

Financial Statements of

**THOMPSON RIVERS UNIVERSITY**

Year ended March 31, 2011

# THOMPSON RIVERS UNIVERSITY

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Year ended March 31, 2011

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## STATEMENT OF ADMINISTRATIVE RESPONSIBILITY FOR FINANCIAL STATEMENTS

The University is responsible for the preparation of the financial statements and has prepared them in accordance with Canadian generally accepted accounting principles prescribed for not-for-profit organizations by the Canadian Institute of Chartered Accountants. The financial statements present fairly the financial position of the University as at March 31, 2011 and the results of its operations and the changes in its net assets for the year then ended.


In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University's management has developed and maintains a system of internal controls designed to provide reasonable assurance that the University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements. The system of internal controls is monitored by the University's management.

The Board of Governors carries out its responsibility for review of the financial statements principally through its audit committee. The members of the Audit Committee are not officers or employees of the University. The Audit Committee meets with the management and with the internal and external auditors to discuss the results of audit examinations and financial reporting matters. The auditors have full access to the Audit Committee, with and without the presence of the management.

The financial statements have been examined by KPMG LLP, Chartered Accountants, the external auditors appointed by the University's Board of Governors. The Independent Auditor's Report outlines the nature of their examination and expresses an opinion on the financial statements of the University for the year ended March 31, 2011.

On behalf of the University:

  
Board Chair

  
Vice-President Administration and Finance



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Governors of Thompson Rivers University

We have audited the accompanying financial statements of Thompson Rivers University ("the University") which comprise the statement of financial position as at March 31, 2011, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants  
May 26, 2011

# THOMPSON RIVERS UNIVERSITY

## Exhibit A - Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	2011	2010
<b>Assets</b>		
Current assets:		
Cash	\$ 9,681,244	\$ 21,144,943
Short-term investments (note 2)	953,733	408,690
Accounts receivable (note 3)	18,435,440	9,729,982
Inventories (note 4)	2,083,382	1,586,998
Prepaid expenses	150,668	203,723
Current portion of loan receivable (note 5)	80,000	80,000
	<u>31,384,467</u>	<u>33,154,336</u>
Long-term investments (note 2)	54,862,955	48,450,842
Loan receivable (note 5)	960,000	1,040,000
Capital assets (note 6)	159,025,942	145,465,916
	<u>\$ 246,233,364</u>	<u>\$ 228,111,094</u>

## Liabilities, Deferred Capital Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 15,799,943	\$ 11,500,418
Wages payable	6,100,410	5,615,082
Deferred contributions (note 7)	13,261,892	17,504,147
Current portion of employee future benefits (note 8 (a))	7,499,712	7,368,516
Current portion of debt (note 9)	6,776,413	6,898,505
Current portion of capital lease obligation (note 10)	398,786	379,052
	<u>49,837,156</u>	<u>49,265,720</u>
Long-term liabilities:		
Employee future benefits (note 8(a))	5,295,000	5,568,000
Debt (note 9)	8,134,659	8,954,324
Capital lease obligation (note 10)	39,945,715	40,344,501
	<u>103,212,530</u>	<u>104,132,545</u>
Deferred capital contributions (note 11)	89,058,026	78,643,858
Net assets:		
Invested in capital assets (note 12)	15,482,474	14,707,805
Internally restricted fund balances (note 13)	21,933,131	21,221,893
Unrestricted	16,547,203	9,404,993
	<u>53,962,808</u>	<u>45,334,691</u>
	<u>\$ 246,233,364</u>	<u>\$ 228,111,094</u>

Commitments and contingencies (note 14)

See accompanying notes to financial statements.

