THOMPSON RIVERS UNIVERSITY

Consolidated Financial Statements

For the year ended March 31, 2019

THOMPSON RIVERS UNIVERSITY

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Year ended March 31, 2019

THOMPSON RIVERS UNIVERSITY

STATEMENT OF ADMINISTRATIVE RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2019

The University is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and the Province of British Columbia direction outlined in note 2(a). This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting measurement of transactions in which objective judgment is required. In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University's management has developed and maintains a system of internal controls designed to provide reasonable assurance that the University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements. The system of internal controls is monitored by the University's management.

The Board of Governors carries out its responsibility for review of the consolidated financial statements principally through its Audit Committee. The members of the Audit Committee are not officers or employees of the University. The Audit Committee meets with the management and with the internal and external auditors to discuss the results of audit examinations and financial reporting matters. The auditors have full access to the Audit Committee, with and without the presence of the management.

The consolidated financial statements have been examined by KPMG LLP, Chartered Professional Accountants, the external auditors appointed by the University's Board of Governors. The Independent Auditors' Report outlines the nature of their examination and expresses an opinion on the consolidated financial statements of the University for the year ended March 31, 2019.

On behalf of the University:

________________ Board Chair, James Thomson

________________ Vice-President, Administration and Finance, Matt Milovick

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Thompson Rivers University (the "University"), which comprise:

- the consolidated statement of financial position as March 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of and cash flows for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2019 of the University are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 2a to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.
Our opinion is not modified in respect of this matter

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Kamloops, Canada

June 14, 2019

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Financial Position

March 31, 2019 with comparative figures for 2018
(thousands of dollars)

		2019	2018
Financial Assets			
Cash	(Note 3)	$ 55,694	$ 36,423
Accounts receivable	(Note 4)	10,315	6,719
Inventories for resale		2,010	1,681
Loan receivable	(Note 5)	-	480
Investments	(Note 6a)	52,694	81,688
		$ 120,713	$ 126,991
Liabilities			
Accounts payable and accrued liabilities	(Note 7)	$ 52,710	$ 50,216
Employee future benefits	(Note 8b)	3,787	3,946
Deferred contributions	(Note 9)	17,842	14,944
Debt	(Note 10)	36,802	11,243
Obligations under capital leases	(Note 11)	36,571	37,181
Deferred capital contributions	(Note 12)	116,997	104,557
		$ 264,709	$ 222,087
Net debt		$ (143,996)	$ (95,096)
Non-Financial Assets			
Tangible capital assets	(Note 13)	$ 269,831	$ 203,866
Endowments	(Note 15)	9,241	8,010
Inventories held for use		27	39
Prepaid expenses		1,568	636
		$ 280,667	$ 212,551
Accumulated surplus	(Note 14)	$ 136,671	$ 117,455
Accumulated surplus is comprised of:			
Accumulated capital & other surpluses	(Note 14)	$ 126,347	$ 109,387
Endowments	(Note 15)	9,258	8,010
Accumulated remeasurement gains		1,066	58
		$ 136,671	$ 117,455

Contractual obligations and contingent liabilities (Note 17)
See accompanying notes to consolidated financial statements

On behalf of the Board:

Board Chair

Vice-President, Administration and Finance

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2019 with comparative figures for 2018
(thousands of dollars)

	2019 Budget (Note 2(k))	2019	2018
Revenue:			
Government and other grants	$ 81,826	$ 80,761	$ 79,624
Tuition and other student fees	103,379	108,536	90,478
Revenue recognized from deferred capital contributions	3,715	3,679	3,065
Contract and other revenue	6,079	6,238	6,381
Donations	2,099	2,847	2,886
Investment	2,810	3,206	3,661
Retail sales, parking, and residence	18,245	20,220	18,237
	218,153	225,487	204,332
Expenses (Note 18):			
Academic instruction	103,800	106,551	99,051
Student support and general operations	48,863	55,159	50,624
Facility operations and maintenance	20,017	21,178	20,262
Research	4,978	5,496	4,714
Ancillary operations	16,042	18,912	15,318
	193,700	207,296	189,969
Endowment contributions	-	17	1,505
Annual surplus (restricted for capital)	$ 24,453	$ 18,208	$ 15,868
Accumulated capital & other surpluses, beginning of year	109,387	109,387	95,304
Endowments, beginning of year	8,010	8,010	6,225
Accumulated capital & other surpluses, end of year (Note 14)	133,840	126,347	109,387
Endowments, end of year (Note 15)	8,010	9,258	8,010

