THOMPSON RIVERS UNIVERSITY

Date: May 30, 2023

To: Matt Milovick, Vice-President, Administration & Finance

From: Yvette Laflamme, Associate Vice-President, Finance

Re: Audited Financial Statements and Fourth Quarter Results for the Year Ended March 31, 2023

Purpose:

To provide the Board of Governors with an overview of TRU's audited financial statements and fourth quarter results, for the year ended March 31, 2023.

Background:

The financial statements were prepared in accordance with Canadian public sector accounting standards and the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. Financial statements are the responsibility of TRU's Board of Governors and management; and are audited by KPMG LLP, Chartered Professional Accountants, the external auditors appointed by TRU's Board of Governors.

Please find attached the draft Consolidated Statement package and draft external Audit Findings report.

These audited financial statements differ from the internal financial projection packages (presented to the Board of Governors and sub-committees quarterly) in that, the internal financial report includes internal sales and transfers. These are eliminated in the audited external statements.

Discussion:

2023 was the first full year of regular operations for the University, after two years of pandemic-impacted results. TRU saw a return to pre-pandemic or higher revenues in all areas except domestic tuition and ancillary sales. Total expenditures were higher than pre-pandemic levels, 2023 compensation was impacted by collective bargaining mandate increases and ongoing employee recruitment concerns, while all 2023 non-compensation categories were impacted by abnormally high inflation rates.

TRU generated an operating surplus of $12.9M which is higher than originally budgeted ($858K), lower than predicted in the internal forecast ($19.6M), and higher than prior year ($6.5M). Total revenues of $259.4M are higher than budgeted, lower than forecasted, and higher than prior year; while total expenditures of $246.5M are lower than budgeted, in line with forecasted, and higher than prior year. The surplus was used to fund approximately $13.2M in capital projects, compared to $5.9M in the prior year.

Statement of Financial Position:

Assets: Assets totalling $536.4M increased by $42.5M (8.6%) compared to prior year of $493.9M. Financial assets ($201.1M) increased by $25.5M (14.5%), with increases in cash and cash equivalents ($79.5M) of $8.3M over prior year; and investments ($104.1M) of $10.9M over prior year. Cash and cash equivalent increases are primarily due to change in timing of cash flows and the investments increase can be attributed to a in-year transfer to investments ($10.0M), portfolio growth, offset by unrealized losses.

Non-financial assets of $335.3M increased by $16.9M (5.3%), primarily found in tangible capital assets of $314.9M which increased by $16.2M. Tangible capital assets increases include, East Village Student Housing project, Lepin Science building modernization, and the Research Centre project.

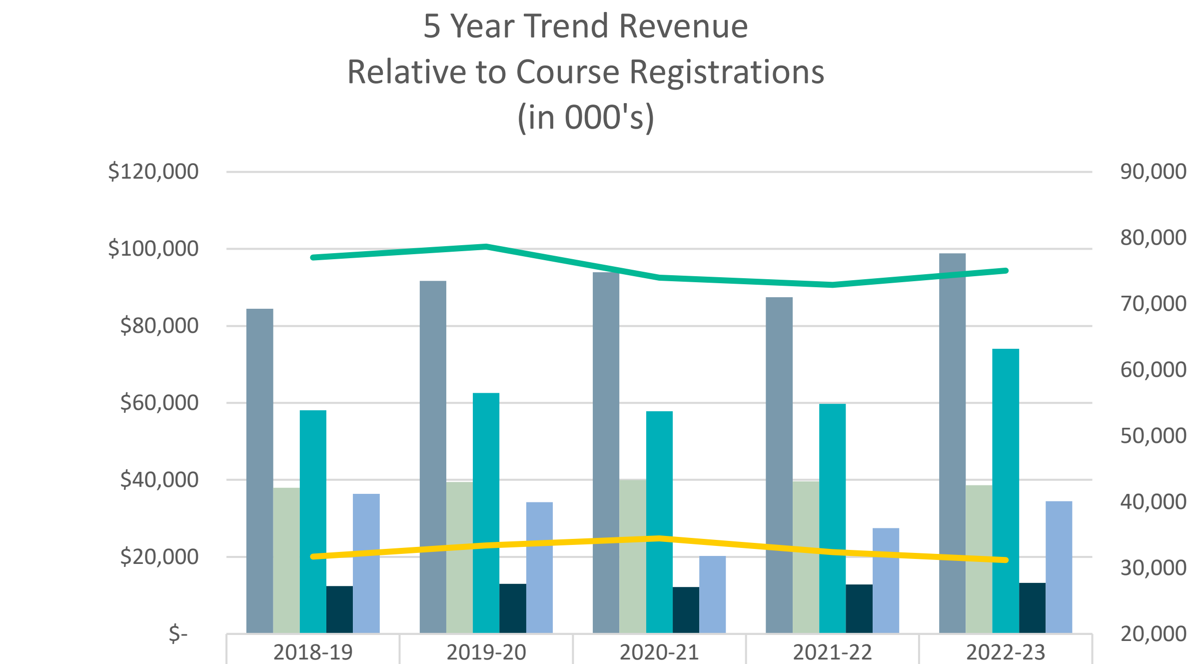
Liabilities: Total liabilities of $342.6M increased by $31.7M (10.2%) compared to prior year of $310.9M. The increase is attributable to increases in accounts payable and accrued liabilities, deferred revenue and deferred capital contributions. Accounts payable and accrued liabilities increases include retroactive wage payable for ratified collective agreements, unapplied student payments, and trades payable related to capital projects.

Net Debt: The majority of TRU's debt financing is from the Ministry of Finance. Changes in net debt are within operating norms.

Accumulated Surplus: Accumulated surplus of $193.8M increased by $10.8M (5.9%) compared to prior year of $182.9M. This includes capital reserves, equity in assets, and various restricted funds as outlined in note 15 of the audited financial statements. The capital reserve has a $42.5M balance, these funds are being held in reserve for future large capital projects.

Statement of Operations:

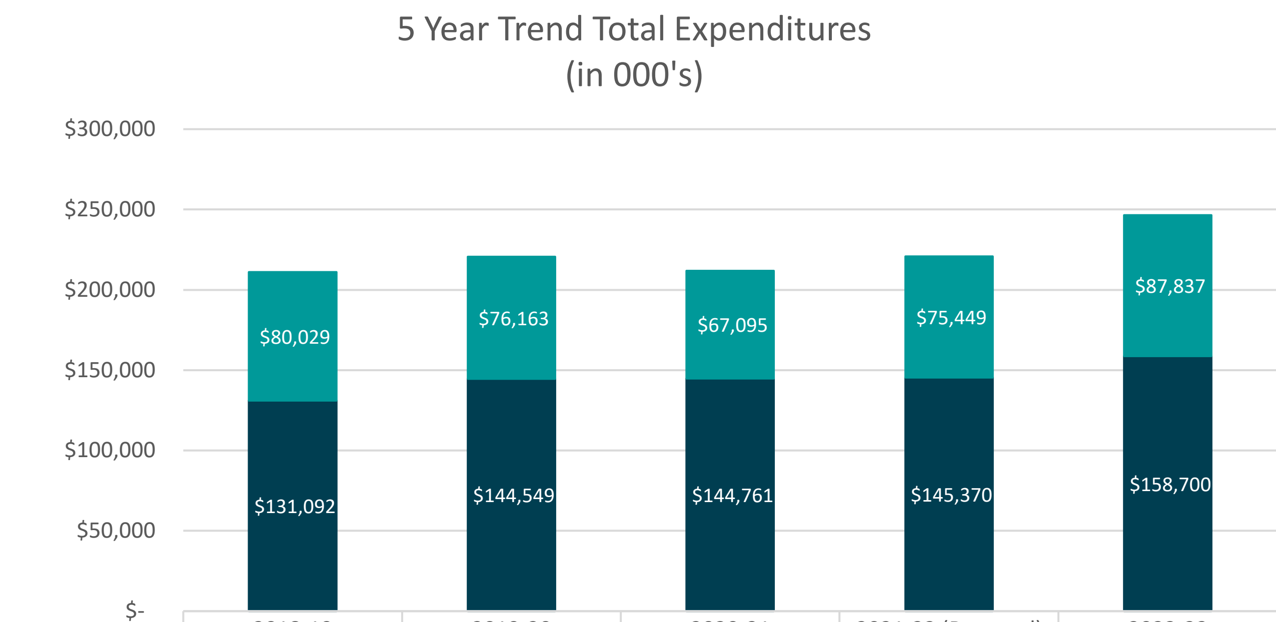
Revenue: Revenues of $259.4M are $6.2M higher than budgeted ($253.2M), $6.0M lower than forecasted ($265.4M) and $32.1M higher than prior year ($227.3M). Provincial grants are lower than budget ($4.1M) and forecast ($6.5M), due to $10.0M operating grant deferral. Prior to year end, the Provincial government permitted institutions to restrict operating surpluses, for future capital needs. This negative budget variance is offset by higher than budgeted international tuition, investment interest, and other revenues. Provincial grants and international tuition hold the most significant variances to prior year revenue, due to provincial funding for the collective agreement mandate and higher international enrolments (14.3% in fall and 26.7% in winter).



	2018-19	2019-20	2020-21	2021-22	2022-23
Grants	$84,438	$91,660	$93,946	$87,467	$98,890
Tuition - Dom	$37,972	$39,420	$39,932	$39,645	$38,653
Tuition - Intl	$58,101	$62,578	$57,855	$59,786	$74,070
Student Fees	$12,463	$13,026	$12,217	$12,883	$13,279
Other Revenue	$36,353	$34,247	$20,283	$27,475	$34,488
F2F Enrolment	77,044	78,682	73,974	72,881	75,051
OL Enrolment	31,693	33,420	34,473	32,395	31,191

The graph provides a summary of major revenue categories for the past five years with enrolment trending overlayed.

