

Financial Statements of

**THOMPSON RIVERS
UNIVERSITY STUDENTS' UNION**

Year ended July 31, 2014



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INDEPENDENT AUDITORS' REPORT

To the Members of Thompson Rivers University Students' Union

We have audited the accompanying financial statements of Thompson Rivers University Students' Union, which comprise the statement of financial position as at July 31, 2014, the statement 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 accounting standards for Not-For-Profit Organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the 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 in our audit 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 Thompson Rivers University Students' Union as at July 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for Not-For-Profit Organizations.



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Report on Other Legal and Regulatory Requirements

As requested by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for Not-For-Profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants

December 2, 2014

Kamloops, Canada

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Statement of Financial Position

July 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash	\$ 1,256,617	\$ 796,006
Accounts receivable	51	239,326
Prepaid expenses and deposits (note 2)	205,775	263,614
	<u>1,462,443</u>	<u>1,298,946</u>
Capital assets (note 3)	3,315,285	3,547,177
	<u>\$ 4,777,728</u>	<u>\$ 4,846,123</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 278,795	\$ 253,813
Current portion of long-term debt (note 5)	80,000	80,000
Current portion of obligations under capital lease (note 6)	72,793	68,905
	<u>431,588</u>	<u>402,718</u>
Obligations under capital leases (note 6)	638,470	711,263
Long-term debt (note 5)	720,000	800,000
Fund balances:		
Internally restricted funds - Building	1,625,630	1,614,273
Internally restricted funds - Health and Dental	626,957	668,267
Unrestricted funds - Operating	735,083	649,602
	<u>2,987,670</u>	<u>2,932,142</u>
	<u>\$ 4,777,728</u>	<u>\$ 4,846,123</u>

See accompanying notes to financial statements.

On behalf of Council:

_____ Director

_____ Director

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Statement of Operations

Year ended July 31, 2014 with comparative information for 2013

	Budget	2014	2013
Revenues:			
Membership dues	\$ 985,000	\$ 997,754	\$ 995,175
Student services	286,300	292,590	289,917
UPASS	779,000	845,238	835,454
Grants and other income	21,000	30,027	30,502
	<u>2,071,300</u>	<u>2,165,609</u>	<u>2,151,048</u>
Other:			
Building fund	258,000	266,026	265,338
Health and Dental fund	609,000	642,855	606,448
	<u>2,938,300</u>	<u>3,074,490</u>	<u>3,022,834</u>
Expenses:			
Operating fund:			
Advocacy:			
Campaigns and government relations	50,500	45,220	46,892
Equity collectives	25,000	13,152	9,114
Student caucus and institutional governance	9,200	3,947	103
Student research program	2,600	2,965	965
Students services:			
Clubs and faculty administration & grants	42,700	42,441	37,473
Common Grounds	154,300	140,839	137,811
Employment centre	108,000	108,000	108,000
Endowment	15,000	20,000	15,000
General administrative and promotional	3,250	1,050	862
Tickets and passes	24,000	23,418	36,744
UPASS	779,000	843,624	833,111
Entertainment:			
Kickstart	86,500	88,152	81,117
Last class bash	3,500	2,889	3,455
Common voices	31,500	38,531	27,572
Volunteer registry	3,500	-	2,006
Communications and membership development	58,100	23,301	42,028
Office administration and professional fees:			
Amortization	71,000	75,840	69,194
Office and administration	46,200	61,880	46,093
Professional fees	49,400	49,894	62,206
Governance and Council:			
Council	81,550	82,861	91,706
Governance	500	169	308
Wages and benefits	<u>285,000</u>	<u>311,955</u>	<u>264,316</u>
	<u>1,930,300</u>	<u>1,980,128</u>	<u>1,916,076</u>
Building fund:			
Amortization	206,000	209,418	193,860
Interest on capital lease	67,000	44,014	47,694
Interest on long-term debt	58,000	47,624	53,152
Student Union building	92,000	103,613	105,381
	<u>423,000</u>	<u>404,669</u>	<u>400,087</u>
Health and Dental fund	<u>581,000</u>	<u>634,165</u>	<u>627,029</u>
	<u>2,934,300</u>	<u>3,018,962</u>	<u>2,943,192</u>
Excess of revenues over expenses	<u>\$ 4,000</u>	<u>\$ 55,528</u>	<u>\$ 79,642</u>

