

Financial Statements of

BROCK UNIVERSITY

Year ended April 30, 2021

BROCK UNIVERSITY

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Year ended April 30, 2021

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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, 2021 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, 2021 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.

Sincerely,

A blue ink signature of Gervan Fearon.

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

A blue ink signature of Josh Tonnos.

Josh Tonnos, MBA, CPA, CGA
Chief Financial Officer &
Associate Vice-President, Financial Services



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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 April 30, 2021
- 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 April 30, 2021, 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 24 2021

BROCK UNIVERSITY

Statement of Financial Position

As at April 30, 2021, with comparative information for 2020
(in thousands of dollars)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 120,741	\$ 58,346
Accounts receivable	30,598	24,450
Government grants receivable	4,770	4,783
Prepaid expenses and other assets	441	393
Inventories	1,402	1,536
	<u>157,952</u>	<u>89,508</u>
Restricted investments (note 3)	206,666	151,778
Capital assets (note 4)	481,711	441,828
Employee future benefits asset (note 9)	801	2,083
	<u>\$ 847,130</u>	<u>\$ 685,197</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 16)	\$ 44,364	\$ 39,332
Deferred revenue	45,735	37,537
Deferred contributions (note 5)	12,244	9,600
Current portion of long-term debt (note 6)	2,085	1,962
	<u>104,428</u>	<u>88,431</u>
Long-term debt (note 6)	45,210	47,295
Debenture payable (note 7)	214,872	90,182
Deferred capital contributions (note 8)	194,224	196,338
Employee future benefits obligation (note 9)	30,501	31,659
Total liabilities	<u>589,235</u>	<u>453,905</u>
Net assets:		
Endowments (note 10)	123,810	103,896
Invested in capital assets (note 11)	86,920	115,441
Internally restricted (note 12)	76,763	41,438
Employee future benefits	(29,700)	(29,576)
Unrestricted	102	93
	<u>257,895</u>	<u>231,292</u>
Commitments (note 13)		
Contingencies (notes 14 and 15)		
	<u>\$ 847,130</u>	<u>\$ 685,197</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, 2021, with comparative information for 2020
(in thousands of dollars)

	2021	2020
Revenues:		
Student fees	\$ 186,657	\$ 185,818
Government grants	103,943	95,344
Ancillary operations	9,274	31,940
Sales and services	11,338	17,922
Other revenues for restricted purposes	3,987	4,224
Investment income	4,676	3,036
Research grants for restricted purposes (note 17)	11,778	11,715
Gain on sale of assets	1,889	—
Amortization of deferred capital contributions (note 8)	7,902	8,239
	<u>341,444</u>	<u>358,238</u>
Expenses:		
Salaries and benefits	220,557	227,265
Operating expenses	33,476	43,369
Scholarships, fellowships and bursaries	27,562	24,681
Expendable equipment, repairs and maintenance	10,066	10,461
Utilities and taxes	5,880	6,338
Interest on long-term debt	10,477	6,975
Cost of sales	4,520	5,506
Amortization of capital assets	21,861	21,738
	<u>334,399</u>	<u>346,333</u>
Excess of revenues over expenses	7,045	11,905
Net transfers (to) from internally restricted net assets	(35,325)	7,626
Net transfers from (to) invested in capital assets	28,521	(20,235)
Net transfers (to) from employee future benefits	(232)	712
Change in unrestricted net assets in the year	<u>(7,036)</u>	<u>(11,897)</u>
Unrestricted net assets, beginning of year	93	85
Unrestricted net assets, end of year	<u>\$ 102</u>	<u>\$ 93</u>

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

BROCK UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2021, with comparative information for 2020
(in thousands of dollars)

April 30, 2021	Employee future benefits	Endowments (note 10)	Invested in capital assets (note 11)	Internally restricted (note 12)	Unrestricted	Total
Net assets, beginning of year	\$ (29,576)	\$103,896	\$115,441	\$ 41,438	\$ 93	\$ 231,292
Excess of revenues over expenses (expenses over revenues)	-	-	(9,672)	-	16,717	7,045
Change in internally restricted net assets	-	-	-	35,325	(35,325)	-
Net change in investment in capital assets (note 11(b))	-	-	(18,849)	-	18,849	-
Actuarial loss in employee future benefits	(356)	-	-	-	-	(356)
Net current service charge in employee future benefits	232	-	-	-	(232)	-
Change in endowment net assets (note 10(a))	-	19,914	-	-	-	19,914
Net assets, end of year	\$ (29,700)	\$123,810	\$ 86,920	\$ 76,763	\$ 102	\$ 257,895