Expenditures: Expenditures of $246.5M are $5.8M lower than budgeted ($252.4M), $25.7M higher than prior year ($220.8M), and in line with forecast ($245.8).

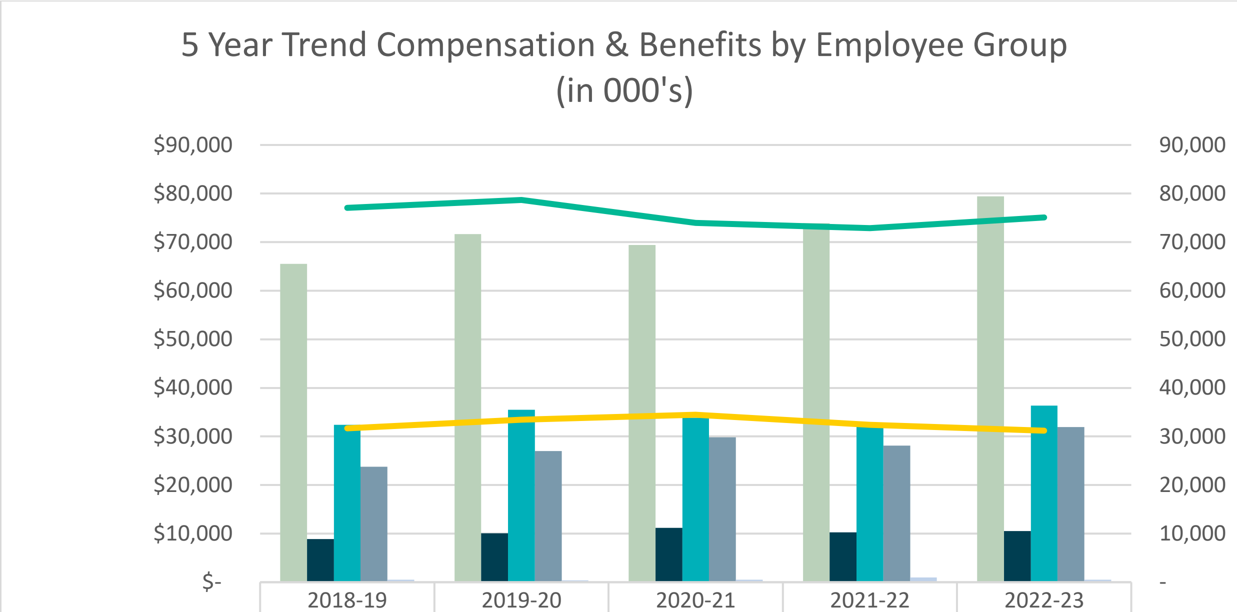


	2018-19	2019-20	2020-21	2021-22 (Restated)	2022-23
Non-Comp	$80,029	$76,163	$67,095	$75,449	$87,837
Compensation	$131,092	$144,549	$144,761	$145,370	$158,700
Total	$211,121	$220,712	$211,856	$220,819	$246,537

The graph provides the 5-year trend of total expenditures broken down between compensation and non-compensation.

Compensation: Overall compensation expenditures of $158.7M are $8.1M lower than budgeted ($166.8M), $3.3M higher than forecast ($155.4M) and $13.3M higher than prior year ($145.4M). The significant factors to consider with compensation trending and variances are as follows:

- There has been significant hiring of budgeted vacancies (148 positions); however, due to attrition and some failed and delayed hires TRU has 74 vacant positions at year end.
- The collective bargaining mandate was higher than anticipated, at $0.25/hour plus 3.24% for ratified agreements; excluded staff we provided a comparable increase.
- Sessional faculty costs were higher than budget due to backfilling ongoing faculty vacancies.

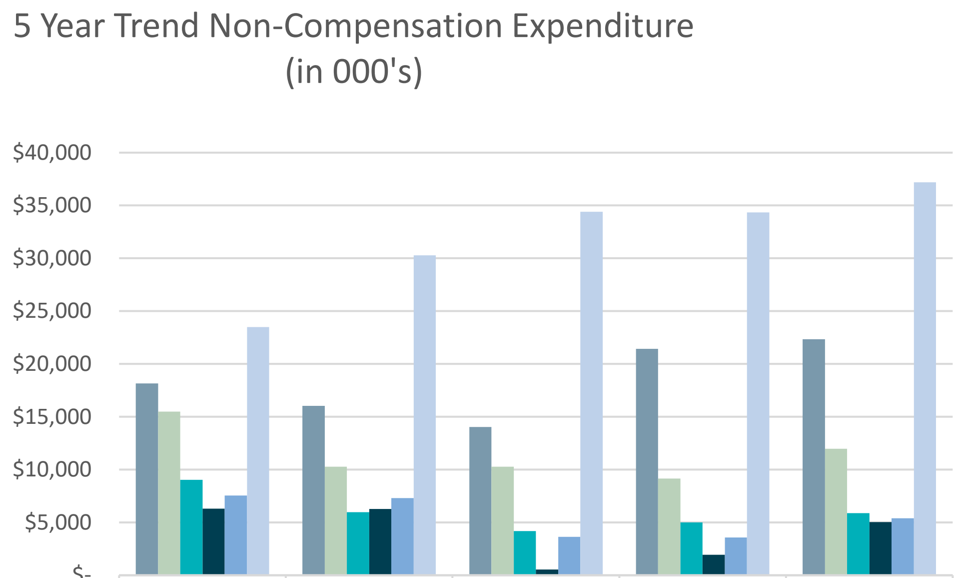


	2018-19	2019-20	2020-21	2021-22	2022-23
TRUFA	$65,515	$71,626	$69,439	$73,920	$79,403
TRUOLFA	$8,895	$10,034	$11,168	$10,294	$10,554
CUPE	$32,385	$35,515	$33,854	$32,065	$36,338
Excluded	$23,755	$26,979	$29,800	$28,137	$31,907
Other Comp	$542	$395	$500	$954	$498
F2F Enrolment	77,044	78,682	73,974	72,881	75,051
OL Enrolment	31,693	33,420	34,473	32,395	31,191

The graph provides a 5-year trend on compensation by employee group and a summary of compensation costs for the past five years, with enrolment trending overlayed.

Non-compensation: Overall non-compensation expenditures of $87.8M are $2.2M higher than budget ($85.6M) and $12.4M higher than prior year ($75.4M); however, $2.6M lower than forecast ($90.4M). The significant factors to consider with non-compensation trending and variances are as follows:

- Inflation increases are impacting all non-compensation categories.
- Significant variances, other than inflation, in professional fees and contracted services were due to increased legal expenditures, increased consulting fees for collective bargaining and the organizational culture project and increased international agent commissions.
- Significant prior year variances, other than inflation, in building, equipment and maintenance were due to increased purchases for library electronic resources, campus rekeying project (offset by insurance proceeds in revenue), increased utility costs primarily due to shift to renewable natural gas and full year of Westgate residence operations.
- Other expenditures are lower than budget due to reallocation and reductions to planned spending of contingencies.
- Prior year variances can primarily be attributed to planned spending in all categories.



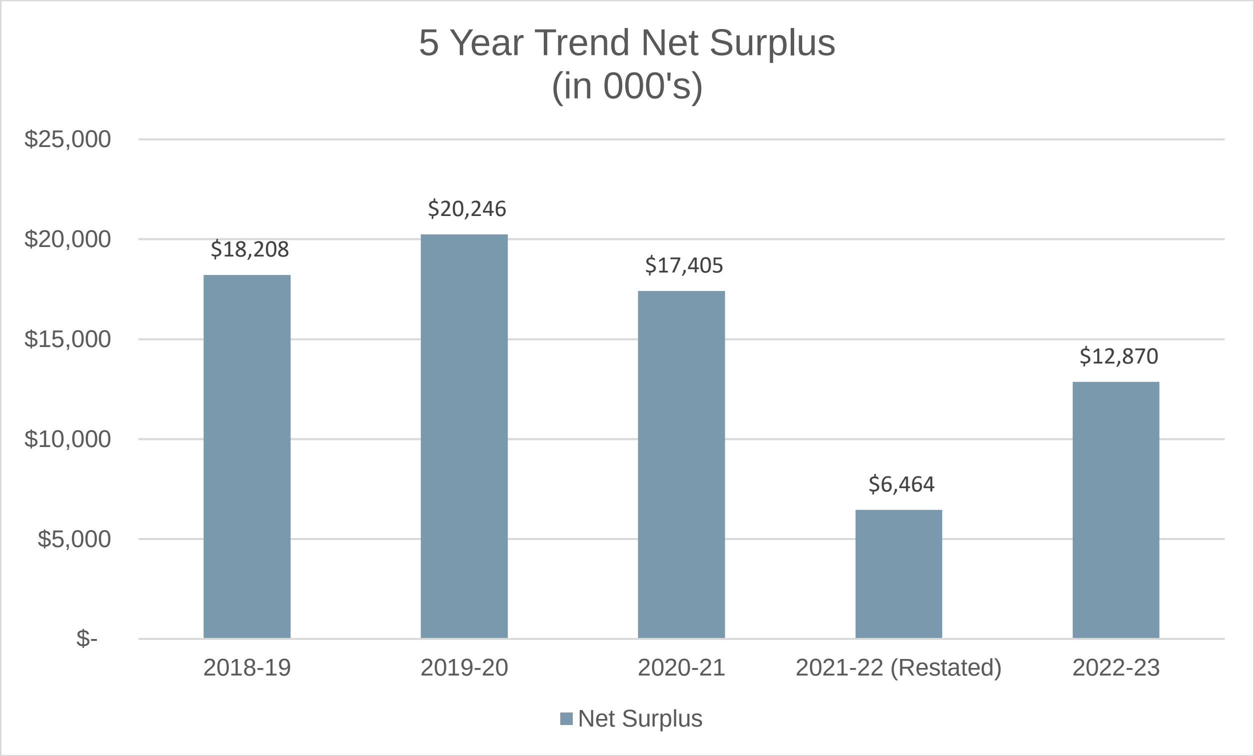
	2018-19	2019-20	2020-21	2021-22 (Restated)	2022-23
Pro Fees & Contracted Services	$18,156	$16,047	$14,041	$21,444	$22,333
Building, Equip, Ops and Maint.	$15,500	$10,274	$10,274	$9,162	$11,976
Supplies, Postage, and Freight	$9,029	$5,958	$4,197	$5,004	$5,895
Travel	$6,320	$6,287	$538	$1,926	$5,046
Cost of Materials Sold	$7,534	$7,315	$3,638	$3,571	$5,405
Other Expenditures	$23,490	$30,282	$34,391	$34,342	$37,182

The graph provides a summary of 5-year trending of non-compensation expenditures by category.

