

Financial Statements of

THOMPSON RIVERS UNIVERSITY

Year ended March 31, 2010

THOMPSON RIVERS UNIVERSITY

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Year ended March 31, 2010

Statement of Administrative Responsibility for Financial Statements

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STATEMENT OF ADMINISTRATIVE RESPONSIBILITY FOR FINANCIAL STATEMENTS

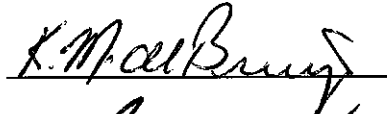
The University is responsible for the preparation of the financial statements and has prepared them in accordance with Canadian generally accepted accounting principles prescribed for not-for-profit organizations by the Canadian Institute of Chartered Accountants. The financial statements present fairly the financial position of the University as at March 31, 2010 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 administration 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 administration 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 Administration.

The financial statements have been examined by KPMG LLP, Chartered Accountants, the external auditors appointed by the University's Board of Governors. The 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, 2010.

On behalf of the University:


Board Chair


Vice-President Administration and Finance



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AUDITORS' REPORT

To the Board of Governors of Thompson Rivers University

We have audited the statement of financial position of Thompson Rivers University as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Kamloops, Canada
May 12, 2010

THOMPSON RIVERS UNIVERSITY

Exhibit A - Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash	\$ 21,144,943	\$ 9,460,066
Short-term investments (note 2)	408,690	1,521,403
Accounts receivable (note 3)	9,729,982	6,469,652
Inventories (note 4)	1,586,998	1,823,666
Prepaid expenses	203,723	253,671
Current portion of loan receivable (note 5)	80,000	80,000
	<u>33,154,336</u>	<u>19,608,458</u>
Long-term investments (note 2)	48,450,842	43,735,301
Loan receivable (note 5)	1,040,000	1,120,000
Capital assets (note 6)	145,465,916	138,676,681
	<u>\$ 228,111,094</u>	<u>\$ 203,140,440</u>

Liabilities, Deferred Capital Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,500,418	\$ 9,283,999
Wages payable	5,615,082	2,391,499
Deferred contributions (note 7)	17,504,147	15,765,203
Current portion of employee future benefits	7,368,516	6,457,461
Current portion of debt	6,898,505	7,098,713
Current portion of capital lease obligation	379,052	360,295
	<u>49,265,720</u>	<u>41,357,170</u>
Long-term liabilities:		
Employee future benefits (note 8(a))	5,568,000	5,987,286
Debt (note 9)	8,954,324	10,384,779
Capital lease obligation (note 10)	40,344,501	40,723,553
	<u>104,132,545</u>	<u>98,452,788</u>
Deferred capital contributions (note 11)	78,643,858	69,280,468
Net assets:		
Invested in capital assets (note 12)	14,707,805	15,328,873
Internally restricted (note 13)	21,221,893	16,507,569
Unrestricted	9,404,993	3,570,742
	<u>45,334,691</u>	<u>35,407,184</u>
	<u>\$ 228,111,094</u>	<u>\$ 203,140,440</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, 2010, with comparative figures for 2009

	2010	2009
Revenues:		
Government and other grants	\$ 78,009,721	\$ 75,726,694
Tuition and other student fees	52,311,578	46,579,101
Amortization of deferred capital contributions	3,899,377	3,510,721
Contract and other revenue	3,509,181	2,488,312
Donations	1,170,505	392,408
Interest income	2,681,392	2,151,420
Retail sales, parking and residence	14,636,298	15,486,395
Unrealized gain (loss) on financial instruments (note 15 (d))	2,526,129	(2,421,513)
	<u>158,744,181</u>	<u>143,913,538</u>
Expenses:		
Salaries and benefits	91,999,761	86,402,068
Advertising and public relations	3,729,927	4,034,027
Amortization of capital assets	8,750,921	7,723,341
Bank charges and interest	954,038	882,713
Building, equipment, operations and maintenance	7,283,272	7,140,370
Bursaries, awards and scholarships	2,214,143	1,227,488
Computer supplies and licenses	1,786,838	1,356,121
Cost of materials sold	6,514,690	6,435,470
Interest on capital lease obligation	2,079,597	2,095,137
Interest on debt	510,635	613,131
Leases and rentals	2,393,635	2,672,950
Professional fees and contracted services	10,613,355	10,453,823
Supplies, postage and freight	5,839,498	6,093,781
Travel	4,146,364	4,447,454
	<u>148,816,674</u>	<u>141,577,874</u>
Excess of revenue over expenses	\$ 9,927,507	\$ 2,335,664

