THOMPSON RIVERS UNIVERSITY

Consolidated Financial Statements

For the year ended March 31, 2016

THOMPSON RIVERS UNIVERSITY

Index to Consolidated Financial Statements

Year ended March 31, 2016

Statement of Administrative Responsibility for Consolidated Financial Statements

Independent Auditors' Report

Consolidated Statement of Financial Position 1

Consolidated Statement of Operations and Accumulated Surplus 2

Consolidated Statement of Changes in Net Debt 3

Consolidated Statement of Cash Flows 4

Consolidated Statement of Remeasurement Gains and Losses 5

Notes to Consolidated Financial Statements 6-22

THOMPSON RIVERS UNIVERSITY

STATEMENT OF ADMINISTRATIVE RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016

The University is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and the Province of British Columbia direction outlined in note 2(a). This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting measurement of transactions in which objective judgment is required. 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 consolidated 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 consolidated financial statements have been examined by KPMG LLP, Chartered Professional 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 consolidated financial statements of the University for the year ended March 31, 2016.

On behalf of the University:

_______________ Board Chair, Paul Dagg

_______________ Vice-President, Administration and Finance, Matt Milovick

KPMG LLP
Chartered Accountants
200-206 Seymour Street
Kamloops BC V2C 6P5
Canada

Telephone (250) 372-5581
Fax (250) 828-2928
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Thompson Rivers University, and
To the Minister of Advanced Education, Province of British Columbia

We have audited the accompanying consolidated financial statements of Thompson Rivers University (the "University"), which comprise the consolidated statements of financial position as at March 31, 2016, the consolidated statements of operations and accumulated surplus, changes in net debt, cash flows and remeasurement gains and losses for the year ended March 31, 2016 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation of the consolidated 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 University'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements of Thompson Rivers University as at March 31, 2016 and for the year ended March 31, 2016 are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(a) to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

May 27, 2016

Kamloops, Canada

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Financial Position

March 31, 2016 with comparative figures for 2015
(thousands of dollars)

		2016	2015
Financial Assets			
Cash	(Note 4)	$ 24,349	$ 31,242
Accounts receivable	(Note 5)	8,145	10,258
Inventories for resale		1,631	1,746
Loan receivable	(Note 6)	640	720
Investments	(Note 7a)	62,185	52,296
		$ 96,950	$ 96,262
Liabilities			
Accounts payable and accrued liabilities	(Note 8)	$ 28,625	$ 28,186
Employee future benefits	(Note 9b)	4,416	4,821
Deferred contributions	(Note 10)	9,513	8,848
Debt	(Note 11)	11,278	11,300
Obligations under capital leases	(Note 12)	38,314	38,620
Deferred capital contributions	(Note 13)	84,118	85,412
		$ 176,264	$ 177,187
Net debt		$ (79,314)	$ (80,925)
Non-Financial Assets			
Tangible capital assets	(Note 14)	$ 169,722	$ 169,466
Endowments	(Note 16)	6,225	6,225
Inventories held for use		37	48
Prepaid expenses		1,250	821
		$ 177,234	$ 176,560
Accumulated surplus	(Note 15)	$ 97,920	$ 95,635
Accumulated surplus is comprised of:			
Accumulated capital & other surpluses	(Note 15)	$ 91,884	$ 87,760
Endowments	(Note 16)	6,225	6,225
Accumulated remeasurement gains and (losses)		(189)	1,650
		$ 97,920	$ 95,635

Contractual obligations and contingent liabilities (Note 18)
See accompanying notes to consolidated financial statements

On behalf of the Board:

Board Chair

Vice-President, Administration and Finance

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2016 with comparative figures for 2015
(thousands of dollars)

