

Financial Statements of

**THOMPSON RIVERS
UNIVERSITY**

Year ended March 31, 2008

THOMPSON RIVERS UNIVERSITY

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Year ended March 31, 2008

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STATEMENT OF ADMINISTRATIVE RESPONSIBILITY FOR FINANCIAL STATEMENTS

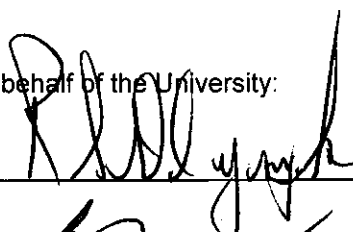
The University is responsible for the preparation of the financial statements and has prepared them in accordance with Canadian generally accepted accounting principles prescribed for not-for-profit organizations by the Canadian Institute of Chartered Accountants. The financial statements present fairly the financial position of the University as at March 31, 2008 and the results of its operations and the changes in its net assets for the year then ended.


In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University's administration has developed and maintains a system of internal controls designed to provide reasonable assurance that the University assets are safeguarded from loss and that the accounting records are reliable basis for the preparation of financial statements. The system of internal controls is monitored by the University's internal auditor.

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

The financial statements have been examined by KPMG LLP, Chartered Accountants, the external auditors appointed by the University's Board of Governors. The Auditor's report outlines the nature of their examination and expresses an opinion on the financial statements of the University for the year ended March 31, 2008.

On behalf of the University:


Board Chair


Vice-President Administration and Finance



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AUDITORS' REPORT

To the Board of Governors of the Thompson Rivers University

We have audited the statement of financial position of Thompson Rivers University as at March 31, 2008 and the statements of operations and changes in unrestricted net assets, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Kamloops, Canada
May 9, 2008

THOMPSON RIVERS UNIVERSITY

Exhibit A - Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	\$ 17,511,359	\$ 2,089,517
Short-term investments (note 2)	383,307	2,800,307
Accounts receivable (note 3)	4,715,047	4,325,682
Inventories	1,721,569	1,711,947
Prepaid expenses	198,701	212,872
	<u>24,529,983</u>	<u>11,140,325</u>
Long-term investments (note 2)	36,067,285	35,896,016
Capital assets (note 4)	140,619,479	142,342,266
	<u>\$ 201,216,747</u>	<u>\$ 189,378,607</u>

Liabilities, Deferred Capital Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,472,219	\$ 9,421,518
Wages payable	2,189,954	2,723,683
Deferred revenue (note 5)	15,913,028	13,713,816
Current portion of accrued sick and vacation liability (note 6(a))	6,420,264	5,954,593
Current portion of long-term debt (note 7)	7,280,421	3,168,902
Current portion of capital lease obligation (note 8)	342,466	325,519
	<u>42,618,352</u>	<u>35,308,031</u>
Long-term liabilities:		
Accrued sick and vacation liability (note 6(a))	5,384,982	5,247,313
Long-term debt (note 7)	10,160,466	9,711,650
Capital lease obligation (note 8)	41,083,848	41,426,314
	<u>99,247,648</u>	<u>91,693,308</u>
Deferred capital contributions (note 9)	69,547,579	70,062,067
Net assets:		
Invested in capital assets (note 10)	16,704,699	17,647,814
Internally restricted (note 11)	13,106,566	9,837,627
Unrestricted	2,610,255	137,791
	<u>32,421,520</u>	<u>27,623,232</u>
	<u>\$ 201,216,747</u>	<u>\$ 189,378,607</u>

Commitments and contingencies (note 12)

See accompanying notes to financial statements.