April 30, 2020	Employee future benefits	Endowments (note 10)	Invested in capital assets (note 11)	Internally restricted (note 12)	Unrestricted	Total
Net assets, beginning of year	\$ (23,991)	\$107,026	\$ 95,206	\$ 49,064	\$ 85	\$ 227,390
Excess of revenues over expenses (expenses over revenues)	-	-	(13,499)	-	25,404	11,905
Change in internally restricted net assets	-	-	-	(7,626)	7,626	-
Net change in investment in capital assets (note 11(b))	-	-	33,734	-	(33,734)	-
Actuarial loss in employee future benefits	(4,873)	-	-	-	-	(4,873)
Net current service charge in employee future benefits	(712)	-	-	-	712	-
Change in endowment net assets (note 10(a))	-	(3,130)	-	-	-	(3,130)
Net assets, end of year	\$ (29,576)	\$103,896	\$115,441	\$ 41,438	\$ 93	\$ 231,292

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

BROCK UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2021, with comparative information for 2020
(in thousands of dollars)

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 7,045	\$ 11,905
Add (deduct) non-cash items:		
Gain on sale of assets	(1,889)	–
Amortization of gain on sale of assets	(146)	–
Amortization of capital assets	21,861	21,738
Amortization of deferred capital contributions	(7,902)	(8,239)
Amortization of deferred charges on debenture payable	(310)	(101)
	18,659	25,303
Net change in non-cash working capital balances related to operations:		
Increase in accounts receivable	(6,148)	(490)
Decrease in government grants receivable	13	1,492
Increase in prepaid expenses and other assets	(48)	(287)
Decrease (increase) in inventories	134	(112)
Increase in accounts payable and accrued liabilities	5,032	2,755
Increase in deferred revenue	8,198	2,735
Increase in deferred contributions	2,644	1,250
Net current service charge in employee future benefits	(232)	712
	9,593	8,055
Cash provided by operating activities	28,252	33,358
Financing activities:		
Contributions restricted for capital purposes	5,788	3,376
Increase in long-term debt	–	14,400
Increase in debenture payable	125,000	–
Repayment of long-term debt	(1,962)	(16,367)
Cash provided by financing activities	128,826	1,409
Investing activities:		
Net change in restricted investments	(54,888)	10,578
Purchase of capital assets	(61,730)	(41,211)
Net proceeds from sale of assets	2,021	–
Change in endowment net assets	19,914	(3,130)
Cash used in investing activities	(94,683)	(33,763)
Increase in cash	62,395	1,004
Cash and cash equivalents, beginning of year	58,346	57,342
Cash and cash equivalents, end of year	\$ 120,741	\$ 58,346

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

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

Incorporated in 1964, Brock University (the “University” or “Brock”) 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, the University contributes 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, which is determined using the weighted average cost approach and net realizable value.

(c) Investments:

Investments are recorded at fair value.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Contributions of capital assets are capitalized at fair market value at the date of contribution. Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Buildings	2.5% to 10%
Furnishings and equipment	10% to 33 1/3%
Library books	20%

Construction costs are capitalized as work progresses and amortization commences as work is substantially completed. The carrying amount of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the Statement of Operations when the asset's carrying amount is not recoverable and exceeds its fair value.

(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.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

1. Significant accounting policies (continued):

(g) Internally restricted net assets:

The University internally restricts the use of portions of its unrestricted net assets for specific future use. Transfers to internally restricted net assets only occur once authorized by the Board of Trustees. When expenses are incurred, expenses are charged to the Statement of 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 endowments are deferred and recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital asset. Endowment contributions are recognized as direct increases in net assets in the year in which they are received. Student fees are recognized as revenue when courses and seminars are held. Sales and services and ancillary revenue is recognized at the point of sale or when the service has been provided.