On behalf of the Board:

  
Board Chair

  
Vice-President Administration and Finance

# THOMPSON RIVERS UNIVERSITY

## Exhibit B - Statement of Operations

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
<b>Revenues:</b>		
Government and other grants	\$ 78,662,628	\$ 78,009,721
Tuition and other student fees	56,687,869	52,311,578
Amortization of deferred capital contributions	3,797,282	3,899,377
Contract and other revenue	2,821,536	3,509,181
Donations	1,615,447	1,170,505
Interest income	2,699,746	2,681,392
Retail sales, parking and residence	14,723,721	14,636,298
Unrealized gain on financial instruments (note 15(d))	1,458,752	2,526,129
	<u>162,466,981</u>	<u>158,744,181</u>
<b>Expenses:</b>		
Advertising and public relations	3,914,025	3,729,927
Amortization of capital assets	8,404,962	8,750,921
Bank charges and interest	1,065,425	954,038
Building, equipment, operations and maintenance	6,099,385	7,283,272
Bursaries, awards and scholarships	3,121,322	2,214,143
Computer supplies and licenses	1,706,420	1,786,838
Cost of materials sold	6,432,293	6,514,690
Interest on capital lease obligation	2,062,367	2,079,597
Interest on debt	525,005	510,635
Leases and rentals	2,779,099	2,393,635
Professional fees and contracted services	12,970,114	10,613,355
Salaries and benefits	95,319,500	91,999,761
Supplies, postage and freight	4,840,052	5,839,498
Travel	4,598,895	4,146,364
	<u>153,838,864</u>	<u>148,816,674</u>
Excess of revenue over expenses	8,628,117	9,927,507
Increase in restricted funds	(3,144,821)	(2,932,064)
Net change in unrestricted funds from excess of revenues over expenditures	<u>\$ 5,483,296</u>	<u>\$ 6,995,443</u>

See accompanying notes to financial statements.

# THOMPSON RIVERS UNIVERSITY

## Exhibit C - Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

	Invested in capital assets (note 12)	Internally restricted (note 13)	Unrestricted	Total 2011	Total 2010
Net assets, beginning of year	\$ 14,707,805	\$ 21,221,893	\$ 9,404,993	\$ 45,334,691	\$ 35,407,184
Net change in the year:					
Excess (deficiency) of revenue over expenses	(4,470,915)	(4,481,334)	17,580,366	8,628,117	9,927,507
Capital assets purchased, net of assets purchased through deferred capital contributions	7,753,548	-	(7,753,548)	-	-
Purchase of capital assets through debt	(3,729,868)	-	3,729,868	-	-
Repayment of debt	842,852	-	(842,852)	-	-
Capital lease payments	379,052	-	(379,052)	-	-
Designated projects	-	4,460,208	(4,460,208)	-	-
Expenses of designated projects	-	(2,412,457)	2,412,457	-	-
Faculty and departmental carry forwards	-	2,094,582	(2,094,582)	-	-
International capital and operational reserves	-	1,005,141	(1,005,141)	-	-
Residence repair and replacement reserves	-	45,098	(45,098)	-	-
	774,669	711,238	7,142,210	8,628,117	9,927,507
Net assets, end of year	\$ 15,482,474	\$ 21,933,131	\$ 16,547,203	\$ 53,962,808	\$ 45,334,691

See accompanying notes to financial statements.



# THOMPSON RIVERS UNIVERSITY

## Exhibit D - Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 8,628,117	\$ 9,927,507
Adjustments for items not affecting cash:		
Amortization of capital assets	8,404,962	8,750,921
Amortization of deferred capital contributions	(3,797,282)	(3,899,377)
Unrealized gain on investments	(1,321,985)	(1,740,912)
Unrealized gain on value of interest rate swap agreement	(136,767)	(785,217)
	<u>11,777,045</u>	<u>12,252,922</u>
Changes in non-cash working capital items:		
Accounts receivable	(8,705,458)	(3,260,330)
Inventories	(496,384)	236,668
Accounts payable and accrued liabilities	4,299,525	2,216,419
Wages payable	485,328	3,223,583
Accrued retirement/termination and vacation liability	(141,804)	491,769
Prepaid expense	53,055	49,948
Deferred contribution	(4,242,255)	1,738,944
	<u>3,029,052</u>	<u>16,949,923</u>
Financing:		
Repayment of debt, net of additional borrowing	(804,990)	(845,445)
Repayment of capital lease obligations	(379,052)	(360,295)
Cash proceeds from deferred capital contributions	14,211,450	13,262,767
	<u>13,027,408</u>	<u>12,057,027</u>
Investments:		
Purchase of capital assets	(21,964,998)	(15,540,157)
Net purchase of investments	(5,635,161)	(1,861,916)
Decrease in loans receivable	80,000	80,000
	<u>(27,520,159)</u>	<u>(17,322,073)</u>
Increase (decrease) in cash	(11,463,699)	11,684,877
Cash, beginning of year	21,144,943	9,460,066
Cash, end of year	<u>\$ 9,681,244</u>	<u>\$ 21,144,943</u>
Supplemental information:		
Interest paid on debt and capital leases	\$ 2,587,372	\$ 2,590,232