Asset Retirement Obligation: On April 1, 2022, TRU adopted the new Public Accounting Standard, Asset Retirement Obligations.

- An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.
- Some of TRU's buildings contain asbestos. TRU has a legal obligation to remove and dispose of the asbestos when the buildings are retired (removed from service & demolished).
- The estimated future cost of the asbestos removal has been recorded as a new liability on the balance sheet.
- The carrying value of the related buildings increased, net of accumulated amortization.
- The adoption was retrospectively applied, meaning the financial statements reflect the new obligation and the increase in asset value as though the accounting standard was always in effect.

Annual Surplus: The annual operating surplus of $12.9M is $12.0M higher than originally budgeted ($858K), $6.8M lower than anticipated in the third quarter forecast ($19.6M), and $6.4M higher than prior year ($6.5M). This is directly correlated to restriction of surplus (through operating grant deferral) and lower than anticipated domestic enrolments, offset by increased international tuition and significant unspent compensation allocations.



The graph provides the 5-year surplus trend.

As you can see from the first graph, the University's surplus has grown from $18.2M in 2018-19 to $20.2M in 2019-20 and $12.9M this fiscal (after $10.0M surplus restriction). Participation in the government approved surplus restriction ultimately results in a lower overall surplus, in year; however, reduces the impact of future capital amortization, as revenue will be recognized at same rate as capital is amortized. It is also important to note that the trend on revenue (see graph in Revenue section) shows international tuition revenue growing from $58.1M in 2018-19 to $74.1M this fiscal, without this revenue growth and significant unspent allocations, TRU's expenditure trend would be unsustainable.

In summary, TRU had higher than budget and prior year revenues in all areas except domestic tuition. Compensation was impacted by collective bargaining mandate increases and ongoing employee recruitment concerns, while non-compensation categories were impacted by inflation. TRU continues to maintain a healthy balance sheet; cash and investment balances have increased over prior year; accrued liabilities, deferred revenue and deferred capital contributions have also increased; and accumulated surpluses total $193.8M.

Action:

For Board approval and Board Chair signature.

Attachments:

Audited Financial Statements, March 31, 2023
KPMG Audit Findings Report

Should you have any questions or require clarification please let me know.

Yvette

THOMPSON RIVERS UNIVERSITY

Consolidated Financial Statements

For the year ended March 31, 2023

THOMPSON RIVERS UNIVERSITY

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Year ended March 31, 2023

THOMPSON RIVERS UNIVERSITY

STATEMENT OF ADMINISTRATIVE RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

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 audited by KPMG LLP, Chartered Professional Accountants, the external auditors appointed by the University's Board of Governors. The Independent Auditor’s Report outlines the nature of their audit and expresses an opinion on the consolidated financial statements of the University for the year ended March 31, 2023.

On behalf of the University:

_____________________ Board Chair, Marilyn McLean

_____________________ 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 Post-Secondary Education and Future Skills, 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 at March 31, 2023
- 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 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, 2023 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.

Emphasis of Matter – Comparative Information

We draw attention to Note 3 to the financial statements ("Note 3"), which explains that certain comparative information presented for the year ended March 31, 2022 has been restated. Note 3 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the University to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants

Kamloops, Canada

June 16, 2023

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Financial Position

March 31, 2023, with comparative figures for 2022
(thousands of dollars)

		2023	2022 (Restated – note 3)
Financial Assets			
Cash	(note 4)	$ 79,495	$ 71,190
Accounts receivable	(note 5)	16,391	10,016
Inventories for resale		1,118	1,208
Investments	(note 6)	104,086	93,137
		$ 201,090	$ 175,551
Liabilities			
Accounts payable and accrued liabilities	(note 7)	$ 85,209	$ 69,596
Employee future benefits	(note 8b)	2,756	2,806
Deferred contributions	(note 9)	46,600	40,995
Debt	(note 10)	33,973	34,695
Obligations under capital lease	(note 11)	33,921	34,618
Deferred capital contributions	(note 12)	138,983	127,204
Asset retirement obligations	(note 13)	1,157	1,023
		$ 342,599	$ 310,937
Net debt		$ (141,509)	$ (135,386)
Non-Financial Assets			
Tangible capital assets	(note 14)	$ 314,882	$ 298,716
Investment in endowments	(note 16)	14,315	14,277
Inventories held for use		408	411
Prepaid expenses		5,664	4,926
		$ 335,269	$ 318,330
Accumulated surplus	(note 15)	$ 193,760	$ 182,944
Accumulated surplus is comprised of:			
Accumulated capital & other surpluses	(note 15)	$ 177,232	$ 164,414
Endowments	(note 16)	14,392	14,340
Accumulated remeasurement gains		2,136	4,190
		$ 193,760	$ 182,944

Contractual obligations and contingent liabilities (note 18)
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, 2023, with comparative figures for 2022
(thousands of dollars)

	2023 Budget (Note 2(l))	2023	2022 (Restated – note 3)
Revenue:			
Government and other grants	$ 96,781	$ 93,782	$ 82,703
Tuition and other student fees	120,435	126,002	112,314
Revenue recognized from deferred capital contributions	5,075	5,110	4,764
Contract and other revenue	3,861	5,123	4,636
Donations	3,788	3,793	2,601
Investment	3,893	5,703	3,577
Retail sales, parking and residence	19,395	19,867	16,661
	253,228	259,380	227,256
Expenses (note 19):			
Academic instruction	130,464	127,960	115,707
Student support and general operations	69,720	64,295	58,314
Facility operations and maintenance	28,541	26,822	23,733
Research	6,455	7,905	6,516
Ancillary operations	17,190	19,555	16,549
	252,370	246,537	220,819
Endowment contributions	-	27	27
Annual surplus (restricted for capital)	$ 858	$ 12,870	$ 6,464
Accumulated capital & other surpluses, beginning of year	164,414	164,414	157,977
Endowments, beginning of year	14,340	14,340	14,313
Transfer to endowments	-	25	-
Accumulated capital & other surpluses, end of year (note 15)	165,272	177,232	164,414
Endowments, end of year (note 16)	14,340	14,392	14,340
Allocation of annual surplus:			
Internally funded capital projects	$ (24,994)	$ (13,203)	$ (5,939)
Board reserve	(2,156)	-	-
Faculty, department and other reserves	-	(133)	279
Endowment reserve	-	(27)	(27)
	(27,150)	(13,363)	(5,687)
Annual surplus (deficit)	$ (26,292)	$ (493)	$ 777

See accompanying notes to consolidated financial statements.

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2023, with comparative figures for 2022
(thousands of dollars)

		2023 Budget (Note 2(l))	2023	2022 (Restated – note 3)
Annual surplus		$ 858	$ 12,870	$ 6,464
Capital activities				
Acquisition of tangible capital assets	(note 14)	(28,459)	(30,092)	(14,714)
Amortization of tangible capital assets	(notes 14 & 19)	14,268	13,926	13,124
		(14,191)	(16,166)	(1,590)
Changes in non-financial assets				
Investment in endowments		-	(38)	(12)
Prepaid expenses		-	(738)	(1,779)
Inventories held for use		-	3	(7)
		-	(773)	(1,798)
Net remeasurement losses		-	(2,054)	(1,382)
Decrease (increase) in net debt for the year		(13,333)	(6,123)	1,694
Net debt, beginning of year		(135,386)	(135,386)	(137,080)
Net debt, end of year		$ (148,719)	$ (141,509)	$ (135,386)

See accompanying notes to consolidated financial statements.

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Cash Flows

Year ended March 31, 2023, with comparative figures for 2022
(thousands of dollars)

		2023	2022 (Restated – note 3)
Cash provided by (used in):			
Operating activities:			
Annual surplus		$ 12,870	$ 6,464
Items not involving cash:			
Amortization of tangible capital assets	(notes 14 & 19)	13,926	13,124
Revenue recognized from deferred capital contributions		(5,110)	(4,764)
Accretion of asset retirement obligations	(notes 13 & 19)	32	31
Change in non-cash operating working capital:			
Accounts receivable		(6,375)	(867)
Prepaid expenses		(738)	(1,779)
Inventories held for use		3	(7)
Inventories for resale		90	102
Accounts payable and accrued liabilities		15,613	8,347
Employee future benefits		(50)	(718)
Deferred contributions		5,605	21,149
Net change in cash from operating activities		35,866	41,082
Capital activities:			
Abatement of asset retirement obligations	(note 13)	(29)	-
Acquisition of tangible capital assets	(note 14)	(30,092)	(14,714)
Less non-cash increase in tangible capital asset due to remeasurement of asset retirement obligations	(note 13)	131	-
		(29,990)	(14,714)
Investing activities:			
Investments		(10,949)	(10,164)
Net remeasurement losses		(2,054)	(1,382)
Investment in endowments		(38)	(12)
Net change in cash from investing activities		(13,041)	(11,558)
Financing activities:			
Debt		(722)	(776)
Deferred capital contributions	(note 12)	16,889	8,775
Obligations under capital lease		(697)	(662)
Net change in cash from financing activities		15,470	7,337
Net change in cash		8,305	22,147
Cash, beginning of year		71,190	49,043
Cash, end of year		$ 79,495	$ 71,190

See accompanying notes to consolidated financial statements.

