

Financial Statements of

**THOMPSON RIVERS
UNIVERSITY STUDENTS' UNION**

Year ended July 31, 2015



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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, 2015, the statement of operations, changes in fund balances 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, 2015, 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 Professional Accountants

December 4, 2015

Kamloops, Canada

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Statement of Financial Position

July 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|----------------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 1,044,728 | \$ 1,256,617 |
| Accounts receivable | 223,393 | 51 |
| Prepaid expenses and deposits (note 2) | 227,145 | 205,775 |
| | <u>1,495,266</u> | <u>1,462,443</u> |
| Capital assets (note 3) | 3,195,933 | 3,315,285 |
| | <u>\$ 4,691,199</u> | <u>\$ 4,777,728</u> |

Liabilities and Fund Balances

| | | |
|------------------------------------------------------------|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 4) | \$ 359,026 | \$ 278,795 |
| Current portion of long-term debt (note 5) | 80,000 | 80,000 |
| Current portion of obligation under capital lease (note 6) | 76,900 | 72,793 |
| | <u>515,926</u> | <u>431,588</u> |
| Obligation under capital lease (note 6) | 561,571 | 638,470 |
| Long-term debt (note 5) | 640,000 | 720,000 |
| Fund balances: | | |
| Internally restricted funds - Building | 1,600,496 | 1,625,630 |
| Internally restricted funds - Health and Dental | 598,984 | 626,957 |
| Unrestricted funds - Operating | 774,222 | 735,083 |
| | <u>2,973,702</u> | <u>2,987,670</u> |
| | <u>\$ 4,691,199</u> | <u>\$ 4,777,728</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, 2015 with comparative information for 2014

| | Budget | 2015 | 2014 |
|------------------------------------------------------|-----------------|--------------------|------------------|
| Revenues: | | | |
| Membership dues | \$ 985,000 | \$ 982,839 | \$ 997,754 |
| Student services | 276,300 | 267,339 | 292,590 |
| UPASS | 770,000 | 832,221 | 845,238 |
| Grants and other income | 24,500 | 37,318 | 30,027 |
| | 2,055,800 | 2,119,717 | 2,165,609 |
| Other: | | | |
| Building fund | 258,000 | 262,049 | 266,026 |
| Health and Dental fund | 625,000 | 650,280 | 642,855 |
| | 2,938,800 | 3,032,046 | 3,074,490 |
| Expenses: | | | |
| Operating fund: | | | |
| Advocacy: | | | |
| Campaigns and government relations | 45,500 | 34,271 | 45,220 |
| Equity collectives | 26,000 | 14,115 | 13,152 |
| Student caucus and institutional governance | 4,650 | 3,006 | 3,947 |
| Student research program | 1,500 | - | 2,965 |
| Students services: | | | |
| Clubs and faculty administration & grants | 34,600 | 35,183 | 42,441 |
| Common Grounds | 144,500 | 145,211 | 140,839 |
| Employment centre | 108,000 | 108,000 | 108,000 |
| Endowments and bursaries | 25,000 | 20,000 | 20,000 |
| General administrative and promotional | 2,600 | 1,200 | 1,050 |
| Tickets and passes | 10,000 | 3,166 | 23,418 |
| UPASS | 771,900 | 821,860 | 843,624 |
| Entertainment: | | | |
| Kickstart | 71,500 | 80,710 | 88,152 |
| Last class bash | 3,500 | 2,768 | 2,889 |
| Common voices | 30,000 | 29,124 | 38,531 |
| Volunteer registry | 3,800 | 50 | - |
| Communications and membership development | 39,500 | 30,393 | 23,301 |
| Office administration and professional fees: | | | |
| Amortization | 71,000 | 72,504 | 75,840 |
| Office and administration | 48,700 | 57,638 | 61,880 |
| Professional fees | 44,200 | 53,029 | 49,894 |
| Governance and Council: | | | |
| Council | 107,600 | 88,525 | 82,861 |
| Governance | 1,000 | 262 | 169 |
| Wages and benefits | 349,000 | 386,563 | 311,955 |
| | 1,944,050 | 1,987,578 | 1,980,128 |
| Building fund: | | | |
| Amortization | 206,000 | 202,445 | 209,418 |
| Interest on capital lease | 42,000 | 40,127 | 44,014 |
| Interest on long-term debt | 50,000 | 44,032 | 47,624 |
| Student Union building | 90,300 | 118,579 | 103,613 |
| | 388,300 | 405,183 | 404,669 |
| Health and Dental fund | 599,600 | 653,253 | 634,165 |
| | 2,931,950 | 3,046,014 | 3,018,962 |
| Excess (deficiency) of revenues over expenses | \$ 6,850 | \$ (13,968) | \$ 55,528 |

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Statement of Changes in Fund Balances

Year ended July 31, 2015 with comparative information for 2014

| | Operating Fund | Building Fund | Health and Dental Fund | Total 2015 | Total 2014 |
|------------------------------------------------------------------------------------------------------------|-------------------|------------------|---------------------------|---------------|---------------|
| Fund balances, beginning of year | \$ 735,083 | \$ 1,625,630 | \$ 626,957 | \$ 2,987,670 | \$ 2,932,142 |
| Excess (deficiency) of revenue over expenses | 132,139 | (143,134) | (2,973) | (13,968) | 55,528 |
| Transfer from Operating and Health and Dental Funds to Building Fund per Council resolution | (93,000) | 118,000 | (25,000) | - | - |
| Fund balances, end of year | \$ 774,222 | \$ 1,600,496 | \$ 598,984 | \$ 2,973,702 | \$ 2,987,670 |