	2016 Budget (Note 2(k))	2016	2015
Revenue:			
Government and other grants	$ 74,513	$ 74,612	$ 75,052
Tuition and other student fees	70,998	71,993	69,241
Revenue recognized from deferred capital contributions	4,382	4,841	4,619
Contract and other revenue	4,834	5,704	4,222
Donations	1,681	2,194	2,585
Investment income	1,731	2,248	3,080
Retail sales, parking, and residence	15,688	15,380	15,820
	173,827	176,972	174,619
Expenses (Note 19):			
Academic instruction	90,672	90,897	86,930
Student support and general operations	45,308	44,052	42,858
Facility operation and maintenance	19,334	21,337	20,090
Research	4,176	3,508	2,900
Ancillary operations	12,736	13,054	12,888
	172,226	172,848	165,666
Annual operating surplus before restricted contributions	$ 1,601	$ 4,124	$ 8,953
Endowment contributions	-	-	5,575
Annual surplus (restricted for capital) (Note 15)	$ 1,601	$ 4,124	$ 14,528
Accumulated capital & other surpluses, beginning of year	87,760	87,760	78,807
Endowments, beginning of year	6,225	6,225	650
Accumulated capital & other surpluses, end of year	89,361	91,884	87,760
Endowments, end of year	6,225	6,225	6,225
Allocations of annual surplus:			
Endowments	$ -	$ -	$ (5,575)
Internally funded capital projects	(1,739)	(6,032)	(3,470)
Board reserve	(1,000)	(1,489)	(1,900)
Capital reserves	(3,091)	(2,425)	(2,846)
Faculty, department and other reserves	-	(179)	(1,169)
	(5,830)	(10,125)	(14,960)
Annual deficit	$ (4,229)	$ (6,001)	$ (432)

See accompanying notes to consolidated financial statements

THOMPSON RIVERS UNIVERSITY
Consolidated Statement of Changes in Net Debt

Year ended March 31, 2016 with comparative figures for 2015
(thousands of dollars)

	2016 Budget (Note 2(k))	2016	2015
Annual surplus	$ 1,601	$ 4,124	$ 14,528
Capital activities			
Acquisition of tangible capital assets	(1,739)	(9,579)	(4,576)
Amortization of tangible capital assets	8,485	9,323	9,046
	6,746	(256)	4,470
Changes in non-financial assets			
Acquisition of prepaid expenses	-	(429)	(16)
Endowments	-	-	(5,575)
Usage (acquisition) of inventories held for use	-	11	(19)
	-	(418)	(5,610)
Net remeasurement gains (losses)	-	(1,839)	1,773
Decrease in net debt for the year	8,347	1,611	15,161
Net debt, beginning of year	(80,925)	(80,925)	(96,086)
Net debt, end of year	$ (72,578)	$ (79,314)	$ (80,925)

See accompanying notes to consolidated financial statements

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Cash Flows

Year ended March 31, 2016 with comparative figures for 2015
(thousands of dollars)

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 4,124	$ 14,528
Items not involving cash:		
Amortization of tangible capital assets	9,323	9,046
Revenue recognized from deferred capital contributions	(4,841)	(4,619)
Change in non-cash operating working capital:		
Accounts receivable	2,113	3,123
Prepaid expenses	(429)	(16)
Inventories held for use	11	(19)
Inventories for resale	115	267
Accounts payable	439	1,754
Employee future benefits	(405)	(479)
Deferred contributions	665	1,625
Net change in cash from operating activities	11,115	25,210
Capital activities:		
Acquisition of tangible capital assets	(9,356)	(4,576)
Investing activities:		
Investments	(9,889)	(3,250)
Endowments	-	(5,575)
Loan receivable	80	80
Net remeasurement gains (losses)	(1,839)	2,188
Net change in cash from investing activities	(11,648)	(6,557)
Financing activities:		
Debt	(22)	412
Deferred capital contributions	3,547	1,106
Obligations under capital lease	(529)	(465)
Net remeasurement gains (losses)	-	(415)
Net change in cash from financing activities	2,996	638
Net change in cash	(6,893)	14,715
Cash, beginning of year	31,242	16,527
Cash, end of year	$ 24,349	$ 31,242
Non-cash transactions:		
Acquisition of assets under capital lease	$ 223	$ -

See accompanying notes to consolidated financial statements

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2016 with comparative figures for 2015
(thousands of dollars)

	2016	2015
Unrealized gains (losses) at beginning of year attributed to:		
Derivatives	$ -	$ 415
Portfolio investments	1,650	(538)
	1,650	(123)
Unrealized gains (losses) during the year:		
Derivatives	-	22
Portfolio investments	(2,011)	2,130
	(2,011)	2,152
Gains (losses) reclassified to the statement of operations	(172)	379
Net remeasurement gains (losses) for the year	(1,839)	1,773
Accumulated remeasurement gains (losses) at end of year	(189)	1,650
Unrealized gains (losses) at the end of year attributed to:		
Portfolio investments	$ (189)	$ 1,650

See accompanying notes to consolidated financial statements

1. Authority and purpose

Thompson Rivers University (the "University") operates under the authority of the Thompson Rivers University Act of British Columbia. 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 is therefore exempt from income taxes under section 149 of the Income Tax Act.

