserve	3,558	3,303
Strategic initiative fund	7,596	7,182
Encumbrance reserve	450	947
	\$ 49,064	\$ 48,260

13. Commitments:

- As at April 30, 2019, the estimated costs to complete approved capital and renovation projects are approximately \$2,193,075 (2018 - \$22,682,523), 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):

2020	\$ 3,409
2021	3,470
2022	2,200
2023	2,200
2024	1,411
Thereafter	2,048
	\$ 14,738

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, 2019.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

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, 2019, 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 \$4,317,000 (2018 - \$4,213,000), 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)	2019	2018
Revenues:		
Grant revenue	\$ 14,352	\$ 12,519
Grant revenue – central overhead	240	275
	14,592	12,794
Expenses:		
Salaries and benefits	3,769	3,596
Operating expenses	5,483	5,703
Scholarships, fellowships and bursaries	2,677	2,470
Expendable equipment, repairs and maintenance	2,663	1,025
	14,592	12,794
Excess of revenue over expenses	\$ -	\$ -

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2019

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, 2019 is \$4,650,425 (2018 - \$5,605,777). There have been no changes in credit risk exposure as compared to the prior year.

(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. There have been no changes in interest rate risk exposure as compared to the prior year.

(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. There have been no changes in currency risk exposure as compared to the prior year.

(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). There have been no changes in liquidity risk exposure as compared to the prior year.