THOMPSON RIVERS UNIVERSITY

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2023, with comparative figures for 2022
(thousands of dollars)

	2023	2022
Unrealized gains at beginning of year on portfolio investments	$ 4,190	$ 5,572
Unrealized losses during the year on portfolio investments	(1,762)	(1,983)
Realized gains (losses) reclassified to investment revenue	(292)	601
Net remeasurement losses	(2,054)	(1,382)
Unrealized gains at the end of the year on portfolio investments	$ 2,136	$ 4,190

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 PS 4200 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 PS 3410; 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 PS 3100.

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, 2022. Significant transactions between the Trust's year-end and March 31, 2023 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 and portfolio investments not quoted in an active market. 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.

2. Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(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.

(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) Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset. The obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for the removal of asbestos in certain buildings owned by the University has been recognized based on estimated future expenses upon closure of the site and determined by discounting the expected future cash flows.

The carrying amount of the obligation is reassessed at each financial reporting date. Increases in the obligation related to the passage of time are recognized as accretion expense. Changes related to the timing or amount of the undiscounted cash flows are adjusted against the cost of the related tangible capital asset. The liability is derecognized as abatement of asbestos is performed.

Amounts capitalized as a result of an asset retirement obligation are amortized with the related building in accordance with the policy outlined in note 2(g)(i).

2. Summary of significant accounting policies (continued)

(g) 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 and a cattle herd of 120 head kept for research purposes.

2. Summary of significant accounting policies (continued)

(h) 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.

(i) 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.

2. Summary of significant accounting policies (continued)

(i) Revenue recognition (continued)

(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.

(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.

(j) 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. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(k) 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 Consolidated Statement of Remeasurement Gains and Losses and the exchange gain/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.

(l) 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 April 1, 2022. The budget is reflected in the Consolidated Statement of Operations and Accumulated Surplus, Consolidated Statement of Changes in Net Debt and Note 19, Expenses by object.

(m) Future accounting standards

(i) PS 3400, Revenue

PS 3400, Revenue (PS 3400), establishes overall guidance on how to account for and report revenue. The standard makes a distinction between transactions that include performance obligations (exchange transactions) and those that do not include a performance obligation (non-exchange transactions).

PS 3400 is effective for annual reporting periods beginning on or after April 1, 2023. The University is assessing the impact this new standard will have on the consolidated financial statements.

3. Adoption of new accounting standard

On April 1, 2022, the University adopted Public Accounting Standard PS 3280, Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on a modified retrospective basis at the date of adoption.

As at April 1, 2021, the University recognized asset retirement obligations relating to certain buildings owned by the University that contain asbestos. The liability was measured as of the date the legal obligation was incurred.

In accordance with the provisions of the standard, the University reflected the following adjustments at April 1, 2021:

- An increase to the building's capital asset account, representing the original estimate of the obligation as of the date of the enacted legislation, and an accompanying increase to accumulated amortization.
- An asset retirement obligation, representing the original $0.6 million obligation discounted to the present value amount using a rate of 3.13%.
- A decrease to opening accumulated surplus, as a result of the recognition of the liability and accompanying increase in depreciation expense and accretion expense.

a) Summary of quantitative impacts on comparative figures

Excerpt from Consolidated Statement of Financial Position

As at March 31, 2022

The specific financial statement items impacted are as follows:

In thousands

	2022 As previously reported	Impact of adoption of PS 3280	2022 As restated
Asset retirement obligations	$ -	$ 1,023	$ 1,023
Impact on total liabilities	$ 309,914	$ 1,023	$ 310,937
Tangible capital assets	$ 298,696	$ 20	$ 298,716
Impact on total non-financial assets	$ 318,310	$ 20	$ 318,330
Accumulated surplus	$ 183,947	$ (1,003)	$ 182,944
Impact on total accumulated surplus	$ 183,947	$ (1,003)	$ 182,944

3. Adoption of new accounting standard (continued)

a) Summary of quantitative impacts on comparative figures (continued)

Excerpt from Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2022

The specific financial statement items impacted are as follows:

In thousands

	2022 As previously reported	Impact of adoption of PS 3280	2022 As restated
Facility operations and maintenance	$ 23,696	$ 37	$ 23,733
Impact on total expenses	$ 220,782	$ 37	$ 220,819
Annual surplus	$ 6,501	$ (37)	$ 6,464
Impact on total annual surplus	$ 6,501	$ (37)	$ 6,464

4. Cash

In thousands

	2023	2022
Restricted cash	$ 1,022	$ 1,022
Unrestricted cash	78,473	70,168
	$ 79,495	$ 71,190

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

5. Accounts receivable

In thousands

	2023	2022
Trade	$ 5,112	$ 5,025
Student and sponsor	1,975	1,330
Related parties	9,591	4,011
Allowance for doubtful accounts	(287)	(350)
	$ 16,391	$ 10,016

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 and employees of the University.

6. Financial instruments

Fair value of financial instruments:

Financial instruments measured at fair value 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).

The University's financial instruments are 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 and the investment in private equities which are 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, an investment in private equities and an investment in a Government Business Enterprise. The weighted average rate of return for bonds is 3.17% (2022 – 3.59%).

In thousands

	2023	2022
Equities at cost (Level 1)	$ 46,420	$ 44,664
Equities – unrealized gain	8,437	9,835
Bonds at cost (Level 1)	55,256	42,811
Accrued interest	1,120	1,493
Bonds – unrealized gain (loss)	(3,726)	(2,332)
Investment in private equities (Level 3)	7,817	7,817
Investment in private equities, unrealized loss	(328)	-
Investment in Government Business Enterprise (Level 3) (note 6b)	3,405	3,126
	$ 118,401	$ 107,414
Portfolio and other investments	104,086	93,137
Endowments investments	14,315	14,277
	$ 118,401	$ 107,414

6. Financial instruments (continued)

(b) Investment in Government Business Enterprise

Included in investments is the University's investment in the TRUCT. The purpose of the TRUCT is to develop property on behalf of the University. The University granted the 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

	2023	2022
Investment in TRUCT, beginning of year	$ 3,126	$ 2,817
Current year investment	488	485
Equity in loss for the year	(209)	(176)
Investment in TRUCT, end of year	$ 3,405	$ 3,126

(c) Financial information as of December 31, 2022 for the TRUCT is as follows:

In thousands

	2023	2022
Assets	$ 3,298	$ 3,076
Liabilities	(3,867)	(3,436)
Deficit	(569)	(360)
Revenues	-	-
Expenses	(209)	(176)
Loss	$ (209)	$ (176)

7. Accounts payable and accrued liabilities

In thousands

	2023	2022
Trade payables and accrued liabilities	$ 57,411	$ 47,235
Salaries and benefits payable	16,458	11,724
Accrued vacation payable	11,340	10,637
	$ 85,209	$ 69,596

8. Employee future benefit

(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, 2022, the College Pension Plan had about 16,600 active members, and approximately 10,100 retired members. As at December 31, 2022, the Municipal Pension Plan had about 240,000 active members, including approximately 7,000 from universities and colleges.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provided benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2021, indicated a $202 million surplus for basic pension benefits on a going concern basis.

The most recent valuation for the Municipal Pension Plan as at December 31, 2021, indicated a $3,761 million funding surplus for basic pension benefits on a going concern basis.

The University paid $11.1 million for employer contributions to the plans in fiscal 2023 (2022 - $10.7 million).

The next valuation for the College Pension Plan will be as at August 31, 2024. The next valuation for the Municipal Pension Plan will be December 31, 2024, with results available in 2025.

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 each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

(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 April 13, 2021.

8. Employee future benefit (continued)

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

The benefit liability includes the following components:

In thousands	2023	2022
Accrued benefit obligation, beginning of year	$ 3,903	$ 4,705
Current service cost	333	325
Interest cost	42	47
Benefits paid	(509)	(1,174)
Accrued benefit obligation, end of year	3,769	3,903
Unamortized net actuarial loss	(1,013)	(1,097)
Accrued benefit liability, end of year	$ 2,756	$ 2,806

The benefit expense for employee future benefits includes the following components:

In thousands	2023	2022
Current service cost	$ 333	$ 325
Interest cost	42	47
Amortization of net actuarial loss	84	84
Employee future benefit expense	$ 459	$ 456

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

Measurement date of accrued benefit obligation:	March 31, 2023
Beginning of period discount rate, April 1, 2022	1.06%
End of period discount rate, March 31, 2027	1.06%
Expected future salary increase	2.50%
Expected average remaining service lifetime (EARSL) of active employees	5 years

9. Deferred contributions

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

In thousands	2023	2022
Tangible capital assets	$ 26,211	$ 18,525
Sponsored research and specific purpose	10,487	10,125
Operating and other	6,108	7,462
TRUCT deferred lease proceeds	2,534	2,561
Endowment	1,260	2,322
	$ 46,600	$ 40,995

Changes in the deferred contribution balance are as follows:

In thousands 2023	Tangible capital assets	Sponsored research & specific purpose	Operating & other	TRUCT deferred lease proceeds	Endowment	Total
Balance, beginning of year	$ 18,525	$ 10,125	$ 7,462	$ 2,561	$ 2,322	$ 40,995
Contributions & other revenue (loss) received during the year	24,575	11,974	241,243		(466)	277,326
Transfer to deferred capital contributions	(16,889)	-	-	-	-	(16,889)
Recognition to revenue	-	(11,612)	(242,597)	(27)	(596)	(254,832)
Balance, end of year	$ 26,211	$ 10,487	$ 6,108	$ 2,534	$ 1,260	$ 46,600

In thousands 2022	Tangible capital assets	Sponsored research & specific purpose	Operating & other	TRUCT deferred lease proceeds	Endowment	Total
Balance, beginning of year	$ 2,017	$ 9,079	$ 3,946	$ 2,588	$ 2,216	$ 19,846
Contributions & other revenue received during the year	25,283	11,723	213,829	-	938	251,773
Transfer to deferred capital contributions	(8,775)	-	-	-	-	(8,775)
Recognition to revenue	-	(10,677)	(210,313)	(27)	(832)	(221,849)
Balance, end of year	$ 18,525	$ 10,125	$ 7,462	$ 2,561	$ 2,322	$ 40,995

10. Debt

		In thousands		
		2023		2022
Ministry of Finance loan, unsecured, bears interest at 2.95%, repayable in semi annual payments of principal and interest, matures March 2044.	$	22,564	$	23,330
Ministry of Finance commercial paper, unsecured, bears interest at 4.41%, repayable at maturity on October 19, 2023		4,609		4,565
Bank of Montreal fixed rate term loan, bears interest at 3.71% until renewal on May 31, 2023, interest only payments until maturity on May 31, 2029.		6,000		6,000
Bank of Montreal fixed rate term loan, bears interest at 4.11%, interest only payments until maturity on December 31, 2023.		800		800
	$	33,973	$	34,695

Principal repayments for the next year are estimated at $12.2 million.