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 on campus and distance learning opportunities.

2. Summary of significant accounting policies

The consolidated financial statements of the University are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the University are as follows:

(a) Basis of accounting

These consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections.

Regulation 198/2011 requires that restricted contributions received or receivable for acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are to be deferred and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded.

For British Columbia tax-payer supported organizations, these contributions include government transfers and restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by the University. Controlled organizations are consolidated except for Government Business Enterprises (GBEs) which are accounted for by the modified equity method. The TRU Community Corporation (TRUCC), a 100% owned subsidiary, is fully consolidated into these statements.

(ii) Investment in Government Business Enterprises

Investments in Government Business Enterprises (GBEs) are accounted for using the modified equity method as required by Public Sector Accounting Standards. Under this method, the University records only the investment in the business enterprise, net income or loss of the GBE and other adjustments to equity but does not consolidate all transactions and balances. Under the modified equity method, no adjustment is made to conform to the accounting policies of government, with the exception that if other comprehensive income exists, it is accounted for as an adjustment to accumulated surplus. GBEs report using the International Financial Reporting Standards framework. Inter-organizational transactions and balances are not eliminated, except for any profit or loss on transactions between entities that involve assets that remain within the entities controlled by the University.

Currently the only GBE of the University is Thompson Rivers University Community Trust (TRUCT) (Note 7b). The trustee of the TRUCT is TRUCC. The fiscal year end of the Trust is December 31, 2015. Significant transactions between the Trust's year-end and the March 31, 2016 year-end of the University are recognized where applicable.

(c) Cash

Cash includes cash on hand and short-term deposits.

(d) Financial instruments

(i) Fair value category: Portfolio investments that are quoted in an active market are reflected at fair value as at the reporting date. Other financial instruments which the University has designated to be recorded at fair value include derivative instruments, cash and cash equivalents. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and related balances reversed from the Statement of Remeasurement Gains and Losses.

(ii) Cost category: Realized gains, losses and interest expense are recognized in the Statement of Operations when the financial asset is derecognized due to disposal or impairment. Accounts receivable, accounts payable and accrued liabilities are measured at cost. Any gains, losses or expenses are recorded in the annual surplus (deficit) depending on the nature of the financial asset or liability that gave rise to the gains, losses or expenses. Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt. Interest is accrued on loans receivable to the extent it is deemed collectible.

2. Summary of significant accounting policies (continued)

(e) Inventories for resale

Inventories held for resale, such as books, office and paper supplies, clothing and food stuffs are recorded at the lower of cost or net realizable value. Net realizable value is the estimated selling price.

(f) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Donated assets are recorded at fair value at the date of donation. Interest is not capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives shown below (land is not amortized as it is deemed to have a permanent value):

Tangible Capital Assets	Amortization Period
Land improvements	Lesser of estimated useful life or 5 - 10 years
Buildings and buildings under capital lease	40 years
Furniture, equipment, equipment under lease and library acquisitions	3 - 10 years

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the University's ability to provide goods and services.

(ii) Works of art and historic assets

Works of art and historic assets are not recorded as assets in these financial statements.

(iii) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(iv) Inventories held for use

Inventories held for use are recorded at cost and consist of office supplies.

2. Summary of significant accounting policies (continued)

(g) Employee future benefits

The University and its employees make contributions to the College Pension Plan and Municipal Pension Plan which are multi-employer joint trustee plans. These plans are defined benefit plans, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plans are not segregated by institution, the plans are accounted for as defined contribution plans and any contributions by the University to the plans are expensed as incurred.

The University offers an employee future benefits plan providing accumulated sick leave. For accounting purposes, the University measures the accrued benefit obligations and determines the expense of the fiscal period through actuarial valuations and extrapolations. Adjustments arising from changes in actuarial assumptions and actuarial gains and losses are amortized over the Expected Average Remaining Service Lifetime (EARSL) of active employees.