On behalf of the Board:

Board Chair

Vice-President Administration and Finance

THOMPSON RIVERS UNIVERSITY

Exhibit B - Statement of Operations and Changes in Unrestricted Net Assets

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Revenues:		
Government grants	\$ 73,940,029	\$ 69,948,793
Tuition fees	34,977,507	33,890,187
Gifts, grants and bequests	1,123,034	1,140,835
Interest and other income	4,616,537	4,873,354
Ancillary services	14,778,738	11,839,573
Amortization of deferred contributions	3,496,132	3,065,729
Access and other fees	5,555,859	5,861,926
	<u>138,487,836</u>	<u>130,620,397</u>
Expenses:		
Salaries and benefits	82,414,632	79,978,418
Advertising and public relations	1,586,867	1,512,894
Amortization of capital assets	7,788,292	5,696,234
Building, equipment, operations and maintenance	9,846,056	6,887,377
Bursaries, scholarships, TRU foundation and alumni	1,713,246	1,501,710
Cost of materials sold	6,050,523	6,242,455
Interest on capital lease obligation	2,115,900	1,240,086
Interest on long term debt	848,014	743,170
Leases and insurance	1,065,668	1,351,046
Professional fees and contracted services	7,849,764	7,106,327
Supplies, postage and computer services	7,889,701	7,050,700
Travel, membership and recruitment	5,715,161	5,572,882
	<u>134,883,824</u>	<u>124,883,299</u>
Excess of revenue over expenses	3,604,012	5,737,098
Net decrease (increase) in net assets invested in capital assets (note 10)	943,115	(3,935,636)
Increase in internally restricted net assets (note 11)	(3,268,939)	(2,934,155)
Adjustment to net assets on adoption of new accounting policies, net (note 1(f))	1,194,276	-
Net change in unrestricted net assets	<u>\$ 2,472,464</u>	<u>\$ (1,132,693)</u>

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY

Exhibit C - Statement of Changes in Net Assets

Year ended March 31, 2008, with comparative figures for 2007

	Invested in capital assets (note 10)	Internally restricted (note 11)	Unrestricted	Total 2008	Total 2007
Net assets, beginning of year	\$ 17,647,814	\$ 9,837,627	\$ 137,791	\$ 27,623,232	\$ 21,886,134
Adjustment to net assets on adoption of new accounting policies, net (note 1(f))	(832,676)	-	2,026,952	1,194,276	-
Excess (deficiency) of revenue over expenses,	(4,470,956)	227,205	7,847,763	3,604,012	5,737,098
Capital asset purchased, net of assets purchased through deferred capital contributions	3,083,861	-	(3,083,861)	-	-
Repayment of long-term debt	951,137	-	(951,137)	-	-
Repayment of obligations under capital lease	325,519	-	(325,519)	-	-
Project designations during the year: capital, advancement office and others	-	1,710,000	(1,710,000)	-	-
Faculties and departmental carry forwards	-	1,353,404	(1,353,404)	-	-
International capital and operational reserve	-	281,952	(281,952)	-	-
Advancement office	-	(303,622)	303,622	-	-
Balance, end of year	\$ 16,704,699	\$ 13,106,566	\$ 2,610,255	\$ 32,421,520	\$ 27,623,232

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY

Exhibit D - Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 3,604,012	\$ 5,737,098
Adjustments for items not affecting cash:		
Amortization of capital assets	7,788,292	5,696,234
Amortization of deferred capital contributions	(3,496,132)	(3,065,729)
Unrealized loss on investments	451,683	-
Unrealized loss on value of interest rate swap agreement	178,796	-
	<u>8,526,651</u>	<u>8,367,603</u>
Changes in non-cash working capital items:		
Accounts receivable	(389,365)	4,127,809
Inventory	(9,622)	39,604
Accounts payable and accrued liabilities	1,050,701	179,267
Wages payable	(533,729)	(4,569,818)
Accrued sick and vacation payable	603,340	831,855
Prepaid expense	14,171	(154,755)
Deferred revenue	2,199,212	2,261,750
	<u>11,461,359</u>	<u>11,083,315</u>
Financing:		
Increase in long-term debt	5,332,676	-
Repayment of long-term debt	(951,137)	(860,337)
Decrease in capital lease obligations	(325,519)	(156,668)
Restricted cash proceeds from deferred capital contributions	2,981,644	12,755,870
	<u>7,037,664</u>	<u>11,738,865</u>
Investments:		
Purchase of capital assets	(6,065,505)	(18,305,006)
Net (purchase) disposal of short-term investments	3,159,593	3,200,227
Net purchase of long-term investments	(171,269)	(6,963,356)
	<u>(3,077,181)</u>	<u>(22,068,135)</u>
Increase in cash	15,421,842	754,045
Cash, beginning of year	2,089,517	1,335,472
Cash, end of year	<u>\$ 17,511,359</u>	<u>\$ 2,089,517</u>
Supplemental information:		
Interest paid on long-term debt and capital leases	\$ 2,785,118	\$ 1,959,180
Non cash increase in capital assets and obligation under capital lease	\$ -	\$ 15,980,628