11. Obligations under capital lease

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% (2022 – 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 lease (continued)

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		
		2023		2022
Year ending March 31:				
2023	$	-	$	2,441
2024		2,442		2,442
2025		2,441		2,441
2026		2,442		2,442
2027		2,441		2,441
2028		2,441		2,441
Thereafter		46,837		46,837
Total minimum lease payments		59,044		61,485
Less amounts representing interest		(25,123)		(26,867)
Present value of net minimum capital lease payments	$	33,921	$	34,618

Total interest under capital lease payments for the year was $1.7 million (2022 - $1.8 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		
		2023		2022
Balance, beginning of year	$	127,204	$	123,193
Additions during the year:				
Government grants		10,186		8,430
Donations and other		421		39
Changes in amounts deferred		6,282		306
		16,889		8,775
Less revenue recognized from deferred capital contributions		(5,110)		(4,764)
Balance, end of year	$	138,983	$	127,204

13. Asset retirement obligations

The University has asset retirement obligations related to certain buildings that contain asbestos. The obligations are expected to be settled at future dates ranging from 4 to 59 years after the reporting date. The estimated undiscounted expenditures to settle the obligations total $2.5 million. These costs have been discounted to the present value using a rate of 3.55% (2022 - 3.13%).

Changes to the asset retirement obligation in the year are as follows:

In thousands

	2023	2022 As restated (note 3)
Balance, beginning of year	$ 1,023	$ 992
Remeasurement of asset retirement obligation	131	-
Abatement of asset retirement obligation	(29)	-
Accretion expense	32	31
Balance, end of year	$ 1,157	$ 1,023

14. Tangible capital assets

In thousands

2023	Land and improvements	Buildings	Building and equipment under capital lease	Furniture, equipment and library acquisitions	Total
Cost, beginning of year	$ 39,559	$315,368	$ 42,785	$ 44,647	$ 442,359
Additions	987	22,451	-	6,654	30,092
Disposals	-	-	-	(4,236)	(4,236)
Cost, end of year	40,546	337,819	42,785	47,065	468,215
Accumulated amortization, beginning of year	11,454	93,263	17,918	21,008	143,643
Amortization expense	609	7,371	1,111	4,835	13,926
Disposals	-	-	-	(4,236)	(4,236)
Accumulated amortization, end of year	12,063	100,634	19,029	21,607	153,333
Net book value	$ 28,483	$237,185	$ 23,756	$ 25,458	$ 314,882

In thousands

2022 As restated (note 3)	Land and improvements	Buildings	Building and equipment under capital lease	Furniture, equipment and library acquisitions	Total
Cost, beginning of year	$ 38,336	$306,524	$ 42,436	$ 40,896	$ 428,192
Additions	1,223	8,844	349	4,298	14,714
Disposals	-	-	-	(547)	(547)
Cost, end of year	39,559	315,368	42,785	44,647	442,359
Accumulated amortization, beginning of year	10,862	86,424	16,824	16,956	131,066
Amortization expense	592	6,839	1,094	4,599	13,124
Disposals	-	-	-	(547)	(547)
Accumulated amortization, end of year	11,454	93,263	17,918	21,008	143,643
Net book value	$ 28,105	$222,105	$ 24,867	$ 23,639	$ 298,716

Assets under construction having a value of $12.9 million (2022 - $7.6 million) have not been amortized. Amortization of these assets will commence when the asset is put into service.

15. Accumulated surplus

Accumulated capital and other surpluses consist of the following:

In thousands

	2023	2022 As restated (note 3)
Invested in tangible capital assets:		
Tangible capital assets	$ 314,882	$ 298,716
Debt used for tangible capital asset acquisition	(33,973)	(34,695)
Amounts financed by deferred capital contributions	(138,983)	(127,204)
Obligations under capital lease	(33,921)	(34,618)
	108,005	102,199
Internally restricted:		
Designated and specific purpose reserves	8,991	8,871
Faculty and department reserves	7,547	6,296
Capital reserves	48,911	43,371
Residence repair and replacement reserve	778	677
	66,227	59,215
Unrestricted	3,000	3,000
Total accumulated capital and other surpluses	$ 177,232	$ 164,414
Endowments	14,392	14,340
Accumulated remeasurement gains	2,136	4,190
Accumulated surplus	$ 193,760	$ 182,944

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.

16. 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 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

	2023	2022
Endowment investment balance, beginning of year	$ 14,277	$ 14,265
Contributions received during the year	25	-
	14,302	14,265
TRUCT lease proceeds deferred, beginning of year	1,173	1,185
TRUCT lease proceeds deferred, end of year	(1,160)	(1,173)
Endowment investment balance, year end	14,315	14,277
Cumulative non-cash recognition of TRUCT lease proceeds	77	63
Endowment equity balance, end of year	$ 14,392	$ 14,340

The market value of the endowment investments is $16.7 million which includes cash of $0.8 million.

Change in portion available for distribution is as follows:

In thousands

	2023	2022
Portion available for distribution, beginning of year	$ 2,322	$ 2,216
Restricted investment income	(466)	938
Recovery of loss of principal	25	-
Distribution during the year	(621)	(832)
Portion available for distribution, end of year	$ 1,260	$ 2,322

17. 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 Note 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.

(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.

18. Contractual obligations and contingent liabilities

(a) The University is committed to payments under various contracts and leases with various expiry dates through 2028 as detailed below:

In thousands

Year	Equipment and operating leases	Janitorial and other service contracts	Total
2024	$ 1,200	$ 4,414	$ 5,614
2025	814	2,683	3,497
2026	615	1,035	1,650
2027	404	-	404
2028	80	-	80

18. Contractual obligations and contingent liabilities (continued)

(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 2023 Aquatic Centre operating loss amounted to $150 thousand (2022 - $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.

19. Expenses by object

The following is a summary of expenses by object:

In thousands

	Budget	2023	2022 As restated (note 3)
Accretion of asset retirement obligations	$ -	$ 32	$ 31
Advertising, donations and public relations	4,625	4,834	4,279
Amortization of tangible capital assets	14,268	13,926	13,124
Bank charges, interest and bad debt	1,923	1,822	1,590
Building, equipment, operations and maintenance	12,437	11,976	9,162
Bursaries, awards and scholarships	6,390	6,493	5,403
Computer supplies and licenses	4,732	4,408	3,975
Cost of materials sold	4,695	5,405	3,571
Interest on capital lease obligation	1,744	1,742	1,776
Interest on debt	2,152	1,036	969
Leases and rentals	3,298	2,889	3,195
Professional fees and contracted services	18,620	22,333	21,444
Salaries and benefits	166,775	158,700	145,370
Supplies, postage and freight	6,415	5,895	5,004
Travel	4,296	5,046	1,926
	$ 252,370	$ 246,537	$ 220,819

20. 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 TRU Foundation (the "Foundation") has been established for the benefit of the University and its students. During the fiscal period ending March 31, 2023, the Foundation fundraised and donated to the University $0.4 million for capital projects (2022 - $0.3 million), and $3.8 million for bursaries, scholarships, and other projects (2022 - $3.1 million).

20. Related organizations (continued)

(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.

KPMG
Enterprise

360 REVIEW

Annual insights

Thompson Rivers University

March 31, 2023

Dear Audit Committee members:

We have prepared this report to assist you with your review of the financial statements and the carrying out of your oversight role. We are here to help you. We encourage you to ask us for more information on any of the matters covered in this report and beyond.

Our discussion is focused on the following key areas:

- Executive summary
- Financial and operating results
- Audit findings

We appreciate the assistance of management and staff in conducting our work. We hope this year-end report is of assistance to you as you carry out your agenda, and we look forward to discussing our findings.

Yours very truly,

KPMG LLP

KPMG LLP

Chartered Professional Accountants

KPMG Enterprise

360 REVIEW

Annual insights to make your business better

Contents

I. Executive summary

Purpose of this report

- The purpose of this Audit Findings Report is to assist you, as a member of the audit committee, in your review of the results of our audit of the consolidated financial statements of Thompson Rivers University ("TRU") as at and for the year ended March 31, 2023.
- This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on November 4, 2022.

Changes from the Audit Plan

- No changes from the Audit Plan

Audit risks and results

- We discussed with you at the start of the audit a significant risk pertaining to the presumed risk of management override of controls. We are satisfied that our audit work has appropriately dealt with the risk and we have no significant matters to report to the Audit Committee.

Adjustments and differences

- No uncorrected or corrected misstatements except as noted in the appendix to the representation letter.