Vacation benefits for the University's unionized and exempt employees are accrued as earned. The obligations under these benefits are based on the applicable collective agreements for the faculty and support employees, and the employment contracts for exempt employees.

(h) Revenue recognition

Tuition, student fees and sales of goods and services are recognized as revenue in the period to which they apply.

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Restricted donations and grants are reported as revenue depending on the nature of the restrictions placed on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

(ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.

(iii) Contributions required to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as revenue for the portion to be held in perpetuity and as deferred contributions for the investment income earned thereon.

(iv) The University leases land to third parties as described in Note 12. Cash received from land leases is recognized in revenue in the period to which it applies.

2. Summary of significant accounting policies (continued)

(v) Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and write downs on investments where the loss in value is determined to be other-than-temporary.

(i) Use of estimates

The preparation of the financial statements in accordance with Canadian Public Sector Accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the determination of useful lives of tangible capital assets for amortization and the amortization of related deferred capital contributions, present value and provisions for employee future benefits. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(j) Foreign currency translation

The University's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities which were designated in the fair value category under the financial instrument standards are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the statement date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or balance sheet date is recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, the related cumulative remeasurement gain/loss is reversed in the Statement of Remeasurement Gains and Losses and the exchange gain or loss in relation to the exchange rate at the date of the item's initial recognition is recognized in the Statement of Operations.

(k) Budget figures

Budget figures have been provided for comparative purposes and have been compiled from the 2015/16 Revenue & Expenditure Plan approved by the University's Board of Governors on May 30, 2015. The budget is reflected in the Statement of Operations and Accumulated Surplus, Statement of Changes in Net Debt and in Note 19, Expenses by object.

3. Comparative figures

Certain 2015 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

4. Cash

	In thousands 2016	2015
Restricted cash	$ 1,022	$ 1,022
Unrestricted cash	23,327	30,220
	$ 24,349	$ 31,242

Restricted cash consists of $1.02 million deposited into a lock box account at Desjardins Trust Inc. for the monthly capital lease payments.

5. Accounts receivable

	In thousands	
	2016	2015
Trade	$ 3,209	$ 2,935
Student and sponsor	1,072	2,959
Related parties	5,242	5,284
Allowance for doubtful accounts	(1,378)	(920)
	$ 8,145	$ 10,258

Trade consists of amounts receivable from customers, various government agencies and universities not related to the Province of BC, and government tax credits and rebates.

Student and sponsor consists of amounts due from individual students and businesses or agencies paying tuition and/or fees on behalf of students.

Related parties consist of amounts due from various provincial government entities, the Thompson Rivers University ("TRU") Foundation, the TRU Alumni Association and employees of the University.

6. Loan receivable

	In thousands	
	2016	2015
TRU Student Union term loan, receivable in annual principal installments of $80 thousand plus interest at 5.75%, due February 26, 2024, secured by current and future student union fees	$ 640	$ 720

7. Financial instruments

Fair value of financial instruments:

The financial instruments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The University's financial instruments are all considered to be level 1 instruments for which the fair value is determined based on quoted prices in active markets with the exception of the Investment in TRUCT which is not determined based on active market prices. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there were no significant transfers of securities between the different levels.

7. Financial instruments (continued)

(a) Investments

	In thousands	
	2016	2015
Investments are comprised of Canadian and foreign equities, government and corporate bonds with various maturity dates and investment in TRUCT. The weighted average rate of return for bonds is 3.49% (March 31, 2015 – 4.78%)		
Cash	$ 88	$ 584
Equities at cost	23,145	18,193
Equities – unrealized (losses) gains	(579)	538
Bonds at cost	30,042	22,406
Accrued interest	10,577	10,391
Bonds - unrealized gains	4,949	6,284
Investment in Government Business Enterprise (Note 7b)	188	125
	$ 68,410	$ 58,521
Portfolio and other investments	62,185	52,296
Endowments	6,225	6,225
	$ 68,410	$ 58,521

(b) Investment in Government Business Enterprise

Included in Investments is TRU's investment in the TRUCT. TRUCT was established in October 2011 but commenced operations in 2014. The purpose of TRUCT is to develop a "University Village" property. The University granted TRUCT the ability to sell 99 year leases on portions of land owned by the University. The beneficiaries of the TRUCT are the University and TRU Foundation.