Allocation of annual surplus:			
Internally funded capital projects	$ (31,113)	$ (32,991)	$ (6,752)
Board reserve	(1,823)	(1,913)	(1,714)
Capital reserves	-	-	-
Faculty, department and other reserves	-	313	(18)
Endowment reserve	-	(17)	(1,505)
	(32,936)	(34,608)	(9,989)
Annual surplus (deficit)	$ (8,483)	$ (16,400)	$ 5,879

See accompanying notes to consolidated financial statements

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2019 with comparative figures for 2018
(thousands of dollars)

	2019 Budget (Note 2(k))	2019	2018
Annual surplus	$ 24,453	$ 18,208	$ 15,868
Capital activities			
Acquisition of tangible capital assets, net of disposals	(31,113)	(74,551)	(26,761)
Amortization of tangible capital assets	8,177	8,587	7,077
	(22,936)	(65,964)	(19,684)
Changes in non-financial assets			
Endowments	-	(1,231)	(1,785)
Prepaid expenses	-	(933)	266
Inventories held for use	-	12	(3)
	-	(2,152)	(1,522)
Net remeasurement gains (losses)	-	1,008	(1,466)
Decrease (increase) in net debt for the year	1,517	(48,900)	(6,804)
Net debt, beginning of year	(95,096)	(95,096)	(88,292)
Net debt, end of year	$ (93,579)	$ (143,996)	$ (95,096)

See accompanying notes to consolidated financial statements

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Cash Flows

Year ended March 31, 2019 with comparative figures for 2018
(thousands of dollars)

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 18,208	$ 15,868
Items not involving cash:		
Amortization of tangible capital assets	8,587	7,077
Revenue recognized from deferred capital contributions	(3,679)	(3,065)
Change in non-cash operating working capital:		
Accounts receivable	(3,596)	2,079
Prepaid expenses	(933)	266
Inventories held for use	12	(3)
Inventories for resale	(329)	(130)
Accounts payable and accrued liabilities	2,495	14,928
Employee future benefits	(159)	(204)
Deferred contributions	2,898	3,170
Net change in cash from operating activities	23,504	39,986
Capital activities:		
Acquisition of tangible capital assets	(74,609)	(26,761)
Disposals of tangible capital assets	58	-
Net change in cash from capital activities	(74,551)	(26,761)
Investing activities:		
Investments	28,994	(24,067)
Loan receivable	480	80
Net remeasurement gains (losses)	1,008	(1,466)
Endowment	(1,231)	(1,785)
Net change in cash from investing activities	29,251	(27,238)
Financing activities:		
Debt	25,559	(57)
Deferred capital contributions	16,118	20,009
Obligations under capital lease	(610)	(580)
Net change in cash from financing activities	41,067	19,372
Net change in cash	19,271	5,359
Cash, beginning of year	36,423	31,064
Cash, end of year	$ 55,694	$ 36,423

See accompanying notes to consolidated financial statements

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2019 with comparative figures for 2018
(thousands of dollars)

	2019	2018
Unrealized gains at beginning of year on Portfolio investments	$ 58	$ 1,524
Unrealized gains (losses) during the year on Portfolio investments	426	(1,593)
Losses reclassified to the statement of operations	582	127
Net remeasurement gains (losses)	1,008	(1,466)
Unrealized gains at the end of year on Portfolio investments	$ 1,066	$ 58

See accompanying notes to consolidated financial statements

1. Authority and purpose

Thompson Rivers University (the "University") operates under the authority of the Thompson Rivers University Act of British Columbia. The University is a not-for-profit entity governed by a Board of Governors, the majority of which are appointed by the provincial government of British Columbia. The University is a registered charity and is therefore exempt from income taxes under section 149 of the Income Tax Act.

The University offers a broad range of program options including graduate and undergraduate degrees, career diplomas, and trades training at its Kamloops and Williams Lake campuses through on campus and distance learning opportunities.

2. Summary of significant accounting policies

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

(a) Basis of accounting

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

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

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

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

For British Columbia taxpayer supported organizations, these contributions include government transfers and restricted contributions.