Finalizing the audit

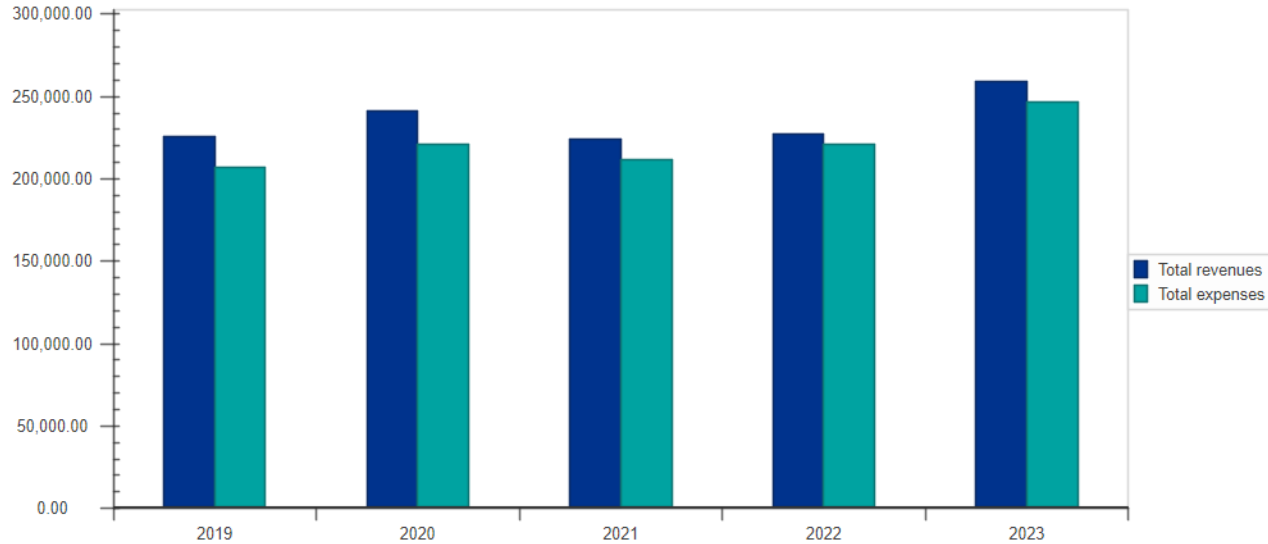
- As of the date of this report, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:
  - Subsequent events review to date of auditor’s report;
  - Completing our discussions with the Audit Committee;
  - Obtaining evidence of the Board’s approval of the financial statements.
- We will update the Audit Committee, and not solely the Chair (as required by professional standards), on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors’ report will be dated upon the completion of any remaining procedures.

II. Financial and operating results

Financial & operating graphs / charts

(Balances in thousands)

Revenues and Expenses



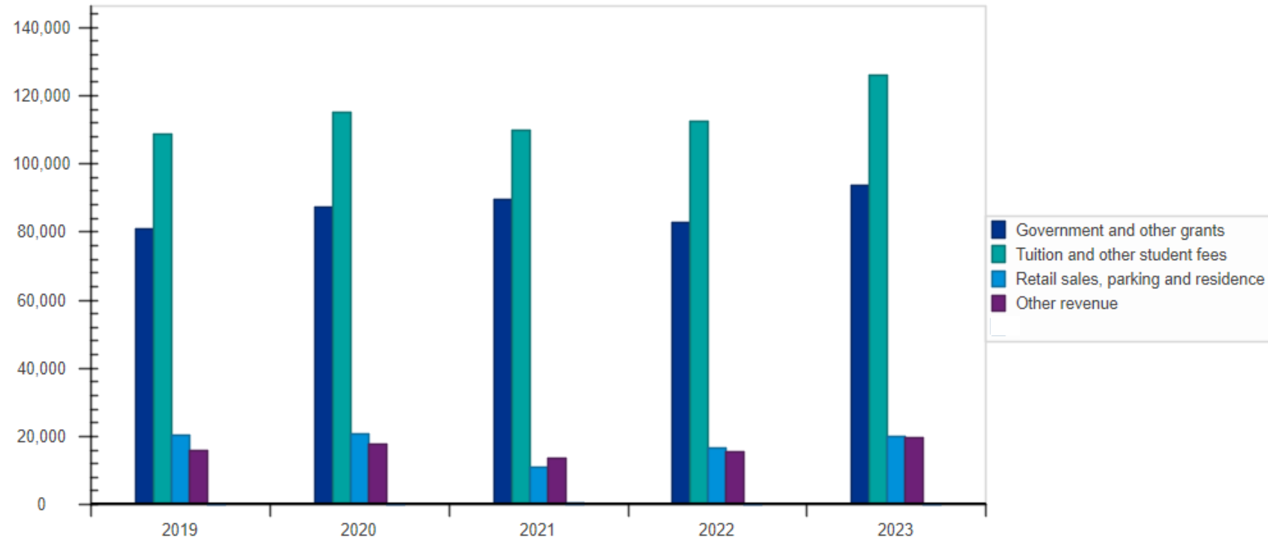
Description	2019	2020	2021	2022	2023
Total revenues	225,487	240,931	224,233	227,256	259,380
Total expenses	207,296	220,712	211,856	220,819	246,537

II. Financial and operating results (continued)

Financial & operating graphs / charts (continued)

(Balances in thousands)

Revenues by type



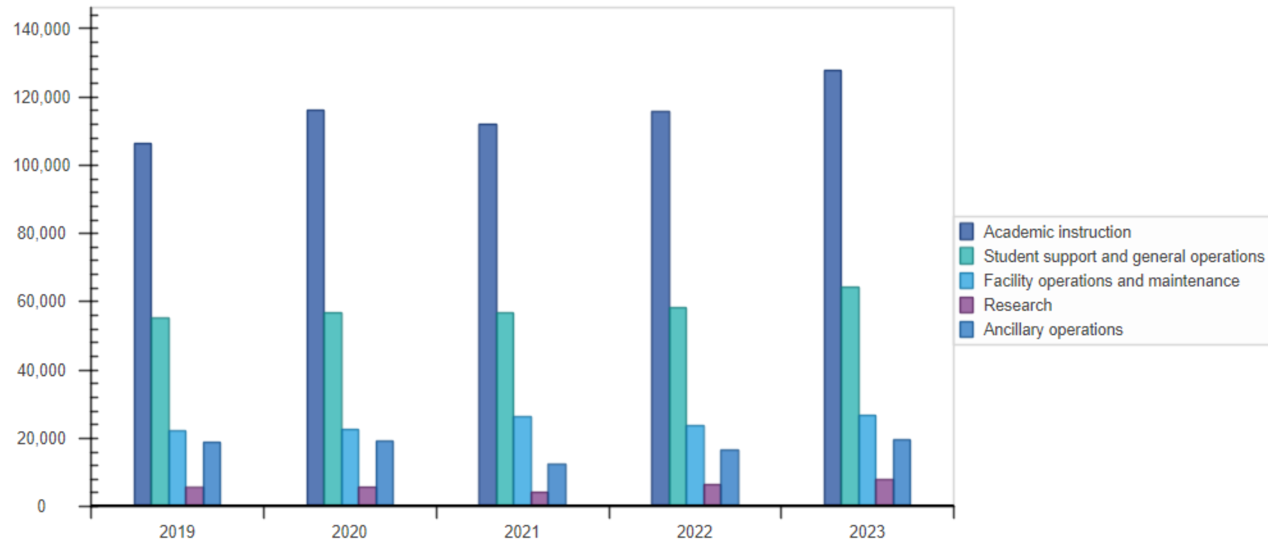
	2019	2020	2021	2022	2023
Government and other grants	80,761	87,457	89,488	82,703	93,782
Tuition and other student fees	108,536	115,024	110,003	112,314	126,002
Retail sales, parking and residence	20,220	20,604	11,074	16,661	19,867
Other revenue	15,970	17,846	13,668	15,578	19,729

II. Financial and operating results (continued)

Financial & operating graphs / charts (continued)

(Balances in thousands)

Expenses by type



Description	2019	2020	2021	2022	2023
Academic instruction	106,551	116,243	112,176	115,707	127,960
Student support and general operations	55,159	56,864	56,753	58,314	64,295
Facility operations and maintenance	22,178	22,707	26,309	23,733	26,822
Research	5,496	5,736	4,305	6,516	7,905
Ancillary operations	18,912	19,162	12,313	16,549	19,555

III. Audit findings

Status

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures which include:

- completing our discussions with those charged with governance
- obtaining evidence of the Board's approval of the financial statements
- completing procedures related to subsequent events up to the audit report date
- receipt of signed management representation letter as at the date of the approval of the finanical statements.

We will update you on any significant matters arising from the completion of the audit, including completion of the above procedures. Our audit report will be dated upon approval of the financial statements.

Significant audit, accounting and reporting matters

Fraud risk from management override of controls
• This is a presumed fraud risk per generally accepted auditing standards and is not rebuttable. • Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include the testing of journal entries, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.
Materiality
• Materiality is consistent from our planning report presented November 2022. Materiality is set at $4.6M (2022 - $4M) which is based on 2% of total prior year revenues.

Other matters

University Development
• The Thompson Rivers Community Trust ("TRUCT") continues developing land on the TRU campus. This year, the University did not receive a distribution from TRUCT, but expects to receive distributions as developments progress. Lease revenue received by TRU is deferred and recognized over the life of the lease.

Independence
• In accordance with professional standards, we have confirmed our independence.

III. Audit findings (continued)

Other matters (continued)

Adoption of New Accounting Standards

- As disclosed in the notes to the financial statements, the new Asset Retirement Obligations section is applicable for fiscal years beginning on or after April 1, 2022. The University restated the 2022 financial statements to adopt the new standard on a modified retrospective basis. The asset retirement obligation relates to certain University buildings containing asbestos. The restatement resulted in an increase in liabilities of $1,023 thousand, increase in non-financial assets of $20 thousand and and decrease in accumulated surplus of $1,003 thousand.
- An Emphasis of Matter and Other Matter paragraphs have been added to the Auditor's Report to highlight the restatement.

Going concern

- The annual assessment of the going concern assumption is a required assessment, to be performed annually, regardless of the perceived financial health or sustainability of the University.