Financial information as of December 31, 2015 for TRUCT is as follows:

	In thousands	
	2015	2014
Assets	$ 53	$ 34
Liabilities	(750)	(237)
Equity	(697)	(203)
Revenues	-	-
Expenses	(494)	(203)
Net loss	$ (494)	$ (203)

8. Accounts payable and accrued liabilities

	In thousands			
		2016		2015
Trade payable and accrued liabilities	$	15,325	$	13,110
Wages payable		5,346		7,381
Accrued vacation payable		7,954		7,695
	$	28,625	$	28,186

9. Employee future benefits

(a) Pension benefits

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trusteed pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2015, the College Pension Plan has about 14,000 active members, and approximately 6,500 retired members. As at December 31, 2014, the Municipal Pension Plan has about 185,000 active members, including approximately 5,800 from colleges.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2012, indicated a $105 million funding deficit for basic pension benefits. The next valuation was on August 31, 2015, with results available in 2016. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012, indicated a $1,370 million funding deficit for basic pension benefits. The next valuation was on December 31, 2015, with results available in 2016. Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for the plans in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

The University paid $7.90 million for employer contributions to the plans in 2016 (2015 - $7.86 million).

(b) Accumulated sick leave and other retirement benefit arrangements liability

The University sponsors a benefit plan that provides post-employment benefits to certain employees. The benefits offered to employees include vested and non-vested sick leave. The plan does not require any contributions from employees. The accrued benefit obligation and the net periodic benefit cost were estimated for a 5 year period by an actuarial valuation completed on March 18, 2015.

9. Employee future benefits (continued)

The benefit liability at March 31, 2016 includes the following components:

	In thousands			
		2016		2015
Accrued benefit obligation, beginning of year	$	4,342	$	4,728
Current service cost		286		275
Interest cost		121		138
Benefits paid		(752)		(828)
Actuarial loss (gain)		-		29
Accrued benefit obligation, end of year		3,997		4,342
Unamortized net actuarial gain		419		479
Accrued benefit liability, end of year	$	4,416	$	4,821

The benefit expense at March 31, 2016 for employee future benefits includes the following components:

	In thousands			
		2016		2015
Current service cost	$	286	$	275
Interest cost		121		138
Amortization of net actuarial gain		(60)		(64)
Employee future benefit expense	$	347	$	349

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation are as follows:

Measurement date of accrued benefit obligation:	March 31, 2016
Beginning of period discount rate, April 1, 2015	3.00%
End of period discount rate, March 31, 2019	2.85%
Expected future salary increase	2.50%
Expected average remaining service lifetime of active employees (EARSL)	9 years

10. Deferred contributions

Deferred contributions are comprised of funds restricted for the following purposes:

	In thousands 2016	In thousands 2015
Tangible capital assets	$ 3,114	$ 2,172
Sponsored research and specific purpose	2,928	1,985
Operating and other	2,994	3,707
Endowment	477	984
	$ 9,513	$ 8,848

Changes in the deferred contribution balance are as follows:

In thousands 2016	Tangible capital assets	Sponsored research & specific purpose	Operating & other	Endowment	Total
Balance, beginning of year	$ 2,172	$ 1,985	$ 3,707	$ 984	$ 8,848
Contributions & other revenue received during the year	4,489	6,450	170,432	(187)	181,184
Transfer to deferred capital contribution	(3,547)	-	-	-	(3,547)
Recognition to revenue	-	(5,507)	(171,145)	(320)	(176,972)
Balance, end of year	$ 3,114	$ 2,928	$ 2,994	$ 477	$ 9,513

In thousands 2015	Tangible capital assets	Sponsored research & specific purpose	Operating & other	Endowment	Total
Balance, beginning of year	$ 1,128	$ 2,370	$ 3,725	$ -	$ 7,223
Contributions & other revenue received during the year	2,150	3,834	164,785	6,581	177,350
Transfer to deferred capital contribution	(1,106)	-	-	-	(1,106)
Recognition to revenue	-	(4,219)	(164,803)	(5,597)	(174,619)
Balance, end of year	$ 2,172	$ 1,985	$ 3,707	$ 984	$ 8,848

11. Debt

	In thousands			
		2016		2015
Ministry of Finance commercial paper, unsecured, bears interest at the rate of 0.50% per annum, repayable at maturity on November 17, 2016.	$	4,478	$	4,500
Bank of Montreal unsecured demand loan, bears interest at 1.95%, repayable at maturity on May 31, 2016.		6,000		6,000
Bank of Montreal unsecured demand loan, bears interest at Bank of Montreal prime, repayable at maturity on January 3, 2017. Bank of Montreal prime on March 31, 2016 was 2.70%.		800		800
	$	11,278	$	11,300

Principal repayments for the next year are estimated at $11,278 thousand.