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Statement of Changes in Fund Balances

Year ended July 31, 2014 with comparative information for 2013

	Operating Fund	Building Fund	Health and Dental Fund	Total 2014	Total 2013
Fund balances, beginning of year	\$ 649,602	\$ 1,614,273	\$ 668,267	\$ 2,932,142	\$ 2,852,500
Excess (deficiency) of revenue over expenses	185,481	(138,643)	8,690	55,528	79,642
Transfer from Operating and Health and Dental Funds to Building Fund per Council resolution	(100,000)	150,000	(50,000)	-	-
Fund balances, end of year	\$ 735,083	\$ 1,625,630	\$ 626,957	\$ 2,987,670	\$ 2,932,142

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Statement of Cash Flows

Year ended July 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 55,528	\$ 79,642
Items not involving cash:		
Amortization	285,259	263,054
	<u>340,787</u>	<u>342,696</u>
Changes in non-cash operating working capital:		
Accounts receivable	239,275	2,550
Prepaid expenses and deposits	57,839	(237,089)
Accounts payable and accrued liabilities	24,981	(9,598)
	<u>662,882</u>	<u>98,559</u>
Financing:		
Repayment of obligations under capital lease	(68,905)	(65,226)
Repayment of long-term debt	(80,000)	(80,000)
	<u>(148,905)</u>	<u>(145,226)</u>
Investing:		
Purchase of capital assets	(53,366)	(764,764)
Increase (decrease) in cash	460,611	(811,431)
Cash, beginning of year	796,006	1,607,437
Cash, end of year	<u>\$ 1,256,617</u>	<u>\$ 796,006</u>

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements

Year ended July 31, 2014

Nature of operations:

Thompson Rivers University Students' Union (the "Union") is incorporated under the Society Act of British Columbia and its principal activity is to provide services to the students of Thompson Rivers University ("TRU").

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CPA Canada Handbook. The Union's significant accounting policies are as follows:

(a) Fund accounting:

The Union follows the fund accounting method generally in use for not-for-profit organizations. A fund is determined for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial position of the Union is shown on the statement of financial position and includes the assets, liabilities and fund balances of all funds.

The Union maintains the following funds:

(i) Operating Fund:

The Operating Fund reflects the activities associated with the Union's day-to-day operations, including its short and long-term capital requirements.

(ii) Building Fund:

The Building Fund reflects the activities associated with operating and maintaining the building addition in use by the Union. This fund includes the portion of student fees which are restricted for these purposes, as well as related capital lease payments and interest.

(iii) Health and Dental Fund:

The Health and Dental Fund reflects the net fees collected from students which are restricted for the provision of health and dental insurance.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended July 31, 2014

1. Significant accounting policies (continued):

(b) Revenue recognition:

The Union follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment earnings are recognized as revenue when earned.

Grants and other income and revenue from Common Grounds Coffee shop are recognized as the goods and services are provided.

(c) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When an asset no longer contributes to the Union's ability to provide services its carrying amount is written down to its residual value. Amortization is provided using the following methods and annual rates:

Asset	Rate
Furniture and equipment	20%
Common Grounds furniture and equipment	20%
Revitalization project	15%
Leasehold improvements under capital lease	Straight line over remaining term of the lease or 4%

(d) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit standards 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 year. Significant items subject to such estimates and assumptions include the estimated useful lives and recoverable amount of capital assets. Actual results could differ from those estimates.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended July 31, 2014

1. Significant accounting policies (continued):

(e) Financial instruments:

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

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Union determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Union expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Prepaid expenses and deposits:

	2014	2013
Prepaid expenses	\$ 11,045	\$ 51,827
Prepaid rent	194,730	211,787
	<u>\$ 205,775</u>	<u>\$ 263,614</u>