See accompanying notes to financial statements.

# THOMPSON RIVERS UNIVERSITY

## Notes to Financial Statements

Year ended March 31, 2011

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Thompson Rivers University ("the University") operates under the authority of the Thompson Rivers University Act of British Columbia as a fully independent degree granting institution. The University offers a broad range of program options including graduate and undergraduate degrees, career diplomas, and trades training at its Kamloops and Williams Lake campuses through Face-To-Face and Open Learning. The University is a not-for-profit entity, governed by a Board of Governors, the majority of which are appointed by the provincial government of British Columbia. The University is a registered charity and therefore is exempt from income tax under section 149 of the Income Tax Act.

### 1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, which encompass the following principles:

#### (a) Fund accounting:

The University records accounting transactions using the fund accounting method generally in use for not-for-profit organizations and follows the deferral method of accounting for contributions. A fund is determined for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the University has combined the assets, liabilities, net assets, revenues and expenses of all funds. Accordingly, the financial statements reflect the assets, liabilities, net assets, revenues and expenses of the University as a whole.

#### (b) Revenue recognition:

The University follows the deferral method of accounting for revenues. Unrestricted revenues include grants, tuition and other student fees, retail sales, contract and other revenues. These are recognized as revenues at the time the product is delivered or the services are substantially completed and proceeds are collected or reasonably collectible. The operating grant from the Province of British Columbia is considered unrestricted and recorded in the period to which the funds relate.

#### Specifically:

- (i) Tuition fees are collected at the commencement of the course but recognized as revenues over the term of the course.
- (ii) Grants are recognized as revenue as the requirements of the grant are met. Grants that do not have any restrictions or requirements are recognized as revenue when received.

# THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2011

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## 1. Significant accounting policies (continued):

### (b) Revenue recognition (continued):

- (iii) Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on the same basis as the amortization expense related to the acquired capital assets.
- (iv) Interest revenues and losses are recognized as earned. Interest earned on internally or externally restricted contributions is recognized as revenue at the same time those contributions are recognized.
- (v) Externally restricted non-capital contributions for specific purposes are recognized as revenue in the year which the related expenses are incurred.
- (vi) Contributions where the capital asset involved is land or works of art to be held for use by the University, are recorded as a direct increase in net assets invested in capital assets rather than as revenue.
- (vii) Endowment contributions stipulating that the principal should be retained in perpetuity are recorded as a direct increase to net assets.

### (c) Inventories:

Inventories are valued at the lower of cost and the estimated net realizable value, determined on a first-in first-out or weighted average basis.

### (d) Investments:

Investments are carried at quoted market value. Unrealized gains and losses on investments are recognized in income during the year, based on changes in the market values.

### (e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of the contribution. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Site and leasehold improvements	Lesser of estimated useful life or 5 - 10 years
Buildings	5 - 40 years
Furniture, fixtures and equipment	3 - 7 years
Library acquisitions	10 years
Software	3 years

# THOMPSON RIVERS UNIVERSITY

## Notes to Financial Statements

Year ended March 31, 2011

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### 1. Significant accounting policies (continued):

#### (e) Capital assets (continued):

Capital assets are written down to net realizable value at the point they no longer contribute to the University's ability to provide services. Deferred capital contributions associated with the written down capital asset are recognized as revenue if all restrictions have been complied with.

#### (f) Employee future benefits:

Accrued retirement/termination and vacation entitlements are charged to the operating fund based on the estimated actuarial determined present value of the expected use of the entitlements. The University is a member of multi-employer pension plans and applies defined contribution plan accounting.