(i) Employee future benefits:

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

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

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

The University recognizes the amount of benefit obligations net of the fair value of plan assets in the Statement of Financial Position. Current service and finance costs are expensed during the year, while remeasurement and other items, representing the total of the difference

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

1. Significant accounting policies (continued):

(i) Employee future benefits (continued):

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 within the employee future benefits fund. 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 January 1, 2020 and the next required valuation will be as of January 1, 2023.

The most recent actuarial valuation of the non-pension benefits for accounting purposes was as of April 30, 2021.

(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.

(k) Pledges:

Pledges are recorded as revenue on a cash basis and accordingly are not recognized as an asset in the Statement of Financial Position. The total amount of pledges outstanding is approximately \$6,378,000 (2020 - \$8,710,000) and is expected to be received as follows:

(000's)	2021	2020
2021	\$ -	\$ 846
2022	790	332
2023	252	211
2024	234	195
2025	201	188
2026	71	-
Thereafter	4,830	6,938
	<u>\$ 6,378</u>	<u>\$ 8,710</u>

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

1. Significant accounting policies (continued):

(l) Financial instruments:

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

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 as well as various materials used by the University in carrying out the provision of services. Because of the difficulty of determining their fair value, contributed services and materials are not recognized in these financial statements.

(n) Use of estimates:

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

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

2. Cash and cash equivalents:

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

(000's)	2021	2020
Cash and cash equivalents	\$ 103,252	\$ 56,563
Held for future capital projects Cash and cash equivalents	17,489	1,783
	<u>\$ 120,741</u>	<u>\$ 58,346</u>

3. Restricted investments:

The fair value of investments are as follows:

(000's)	2021	2020
Invested for endowments		
Cash and cash equivalents	\$ 194	\$ 61
Walter Scott & Partners Global Equity Fund	40,265	51,900
Mawer Global Equity Pooled Fund	38,119	13,676
Barings Global High Yield Credit Strategies Fund	23,976	17,425
AllianceBernstein Core Plus Bond Fund	21,256	20,834
	<u>123,810</u>	<u>103,896</u>
Invested for unspent capital projects		
Cash and cash equivalents (note 8)	1,166	1,386
Invested for future loan repayments		
Mawer Balanced Fund	8,843	7,607
Invested for employee future benefit reserve		
Mawer Balanced Fund	6,581	5,662
Invested for other restricted purposes		
Cash and cash equivalents	65,537	32,552
TD Global Equity Investments	729	675
	<u>66,266</u>	<u>33,227</u>
	<u>\$ 206,666</u>	<u>\$ 151,778</u>

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

4. Capital assets:

April 30, 2021 (000's)	Cost	Accumulated amortization	Net book value
Land	\$ 54,800	\$ –	\$ 54,800
Buildings	666,587	268,868	397,719
Furnishings and equipment	81,009	53,910	27,099
Library books	46,032	43,939	2,093
	<u>\$ 848,428</u>	<u>\$ 366,717</u>	<u>\$ 481,711</u>

April 30, 2020 (000's)	Cost	Accumulated amortization	Net book value
Land	\$ 59,690	\$ –	\$ 59,690
Buildings	607,421	252,822	354,599
Furnishings and equipment	76,626	51,290	25,336
Library books	45,335	43,132	2,203
	<u>\$ 789,072</u>	<u>\$ 347,244</u>	<u>\$ 441,828</u>

Included in buildings and furnishings and equipment is \$76,682,000 (2020 - \$30,329,000) of construction in progress that was not amortized during the year.

As of April 30, 2021, the University has a land and building asset held for sale. The University has a signed agreement and ownership is expected to transfer in August 2021. The net book value of the land and building asset is \$2,145,000.

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

(000's)	2021	2020
Balance, beginning of year	\$ 441,828	\$ 422,355
Purchase of capital assets		
funded by deferred capital contributions	6,007	2,970
Purchase of capital assets internally financed	(11,634)	23,911
Purchase of capital assets financed by		
proceeds of long term debt	72,261	14,330
Sale of land	(4,890)	–
Amortization of capital assets	(21,861)	(21,738)
Balance, end of year	<u>\$ 481,711</u>	<u>\$ 441,828</u>

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

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)	2021	2020
Balance, beginning of year	\$ 9,600	\$ 8,350
Grants, donations and other expendable funds received	14,173	12,789
Amounts recorded as revenue during the year	(11,529)	(11,539)
Balance, end of year	\$ 12,244	\$ 9,600