See accompanying notes to financial statements.

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2008

Thompson Rivers University ("the University") operates under the authority of the Thompson Rivers University Act of British Columbia as a fully independent degree granting institution. The University offers a broad range of program options including undergraduate, graduate degrees, career diplomas, and trades training at its Kamloops and Williams Lake campuses through Face-To-Face and Open Learning. The University is a not-for-profit entity, governed by a Board of Governors, the majority of which are appointed by the provincial government of British Columbia. The University is a registered charity and therefore is exempt from income tax under section 149 of the Income Tax Act.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, which encompass the following principles:

(a) Fund accounting:

The University records accounting transactions using the fund accounting method generally in use for not-for-profit organizations and follows the deferral method of accounting for contributions. A fund is determined for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes the University has combined the assets, liabilities and net assets and revenue and expenses of all funds. Accordingly, the financial statements reflect the assets, liabilities and net assets and revenue and expenses of the University as a whole.

(b) Revenue recognition:

The University follows the deferral method of accounting for revenues. Unrestricted revenues include: Grants, tuition fees, ancillary services, sales, access and other fees and other income. These are recognized as revenues at the time the product is delivered or the services are substantially completed and proceeds are collected or reasonably collectible. The operating grant from the Province of British Columbia is considered unrestricted and recorded in the period to which the funds relate.

Specifically:

- (i) Tuition fees are collected at the commencement of the course but recognized as revenues over the term of the course.
- (ii) Grants are recognized as revenue as the requirements of the grant are met. Grants that do not have any restrictions or requirements are recognized as revenue when received.

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

- (iii) Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on the same basis as the amortization expense related to the acquired capital assets.
- (iv) Interest revenues and losses are recognized as earned. Interest earned on internally or externally restricted contributions is recognized as revenue at the same time those contributions are recognized.
- (v) Externally restricted non-capital contributions for specific purposes are recognized as revenue in the year which the related expenses are incurred.
- (vi) Contributions where the capital asset involved is land or works of art to be held for use by the University, the contribution is recorded as a direct increase in net assets invested in capital assets rather than as revenue.

(c) Inventories:

Inventories of merchandise held for resale is recorded at the lower of cost and net realizable value.

(d) Investments:

Investments are carried at market value. Unrealized gains and losses on investments are recognized in income during the year, based on changes in market values.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of the contribution. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Site improvements	10 years
Buildings	40 years
Computers	3 years
Equipment	5 years
Furniture, fixtures and equipment	7 years
Library acquisitions	10 years
Software	3 years

Capital assets are written down to net realizable value at the point they no longer contribute to the University's ability to provide services. Deferred capital contributions associated with the written down capital asset are recognized as revenue if all restrictions have been complied with.

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

(f) Employee future benefits:

Accrued vacation and sick leave entitlements are charged to the operating fund based on the estimated actuarial determined present value of the expected use of the entitlements. The University is a member of multi-employer pension plans and applies defined contribution plan accounting.