#### (g) Financial instruments:

The University classifies its financial instruments into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. The University has designated its assets and liabilities as follows:

- Cash and short-term and long-term investments were designated as held for trading and measured at their fair value, with changes in fair value recognized in the statement of operations;
- Accounts receivable and loans receivable have been classified as loans and receivables and are measured at amortized cost;
- Accounts payable and accrued liabilities, wages payable, capital leases and debt have been classified as other financial liabilities and are measured at amortized cost; and
- All derivative instruments are recorded in the statement of operations at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are also recorded in the statement of operations. The University has elected to apply this treatment to the interest rate swap agreement related to the University's term loan in note 9.

The University has elected to defer applying Sections 3862, *Financial Instruments – Disclosure* and 3863, *Financial Instruments – Presentation*. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The University has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

Disclosure of the financial significance of financial instruments to the University's financial position, performance and cash flows, and to assist in assessing the amounts, timing and certainty of future cash flows associated with those instruments is located in note 15.

# THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2011

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## 1. Significant accounting policies (continued):

### (h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of useful lives of capital assets for amortization and the amortization of related deferred capital contributions and provisions for employee future benefits and contingencies. Actual results may differ from these estimates and are recorded in the current year of operations.

### (i) Accounting pronouncements issued but not yet effective:

In September 2010, the Province of British Columbia announced that all Universities, Colleges, School Boards and Health Authorities in the province will adopt Public Sector Accounting Board ("PSAB") accounting standards, to be effective for reporting years after January 1, 2012. This followed the announcement by PSAB and the Accounting Standards Board of Canada ("AcSB") that government not-for-profit entities, such as the University, would be directed to adopt public sector accounting standards as of that date, either with or without reference to new not-for-profit standards introduced into the PSAB handbook. The directive from the Province of British Columbia was such that the standards to be adopted will not include reference to not-for-profit provisions.

The University is in the process of reviewing the impact of this change in accounting framework on its financial statements.

# THOMPSON RIVERS UNIVERSITY

## Notes to Financial Statements

Year ended March 31, 2011

### 2. Investments:

Investments consist primarily of bonds with various maturity dates and interest rates with a weighted average rate of return of 5.00% (2010 - 5.29%). Included in the cost of investments are funds held in trust for employees who participate in the deferred salary plan. At March 31, 2011, funds held in trust for this plan were \$287,688 (2010 - \$259,653) and the liability associated with the plan is recorded in wages payable.

The balance in investments consists of:

2011	Cost	Accrued interest	Unrealized gain	Market value
Short-term	\$ 498,840	\$ 440,340	\$ 14,553	\$ 953,733
Long-term	41,538,286	10,299,710	3,024,959	54,862,955
	\$ 42,037,126	\$ 10,740,050	\$ 3,039,512	\$ 55,816,688

2010	Cost	Accrued interest	Unrealized gain	Market value
Short-term	\$ 250,073	\$ 150,911	\$ 7,706	\$ 408,690
Long-term	38,345,592	8,395,428	1,709,822	48,450,842
	\$ 38,595,665	\$ 8,546,339	\$ 1,717,528	\$ 48,859,532

### 3. Accounts receivable:

	2011	2010
Student	\$ 6,523,042	\$ 3,780,166
Trade	4,258,617	3,121,298
Related parties	6,138,574	2,556,566
Other	1,515,207	271,952
	\$ 18,435,440	\$ 9,729,982

# THOMPSON RIVERS UNIVERSITY

## Notes to Financial Statements

Year ended March 31, 2011

### 4. Inventories:

	2011	2010
Printing and general supplies	\$ 90,704	\$ 98,884
Textbooks and retail supplies	1,947,557	1,431,102
Food supplies	45,121	57,012
	<u>\$ 2,083,382</u>	<u>\$ 1,586,998</u>

Inventories expensed in cost of materials sold for the year ended March 31, 2011 totaled \$5,145,376 (2010 - \$5,539,102).