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

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

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

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation

(i) Consolidated entities

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

(ii) Investment in Government Business Enterprises

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

Currently the only GBE of the University is Thompson Rivers University Community Trust (TRUCT) (Note 6b). The trustee of the TRUCT is TRUCC. The fiscal year end of the Trust is December 31, 2018. Significant transactions between the Trust's year-end and March 31, 2019 are recognized where applicable.

(c) Cash

Cash includes cash on hand and short-term deposits.

(d) Financial instruments

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

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

2. Summary of significant accounting policies (continued)

(e) Inventories for resale

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

(f) Non-financial assets

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

(i) Tangible capital assets

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

Tangible Capital Assets	Amortization Period
Land improvements	10 - 30 years
Buildings, renovations, and buildings under capital lease	15 - 50 years
Furniture, equipment, equipment under lease and library acquisitions	3 - 10 years

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

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

(ii) Works of art and historic assets

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

(iii) Leased tangible capital assets

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

(iv) Inventories held for use

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

2. Summary of significant accounting policies (continued)

(g) Employee future benefits

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

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

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

(h) Revenue recognition

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

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

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

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

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

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

(iv) The University leases land to third parties as described in Note 11. Cash received from land leases is recognized in revenue in the period to which it applies.

2. Summary of significant accounting policies (continued)

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

(i) Use of estimates

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

(j) Foreign currency translation

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

(k) Budget figures

Budget figures have been provided for comparative purposes and have been compiled from the Annual Budget Report approved by the University's Board of Governors on March 23, 2018. The budget is reflected in the Consolidated Statement of Operations and Accumulated Surplus, Consolidated Statement of Changes in Net Debt and in Note 18, Expenses by object.

3. Cash

	In thousands 2019	2018
Restricted cash	$ 1,022	$ 1,022
Unrestricted cash	54,672	35,401
	$ 55,694	$ 36,423

Restricted cash consists of $1.0 million for the monthly capital lease payments.

4. Accounts receivable

	In thousands			
		2019		2018
Trade	$	5,142	$	3,636
Student and sponsor		1,319		1,351
Related parties		4,034		1,911
Allowance for doubtful accounts		(180)		(179)
	$	10,315	$	6,719

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

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

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

5. Loan receivable

	In thousands			
		2019		2018
TRU Student Union term loan	$	-	$	480

6. Financial instruments

Fair value of financial instruments:

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

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

6. Financial instruments (continued)

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

(a) Investments

Investments are comprised of Canadian and foreign equities, government and corporate bonds with various maturity dates and an investment in a Government Business Enterprise. The weighted average rate of return for bonds is 3.37% (March 31, 2018 – 2.91%)

	In thousands 2019	In thousands 2018
Cash	$ -	$ 750
Equities at cost	46,098	43,490
Equities – unrealized gains	2,682	1,611
Bonds at cost	8,148	31,806
Accrued interest	2,175	8,284
Bonds – unrealized gains	535	1,741
Investment in Government Business Enterprise (Note 6b)	2,297	2,016
	$ 61,935	$ 89,698
Portfolio and other investments	52,694	81,688
Endowments	9,241	8,010
	$ 61,935	$ 89,698

(b) Investment in Government Business Enterprise

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

	In thousands 2019	In thousands 2018
Investment in TRUCT, beginning of year	$ 2,016	$ 204
Current year investment	(789)	1,431
Equity in earnings for the year	1,151	381
Distributions to beneficiaries	(81)	-
Investment in TRUCT, end of year	$ 2,297	$ 2,016

6. Financial instruments (continued)

(c) Financial information as of December 31, 2018 for TRUCT is as follows:

	In thousands	
	2019	2018
Assets	$ 2,248	$ 3,382
Liabilities	(2,249)	(4,453)
Equity	(1)	(1,071)
Revenues	2,360	1,526
Expenses	(1,209)	(1,145)
Earnings	$ 1,151	$ 381

7. Accounts payable and accrued liabilities

	In thousands	
	2019	2018
Trade payable and accrued liabilities	$ 33,946	$ 33,714
Salaries and benefits payable	9,636	7,868
Accrued vacation payable	9,128	8,634
	$ 52,710	$ 50,216

8. Employee future benefits

(a) Pension benefits

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trusteed pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2018, the College Pension Plan has about 14,000 active members, and approximately 8,000 retired members. As at December 31, 2017, the Municipal Pension Plan has about 197,000 active members, including approximately 6,000 from universities and colleges.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2015, indicated a $67 million surplus for basic pension benefits. The next valuation was August 31, 2018, with results available in 2019. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2015, indicated a $2,224 million funding surplus for basic pension benefits. The next valuation was December 31, 2018, with results available later in 2019.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for the plans in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

The University paid $9.47 million for employer contributions to the plans in fiscal 2019.