(g) Accounting pronouncements adopted during the year:

Effective April 1, 2007 the University adopted the following CICA Handbook sections, which became effective for non-profit organizations, such as the University on that date:

Section 3855 "Financial Instruments - Recognition and Measurement", which prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Upon adoption of this standard, the University designated its assets and liabilities as follows:

- Cash and short-term and long-term investments were designated as held for trading and measured at their fair value, with changes in fair value recognized in the statement of operations;
- Accounts receivable have been classified as loans and receivables and are measured at amortized cost;
- Accounts payable and accrued liabilities, wages payable and long-term debt have been classified as other financial liabilities and are measured at amortized cost; and
- All derivative instruments, including embedded derivatives, are recorded in the statement of operations at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are also recorded in the statement of operations. The University has elected to apply this treatment to the interest rate swap agreement related to the University's term loan in note 7.

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

- (f) Accounting pronouncements adopted during the year (continued):

In accordance with the transitional provisions of Section 3855, the University has applied the new accounting policy prospectively, without restatement of prior period's financial statements. The University has adjusted net assets as at April 1, 2007, for the impact of the initial adoption of Section 3855, as follows:

	Invested in capital assets	Internally restricted	Unrestricted	Total
Net assets, beginning of year, as previously reported	\$ 17,647,814	\$ 9,837,627	\$ 137,791	\$ 27,623,232
As adjusted for:				
Market value of short and long-term	-	-	2,026,952	2,026,952
Fair value of interest rate swap agreement in long-term debt	(832,676)	-	-	(832,676)
	\$ 16,815,138	\$ 9,837,627	\$ 2,164,743	\$ 28,817,508

Section 3861 "Financial Instruments - Disclosure and Presentation", which establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The adoption of this Section has not significantly impacted the University's financial statements. Disclosure of the financial significance of financial instruments to the University's financial position, performance and cash flows, and to assist in assessing the amounts, timing and certainty of future cash flows associated with those instruments is located in note 13.

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2008

(g) Accounting pronouncements issued but not yet effective:

The following new CICA Handbook sections have been issued and become effective for the University, as of its fiscal year commencing April 1, 2008:

Section 3031 "inventories", which prescribe the accounting treatment for inventories, particularly the determination of inventory cost and its subsequent recognition as an expense, including any write-down to net realizable value. The adoption of this section is not expected to significantly impact the University's financial statements.

Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments - Presentation", which further expand on the standards financial statement disclosure and presentation of financial instruments prescribed in Section 3861 above. The adoption of these sections is not expected to significantly impact the University's financial statements.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of useful lives of capital assets for amortization and the amortization of related deferred capital contributions and provisions for employee future benefits and contingencies. Actual results may differ from these estimates.

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2008

2. Investments:

Investments consist primarily of bonds with various maturity dates and interest rates with a weighted average rate of return of 5.33% (2007 - 5.46%). Included in the cost of investments are funds held in trust for employees who participate in the deferred salary plan. At March 31, 2008, funds held in trust for this plan were \$155,618 (2007 - \$195,837) and the liability associated with the plan is recorded in wages payable.

The balance in investments consists of:

2008	Cost	Accrued interest	Unrealized Gain (loss)	Market
Short-term	\$ 211,597	\$ 171,710	\$ -	\$ 383,307
Long-term	29,061,878	5,430,138	1,575,269	36,067,285
	\$ 29,273,475	\$ 5,601,848	\$ 1,575,269	\$ 36,450,592

2007	Cost	Accrued interest	Unrealized Gain (loss)	Market
Short-term	\$ 2,800,000	\$ 307	\$ -	\$ 2,800,307
Long-term	31,677,264	4,218,752	2,026,952	37,922,968
	\$ 34,477,264	\$ 4,219,059	\$ 2,026,952	\$ 40,723,275

3. Accounts receivable:

	2008	2007
Student	\$ 788,229	\$ 971,625
Trade	2,972,690	2,791,051
Government of British Columbia	692,500	21,162
Other	261,628	541,844
	\$ 4,715,047	\$ 4,325,682