6. Long-term debt:

(000's)	2021	2020
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	\$ 6,284	\$ 6,894
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	4,987	5,472
Roy and Lois Cairns Health and Bioscience Research Complex:		
4.69% mortgage loan with monthly blended payments of principal and interest of \$159, due June 29, 2022	21,624	22,491
Student Experience Projects:		
2.49% interest only payments with the principal repayable in full on or before June 3, 2024	14,400	14,400
	47,295	49,257
Less current portion	(2,085)	(1,962)
	\$ 45,210	\$ 47,295

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

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)	
2022	\$ 2,085
2023	21,978
2024	1,358
2025	15,859
2026	1,567
Thereafter	4,448
	<hr/>
	\$ 47,295

(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, 2021. 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, 2021 was 2.45%). Amounts are due on demand.

(b) Interest rate swap:

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

The University converted a net notional of \$28,000,000 of floating rate long-term debt relating to the Roy and Lois Cairns 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 \$14,400,000 of floating rate long-term debt relating to the Student Experience Projects. The fixed rate paid under the interest rate swap is 2.49%. The maturity date of the interest rate swap is the same as the maturity date of the associated long-term debt of June 3, 2024.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

6. Long-term debt (continued):

(b) Interest rate swap (continued):

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

(000's)	2021		2020	
	Notional value	Fair value	Notional value	Fair value
Roy and Lois Cairns Health and Bioscience Research Complex	\$ 21,624	\$ 22,535	\$ 22,491	\$ 24,025
Student Experience Projects	14,400	14,894	14,400	15,189
	\$ 36,024	\$ 37,429	\$ 36,891	\$ 39,214

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

7. Debenture payable:

(000's)	2021	2020
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	(2,616)	(2,668)
Debenture payable, bearing interest at 3.033%, \$1,896 payable interest only semi-annually, due May 17, 2060	125,000	—
Deferred refinancing expenses	(512)	(150)
	\$ 214,872	\$ 90,182

The fair value of the debenture payable due December 14, 2045 is \$116,427,630 (2020 - \$129,055,170). Fair value has been determined using the market quote of the debenture which as at April 30, 2021 was \$125.19 (2020 - \$138.77).

The fair value of the debenture payable due May 17, 2060 is \$114,143,750. Fair value has been determined using the market quote of the debenture which as at April 30, 2021 was \$91.32.

The University has established an internal sinking fund and purchased units in the Mawer Balanced Fund with a market value of \$8,842,724 (2020 - \$7,606,827). 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.

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Notes to Financial Statements

Year ended April 30, 2021

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)	2021	2020
Balance, beginning of year	\$ 196,338	\$ 201,201
Less amortization of deferred capital contributions	(7,902)	(8,239)
Add contributions restricted for capital purposes	5,788	3,376
Balance, end of year	\$ 194,224	\$ 196,338

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

(000's)	2021	2020
Unamortized capital contributions used to purchase assets	\$ 193,058	\$ 194,952
Unspent capital contributions	1,166	1,386
	\$ 194,224	\$ 196,338

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 January 1, 2020. The next required actuarial funding valuation will be completed on or before January 1, 2023.

The University measured its accrued benefit obligation and fair value of plan assets for accounting purposes as at April 30, 2021. A summary of the financial status of the plan is as follows:

(000's)	2021	2020
Accrued benefit obligation	\$ 635,780	\$ 574,150
Fair value of plan assets	636,581	576,233
Accrued benefit asset	\$ 801	\$ 2,083

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

9. Employee future benefits obligation (continued):

(a) Pension benefit plan (continued):

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

	2021	2020
Discount rate on defined benefit costs	5.30%	5.45%
Rate of compensation increases	2.80% - 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)	2021	2020
Current service cost (defined contribution)	\$ 12,639	\$ 12,430
Current service cost (defined benefit)	1,829	1,912
Unfunded liability (going concern)	1,741	1,939
Total	\$ 16,209	\$ 16,281

(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, 2021.

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

(000's)	2021	2020
Accrued benefit obligation	\$ 30,501	\$ 31,659
Fair value of plan assets	-	-
Accrued benefit liability	\$ 30,501	\$ 31,659

The University established an internally restricted reserve (note 12) for employee future benefits of \$8,168,000 (2020 – \$7,249,000).