### 5. Loan receivable:

	2011	2010
Thompson Rivers University Student Union term loan, repayable in annual principal installments of \$80,000 plus interest at 5.75%, due April 26, 2026, secured by current and future student union fees	\$ 1,040,000	\$ 1,120,000
Less: current portion of loan receivable	(80,000)	(80,000)
	<u>\$ 960,000</u>	<u>\$ 1,040,000</u>

# THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2011

## 6. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,238,231	\$ -	\$ 2,238,231	\$ 2,238,229
Site and leasehold improvements	8,318,411	6,885,919	1,432,492	1,259,567
Buildings	120,191,170	40,973,090	79,218,080	80,851,270
Furniture, fixtures and equipment	42,669,676	38,286,524	4,383,152	4,902,340
Library acquisitions	9,388,857	7,627,642	1,761,215	2,071,968
Software	3,928,619	2,421,578	1,507,041	2,167,144
Construction in progress	31,982,578	-	31,982,578	14,120,904
	218,717,542	96,194,753	122,522,789	107,611,422
Assets acquired under capital lease obligation:				
Building	39,642,325	4,110,384	35,531,941	36,559,537
Furniture and fixtures	2,266,177	1,294,965	971,212	1,294,957
	41,908,502	5,405,349	36,503,153	37,854,494
	\$ 260,626,044	\$ 101,600,102	\$ 159,025,942	\$ 145,465,916

The University has leased land to a third party for student residence buildings at the Kamloops Campus. The 42 year lease expires August 31, 2047, at which time the buildings become the property of the University.



# THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2011

## 7. Deferred contributions:

Deferred contributions represent unspent resources from general revenues and externally restricted revenues for a particular purpose in a subsequent period.

	Sponsored research & specific purpose	Capital assets	Operating & other	2011 Total	2010 Total
Balance, beginning of year	\$5,228,506	\$5,382,588	\$6,893,053	\$17,504,147	\$15,765,203
Contributions received in the year	5,724,704	11,367,141	70,896,542	87,988,387	91,139,313
Other revenues collected	2,429,808	8,460,923	73,557,058	84,447,789	82,606,579
Transfers to deferred capital contributions (note 11)	-	(14,211,450)	-	(14,211,450)	(13,262,767)
Recognition to revenue	(8,215,421)	(10,441,395)	(142,351,413)	(161,008,229)	(156,218,052)
Recognition of unrealized gain on financial instruments to revenue	-	(136,768)	(1,321,984)	(1,458,752)	(2,526,129)
Balance, end of year	\$5,167,597	\$421,039	\$7,673,256	\$13,261,892	\$17,504,147

# THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2011

## 8. Employee future benefits:

### (a) Accrued retirement/termination and vacation liability:

Certain employee groups with ten or more years of service are entitled to receive special payments upon retirement or termination as specified by the collective agreements. These payments are based upon accumulated sick leave credits.

Information about employee retirement/termination and vacation benefits is as follows:

	2011	2010
Accrued benefit obligation:		
Retirement/termination benefits	\$ 5,395,000	\$ 5,715,000
Vacation pay benefits	7,399,712	7,221,516
Total obligation	12,794,712	12,936,516
Less: current portion	(7,499,712)	(7,368,516)
Long-term portion	\$ 5,295,000	\$ 5,568,000
Retirement/termination and vacation pay expense included in salaries and benefits expense	\$ 671,318	\$ 450,737

### (b) Pension liability:

The college and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has about 12,000 active members from college senior administration and instructional staff and approximately 4,500 retired members. The Municipal Pension Plan has about 163,000 active members, with approximately 5,600 from colleges.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2009 indicated an unfunded liability of \$28 million for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent valuation for the Municipal Pension Plan as at December 31, 2009 indicated an unfunded liability of \$1.024 billion for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The University paid \$6,329,590 for employer contributions to the plan in fiscal 2011 (2010 - \$5,941,781).