8. Employee future benefits (continued)

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

The University sponsors a benefit plan that provides post-employment benefits to certain employees. The benefits offered to employees include vested and non-vested sick leave. The plan does not require any contributions from employees. The accrued benefit obligation and the net periodic benefit cost were estimated for a 6 year period by an actuarial valuation completed on March 18, 2015.

The benefit liability at March 31, 2019 includes the following components:

	In thousands	
	2019	2018
Accrued benefit obligation, beginning of year	$ 3,946	$ 4,150
Current service cost	308	301
Interest cost	105	108
Benefits paid	(809)	(911)
Accrued benefit obligation, end of year	3,550	3,648
Unamortized net actuarial gain	237	298
Accrued benefit liability, end of year	$ 3,787	$ 3,946

The benefit expense at March 31, 2019 for employee future benefits includes the following components:

	In thousands	
	2019	2018
Current service cost	$ 308	$ 301
Interest cost	105	108
Amortization of net actuarial gain	(60)	(60)
Employee future benefit expense	$ 353	$ 349

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

Measurement date of accrued benefit obligation:	March 31, 2019
Beginning of period discount rate, April 1, 2015	3.00%
End of period discount rate, March 31, 2020	2.85%
Expected future salary increase	2.50%
Expected average remaining service lifetime (EARSL) of active employees	6 years

9. Deferred contributions

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

	In thousands 2019	In thousands 2018
Tangible capital assets	$ 8,057	$ 7,437
Sponsored research and specific purpose	3,729	3,468
Operating and other	3,349	2,555
TRUCT deferred lease proceeds	1,652	465
Endowment	1,055	1,019
	$ 17,842	$ 14,944

Changes in the deferred contribution balance are as follows:

In thousands — 2019

	Tangible capital assets	Sponsored research & specific purpose	Operating & other	TRUCT deferred lease proceeds	Endowment	Total
Balance, beginning of year	$ 7,437	$ 3,468	$ 2,555	$ 465	$ 1,019	$ 14,944
Contributions & other revenue received during the year	16,738	8,392	214,131	1,204	463	240,928
Transfer to deferred capital contribution	(16,118)	-	-	-	-	(16,118)
Recognition to revenue	-	(8,131)	(213,337)	(17)	(427)	(221,912)
Balance, end of year	$ 8,057	$ 3,729	$ 3,349	$ 1,652	$ 1,055	$ 17,842

In thousands — 2018

	Tangible capital assets	Sponsored research & specific purpose	Operating & other	TRUCT deferred lease proceeds	Endowment	Total
Balance, beginning of year	$ 6,134	$ 2,566	$ 2,115	$ -	$ 959	$ 11,774
Contributions & other revenue received during the year	22,332	5,448	193,049	470	441	221,740
Transfer to deferred capital contribution	(20,009)	-	-	-	-	(20,009)
Recognition to revenue	(1,020)	(4,546)	(192,609)	(5)	(381)	(198,561)
Balance, end of year	$ 7,437	$ 3,468	$ 2,555	$ 465	$ 1,019	$ 14,944

10. Debt

		In thousands		
		2019		2018
Ministry of Finance loan, unsecured, bears interest at 2.95%, repayable in semi annual payments of principal and interest, matures March 2044.	$	25,500	$	-
Ministry of Finance commercial paper, unsecured, bears interest at 2.2%, repayable at maturity on November 15, 2019.		4,502		4,443
Bank of Montreal fixed rate term loan, bears interest at 3.71%, repayable at maturity on May 31, 2023.		6,000		6,000
Bank of Montreal fixed rate term loan, bears interest at 3.37%, repayable at maturity on December 31, 2021.		800		800
	$	36,802	$	11,243

Principal repayments for the next year are estimated at $5.2 million.