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

9. Employee future benefits obligation (continued):

(b) Other benefit plans (continued):

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

	2021	2020
Discount rate	2.80% - 3.50%	2.50% - 3.20%
Prescription drug costs	7.15% (2020 – 7.15%) decreasing to 4.00% in and after 2040	
Other benefits costs	4.00%	4.00%
Health Care Spending Account	2.00%	2.00%

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

(000's)	2021	2020
Non-pension defined benefit plans	\$ 4,651	\$ 5,325
Non-pension benefit plans	729	675
Total	\$ 5,380	\$ 6,000

10. Endowments:

(a) Change in endowment net assets:

The following were recorded directly to endowment net assets:

(000's)	2021	2020
Contributions restricted for endowments	\$ 3,112	\$ 1,352
Investment income	6,272	4,633
Internally allocated for endowment spending	(3,091)	(2,929)
Unrealized gain (loss)	13,621	(6,186)
	\$ 19,914	\$ 3,130

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.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

10. Endowments (continued):

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

(000's)	2021	2020
Externally endowed	\$ 115,104	\$ 96,324
Internally endowed	8,706	7,572
	<u>\$ 123,810</u>	<u>\$ 103,896</u>

(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)	2021	2020
Expendable funds available for awards, beginning of year	\$ 1,826	\$ 1,701
Investment income eligible for expenditures	735	565
Bursaries awarded	(464)	(440)
Expendable funds available for awards, end of year	<u>\$ 2,097</u>	<u>\$ 1,826</u>
Total OSOTF, Phase One, end of year	<u>\$ 12,705</u>	<u>\$ 12,080</u>
Number of bursaries awarded	130	130

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

(000's)	2021		2020	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$ 13,984	\$ 10,255	\$ 14,523	\$ 10,052
Unrealized (loss) gain for the year	1,611	—	(742)	—
Investment income less bursaries awarded	354	354	203	203
Endowment balance, end of year	<u>\$ 15,949</u>	<u>\$ 10,609</u>	<u>\$ 13,984</u>	<u>\$ 10,255</u>

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Notes to Financial Statements

Year ended April 30, 2021

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)	2021	2020
Expendable funds available for awards, beginning of year	\$ 900	\$ 854
Investment income eligible for expenditures	286	220
Bursaries awarded	(124)	(174)
Expendable funds available for awards, end of year	\$ 1,062	\$ 900
Total OSOTF, Phase Two, end of year	\$ 5,140	\$ 4,846
Number of bursaries awarded	31	31

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

(000's)	2021		2020	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$ 5,363	\$ 3,946	\$ 5,579	\$ 3,872
Unrealized (loss) gain for the year	623	–	(290)	–
Investment income less bursaries awarded	132	132	74	74
Endowment balance, end of year	\$ 6,118	\$ 4,078	\$ 5,363	\$ 3,946

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Notes to Financial Statements

Year ended April 30, 2021

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)		2021		2020
Expendable funds available for awards, beginning of year	\$	5,338	\$	5,010
Investment income eligible for expenditures		1,563		1,202
Bursaries awarded		(726)		(874)
Expendable funds available for awards, end of year	\$	6,175	\$	5,338
Total OTSS, end of year	\$	28,601	\$	27,028
Number of bursaries awarded		383		543

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

(000's)	2021		2020	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$ 29,721	\$ 21,688	\$ 30,887	\$ 21,277
Unrealized (loss) gain for the year	3,418	–	(1,577)	–
Investment income less bursaries awarded	736	736	411	411
Endowment balance, end of year	\$ 33,875	\$ 22,424	\$ 29,721	\$ 21,688

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Notes to Financial Statements

Year ended April 30, 2021

11. Net assets invested in capital assets:

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

(000's)	2021	2020
Capital assets, net (note 4)	\$ 481,711	\$ 441,828
Less amounts financed by:		
Long-term debt (note 6)	(32,895)	(49,257)
Deferred capital contributions (note 8)	(193,058)	(194,952)
Debenture payable (note 7)	(186,327)	(83,961)
Cash and cash equivalents held for future capital projects (note 2)	17,489	1,783
Balance, end of year	\$ 86,920	\$ 115,441