# THOMPSON RIVERS UNIVERSITY

## Notes to Financial Statements

Year ended March 31, 2011

### 9. Debt:

	2011	2010
Ministry of Finance commercial paper, unsecured, bears interest at the rate of 0.98% and is repayable at maturity on June 22, 2011	\$1,600,000	\$ 1,800,000
Ministry of Finance commercial paper, unsecured, bears interest at the rate of 0.98% and is repayable at maturity on April 29, 2011. Subsequent to year-end this instrument was refinanced at a rate of 1.17% and a maturity date of October 27, 2011	4,500,000	4,462,130
Canadian Imperial Bank of Commerce term loan (Thompson Rivers University Student Union addition), repayable in quarterly installments of \$25,635 including interest at prime plus 1% per annum, maturing January 2, 2014, secured by specific assets. Prime on March 31, 2011 was 3.00%	983,424	1,049,057
Canadian Imperial Bank of Commerce, term loan, maturing December 2019, repayable in quarterly installments of \$257,966 including interest at 3 month Banker's Acceptance rate plus .25%, secured by specific assets. Thompson Rivers University has entered into an agreement to swap the interest payable at the above rate for a fixed rate of 6.246% for 15 years to December 16, 2019. Included is an unrealized loss of \$912,347 (2010 - \$1,049,115) from the interest rate swap. Banker's Acceptance rate on March 31, 2011 was 1.29%	7,827,648	8,541,642
	14,911,072	15,852,829
Less: current portion of debt	(6,776,413)	(6,898,505)
	\$ 8,134,659	\$ 8,954,324

Principal payments over the next five years are estimated as follows:

2012	\$ 6,776,413
2013	718,974
2014	764,223
2015	812,323
2016	863,462

# THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2011

## 10. Capital lease obligation:

The University has entered into a Land Lease with Dacon Corporation Ltd. ("Dacon"). Under the terms of the Land Lease, the University has leased 0.5 of a hectare of land on its Kamloops Campus to Dacon from April 1, 2005 to August 31, 2047. The Land Lease required Dacon to construct a student residence with approximately 580 beds in accordance with plans approved by the University. Annual rent under the Land Lease is \$5,000 for the term of the agreement, plus a surrender fee at the end of the lease equal to Dacon's equity invested into the assets constructed on the land.

A Project Financing Agreement between the University, Dacon and Desjardins Trust Inc. obligates the University to make payments of principal and interest on the indebtedness incurred on the construction of the residence if for any reason the payments are not made by the primary debtor, Dacon.

The University has also entered into a Sublease with Dacon. Under the terms of the Sublease, the University leases the student residence from Dacon from September 1, 2006 for the term of the Land Lease less one day. Rent under the Sublease is (i) Dacon's debt service costs associated with the financing of the residence, and (ii) 60% of the free cash flow each year (net of a contribution to a capital reserve fund) from the residence as defined in the Sublease.

The University has entered into a Management Agreement with Dacon and Campus Living Centres Inc. ("CLC"). Under the terms of the Management Agreement, the University retains CLC, for the term of the Sublease, to manage the residence and to comply with the obligations of the University under the Sublease.

The above agreements are recognized on the financial statements of the University as assets acquired under a capital lease and a capital lease obligation. The minimum future lease payments are as follows:

	2011	2010
Year ending March 31:		
2011	\$ -	\$ 2,441,419
2012	2,441,419	2,441,419
2013	2,441,419	2,441,419
2014	2,441,419	2,441,419
2015	2,441,419	2,441,419
2016	2,441,419	2,441,419
Thereafter	76,133,281	76,133,280
<b>Total minimum lease payments</b>	<b>88,340,376</b>	<b>90,781,794</b>
Less: amount representing interest at 5.14% per annum (2010 – 5.14%)	(47,995,875)	(50,058,241)
<b>Present value of net minimum capital lease payments</b>	<b>40,344,501</b>	<b>40,723,553</b>
Less: current portion of capital lease obligation	(398,786)	(379,052)
<b>Long-term portion of capital lease obligation</b>	<b>\$ 39,945,715</b>	<b>\$ 40,344,501</b>

# THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2011

## 11. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent amount of grants and donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations on the same basis as the related assets are amortized.

	2011	2010
Balance, beginning of year	\$ 78,643,858	\$ 69,280,468
Contributions received for capital purposes	10,942,613	5,685,554
Transfer from deferred contributions	3,268,837	7,577,213
	14,211,450	13,262,767
Less current year's amortization	(3,797,282)	(3,899,377)
Balance, end of year	\$ 89,058,026	\$ 78,643,858

## 12. Invested in capital assets:

Invested in capital assets represent assets purchased with unrestricted net assets.