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2008

4. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,238,229	\$ -	\$ 2,238,229	\$ 2,238,229
Site improvements	7,397,201	5,730,818	1,666,383	2,069,318
Buildings	118,632,553	32,059,119	86,573,434	74,708,048
Furniture, fixtures and equipment	37,473,465	31,106,833	6,366,632	7,555,643
Library acquisitions	8,641,874	6,350,260	2,291,614	2,380,770
Software	1,048,530	122,509	926,021	353,020
Construction in progress	-	-	-	11,128,736
	175,431,852	75,369,539	100,062,313	100,433,764
Assets acquired under capital lease obligation:				
Building	39,642,325	1,027,596	38,614,729	39,642,325
Furniture and fixtures	2,266,177	323,740	1,942,437	2,266,177
	41,908,502	1,351,336	40,557,166	41,908,502
	\$ 217,340,354	\$ 76,720,875	\$ 140,619,479	\$ 142,342,266

The University has leased land to a third party for student residence buildings at the Kamloops Campus. The 41 year lease expires March 31, 2049, at which time the buildings become the property of the University.

5. Deferred revenue:

Deferred revenue represents externally restricted revenue received relating to a future period or that have not yet been spent for research, capital asset acquisition or other specific purposes. Changes in the deferred revenue balances are as follows:

	2008	2007
Balance, beginning of the year	\$ 13,713,816	\$ 11,452,066
Contributions received	75,828,677	82,704,663
Other revenues collected	69,866,967	62,933,354
Deduct transfers to revenue or deferred capital contributions	(143,496,432)	(143,376,267)
Balance, end of the year	\$ 15,913,028	\$ 13,713,816

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2008

6. Employee future benefits:

(a) Vacation and termination benefits:

Employees with ten or more years of service are entitled to receive special payments upon retirement or termination as specified by the collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

Information about employee sick and severance benefits is as follows:

	2008	2007
Accrued benefit obligation:		
Termination benefits	\$ 5,864,982	\$ 5,547,313
Vacation pay benefits	5,940,264	5,654,593
Total obligation	11,805,246	11,201,906
Current portion	(6,420,264)	(5,954,593)
Long-term portion of sick and severance liabilities	\$ 5,384,982	\$ 5,247,313
Termination and vacation pay expense included in salaries and benefits expense	\$ 641,583	\$ 831,856

(b) Pension liability:

The University and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has about 11,245 active members from senior administration and instructional staff and approximately 3,500 retired members. The Municipal Pension Plan has about 145,000 active members, with approximately 5,000 from post secondary institutions.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2006 indicated an unfunded liability of \$54 million for basic pension benefits. The next valuation will be as at August 31, 2009 with results available in 2010. The most recent valuation for the Municipal Pension Plan as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the unfunded liability to individual employers. The Thompson Rivers University paid \$4,908,784 (2007 - \$4,391,705) for employer contributions to the Plans in fiscal 2008. The University has 1,169 members enrolled in these plans.

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2008

7. Long-term debt:

	2008	2007
Ministry of Finance commercial paper, unsecured, bears interest at the rate of 3.63% and is repayable at maturity on April 15, 2008. Subsequent to year-end this instrument was refinanced at a rate of 2.49% and a maturity date of July 15, 2008.	\$ 2,217,122	\$ 2,638,284
Ministry of Finance commercial paper, unsecured, bears interest at the rate of 1.85% and is repayable at maturity on June 26, 2008.	4,500,000	-
Campus Activity Centre loan (Thompson Rivers Student Union addition), repayable in quarterly instalments of \$28,229 including interest at 5.19% per annum, maturing January 1, 2023, secured by specific assets.	1,167,294	1,217,982
Canadian Imperial Bank of Commerce, term loan, maturing December 2019, repayable in quarterly instalments of \$257,966 including interest at 3 month Banker's Acceptance rate plus .25%, secured by specific assets. Thompson Rivers University has entered into an agreement to swap the interest payable at the above rate for a fixed rate of 6.246% for 15 years to December 16, 2019. Included is an unrealized loss of \$1,011,472 from the interest rate swap	9,556,471	9,024,286
	17,440,887	12,880,552
Current portion of long-term debt	(7,280,421)	(3,168,902)
	<u>\$ 10,160,466</u>	<u>\$ 9,711,650</u>