11. Obligations under capital leases

The University has entered into a Land Lease agreement with Dacon Corporation Ltd. ("Dacon"). Under the terms of the Land Lease, the University has leased 0.5 of a hectare of land on its Kamloops Campus to Dacon from April 1, 2005 to August 31, 2047. The land lease required Dacon to construct a student residence with approximately 580 beds in accordance with plans approved by the University. Annual rent under the Land Lease is $5 thousand for the term of the agreement. The University will pay Dacon a surrender fee at the end of the lease equal to Dacon's net investment in the assets constructed on the land.

A Project Financing Agreement between the University, Dacon and Desjardins Trust Inc. obligates the University to make payments of principal and interest on the indebtedness incurred on the construction of the residence if for any reason the payments are not made by the primary debtor, Dacon. The interest rate on the debt is 5.14% (2018 – 5.14%).

The University has also entered into a sublease with Dacon. Under the terms of the sublease, the University leases the student residence from Dacon from September 1, 2006 for the term of the land lease less one day. Rent under the sublease is (i) Dacon's debt service costs associated with the financing of the residence, and (ii) 60% of the free cash flow each year (net of a contribution to a capital reserve fund) from the residence as defined in the sublease.

The University has entered into a Management Agreement with Dacon and Campus Living Centres Inc. ("CLC"). Under the terms of the Management Agreement, the University retains CLC, for the term of the sublease, to manage the residence and to comply with the obligations of the University under the sublease.

11. Obligations under capital leases (continued)

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

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

	In thousands	
	2019	2018
Year ending March 31:		
2019	$ -	$ 2,484
2020	2,484	2,484
2021	2,464	2,464
2022	2,441	2,441
2023	2,441	2,441
2024	2,442	2,442
Thereafter	56,602	56,602
Total minimum lease payments	68,874	71,358
Less amounts representing interest	(32,303)	(34,177)
Present value of net minimum capital lease payments	$ 36,571	$ 37,181

Total interest under capital lease payments for the year was $1.9 million (2018 - $1.9 million).

12. Deferred capital contributions

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

Changes in the deferred capital contributions balance are as follows:

	In thousands	
	2019	2018
Balance, beginning of year	$ 104,557	$ 87,613
Additions during the year		
Government grants	14,465	18,633
Donations and other	1,091	2,652
Changes in amounts deferred	563	(1,276)
	16,119	20,009
Less revenue recognized from deferred capital contributions	(3,679)	(3,065)
Balance, end of year	$ 116,997	$ 104,557

13. Tangible capital assets

In thousands

2019

	Land and improvements	Buildings	Building and equipment under capital lease	Furniture, equipment and library acquisitions	Total
Cost, beginning of year	$ 22,161	$ 216,391	$ 42,131	$ 83,653	$ 364,336
Additions	12,642	57,119	223	4,625	74,609
Disposals	-	-	-	(88)	(88)
Cost, end of year	34,803	273,510	42,354	88,190	438,857
Accumulated amortization, beginning of year	9,410	68,671	13,626	68,763	160,470
Amortization expense	359	4,809	1,060	2,359	8,587
Disposals	-	-	-	(31)	(31)
Accumulated amortization, end of year	9,769	73,480	14,686	71,091	169,026
Net book value	$ 25,034	$ 200,030	$ 27,668	$ 17,099	$ 269,831

In thousands

2018

	Land and improvements	Buildings	Building and equipment under capital lease	Furniture, equipment and library acquisitions	Total
Cost, beginning of year	$ 20,015	$ 196,285	$ 42,131	$ 79,144	$ 337,575
Additions	2,146	20,106	-	4,509	26,761
Cost, end of year	22,161	216,391	42,131	83,653	364,336
Accumulated amortization, beginning of year	9,156	64,696	12,576	66,965	153,393
Amortization expense	254	3,975	1,050	1,798	7,077
Accumulated amortization, end of year	9,410	68,671	13,626	68,763	160,470
Net book value	$ 12,751	$ 147,720	$ 28,505	$ 14,890	$ 203,866

Assets under construction having a value of $12.2 million (2018 - $26.8 million) have not been amortized. Amortization of these assets will commence when the asset is put into service.