12. Obligations under capital leases

The University has entered into a Land Lease agreement 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 thousand for the term of the agreement. The University will pay Dacon a surrender fee at the end of the lease equal to Dacon's net investment in 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 interest rate on the debt is 5.14% (2015 – 5.14%).

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.

12. Obligations under capital leases (continued)

Commencing October 1, 2015 the University has entered into 5-year Agreement with the Imperial Parking Canada Corporation for the provision of parking meters. The ownership of the meters will be transferred to the University at the expiration of the agreement on September 30, 2020. The interest rate on the lease is 2.49%.

The above agreements are recognized in 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:

	In thousands	
	2016	2015
Year ending March 31:		
2016	$ -	$ 2,441
2017	2,484	2,441
2018	2,484	2,441
2019	2,484	2,441
2020	2,484	2,441
2021	2,464	2,441
Thereafter	63,926	63,927
Total minimum lease payments	76,326	78,573
Less amounts representing interest	(38,012)	(39,953)
Present value of net minimum capital lease payments	$ 38,314	$ 38,620

Total interest under capital lease payments for the year was $2.0 million (2015 - $2.0 million).

13. Deferred capital contributions

Contributions for the purpose of acquiring tangible capital assets are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset. Province of British Columbia Treasury Board regulation 198/2011 provided direction on accounting treatment of restricted capital contributions.

Changes in the deferred capital contributions balance are as follows:

	In thousands	
	2016	2015
Balance, beginning of year	$ 85,412	$ 88,925
Contributions received during the year		
Government grants	2,785	1,112
Donations and other	702	156
Changes in amounts deferred	60	(162)
	3,547	1,106
Less: revenue recognized from deferred capital contributions	(4,841)	(4,619)
Balance, end of year	$ 84,118	$ 85,412

THOMPSON RIVERS UNIVERSITY

Notes to Consolidated Financial Statements

Year ended March 31, 2016

14. Tangible capital assets

In thousands

2016

	Land and improvements	Buildings	Building and equipment under capital lease	Furniture, equipment and library acquisitions	Total
Cost, beginning of year	$ 12,826	$ 182,830	$ 41,908	$ 69,511	$ 307,075
Additions	4,106	281	223	4,969	9,579
Cost, end of year	16,932	183,111	42,131	74,480	316,654
Accumulated amortization, beginning of year	8,626	56,653	10,487	61,843	137,609
Amortization expense	295	4,457	1,039	3,532	9,323
Accumulated amortization, end of year	8,921	61,110	11,526	65,375	146,932
Net book value	$ 8,011	$ 122,001	$ 30,605	$ 9,105	$ 169,722

In thousands

2015

	Land and improvements	Buildings	Building and equipment under capital lease	Furniture, equipment and library acquisitions	Total
Cost, beginning of year	$ 12,276	$ 181,740	$ 41,908	$ 66,575	$ 302,499
Additions	550	1,090	-	2,936	4,576
Cost, end of year	12,826	182,830	41,908	69,511	307,075
Accumulated amortization, beginning of year	8,309	52,214	9,459	58,581	128,563
Amortization expense	317	4,439	1,028	3,262	9,046
Accumulated amortization, end of year	8,626	56,653	10,487	61,843	137,609
Net book value	$ 4,200	$ 126,177	$ 31,421	$ 7,668	$ 169,466

Assets under construction having a value of $122 thousand (2015 - $56 thousand) have not been amortized. Amortization of these assets will commence when the asset is put into service.