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

2009	\$ 7,280,421
2010	598,726
2011	636,388
2012	676,427
2013	718,988
Thereafter	<u>7,529,937</u>

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2008

8. Capital lease obligation:

The University has entered into a Land Lease with Dacon Corporation Ltd. ("Dacon"). Under the terms of the Land Lease, the University has leased 0.5 of a hectare of land on its Kamloops Campus to Dacon from April 1, 2005 to August 31, 2047. The Land Lease required Dacon to construct a student residence with approximately 580 beds in accordance with plans approved by the University. Annual rent under the Land Lease is \$5,000 for the term of the agreement, plus a surrender fee at the end of the lease equal to Dacon's equity invested into the assets constructed on the land.

A Project Financing Agreement between the University, Dacon and Desjardins Trust Inc. obligates the University to make payments of principal and interest on the indebtedness incurred on the construction of the residence if for any reason the payments are not made by the primary debtor, Dacon.

The University has also entered into a Sublease with Dacon. Under the terms of the Sublease, the University leases the student residence from Dacon from September 1, 2006 for the term of the Land Lease less one day. Rent under the Sublease is (i) Dacon's debt service costs associated with the financing of the residence, and (ii) during the first two years of the Sublease only, 90% of the free cash flow each year (net of a contribution to a capital reserve fund) from the residence as defined in the Sublease (the "Cashflow"); and (iii) during the balance of the Sublease, 60% of the cashflow.

The University has entered into a Management Agreement with Dacon and Campus Living Centres Inc. ("CLC"), a wholly owned subsidiary of Dacon. 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.

THOMPSON RIVERS UNIVERSITY

Notes to Financial Statements

Year ended March 31, 2008

8. Capital lease obligation (continued):

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

	2008	2007
Year ending March 31:		
2008	\$ -	\$ 2,441,419
2009	2,441,419	2,441,419
2010	2,441,419	2,441,419
2011	2,441,419	2,441,419
2012	2,441,419	2,441,419
2013	2,441,419	-
Thereafter	83,457,537	85,898,958
Total minimum lease payments	95,664,632	98,106,053
Less: amount representing interest at 5.14% per annum	(54,238,318)	(56,354,220)
Present value of net minimum capital lease payments	41,426,314	41,751,833
Less: current portion of obligations under capital lease	(342,466)	(325,519)
Long-term portion of obligations under capital lease	\$ 41,083,848	\$ 41,426,314

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Year ended March 31, 2008

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent amount of grants and donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations on the same basis as the related assets are amortized.

	2008	2007
Balance, beginning of year	\$ 70,062,067	\$ 60,371,926
Contributions received for capital purposes	2,557,149	11,557,486
Transfer from deferred revenue	424,495	1,198,384
	2,981,644	12,755,870
Less current year's amortization	(3,496,132)	(3,065,729)
Balance, end of year	\$ 69,547,579	\$ 70,062,067

10. Invested in capital assets:

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

	2008	2007
Capital assets	\$ 140,619,479	\$ 142,342,266
Long-term debt used for capital asset acquisitions	(12,940,887)	(12,880,552)
Amounts financed by unamortized capital contributions	(69,547,579)	(70,062,067)
Capital lease obligations	(41,426,314)	(41,751,833)
Balance, end of year	\$ 16,704,699	\$ 17,647,814

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11. Internally restricted fund balances:

Funds that are internally restricted include faculty and department carry-forwards, specific purpose and research reserves. These internally restricted reserves are described in more details below:

	2008	2007
Designated trust, capital, research and specific purpose reserves	\$ 7,351,425	\$ 5,717,842
Faculty and department carry-forwards	3,630,189	2,276,785
International building capital and operational reserve	2,124,952	1,843,000
	<u>\$ 13,106,566</u>	<u>\$ 9,837,627</u>

Designated and research reserves are set aside for future operations for research and projects for which specific funding has been reserved.

