

Financial Statements of

**THOMPSON RIVERS
UNIVERSITY STUDENTS' UNION**

Year ended July 31, 2018



KPMG LLP
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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, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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 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, 2018, 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.

Report on Other Legal and Regulatory Requirements

As stated by section 117 (1) (b) of the Societies Act (British Columbia), we are required to state whether these financial statements are prepared on a basis consistent with the basis on which the financial statements related to the preceding period were prepared. We report that, in our opinion, the significant accounting policies applied in preparing these financial statements have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

December 5, 2018

Kamloops, Canada

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Statement of Financial Position

July 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 2,406,660	\$ 1,842,558
Accounts receivable	441,332	287,499
Prepaid expenses and deposits (note 2)	142,132	156,762
	<u>2,990,124</u>	<u>2,286,819</u>
Capital assets (note 3)	2,506,492	2,726,587
	<u>\$ 5,496,616</u>	<u>\$ 5,013,406</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 477,122	\$ 418,081
Current portion of long-term debt (note 5)	80,000	80,000
Current portion of obligation under capital lease (note 6)	90,663	85,821
	<u>647,785</u>	<u>583,902</u>
Obligation under capital lease (note 6)	303,849	394,511
Long-term debt (note 5)	400,000	480,000
	<u>1,351,634</u>	<u>1,458,413</u>
Fund balances:		
Internally restricted funds - Building	1,785,872	1,741,603
Internally restricted funds - Health and Dental	740,224	618,268
Internally restricted funds - TRUSU Grants	469,699	373,798
Unrestricted funds - Operating	1,149,187	821,324
	<u>4,144,982</u>	<u>3,554,993</u>
Subsequent event (note 5)		
	<u>\$ 5,496,616</u>	<u>\$ 5,013,406</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, 2018, with comparative information for 2017

	Budget	2018	2017
Revenues:			
Membership dues	\$ 978,000	\$ 1,214,178	\$ 1,042,505
Student services	262,000	279,478	257,426
UPASS	800,000	1,036,041	920,261
Grants and other income	47,000	55,913	54,943
	<u>2,087,000</u>	<u>2,585,610</u>	<u>2,275,135</u>
Other:			
Building fund	258,000	314,642	275,317
Health and Dental fund	1,030,000	1,203,018	1,070,140
TRUSU Grants fund	315,000	413,651	364,589
	<u>3,690,000</u>	<u>4,516,921</u>	<u>3,985,181</u>
Expenses:			
Operating fund:			
Advocacy:			
Campaigns and government relations	33,600	28,300	32,013
Equity collectives	8,150	885	2,499
Student caucus and institutional governance	7,000	1,339	1,297
Students services:			
Clubs and faculty administration & grants	2,500	2,810	2,277
Common Grounds	166,750	141,784	136,128
Employment centre	108,000	108,000	108,000
Endowments and bursaries	25,000	25,000	20,000
General administrative and promotional	10,900	-	-
Student Union building	106,500	106,207	91,747
Tickets and passes	4,000	-	1,365
UPASS	801,250	1,036,041	919,928
Entertainment:			
Kickstart	47,500	49,722	47,719
Last class bash	4,000	1,268	625
Common voices	25,000	23,662	26,592
Volunteer registry	-	-	-
Communications and membership development	35,450	27,458	30,308
Office administration and professional fees:			
Office and administration	51,000	58,723	68,403
Professional fees	52,800	50,327	53,917
Governance and Council:			
Council	120,850	70,371	75,865
Governance	250	272	-
Wages and benefits	<u>449,500</u>	<u>497,578</u>	<u>433,453</u>
	<u>2,060,000</u>	<u>2,229,747</u>	<u>2,052,136</u>
Building fund:			
Amortization	256,000	248,985	257,973
Interest on capital lease	32,000	27,099	31,682
Interest on long-term debt	-	30,232	34,832
Rent	18,000	17,057	17,057
	<u>306,000</u>	<u>323,373</u>	<u>341,544</u>
Health and Dental fund	1,005,000	1,056,062	1,061,739
TRUSU Grants fund	313,500	317,750	183,921
	<u>3,684,500</u>	<u>3,926,932</u>	<u>3,639,340</u>
Excess of revenues over expenses	<u>\$ 5,500</u>	<u>\$ 589,989</u>	<u>\$ 345,841</u>

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Statement of Changes in Fund Balances

Year ended July 31, 2018, with comparative information for 2017

	Operating Fund	Building Fund	Health and Dental Fund	TRUSU Grants Fund	Total 2018	Total 2017
Fund balances, beginning of year	\$ 821,324	\$ 1,741,603	\$ 618,268	\$ 373,798	\$ 3,554,993	\$ 3,209,152
Excess (deficiency) of revenue over expenses	355,863	(8,731)	146,956	95,901	589,989	345,841
Transfer from Operating and Health and Dental Funds to Building Fund per Council resolution	(28,000)	53,000	(25,000)	-	-	-
Fund balances, end of year	\$ 1,149,187	\$ 1,785,872	\$ 740,224	\$ 469,699	\$ 4,144,982	\$ 3,554,993