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY

Exhibit C - Statement of Changes in Net Assets

Year ended March 31, 2010, with comparative figures for 2009

	Invested in capital assets (note 12)	Internally restricted (note 13)	Unrestricted	Total 2010	Total 2009
Net assets, beginning of year	\$ 15,328,873	\$ 16,507,569	\$ 3,570,742	\$ 35,407,184	\$ 32,421,520
Net change in the year:					
Excess (deficiency) of revenue over expenses	(4,066,328)	1,701,176	12,292,659	9,927,507	2,335,664
Capital assets purchased, net of assets purchased through deferred capital contributions	2,277,390	-	(2,277,390)	-	-
Repayment of debt	807,575	-	(807,575)	-	-
Capital lease payments	360,295	-	(360,295)	-	-
Designated projects	-	1,292,520	(1,292,520)	-	-
Expenses of designated projects	-	(1,211,436)	1,211,436	-	-
Faculty and departmental carry forwards	-	2,037,007	(2,037,007)	-	-
International capital and operational reserves	-	768,529	(768,529)	-	-
Residence repair and replacement reserves	-	126,528	(126,528)	-	-
Endowment contribution (Athletic)	-	-	-	-	650,000
	(621,068)	4,714,324	5,834,251	9,927,507	2,985,664
Net assets, end of year	\$ 14,707,805	\$ 21,221,893	\$ 9,404,993	\$ 45,334,691	\$ 35,407,184

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY

Exhibit D - Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 9,927,507	\$ 2,335,664
Adjustments for items not affecting cash:		
Amortization of capital assets	8,750,921	7,723,341
Amortization of deferred capital contributions	(3,899,377)	(3,510,721)
Unrealized (gain) loss on investments	(1,740,912)	1,598,653
Unrealized (gain) loss on value of interest rate swap agreement	(785,217)	822,861
	12,252,922	8,969,798
Changes in non-cash working capital items:		
Accounts receivable	(3,260,330)	(1,754,605)
Inventories	236,668	(102,094)
Accounts payable and accrued liabilities	2,216,419	(1,188,220)
Wages payable	3,223,583	201,545
Accrued retirement/termination and vacation liability	491,769	639,501
Prepaid expense	49,948	(54,970)
Deferred contribution	1,738,944	(147,825)
	16,949,923	6,563,130
Financing:		
Repayment of debt	(845,445)	(780,256)
Repayment of capital lease obligations	(360,295)	(342,466)
Cash proceeds from deferred capital contributions	13,262,767	3,243,610
	12,057,027	2,120,888
Investments:		
Purchase of capital assets	(15,540,157)	(5,780,543)
Net (purchase) disposal of investments	(1,861,916)	(10,404,768)
Decrease (increase) in loans receivable	80,000	(1,200,000)
Endowment contribution (Athletic)	-	650,000
	(17,322,073)	(16,735,311)
Increase (decrease) in cash	11,684,877	(8,051,293)
Cash, beginning of year	9,460,066	17,511,359
Cash, end of year	\$ 21,144,943	\$ 9,460,066
Supplemental information:		
Interest paid on debt and capital leases	\$ 2,590,232	\$ 2,708,268

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2010

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 undergraduate, graduate 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 by management 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 and net assets and revenue and expenses of all funds. Accordingly, the financial statements reflect the assets, liabilities and net assets and revenue 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 and contract and other revenue. 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, 2010

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

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2010

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 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, 2010

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.