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

(000's)	2021	2020
Repayment of long-term debt	\$ 1,962	\$ 1,967
Purchase of capital assets internally financed (note 4)	(11,634)	23,911
Debt repayment transfer	–	7,856
Increase in invested in capital assets	(9,672)	33,734
Amortization expense	(21,861)	(21,738)
Less amortization of deferred capital contributions	7,902	8,239
Sale of land	(4,890)	–
Decrease in invested in capital assets	(18,849)	(13,499)
Net change in invested in capital assets	\$ (28,521)	\$ 20,235

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

12. Internally restricted net assets:

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

(000's)	2021	2020
Capital and infrastructure projects and reserves	\$ 16,537	\$ (2,769)
Operating project accounts	8,217	5,497
Research funds with no external obligations	3,395	2,566
Start-up funds	2,585	1,459
Professional expense reimbursement accounts	3,520	2,999
Sinking fund (note 7)	8,843	7,607
Employee future benefits reserve (note 9)	8,168	7,249
Debt repayment reserve	1,884	384
Contingency reserve	6,088	5,514
Strategic initiative fund	16,419	9,799
Encumbrance reserve	1,107	1,133
	\$ 76,763	\$ 41,438

13. Commitments:

- As at April 30, 2021, the estimated costs to complete approved capital and renovation projects are approximately \$14,414,000 (2020 - \$64,825,000), which will be funded by government grants, donations, debt and operations.
- The following are the future minimum annual operating lease payments due over the next five fiscal years and thereafter (in 000's):

2022	\$ 2,311
2023	2,311
2024	1,473
2025	1,193
2026	466
Thereafter	-
	\$ 7,754

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Notes to Financial Statements

Year ended April 30, 2021

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, 2021.

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, 2021, 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 \$4,379,000 (2020 - \$4,651,000), 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)	2021	2020
Revenues:		
Grant revenue	\$ 11,529	\$ 11,539
Grant revenue – central overhead	249	176
	<hr/> 11,778	<hr/> 11,715
Expenses:		
Salaries and benefits	3,064	2,888
Operating expenses	3,757	4,622
Scholarships, fellowships and bursaries	2,992	2,754
Expendable equipment, repairs and maintenance	1,965	1,451
	<hr/> 11,778	<hr/> 11,715
Excess of revenue over expenses	<hr/> \$ -	<hr/> \$ -

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

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, 2021 is \$4,648,940 (2020 - \$5,332,268).

(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. The University currently holds forward contracts to hedge 50% of its exposure to US dollar equity investments held in the endowment fund. At year end the University had forward foreign exchange contracts to sell currency with an aggregated value of \$16,375,000 USD (2020 - \$11,007,000 USD). At April 30, 2021 there is an approximate \$177,000 unrealized foreign exchange gain resulting from the mark to market of foreign exchange contracts.

(d) Liquidity risk:

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

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2021

18. Financial risks (continued):

(e) Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. The University's investment policies detail the objectives, management and guidelines of investment, as well as providing for an appropriate risk tolerance strategy.

19. COVID-19:

On March 11th, 2020, the COVID-19 (the "pandemic") outbreak was declared a pandemic by the World Health Organization. Brock University halted in-person activity and restricted its facilities to faculty, staff and students and moved to online education format in March 2020 based on recommendations from Public Health. The spring 2020 semester was moved to an online format and subsequently the entire 2020-21 academic year remained mostly in the same online format with some exceptions where access to campus facilities were required.

As a result of the pandemic, the University experienced significant revenue losses, mainly from Ancillary Operations as faculty, staff and students were mostly working off campus in accordance with Public Health guidelines. The University was successful in mitigating revenue losses with expenditure reductions and program deferrals. The University also received a significant one-time COVID-19 relief grant from the Province of Ontario (\$7.9 million) to address additional costs and lost revenue related to the pandemic.

The University is currently planning for a phased return to campus in the fall of 2021 to coincide with the anticipated roll out the Province's reopening plan. The University remains flexible to adapt to developing public health guidelines, including the possibility of continued remote learning and operations into 2021-22.

Management has assessed the going concern assumptions and believes there are no issues given the University has a strong working capital base and access to sufficient liquid resources to see through operations in the coming year.