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Statement of Cash Flows

Year ended July 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 589,989	\$ 345,841
Item not involving cash:		
Amortization	248,985	257,973
	<u>838,974</u>	<u>603,814</u>
Changes in non-cash operating working capital:		
Accounts receivable	(153,833)	(41,141)
Prepaid expenses and deposits	14,630	24,676
Accounts payable and accrued liabilities	59,041	(73,584)
	<u>758,812</u>	<u>513,765</u>
Financing activities:		
Repayment on obligations under capital lease	(85,820)	(81,239)
Repayment on long-term debt	(80,000)	(80,000)
	<u>(165,820)</u>	<u>(161,239)</u>
Investing activities:		
Purchase of capital assets	(28,890)	(17,521)
<hr/>		
Increase in cash	564,102	335,005
Cash, beginning of year	1,842,558	1,507,553
Cash, end of year	<u>\$ 2,406,660</u>	<u>\$ 1,842,558</u>

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements

Year ended July 31, 2018

Nature of operations:

Thompson Rivers University Students' Union (the "Union") is incorporated under the Societies Act of British Columbia and its principal activity is to provide services to the students of Thompson Rivers University ("TRU"). The Union is exempt from income taxes, provided certain requirements of the Income Tax Act are met. On November 28, 2016, the new Societies Act (British Columbia) became effective. On February 2, 2017, the Union transitioned to the new Act.

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.

(iv) TRUSU Grants Fund:

The TRUSU Grants Fund reflects 1/3 of the net fees collected from students for the Comprehensive University Enhancement Fund, which are internally restricted for the provision of student grants.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended July 31, 2018

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.

Grants, 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. 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, 2018

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:

	2018	2017
Prepaid expenses	\$ 15,629	\$ 13,202
Prepaid rent	126,503	143,560
	<u>\$ 142,132</u>	<u>\$ 156,762</u>

During fiscal 2013, 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, 2018

3. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Operating fund:				
Furniture and equipment	\$ 862,716	\$ 664,436	\$ 198,280	\$ 215,349
Common Grounds furniture and equipment	83,803	71,817	11,986	14,982
	946,519	736,253	210,266	230,331
Building fund:				
Independent Centre equipment	29,507	28,573	934	1,168
Leasehold improvement financed under capital lease	3,220,397	1,422,919	1,797,478	1,905,137
Revitalization project	1,382,058	884,244	497,814	589,951
	4,631,962	2,335,736	2,296,226	2,496,256
	\$ 5,578,481	\$ 3,071,989	\$ 2,506,492	\$ 2,726,587

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,045 (July 31, 2017 - \$1,468), which includes amounts payable for GST and payroll related taxes.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended July 31, 2018

5. Long-term debt:

	2018	2017
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	\$ 480,000	\$ 560,000
Current portion of long-term debt	80,000	80,000
	<u>\$ 400,000</u>	<u>\$ 480,000</u>

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

2019	\$ 80,000
2020	80,000
2021	80,000
2022	80,000
2023	80,000
Thereafter	80,000
	<u>\$ 480,000</u>

Interest of \$30,232 (2017 - \$34,832) relating to the long-term debt has been included in interest expense in the Building Fund.

Subsequent to year end, the remaining long-term debt balance of \$480,000 and accrued interest of \$18,677 was repaid to TRU.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended July 31, 2018

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:

	2018	2017
2018	\$ -	\$ 112,920
2019	112,920	112,920
2020	112,920	112,920
2021	112,920	112,920
2022	112,920	112,920
Total minimum lease payments	451,680	564,600
Less amount representing interest at 5.501%	57,168	84,268
Present value of net minimum capital lease payments	394,512	480,332
Less current portion of obligation under capital lease	90,663	85,821
	\$ 303,849	\$ 394,511

Interest of \$27,099 (2017 - \$31,682) relating to the obligation under capital lease has been included in interest expense in the Building Fund.

7. Non-discretionary allocations:

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

	2018	2017
Canadian Federation of Students	\$ 152,660	\$ 134,320
Cariboo Child Care Society	25,609	22,795
Cariboo Student Newspaper Society	99,101	88,524
Kamloops Campus/Community Radio Society	113,450	100,574
	\$ 390,820	\$ 346,213

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

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended July 31, 2018

8. Director, employee and contractor remuneration:

In accordance with the Societies Act (British Columbia) Section 36.1 of Societies Regulation 9.2 (b):

For the fiscal year ending July 31, 2018, the Union paid remuneration to the following directors:

	2018
President	\$ 8,582
Vice President Equity	6,072
Vice President External	8,983
Vice President Internal	6,108
Vice President Services	6,262
Aboriginal Representative	3,440
Graduate Students' Representative	3,407
International Students' Representative	2,945
LGBTQ+ Representative	1,836
Visible Minorities Representative	1,670
Women's Representative	470
Campaigns Committee Representative	3,906
Entertainment Committee Representative	2,988
Services Committee Representative	5,336
University Affairs Committee (2017 - Student Caucus Steering Committee)	4,165
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	\$ 66,170

Included in wages and benefits is one employee with remuneration over \$75,000. Total annual remuneration, including salaries and taxable benefits, paid to this individual for the year ended July 31, 2018 was \$76,837.

THOMPSON RIVERS UNIVERSITY STUDENTS' UNION

Notes to Financial Statements (continued)

Year ended July 31, 2018

9. 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 2017.

(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 2017.

(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.

10. Economic dependence:

Substantially all of the Union's revenue (93%) (2017 - 93%) 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.