(i) New accounting standards:

The following new or amended the Canadian Institute of Chartered Accountants ("CICA") Handbook sections made effective for entities such as the University have been adopted in the current year:

Certain amendments to the CICA Handbook Section 4400, "Financial Statement Presentation by Not-for Profit Organizations" and Section 4470, "Disclosure of Allocated Expenses by Not-for-Profit Organizations", were effective for the University's fiscal year commencing April 1, 2009. The amendments removed the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and amortization, and added a requirement for disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and a requirement to follow Handbook Section 1540, "Cash Flow Statements". The application of these amendments did not have any impact on the University's financial statements.

(j) Accounting pronouncements issued but not yet effective:

In March 2010, the Public Sector Accounting Board ("PSAB") released an exposure draft prescribing an accounting framework for government not-for-profit organizations ("Government NPOs"), such as the University. The proposed accounting framework will incorporate current CICA Handbook Sections 4400 to 4470 into the CICA's Public Sector Accounting Handbook, although the proposed framework may result in different accounting for certain balances and transactions from the University's current accounting framework. The exposure draft is open for comment until July 15, 2010 with a final standard to be released in late 2010. The proposed accounting framework would be effective for the University for its fiscal year commencing April 1, 2012. The University is in the process of reviewing the impact of these documents on its reporting framework and financial statements.

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2010

2. Investments:

Investments consist primarily of bonds with various maturity dates and interest rates with a weighted average rate of return of 5.29% (2009 - 5.28%). Included in the cost of investments are funds held in trust for employees who participate in the deferred salary plan. At March 31, 2010, funds held in trust for this plan were \$259,653 (2009 - \$197,951) and the liability associated with the plan is recorded in wages payable.

The balance in investments consists of:

2010	Cost	Accrued interest	Unrealized gain (loss)	Market
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

2009	Cost	Accrued interest	Unrealized gain (loss)	Market
Short-term	\$ 1,093,503	\$ 404,406	\$ 23,494	\$ 1,521,403
Long-term	36,993,322	6,788,857	(46,878)	43,735,301
	\$ 38,086,825	\$ 7,193,263	\$ (23,384)	\$ 45,256,704

3. Accounts receivable:

	2010	2009
Student	\$ 3,780,166	\$ 1,184,529
Trade	3,199,675	4,184,697
Other	2,750,141	1,100,426
	\$ 9,729,982	\$ 6,469,652

Other accounts receivable includes \$143,000 (2009-NIL) owed to related parties (as described in note 16 (c)).

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2010

4. Inventories:

	2010	2009
Printing and general supplies	\$ 98,884	\$ 73,606
Textbooks and retail supplies	1,431,102	1,695,915
Food supplies	57,012	54,145
	<u>\$ 1,586,998</u>	<u>\$ 1,823,666</u>

Inventories expensed in cost of materials sold for the year ended March 31, 2010 totalled \$5,539,102 (2009 - \$5,530,218).

5. Loan receivable:

	2010	2009
Loan to Thompson Rivers University Student Union, 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	\$ 1,120,000	\$ 1,200,000
Current portion of loan receivable	(80,000)	(80,000)
	<u>\$ 1,040,000</u>	<u>\$ 1,120,000</u>

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2010

6. Capital assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,238,229	\$ -	\$ 2,238,229	\$ 2,238,229
Site improvements	7,763,163	6,503,596	1,259,567	1,615,160
Buildings	118,829,886	37,978,616	80,851,270	83,821,688
Furniture, fixtures and equipment	41,035,197	36,132,857	4,902,340	5,501,466
Library acquisitions	9,288,205	7,216,237	2,071,968	2,241,246
Software	3,476,968	1,309,824	2,167,144	2,343,055
Construction in progress	14,120,904	-	14,120,904	1,710,007
	196,752,552	89,141,130	107,611,422	99,470,851
Assets acquired under capital lease obligation:				
Building	39,642,325	3,082,788	36,559,537	37,587,133
Furniture and fixtures	2,266,177	971,220	1,294,957	1,618,697
	41,908,502	4,054,008	37,854,494	39,205,830
	\$ 238,661,054	\$ 93,195,138	\$ 145,465,916	\$ 138,676,681

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, 2010

7. Deferred contributions:

Deferred contributions represent unspent resources externally restricted for a particular purpose in a subsequent period.