During the 2013 year, the Union paid for the renovations of certain storage space owned by TRU. In exchange, TRU allowed the Union to use the space rent free over the remaining term of the existing lease which expires April 26, 2026. This effectively represents a prepaid lease as the payment for the renovations effectively represents the market rent for the additional space and represents a benefit to the Union. This storage space was excluded from the original building lease agreement with TRU, hence does not represent leasehold improvements.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended July 31, 2014

3. Capital assets:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Operating fund:				
Furniture and equipment	\$ 740,724	\$ 443,692	\$ 297,032	\$ 314,561
Common Grounds furniture and equipment	83,803	54,541	29,262	36,577
	824,527	498,233	326,294	351,138
Building fund:				
Independent Centre equipment	29,507	27,226	2,281	2,851
Leasehold improvement financed under capital lease	3,104,694	984,346	2,120,348	2,223,172
Revitalization project	1,382,058	515,696	866,362	970,016
	4,516,259	1,527,268	2,988,991	3,196,039
	\$ 5,340,786	\$ 2,025,501	\$ 3,315,285	\$ 3,547,177

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$11,223 (July 31, 2013 - \$10,959), which includes amounts payable for GST and payroll related taxes.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended July 31, 2014

5. Long-term debt:

	2014	2013
TRU, loan, bearing interest at 5.75% per annum, (repricing date November 15, 2018), repayable in annual installments of \$80,000 plus interest, secured by all student union fees payable by the students of TRU that currently are or may at any time be due or owing to the Union, maturing April 26, 2026	\$ 800,000	\$ 880,000
Less current portion of long-term debt	80,000	80,000
	<u>\$ 720,000</u>	<u>\$ 800,000</u>

Scheduled principal repayments for each of the next five years and thereafter are as follows:

2015	\$ 80,000
2016	80,000
2017	80,000
2018	80,000
2019	80,000
Thereafter	400,000
	<u>\$ 800,000</u>

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended July 31, 2014

6. Obligations under capital lease:

The Union has financed certain improvements by entering into capital leasing arrangements. Capital lease repayments are due as follows:

	2014	2013
2014	\$ -	\$ 112,920
2015	112,920	112,920
2016	112,920	112,920
2017	112,920	112,920
2018	112,920	112,920
2019	112,920	-
Thereafter	338,758	451,678
Total minimum lease payments	903,358	1,016,278
Less amount representing interest at 5.501%	192,095	236,110
Present value of net minimum capital lease payments	711,263	780,168
Less current portion of obligations under capital lease	72,793	68,905
	\$ 638,470	\$ 711,263

Interest of \$44,014 (2013 - \$47,694) relating to capital lease obligations has been included in interest expense in the Building Fund.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended July 31, 2014

7. Non-discretionary allocations:

During the year, the Union collected fees on behalf of the following autonomous organizations:

	2014	2013
Canadian Federation of Students	\$ 125,108	\$ 119,336
Cariboo Child Care Society	21,920	21,833
Cariboo Student Newspaper Society	84,992	84,526
Kamloops Campus/Community Radio Station	96,993	96,663
	<hr/>	<hr/>
	\$ 329,013	\$ 322,358

As these fees are collected in behalf of the other organizations, they are not included in the statement of operations.

8. Financial instruments:

(a) Interest rate risk:

The Union is not exposed to interest rate risk in respect of its obligations under capital lease, which bear interest at fixed rates as disclosed in note 5. The Union's long-term debt, which bears interest at fixed rates as described in note 6, carries some level of interest rate risk as the interest rate is subject to adjustment at certain future dates.

(b) Credit and currency risk:

It is management's opinion that the Union is not exposed to significant credit risk or currency risk associated with its financial instruments.

9. Economic dependence:

Substantially all of the Union's revenue (90%) (2013- 92%) is earned from mandatory student fees and health and dental premiums which are collected from students by TRU. Any change which results in these fees becoming optional may result in a reduction of future revenues.