	2011	2010
Capital assets	\$ 159,025,942	\$ 145,465,916
Debt used for capital asset acquisitions	(14,140,941)	(11,390,700)
Amounts financed by deferred capital contributions	(89,058,026)	(78,643,858)
Capital lease obligations	(40,344,501)	(40,723,553)
	\$ 15,482,474	\$ 14,707,805

# THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2011

## 13. Internally restricted fund balances:

Funds that are internally restricted include faculty and departmental carry forwards, specific purpose and other reserves. These internally restricted reserves are described in more detail below:

	2011	2010
Designated, trust and specific purpose reserves	\$ 8,201,177	\$ 10,634,761
Faculty and department carry forwards	8,409,394	6,314,812
International capital and operational reserve	4,386,250	3,381,108
Residence repair and replacement reserve	286,310	241,212
Endowment (Athletic)	650,000	650,000
	<u>\$ 21,933,131</u>	<u>\$ 21,221,893</u>

Designated, trust and specific purpose reserves are set aside for future operations and projects for which specific funding has been reserved.

Faculty and department carry forwards are the unspent operating funds which faculties and departments are permitted to carry forward at the end of each year.

International capital and operational reserve is amounts set aside for future capital and operating expenditures related to the International Program and Operations.

Residence repair and replacement reserve is set aside for repairs to and replacements of the building, lands, furniture, fixtures and equipment or parts of them, excluding the Penthouse Units, which are capital in nature.

Endowment principal must be maintained in perpetuity. The investment income generated from endowments can be spent only in accordance with the various purposes established by the donors or the University's Board of Governors.

# THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2011

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## 14. Commitments and contingencies:

- (a) The University is committed to payments under various operating leases for land and buildings with various expiry dates through October 2017.
- (b) The University has contracts with third parties for computer and photocopier equipment leases with various expiry dates through January 2014.
- (c) The University has contracts with third parties for janitorial and other service commitments with various expiry dates through 2016.

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Year	Operating Leases	Computer & Photocopiers	Contracts	Total
2012	\$ 512,173	\$ 1,129,328	\$ 1,481,643	\$ 3,123,144
2013	374,270	543,357	1,176,610	2,094,237
2014	374,270	157,218	1,003,298	1,534,786
2015	374,270	-	331,398	705,447
2016	237,468	-	-	237,468

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- (d) The University has agreed to contribute one third of the net operating loss of the City of Kamloops Aquatic Centre to a maximum of \$150,000 annually. The University's proportionate contribution of the 2011 Aquatic Centre operating loss amounted to \$150,000 (2010 - \$150,000).
- (e) The University has commenced construction of a new library, "House of Learning", with scheduled completion during the 2012 fiscal year. The total construction budget for the project is approximately \$31,850,000. During the term of the project various commitments on contractual relationships were entered into to complete the building. The University is financing the project through a combination of grants, donations and debt.

# THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2011

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## 15. Financial instruments:

(a) Fair value:

Assets and liabilities designated as held for trading include cash, short-term and long-term investments and derivative instruments are measured in the statement of financial position at fair value. The fair value for accounts receivable, accounts payable, accrued liabilities and wages payable approximate their carrying value due to the relatively short term to maturity of these instruments. It is not practical to determine the fair value of loans receivable as comparative market information for such is not readily available. The fair value of debt and capital lease balances approximate their carrying value as they bear interest at rates not significantly different than market rates for similar instruments.

(b) Interest rate risk:

The University is exposed to interest rate risk in respect of its short-term and long-term investments, which earn interest income at fixed rates as disclosed in note 2, and its debt, which bears interest at fixed rates as disclosed in note 9. The University has entered into an interest rate swap agreement to manage its interest rate fluctuation exposure with regards to its Canadian Imperial Bank of Commerce term loan.

(c) Credit risk:

Unless otherwise disclosed in these financial statements, the University is not subject to significant credit risk associated with its financial instruments. The maximum credit risk for the University's financial assets is the carrying value of the assets.