14. Accumulated surplus

Accumulated capital and other surpluses consist of the following:

	In thousands 2019	2018
Invested in tangible capital assets:		
Tangible capital assets	$ 269,831	$ 203,866
Debt used for tangible capital asset acquisition	(36,802)	(10,244)
Amounts financed by deferred capital contributions	(116,997)	(104,557)
Capital lease obligation	(36,571)	(37,181)
	79,461	51,884
Internally restricted:		
Designated and specific purpose reserves	7,988	7,402
Faculty and department reserves	8,099	8,737
Capital reserves	27,122	37,836
Residence repair and replacement reserve	677	528
	43,886	54,503
Unrestricted	3,000	3,000
Total accumulated capital and other surpluses	$ 126,347	$ 109,387
Endowments	9,258	8,010
Accumulated remeasurement gains	1,066	58
Accumulated surplus	$ 136,671	$ 117,455

Invested in tangible capital assets represent assets purchased with unrestricted and internally restricted surpluses.

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

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

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

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

15. Endowments

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

Proceeds received from the TRU Community Trust (TRUCT) are to be deferred and recognized over a 99 year period. As such, only the portion of the proceeds recognized in the year will be added to the endowment balance.

Changes to the endowment balances are as follows:

	In thousands 2019	In thousands 2018
Balance, beginning of the year	$ 8,010	$ 6,225
Contributions received during the year	2,434	2,250
	10,444	8,475
Portion available for distribution, beginning of the year	381	959
Restricted investment income	1,101	441
Expenses during the year	(427)	(381)
Deferred proceeds	(2,258)	(1,484)
Endowment investment balance, end of year	9,241	8,010
Non-cash recognition of TRUCT lease proceeds	17	-
Endowment equity balance, end of year	$ 9,258	$ 8,010

16. Financial risk management

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

(a) Interest rate risk:

The University is exposed to the interest rate risk in respect of its portfolio investments, which earn interest income at various rates, and its debt which bears interest at rates as disclosed in Notes 10.

(b) Credit risk:

Unless otherwise disclosed in these financial statements, the University is not subject to significant credit risk associated with its financial instruments. The maximum credit risk for the University's financial assets is the carrying value of the asset.

16. Financial risk management (continued)

(c) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in interest rates and equity prices will affect the University's income and the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while maximizing the return. The composition of the University's investments includes fixed income, equities, and other investments. The composition varies based on the University's needs and investment objectives as outlined in the University's investment policy.

(d) Liquidity risk:

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

17. Contractual obligations and contingent liabilities

(a) The University is committed to payments under various contracts and leases with various expiry dates through 2024 as detailed below:

	In thousands		
Year	Equipment and operating leases	Janitorial and other service contracts	Total
2020	$ 1,095	$ 1,840	$ 2,935
2021	770	374	1,144
2022	593	34	627
2023	366	34	400
2024	140	34	174

(b) The University has agreed to contribute one third of the net operating loss of the City of Kamloops Aquatic Centre to a maximum of $150 thousand annually. The University's proportionate contribution of the 2019 Aquatic Centre operating loss amounted to $150 thousand (2018 - $150 thousand).

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

18. Expenses

The following is a summary of expenses by object:

	In thousands		
	Budget	2019	2018
Advertising and public relations	$ 5,194	$ 5,153	$ 5,239
Amortization of capital assets	8,177	8,587	7,077
Bank charges, interest and bad debt	1,179	1,494	1,136
Building, equipment, operations and maintenance	10,712	10,937	10,954
Bursaries, awards and scholarships	4,413	4,820	4,385
Computer supplies and licenses	1,676	2,251	1,891
Cost of materials sold	7,033	7,520	7,504
Interest on capital lease obligation	1,875	1,872	1,902
Interest on debt	196	1,217	175
Leases and rentals	2,439	3,809	3,712
Professional fees and contracted services	16,354	16,283	15,369
Salaries and benefits	124,726	131,223	119,387
Supplies, postage and freight	3,944	5,812	5,520
Travel	5,782	6,318	5,718
	$ 193,700	$ 207,296	$ 189,969

19. Related organizations

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

(a) The TRU Foundation (the "Foundation") has been established for the benefit of the University and its students. During the fiscal period ending March 31, 2019 the Foundation fundraised and donated to the University $0.8 million for capital projects (2018 - $2.7 million), and $2.5 million for bursaries, scholarships, and other projects (2018 - $3.9 million).

(b) Other provincial government operations

The University is related through common ownership to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Transactions with these entities are considered to be in the normal course of operations and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.