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Statement of Cash Flows

Year ended July 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|------------------------------------------------|--------------|--------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess (deficiency) of revenues over expenses | \$ (13,968) | \$ 55,528 |
| Items not involving cash: | | |
| Amortization | 274,949 | 285,258 |
| | 260,981 | 340,786 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | (223,342) | 239,275 |
| Prepaid expenses and deposits | (21,370) | 57,839 |
| Accounts payable and accrued liabilities | 80,231 | 24,982 |
| | 96,500 | 662,882 |
| Financing: | | |
| Repayment of obligations under capital lease | (72,792) | (68,905) |
| Repayment of long-term debt | (80,000) | (80,000) |
| | (152,792) | (148,905) |
| Investing: | | |
| Purchase of capital assets | (155,597) | (53,366) |
| (Decrease) increase in cash | (211,889) | 460,611 |
| Cash, beginning of year | 1,256,617 | 796,006 |
| Cash, end of year | \$ 1,044,728 | \$ 1,256,617 |

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements

Year ended July 31, 2015

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, 2015

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:

Property, plant and equipment are stated at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates:

| Asset | Basis | Rate |
|--------------------------------------------|-------------------|----------------|
| Furniture and equipment | Declining balance | 20% |
| Common Grounds furniture and equipment | Declining balance | 20% |
| Revitalization project | Straight-line | 15 years |
| Leasehold improvements under capital lease | Declining balance | 4% or 15 years |

(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, 2015

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:

| | 2015 | 2014 |
|------------------|-------------------|-------------------|
| Prepaid expenses | \$ 49,472 | \$ 11,045 |
| Prepaid rent | 177,673 | 194,730 |
| | <u>\$ 227,145</u> | <u>\$ 205,775</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, 2015

3. Capital assets:

| | | | 2015 | 2014 |
|----------------------------------------------------|--------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Operating fund: | | | | |
| Furniture and equipment | \$ 808,615 | \$ 509,888 | \$ 298,727 | \$ 297,032 |
| Common Grounds furniture and equipment | 83,803 | 60,393 | 23,410 | 29,262 |
| | 892,418 | 570,281 | 322,137 | 326,294 |
| Building fund: | | | | |
| Independent Centre equipment | 29,507 | 27,682 | 1,825 | 2,281 |
| Leasehold improvement financed under capital lease | 3,192,400 | 1,094,654 | 2,097,746 | 2,120,348 |
| Revitalization project | 1,382,058 | 607,833 | 774,225 | 866,362 |
| | 4,603,965 | 1,730,169 | 2,873,796 | 2,988,991 |
| | \$ 5,496,383 | \$ 2,300,450 | \$ 3,195,933 | \$ 3,315,285 |

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$9,875 (July 31, 2014 - \$11,223), which includes amounts payable for GST and payroll related taxes.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended July 31, 2015

5. Long-term debt:

| | 2015 | 2014 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| TRU, loan, bearing interest at 5.75% per annum, (repricing date November 15, 2018), repayable in annual instalments 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 | \$ 720,000 | \$ 800,000 |
| Current portion of long-term debt | 80,000 | 80,000 |
| | <u>\$ 640,000</u> | <u>\$ 720,000</u> |

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

| | |
|------------|-------------------|
| 2016 | \$ 80,000 |
| 2017 | 80,000 |
| 2018 | 80,000 |
| 2019 | 80,000 |
| 2020 | 80,000 |
| Thereafter | 320,000 |
| | <u>\$ 720,000</u> |

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended July 31, 2015

6. Obligation under capital lease:

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

| | 2015 | 2014 |
|--------------------------------------------------------|------------|------------|
| 2015 | \$ - | \$ 112,920 |
| 2016 | 112,920 | 112,920 |
| 2017 | 112,920 | 112,920 |
| 2018 | 112,920 | 112,920 |
| 2019 | 112,920 | 112,920 |
| 2020 | 112,920 | - |
| Thereafter | 225,838 | 338,758 |
| Total minimum lease payments | 790,438 | 903,358 |
| Less amount representing interest at 5.501% | 151,967 | 192,095 |
| Present value of net minimum capital lease payments | 638,471 | 711,263 |
| Less current portion of obligation under capital lease | 76,900 | 72,793 |
| | \$ 561,571 | \$ 638,470 |

Interest of \$40,127 (2014 - \$44,014) relating to the obligation under capital lease has been included in interest expense in the Building Fund.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended July 31, 2015

7. Non-discretionary allocations:

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

| | 2015 | 2014 |
|-----------------------------------------|------------|------------|
| Canadian Federation of Students | \$ 125,372 | \$ 125,108 |
| Cariboo Child Care Society | 21,718 | 21,920 |
| Cariboo Student Newspaper Society | 84,366 | 84,992 |
| Kamloops Campus/Community Radio Society | 95,924 | 96,993 |
| | \$ 327,380 | \$ 329,013 |

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

8. Financial instruments:

(a) Liquidity risk:

Liquidity risk is the risk that the Union will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Union manages its liquidity risk by monitoring its operating requirements. There has been no change to the risk exposure from 2014.

(b) Cash flow risk:

The Union is exposed to fair value risk as its obligation under capital lease and long-term debt are financed at fixed rates. As the Union plans to settle these debts in accordance with the disclosed repayment schedules (notes 5 and 6), it does not manage this risk. There has been no change in the risk exposure from 2014.

(c) 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 (91%) (2014 - 90%) 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.