	Sponsored research & specific purpose	Capital assets	Operating & other	2010 Total	2009 Total
Opening balance	\$4,912,935	\$4,598,990	\$6,253,278	\$15,765,203	\$15,913,028
Contributions received in the year	4,970,188	17,583,448	68,585,677	91,139,313	79,225,744
Other revenues collected	1,118,343	5,937,783	78,076,582	85,132,708	66,378,425
Transfer of unrealized (gain) loss on financial instruments to revenue	-	-	(2,526,129)	(2,526,129)	2,421,513
Transfers to deferred capital contributions	-	(13,262,767)	-	(13,262,767)	(2,413,655)
Transfer to revenue	(5,772,960)	(9,474,866)	(143,496,355)	(158,744,181)	(145,759,852)
Balance, end of year	\$5,228,506	\$5,382,588	\$ 6,893,053	\$ 17,504,147	\$15,765,203

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2010

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:

	2010	2009
Accrued benefit obligation:		
Retirement/termination benefits	\$ 5,715,000	\$ 6,203,286
Vacation pay benefits	7,221,516	6,241,461
Total obligation	12,936,516	12,444,747
Current portion	(7,368,516)	(6,457,461)
Long-term portion	\$ 5,568,000	\$ 5,987,286
Retirement/termination and vacation pay expense included in salaries and benefits expense	\$ 450,737	\$ 513,409

(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 3,900 retired members. The Municipal Pension Plan has about 158,000 active members, with approximately 5,400 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, 2006 indicated an unfunded liability of \$54 million for basic pension benefits. The next valuation will be as at August 31, 2009 with results available later in 2010. The most recent valuation for the Municipal Pension Plan as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available later in 2010. The actuary does not attribute portions of the unfunded liability to individual employers. The University paid \$5,941,781 for employer contributions to the plan in fiscal 2010 (2009 - \$5,399,207).

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2010

9. Debt:

	2010	2009
Ministry of Finance commercial paper, unsecured, bears interest at the rate of 0.13% and is repayable at maturity on April 19, 2010. Subsequent to year-end this instrument was refinanced at a rate of 0.27% and a maturity date of July 23, 2010.	\$1,800,000	\$ 2,000,000
Ministry of Finance commercial paper, unsecured, bears interest at the rate of 0.27% and is repayable at maturity on July 29, 2010.	4,462,130	4,500,000
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.	1,049,057	1,114,095
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 \$1,049,115 (2009 - \$1,834,333) from the interest rate swap	8,541,642	9,869,397
	15,852,829	17,483,492
Current portion of debt	(6,898,505)	(7,098,713)
	<u>\$ 8,954,324</u>	<u>\$10,384,779</u>

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

2011	\$ 6,898,505
2012	676,413
2013	718,934
2014	764,223
2015	812,323

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2010

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) during the first two years of the Sublease only, 90% 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 "Cash flow"); and (iii) during the balance of the Sublease, 60% of the cash flow.

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.

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Notes to Financial Statements

Year ended March 31, 2010

10. Capital lease obligation (continued):

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

	2010	2009
Year ending March 31:		
2010	\$ -	\$ 2,441,419
2011	2,441,419	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	
Thereafter	78,574,699	81,016,118
Total minimum lease payments	90,781,794	93,223,213
Less: amount representing interest at 5.14% per annum	(50,058,241)	(52,139,365)
Present value of net minimum capital lease payments	40,723,553	41,083,848
Less: current portion of capital lease obligation	(379,052)	(360,295)
Long-term portion of capital lease obligation	\$ 40,344,501	\$ 40,723,553

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2010

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.