Audit approach

- PS1000 Financial Statement Concepts for Public Sector Accounting Standards, requires management to annually assess the Entity's ability to continue as a going concern. Specifically taking into consideration all information, at a point in time, that is available about the future. The assessment should be evaluated for a period, at minimum, of twelve months.
- In turn, Canadian Auditing Standard 570 Going Concern, requires an auditor to obtain management's assessment, inclusive of appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting.
- Procedures performed over management's assessment may include the following:
  - Determine if there are any conditions that cast significant doubt over the Entity's ability to continue operations
  - Evaluate the feasibility and reasonability of management's plans based on current facts
  - Review the cash flow forecast for reliability of underlying data used as well as the assumptions
  - Obtain management representations regarding any change in the analysis and their conclusions, right up to the audit report date
- An auditor is required to conclude on the appropriateness of the going concern basis of accounting, adequacy of management's disclosures and impact, if any, on the auditors' report.

III. Audit findings (continued)

Other matters (continued)

Budget Transparency and Accountability Act framework
• The preparation of the financial statements is in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Private equity investment
• The University received a donation of private equity in the 2022 fiscal year. This year, the University hired an expert to value to the investment at March 31, 2023. KPMG relies on the work of this valuation expert hired by management.

Significant accounting estimates
• There were no issues noted with management's identification of accounting estimates. No significant accounting estimates were noted. • There were no issues noted with management's process for making accounting estimates. • There were no indicators of possible management bias. • There were no significant factors affecting the University's asset and liability carrying values.

Significant qualitative aspects of accounting practices

- Significant accounting policies included in the financial statements are consistent from a year-to-year basis and are as disclosed in the notes to the financial statements.
  - There were no initial selections of or changes to the new significant accounting polices and practices.
  - There were no significant accounting policies in controversial or emerging areas.
  - There were no issues noted with the timing of the University's transactions in relation to the period in which they were recorded.
  - There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions
  - There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.

III. Audit findings (continued)

Significant qualitative aspects of accounting practices (continued)

- No control deficiencies were noted in the year.
- On April 1, 2022, the Institute adopted Canadian public accounting sector accounting standard PS 3280 Asset Retirement Obligations. The adoption of this new standard resulted in a restatement of the 2022 financial statements as noted in the notes to the financial statements.

  CAS 315 (Revised) Identifying and Assessing the Risks of Material Misstatement has been revised, reorganized and modernized in response to challenges and issues with the previous standard. It aims to promote consistency in application, improve scalability, reduce complexity, support a more robust risk assessment and incorporate enhanced guidance material to respond to the evolving environment, including in relation to information technology. Conforming and consequential amendments have been made to other International Standards on Auditing. These changes were implemented in the current year and resulted in more robust process and IT documentation as well as more robust risk identification.

Significant disclosures

- Significant disclosures included in the financial statements are consistent with prior year.
  - There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
  - There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
  - There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.

III. Audit findings (continued)

Misstatements

Identification of misstatements

Misstatements identified during the audit have been categorized as follows:

Uncorrected misstatements

There were no uncorrected misstatements noted

Corrected misstatements

During the course of the audit, two misstatements were brought to management's attention. These were both reclassification entries that were below materiality but above the audit posting threshold. Management has posted these adjustments and they are reflected in the financial statements:

To eliminate prepaid expenses and accounts payable related to 2024:
CR Prepaid expenses $400,667
DR Trade Payables $400,667

A cash deposit was received in 2023 but initially recorded in 2024:
CR Accounts receivable $711,511
DR Cash $711,511

These errors were related to system limitations that should have been manually corrected. Management is aware of the matter and has corrected this subsequent to year end and therefore no control deficiency has been reported.

IV. Appendices / Addendums

A. Management representation letter

B. Current developments

KPMG LLP
Chartered Professional Accountants
560 Victoria Street
Kamloops, BC V2C 2B2
Canada

June 16, 2023

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of Thompson Rivers University ("the Entity") as at and for the period ended March 31, 2023. These financial statements were prepared in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated December 1, 2020, including for:

    a) the preparation and presentation of the financial statements and believe that these financial statements have been prepared in accordance with the relevant financial reporting framework.

    b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:

        (i) the names of all related parties and information regarding all relationships and transactions with related parties; and

        (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, board of governors and committees of the board of governors that may affect the financial statements. All significant actions are included in such summaries.

    c) providing you with unrestricted access to such relevant information.

d) providing you with complete responses to all enquiries made by you during the engagement.

e) providing you with additional information that you may request from us for the purpose of the engagement.

f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

b) all information in relation to fraud or suspected fraud that we are aware of that involves:

— management;

— employees who have significant roles in internal control over financial reporting; or

— others

where such fraud or suspected fraud could have a material effect on the financial statements.

c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.

e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

5) We have disclosed to you the identity of the Entity's related parties with which we have material relationships/transactions. Related parties include Province of BC taxpayer-supported crown corporations and agencies (government organizations).

6) We have disclosed to you all the material related party relationships and transactions/balances of which we are aware.

7) All material related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Going concern:

9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

Non-SEC registrants or non-reporting issuers:

10) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).

11) We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Misstatements:

12) We approve the corrected misstatements identified during the audit described in Attachment II.

Other:

13) LIABILITIES

We have no knowledge of material unrecorded assets or liabilities or contingent assets or liabilities (such as claims related to patent infringements, unfulfilled contracts, etc., whose values depend on fulfillment of conditions regarded as uncertain or receivables sold or discounted, endorsements or guarantees, additional taxes for prior years, repurchase agreements, sales subject to renegotiation or price re-determination, etc.).

14) RECEIVABLES

Receivables reported in the financial statements represent valid claims against customers and other debtors for sales or other charges arising on or before the balance sheet date, and do not include amounts relating to goods shipped on consignment or approval. Receivables have been appropriately reduced to their net realizable value.

15) INVENTORY

No inventory is stated at an amount in excess of net realizable value.

16) COMMITMENTS & CONTINGENCIES:

We have disclosed to you any:

a) material commitments, contingent losses or other liabilities, including those related to environmental matters, not recorded or disclosed in the financial statements.

b) claims that are outstanding or possible claims not recorded or disclosed in the financial statements, whether or not these claims were discussed with legal counsel.

Yours very truly,

THOMPSON RIVERS UNIVERSITY

____
By: Mr. Matt Milovick, VP Administration and Finance

____
By: Ms. Yvette LaFlamme, Associate VP Finance

____
By: Mr. John Sparks, Legal Counsel

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Related parties

In accordance with Public Sector Accounting Board standards *related party* is defined as:

- Any entity that the government has control, significant influence, or economic interest in.
- In accordance with Public Sector Accounting board standards a *related party transaction* is defined as:
- Any transaction between the government and its parties related to each other.

Entity Thompson Rivers University [Mar2023FY]

Summary of Corrected Audit Misstatements

For Year End 2023-03-31

Amounts in Currency unit

Method Used to Quantity Audit Misstatements Income Statement Method (Roll Over)

							Income Statement Effect - Debit (Credit)	**Balance Sheet Effect - Debit (Credit)**					**Cash Flow Effect - Increase (Decrease)**		
ID	**Description of misstatement**	**Type of misstatement**	**Identified During**	**Accounts**	**Debit**	**(Credit)**	**Income Effect Debit (Credit)**	**Equity**	**Current Assets**	**Noncurrent Assets**	**Current Liabilities**	**Noncurrent Liabilities**	**Operating Activities**	**Investing Activities**	**Financing Activities**
		Total income effect of corrected audit misstatements – Interim					**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
AJE1	To eliminate prepaid expenses and accounts payable related to 2024	Factual	Final	Prepaid expenses	0	(400,700)	0	0	(400,700)	0		0	400,700	0	0
				Accounts payable	400,700		0	0		0	400,700	0	(400,700)	0	0
AJE2	To correct reconciling item on cash account not applied to accounts receivable	Factual	Final	Cash	711,500	0	0	0	711,500	0	0	0	711,500	0	0
				Accounts receivable	0	(711,500)	0	0	(711,500)	0	0	0	(711,500)	0	0
		Total income effect of corrected audit misstatements – Final					**0**	**0**	**(400,700)**	**0**	**400,700**	**0**	**0**	**0**	**0**

Changes in accounting standards

Standard	Summary and implications
Revenue	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023. • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Thought leadership and insights

Thought leadership – Environmental, social and governance (“ESG”)

Note: Click on images to visit document link.

CoP26 made progress towards tackling climate change, but there is much more to do.

At KPMG, we’re committed to accelerating the changes required to fight climate change.

The Green City outlines the need of the cities and the buildings in them to reflect climate consciousness.

The link provides guidance on what that looks like and the first steps to meeting those objectives.

In this report, KPMG considers how leading corporations and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.

This report outlines the updates in regulatory sustainability reporting.

Its focus is comparing and contrasting proposals from the ISSB, EFRAG, and the SEC.

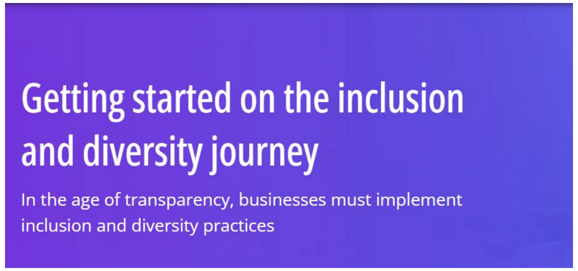
This highlights a five-part framework to help organizations shape the total impact of strategy and operations on performance both externally, and internally.

This article outlines the importance of Gender-lens investing and how it aims on promoting equity and sustainability.

Thought leadership and insights (continued)

Thought leadership – Environmental, social and governance (“ESG”) (continued)

Note: Click on images to visit document link.



In this age of transparency, businesses must act proactively to implement strategic inclusion and diversity (“I&D”) practices.