Faculty and department carry-forwards reserves are the unspent general purpose operating fund budgets which faculties and departments are permitted to carry forward at the end of each year.

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

12. Commitments and contingencies:

- (a) The University is committed to payments under various operating leases for land and buildings with various expiry dates through September 2017. The minimum lease payments required under the terms of the leases are \$91,140 for fiscal 2009, \$73,640 for fiscal 2010, \$44,740 for fiscal 2011 and \$42,540 for fiscal 2012.
- (b) The University has contracts with third parties for computer and photocopier equipment leases with various expiry dates through September 2011 with minimum lease costs of approximately \$1,018,756 in 2009, \$396,604 in fiscal 2010, \$62,105 in fiscal 2011 and \$1,252 in fiscal 2012.
- (c) The University has agreed to contribute one-third of the net operating loss of the City of Kamloops Aquatic Centre to a maximum of \$150,000 annually. The University's proportionate contribution of the 2007/2008 Aquatic Centre operating loss amounted to \$150,000 (2006/2007 - \$150,000).

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13. Financial instruments:

(a) Fair value:

Assets and liabilities designated as held for trading include cash, short-term, long-term investments and derivative instruments are measured in the statement of financial position at fair value. The fair value for accounts receivable, accounts payable, accrued liabilities and wages payable approximate their carrying value due to the relatively short term to maturity of these instruments. The fair value of long-term debt balances approximate their carrying value as they bear interest at rates not significantly different than market rates for similar instruments.

(b) Interest rate risk:

The University is exposed to interest rate risk in respect of its short-term and long-term investments, which earn interest income at fixed rates as disclosed in note 2, and its long-term debt, which bears interest at fixed rates as disclosed in note 7. The University has entered into an interest rate swap agreement to manage its interest rate fluctuation exposure with regards to its Canadian Imperial Bank of Commerce term loan.

(c) Credit risk:

It is management's opinion that the University is not subject to significant credit risk associated with its financial instruments.

14. Related organizations:

(a) The TRU Foundation:

The University exercises influence over the TRU Foundation by virtue of an appointment to the board and common purpose. The Foundation was incorporated under the laws of British Columbia in December 1982. Its purpose is to develop public awareness of the Thompson Rivers University, and to encourage financial support of the University, its programs, and its students. The Foundation is a registered charity under the provisions of the Income Tax Act of Canada.

- (i) At March 31, 2008 the Foundation holds endowment fund balances for the benefit of the University and its students of \$10,071,971 (2007 - \$7,383,370).
- (ii) At March 31, 2008, the Foundation holds approximately \$311,390 (2007 - \$806,000) for the purpose of funding University's library expenses to a maximum of \$200,000 per year for the next 2 years.
- (iii) Thompson Rivers University supports the Foundation with an annual operating grant for administrative expenses of \$174,427 (2007 - \$174,427) and by providing office space, maintaining IT, janitorial and utilities at no cost. For the year ending March 31, 2008, the University paid to the Foundation \$520,000 (2007 - \$465,000) for bursary funding.

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Notes to Financial Statements

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14. Related organizations (continued):

(b) The TRU Alumni Association:

The University exercises influence over the TRU Alumni Association by virtue of an appointment to the board and common purpose. The TRU Alumni Association is a not-for-profit society incorporated under the Society Act of British Columbia for the principal purpose of promoting, developing and maintaining a network for the mutual benefit of the University, its alumni, students, staff and the community.

- i) Thompson Rivers University supports the Alumni Association with an annual operating grant for administrative expenses of \$142,600 (2007 - \$142,600) and by providing office space, maintaining IT, janitorial and utilities at no cost.

The net assets and results from operations of the Foundation and Association are not included in the statements of the University.