	2010	2009
Balance, beginning of year	\$ 69,280,468	\$ 69,547,579
Contributions received for capital purposes	5,685,554	2,001,110
Transfer from deferred revenue	7,577,213	1,242,500
	13,262,767	3,243,610
Less current year's amortization	(3,899,377)	(3,510,721)
Balance, end of year	\$ 78,643,858	\$ 69,280,468

12. Invested in capital assets:

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

	2010	2009
Capital assets	\$ 145,465,916	\$ 138,676,681
Debt used for capital asset acquisitions	(11,390,700)	(12,983,492)
Amounts financed by deferred capital contributions	(78,643,858)	(69,280,468)
Capital lease obligations	(40,723,553)	(41,083,848)
Balance, end of year	\$ 14,707,805	\$ 15,328,873

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2010

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 details below:

	2010	2009
Designated, trust and specific purpose reserves	\$ 10,634,761	\$ 8,852,501
Faculty and department carry forwards	6,314,812	4,277,805
International capital and operational reserve	3,381,108	2,612,579
Residence repair and replacement reserve	241,212	114,684
Endowment (Athletic)	650,000	650,000
	<u>\$ 21,221,893</u>	<u>\$ 16,507,569</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 general purpose operating fund budgets which faculties and departments are permitted to carry forward at the end of each year.

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

Residence repair and replacement reserves are set aside for repairs to and replacements of the building, lands, the 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.

14. Commitments and contingencies:

- (a) The University is committed to payments under various operating leases for land and buildings with various expiry dates through September 2017. The minimum lease payments required under the terms of the leases are \$257,883 for fiscal 2011, \$122,540 for fiscal 2012, \$122,540 for fiscal 2013, \$122,540 for fiscal 2014 and \$122,540 for fiscal 2015.
- (b) The University has contracts with third parties for computer and photocopier equipment leases with various expiry dates through January 2014 with minimum lease costs of approximately \$1,205,483 in fiscal 2011, \$785,190 in fiscal 2012, \$351,489 in fiscal 2013 and \$52,117 in fiscal 2014.

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Notes to Financial Statements

Year ended March 31, 2010

14. Commitments and contingencies (continued):

- (c) The University has contracts with third parties for janitorial, service and other service commitments with various expiry dates through March 2014 with minimum contract costs of approximately \$1,513,744 in fiscal 2011, \$988,877 in fiscal 2012, \$956,071 in fiscal 2013 and \$950,000 in fiscal 2014.
- (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 2010 Aquatic Centre operating loss amounted to \$150,000 (2009 - \$150,000).
- (e) The University has commenced construction of a new library, "House of Learning", with scheduled completion for winter of 2010. The total construction budget for the project is approximately \$31,850,000. During the term of the project various commitments on contractual relationships will be entered into to complete the building. The University plans to finance the project through a combination of grants, donations and debt.

15. Financial instruments:

- (a) Fair value:

Assets and liabilities designated as held for trading include cash, short-term, 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 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

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2010

15. Financial Instruments (continued):

(d) Unrealized gains (losses)

	2010	2009
Short-term investments	\$ (15,788)	\$ 23,495
Long-term investments	1,756,700	(1,622,147)
Term loan	785,217	(822,861)
	<u>\$ 2,526,129</u>	<u>\$ (2,421,513)</u>

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, its programs, and its students. The Foundation is a registered charity under the provisions of the Income Tax Act of Canada.

- (i) At March 31, 2010 the Foundation holds endowment fund balances for the benefit of the University and its students of \$15,522,458 (2009 - \$12,894,433).
- (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.

(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.

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Notes to Financial Statements

Year ended March 31, 2010

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	
	2010	2009	2010	2009
Net assets:				
Total assets	\$ 15,945,817	\$ 13,841,943	\$ 44,749	\$ 18,570
Total liabilities	423,359	947,510	37,211	15,147
Net assets	\$ 15,522,458	\$ 12,894,433	\$ 7,538	\$ 3,423
Operations:				
Revenues	\$ 4,607,914	\$ 4,930,086	\$ 83,119	\$ 55,620
Expenses	1,979,890	2,870,889	74,004	59,164
Excess (deficiency) of revenue over expenses	\$ 2,628,024	\$ 2,059,197	\$ 9,115	\$ (3,544)
Cash flows:				
Operating activities	\$ 2,895,223	\$ 4,369,869	\$ 23,773	\$ 7,036
Investing activities	(2,971,322)	(3,621,735)	-	-

Included in the expenses of the Foundation were donations to the University in the amount \$758,750 (2009 – \$128,983).

(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, 2010

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 2009 have been reclassified to conform to the financial statement presentation adopted for 2010. The reclassification has no effect on previously reported results and net assets.