15. Accumulated surplus

Accumulated capital & other surpluses consist of the following:

	In thousands 2016	In thousands 2015
Invested in tangible capital assets:		
Tangible capital assets	$ 169,722	$ 169,466
Debt used for capital asset acquisition	(10,272)	(10,295)
Amounts financed by deferred capital contributions	(84,118)	(85,412)
Capital lease obligation	(38,314)	(38,620)
	37,018	35,139
Internally restricted:		
Designated and specific purpose reserves	7,899	9,129
Faculty and department reserves	9,658	9,894
Capital reserves	33,591	9,202
Residence repair and replacement reserve	718	580
	51,866	28,805
Unrestricted	3,000	23,816
Total accumulated capital & other surpluses	$ 91,884	$ 87,760
Endowments	6,225	6,225
Accumulated remeasurement gains (losses)	(189)	1,650
Accumulated surplus	$ 97,920	$ 95,635

Invested in tangible capital assets represent assets purchased with unrestricted surpluses.

Designated and specific purpose reserves are set aside for future operations and projects for which specific funding has been received or allocated.

Faculty and department reserves are the unspent operating funds which faculties and departments are permitted to carry forward at the end of each year. These also include professional development and other operating funds.

Capital reserves are amounts restricted for purchases of land, buildings and equipment.

Residence repair and replacement reserve is an amount set aside for repairs to the building and repairs or replacement of furniture, fixtures and equipment.

16. Endowments

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

Changes to the endowment balances are as follows:

	In thousands	
	2016	2015
Balance, beginning of the year	$ 6,225	$ 650
Portion available for distribution, beginning of the year	984	-
Contributions received during the year	-	6,462
Restricted investment income (loss)	(187)	119
Expenses during the year	(320)	(22)
Portion available for distribution, end of year	(477)	(984)
Balance, end of year	$ 6,225	$ 6,225

17. Financial risk management

The Board of Governors, through management, ensures that the University has processes in place to identify and monitor major risks.

(a) Interest rate risk:

The University is exposed to the interest rate risk in respect of its portfolio investments, which earn interest income at various rates, and its debt, which bears interest at rates as disclosed in Note 11.

(b) 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 asset.

(b) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in interest rates and equity prices will affect the University's income and the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while maximizing the return. Investments have a target composition of 100% fixed income.

(c) Liquidity risk:

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they become due. The University manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring acceptable losses or risking damage to the University's reputation.

18. Contractual obligations and contingent liabilities

(a) The University is committed to payments under various contracts and leases with various expiry dates through 2021 as detailed below:

In thousands

Year	Equipment and operating leases	Janitorial and other service contracts	Total
2017	$ 1,049	$ 3,342	$ 4,391
2018	762	2,965	3,727
2019	517	705	1,222
2020	158	147	305
2021	80	73	153

(b) 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 thousand annually. The University's proportionate contribution of the 2016 Aquatic Centre operating loss amounted to $150 thousand (2015 - $150 thousand).

(c) From time to time, the University is involved in litigation or proceedings relating to claims arising out of its operations in the ordinary course of business. It is expected that the ultimate outcome of these claims will not have a material effect on the financial position of the University. The majority of these claims are covered by the University's insurance coverage. Any University obligations that may result from these claims will be recorded in the period when it becomes likely and determinable.

19. Expenses

The following is a summary of expenses by object:

In thousands

	Budget	2016	2015
Advertising and public relations	$ 3,428	$ 5,504	$ 4,271
Amortization of capital assets	8,485	9,323	9,046
Bank charges, interest and bad debt	1,671	1,389	1,722
Building, equipment, operations and maintenance	9,466	7,856	7,140
Bursaries, awards and scholarships	4,282	4,464	3,120
Computer supplies and licenses	1,050	1,121	1,319
Cost of materials sold	6,599	6,758	6,300
Interest on capital lease obligation	1,953	1,951	1,975
Interest on debt	193	176	225
Leases and rentals	2,965	3,029	2,699
Professional fees and contracted services	11,898	13,343	11,070
Salaries and benefits	109,180	107,860	106,977
Supplies, postage and freight	6,273	5,000	4,842
Travel	4,783	5,074	4,960
	$ 172,226	$ 172,848	$ 165,666

20. Related organizations

The University is associated with the following organizations, which have not been consolidated into the University's financial statements.

(a) The TRU Foundation (the "Foundation") has been established for the benefit of the University and its students. During the fiscal period ending March 31, 2016 the Foundation fundraised and donated to the University $130 thousand for capital projects (2015 - $220 thousand), and $1.8 million for bursaries, scholarships, and other projects (2015 - $1.9 million).

(b) 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 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.