This link is a guide for organizations on their own transformation journey.

As the severity of climate impacts increase, so do the socio-economic disruptions due to the risk and fall of climate impacted sectors and projects.

This article breaks down the impact on institutional investors.

KPMG’s Climate Change Financial Reporting Resource Centre

KPMG’s climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.

Click here to access KPMG’s portal.

The "S" in ESG is becoming critical as people and organizations become more conscious about how the social aspect of business will impact their future.

This article touches on the social movements driving business change.

This article outlines how ESG is impacting valuation and performance of the underlying companies institutional investors have a stake in.

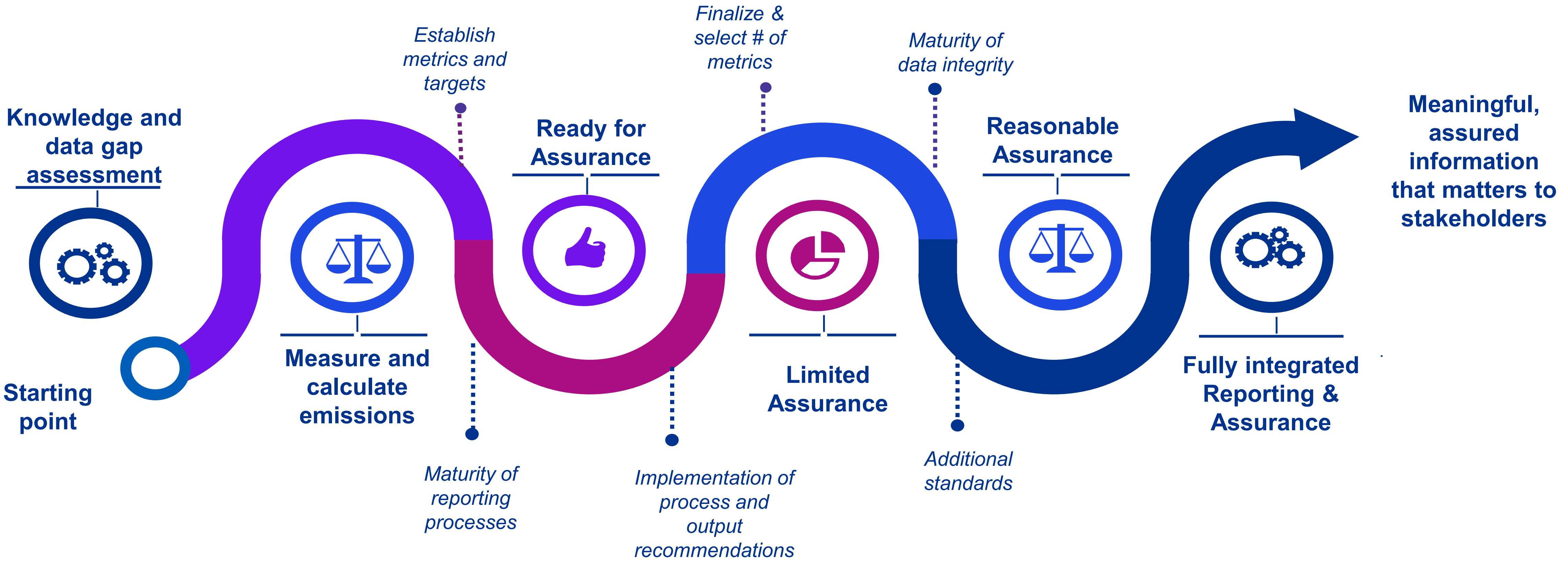
Market statistics highlight the issues surrounding responsible investment.

A closer look at the GHG Protocol

Chartered Professional Accountants of Canada (CPA Canada) and the Institute for Sustainable Finance (ISF) produced a 23-page report (click here) on the GHG Protocol. The report looks to inform potential preparers and users of emissions disclosure; policy makers; standard setters; regulators; and others, and to spur important additional research into key aspects of emissions disclosure and standards that require closer attention.

Thought leadership and insights (continued)

Where are you in the GHG reporting and assurance journey?



Thought leadership and insights (continued)

What is ESG?

ESG is a framework to integrate environmental, social and governance risks and opportunities into an organization's strategy to build long term financial sustainability and create value. ESG includes a wide range of non-financial scoring categories, used by investors and other stakeholders to assess the impact of a company's products and business practices on sustainability and social causes.

Environmental

Our IMPACT on our planet

- Climate change
- Greenhouse gas (GHG) emissions
- Natural resource depletion
- Waste and pollution
- Deforestation
- Hazardous materials
- Biodiversity

Social

Our IMPACT in our communities

- Working conditions, including slavery and child labour
- Impact on local communities
- Conflict regions
- Health and safety
- Employee diversity, equity, and inclusion
- Product mis-selling
- Data protection

Governance

Our conduct

- Executive pay
- Bribery and corruption
- Political lobbying and donations
- Board diversity and structure
- Tax strategy
- Data breaches

ESG strategies can help entities deliver long-term value through effective engagement with all stakeholders – generating trust and a competitive advantage.

Thought leadership and insights (continued)

Why is ESG important? A changing regulatory environment compounded by heightened expectations from stakeholder groups from investors to employees to customers has made ESG a business imperative that cannot be ignored.

Rising C-suite, Board, and market attention on ESG.

Increased emphasis

on management of ESG-related policies and practices from **investors**, **employees**, **customers**, and **community at large.**

100% of CEOs surveyed said their response to the pandemic has caused their focus to shift to the **social** component of their ESG program.[1]

76% of CEOs want to lock-in the sustainability and climate change gains they have made during the pandemic.[2]

Increased focus

by investors on ESG disclosures when making investment decisions.

Investors want companies to be **transparent about their ESG policies** and managements and Board to be held accountable.

> We are prepared to use our proxy voting power to ensure companies are identifying material ESG issues and incorporating the implications into their long-term strategy."
>
> **Cyrus Taraporevala,** State Street Advisors in letter to SSgA board

> By 2030 Microsoft will be carbon negative, and by 2050 Microsoft will remove from the environment all the carbon the company has emitted either directly or by electrical consumption since it was founded in 1975."
>
> **Satya Nadella,** Microsoft CEO

[1] KPMG CEO Outlook pulse survey

[2] KPMG CEO Outlook 2020

Thought leadership and insights (continued)

ESG needs to be on the board agenda

01

ESG and climate risk* are linked to access to funding

An entity's climate resiliency and ESG management is impacting access to funding. Government grants, for example, will be increasingly tied to ESG initiatives and performance.

*Climate risk is an element of ESG

02

E&S and climate risk factors are impacting business models

Business models are being impacted by ESG and climate transition requirements in the face of higher operating risks and costs, e.g. capex planning for low carbon technologies and solutions.

03

ESG is linked to the cost of capital

Developments such as BlackRock's communication to CEOs, S&Ps credit downgrade of several oil & gas companies, and rapid growth in ESG investment or divestment, has highlighted that climate is a near team financial and strategic risk for many companies. Cost of capital can be further impacted by ESG risk ratings from leading ratings agencies (S&P, Sustainalytics, MSCI).

04

Talent expectations and attraction

Stakeholder expectations of Boards now include diversity in gender and ethnicity as well as expertise in ESG or climate areas, e.g. human rights and emissions. Employees are increasingly seeking purpose from their work and looking to leadership and company values to reflect this. This compliments a high student demand for sustainability, diversity and inclusion.

05

Regulatory requirements on ESG and climate risk disclosure

Failing to manage and disclose ESG and climate risks is beginning to carry litigation risk and link to executives' fiduciary duty. Both SEC and ISSB have proposed disclosure rules for climate risk and emissions. Now is the time for entities to address management and reporting gaps.

Sources: 10 Business Myths on Climate Change (2021) – KPMG UK; [2]
ESG: The board's perspective (2021) – KPMG India

KPMG's Truth & Reconciliation Action Plan

KPMG's comprehensive multi-year strategy involves all areas of our firm and commits to creating positive and sustainable economic and social benefits for Indigenous Peoples to advance reconciliation. The plan is closely aligned with the Truth and Reconciliation Commission of Canada's Call to Action No. 92 ("Business and Reconciliation") and will help us foster strong relationships with Indigenous communities and businesses.

In developing the plan, KPMG sought out a variety of voices and perspectives from internal and external groups – including KPMG's National Indigenous Peoples Network, Indigenous clients and communities, and Acosys, an Indigenous-owned, Indigenous-led consulting firm – and incorporated their feedback.

The plan dedicates significant resources and investments to create long-term, sustainable socioeconomic benefits for Indigenous Peoples, setting out measurable goals, objectives and actions under three pillars

Pillar 1 – Advancing an equitable and inclusive culture

Addressing bias and barriers to help advance an equitable and inclusive culture where Indigenous Peoples are supported and can thrive and achieve their professional goals.

Aligned to TRC Call to Action No. 92:
Ensure equitable access to jobs, training and education opportunities, and that Indigenous communities gain long-term sustainable benefits from economic development projects.

Pillar 2 – Building allyship

Building allyship with Indigenous Peoples by raising awareness about the truth of our shared history internally, with clients and in corporate Canada to inspire their action toward reconciliation.

Aligned to TRC Call to Action No. 92:
Provide education on Indigenous history and training in intercultural competency, conflict resolution, human rights and anti-racism.

Pillar 3 – Being a trusted and active contributor to Indigenous development and empowerment

Continuously engage and collaborate with Indigenous communities and organizations to positively contribute to sustainable socio-economic benefits for Indigenous Peoples.

Aligned to TRC Call to Action No. 92:
Ensure equitable access to jobs, training and education opportunities, and that Indigenous communities gain long-term sustainable benefits from economic development projects.

Commit to meaningful consultation and respectful relationships, and to obtaining the free, prior and informed consent of Indigenous Peoples before proceeding with those economic development projects.

Click here to learn more about KPMG's Truth & Reconciliation Action Plan