(d) Unrealized gains (losses)

	2011	2010
Short-term investments	\$ 6,847	\$ (15,788)
Long-term investments	1,315,138	1,756,700
Term loan	136,767	785,217
	<u>\$ 1,458,752</u>	<u>\$ 2,526,129</u>



# THOMPSON RIVERS UNIVERSITY

## Notes to Financial Statements

Year ended March 31, 2011

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### 16. Related organizations:

The University exercises significant influence over the following organizations, which have not been consolidated into the University's financial statements.

(a) The TRU Foundation (the "Foundation"):

The Foundation was incorporated under the laws of British Columbia in December 1982. Its purpose is to develop public awareness of the Thompson Rivers University, and to encourage financial support of the University's programs and students. The Foundation is a registered charity under the provisions of the Income Tax Act of Canada.

- (i) At March 31, 2011, the Foundation holds investments for the benefit of the University and its students of \$15,406,620 (2010 - \$14,904,907).
- (ii) The University supports the Foundation by managing their operations under the direction of the offices of the Vice President, Advancement and Vice President, Administration and Finance.
- (iii) The Foundation's accounting policies may vary from the University's accounting policies.

(b) The TRU Alumni Association (the "Alumni Association"):

The Alumni Association is a not-for-profit society incorporated under the Society Act of British Columbia for the principal purpose of promoting, developing and maintaining a network for the mutual benefit of the University, its alumni, students, staff and the community.

- (i) Thompson Rivers University supports the Alumni Association by managing the operations under the direction of the offices of the Vice President, Advancement and Vice President, Administration and Finance.

# THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2011

## 16. Related organizations (continued):

Unaudited financial information in respect of the net assets and results from operations and cash flows of the Foundation and Alumni Association are summarized as follows:

	Foundation		Alumni Association	
	2011	2010	2011	2010
<b>Net assets:</b>				
Total assets	\$ 16,767,684	\$ 15,945,817	\$ 51,512	\$ 44,749
Total liabilities	528,601	423,359	24,816	37,211
<b>Net assets</b>	<b>\$ 16,239,083</b>	<b>\$ 15,522,458</b>	<b>\$ 26,696</b>	<b>\$ 7,538</b>
<b>Operations:</b>				
Revenues	\$ 4,030,653	\$ 4,607,914	\$ 56,000	\$ 83,119
Expenses	3,243,545	1,979,890	73,948	74,004
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 787,108</b>	<b>\$ 2,628,024</b>	<b>\$ (17,948)</b>	<b>\$ 9,115</b>
<b>Cash flows:</b>				
Operating activities	\$ 805,419	\$ 2,895,223	\$ (16,751)	\$ 23,773
Investing activities	(500,994)	(2,971,322)	-	-

Included in the expenses of Foundation were donations to the University towards construction of the new library in the amount of \$1,212,664 (2010 - \$758,750) and for Scholarships, Bursaries and Awards in the amount of \$1,493,944 (2010 - \$1,266,617).

### (c) Other provincial government operations:

The University is related through common ownership to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Transactions with these entities, unless disclosed separately are considered to be in the normal course of operations and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Routine related party transactions and balances are previously disclosed in the notes to the financial statements.

# THOMPSON RIVERS UNIVERSITY

## Notes to Financial Statements

Year ended March 31, 2011

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### **17. Net asset management:**

The University defines operating capital to be net assets. The University receives its principal source of operating capital through funding received from the Province of British Columbia and tuition fees. The University's objective when managing operating capital is to fund its operations, capital asset additions, and to conduct specific research. The University manages the operating capital structure in conjunction with the Province of British Columbia and makes adjustments based on available government funding and economic conditions. Currently, the University's strategy is to monitor expenditures to preserve operating capital. Funding received for designated purposes must be used for the purpose outlined in the funding letter. The University has complied with the external restrictions on the funding provided.

### **18. Comparative figures:**

Certain comparative figures for 2010 have been reclassified to conform to the financial statement presentation adopted for 2011. The reclassification has no effect on previously reported results and net assets.