

Financial statements of

Trinity Western University

April 30, 2018

Trinity Western University

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Independent Auditor's Report

To the Board of Governors of
Trinity Western University

We have audited the accompanying financial statements of Trinity Western University, which comprise the statement of financial position as at April 30, 2018, and the statements of operations and changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trinity Western University as at April 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants
Langley, British Columbia
June 25, 2018

Trinity Western University

Statement of financial position

As at April 30

	2018	2017
	\$	\$
Assets		
Current		
Cash	10,976,643	15,555,032
Restricted cash	39,036	41,173
Accounts receivable	2,041,391	1,394,970
Inventory	367,553	360,105
Prepaid expenses	1,850,681	1,915,005
	15,275,304	19,266,285
Prepaid deposit (Note 6)	835,325	-
Other asset (Note 4)	2,190,855	2,409,941
Investments (Note 5)	20,982,072	20,286,341
Capital assets (Note 6)	155,174,747	144,446,540
	194,458,303	186,409,107
Liabilities		
Current		
Accounts payable and accrued liabilities	5,673,591	3,471,063
Student deposits and deferred income	10,552,233	9,595,372
Current portion of long-term debt (Note 7)	449,995	1,800,874
	16,675,819	14,867,309
Long-term debt (Note 7)	29,843,794	29,200,721
Due to Trinity Western University Foundation (Notes 3 & 8)	6,134,000	5,467,000
	52,653,613	49,535,030
Contingent liabilities (Note 13)		
Commitments (Note 16)		
Fund balances		
Restricted funds		
Capital fund	110,014,855	104,266,699
Specific purpose fund (Note 9)	10,724,479	12,236,147
Endowment fund (Note 9)	20,876,604	20,182,479
Unrestricted fund	188,752	188,752
	141,804,690	136,874,077
	194,458,303	186,409,107

Approved by the Board of Governors

"Mr. Lorne Jacobson"

"Mr. Fred Fleming"

"Mr. Robert G. Kuhn"

The accompanying notes are an integral part of these financial statements.

Trinity Western University
Statement of operations and changes in fund balances
Year Ended April 30

	Unrestricted	Capital	Specific Purpose	Endowment	2018	2017
	\$	\$	\$	\$	\$	\$
Revenues						
Tuition and fees	62,712,073	-	-	-	62,712,073	58,824,087
Donations	3,515,194	3,052,197	2,629,607	572,867	9,769,865	8,366,191
Other (Note 10)	14,610,287	1,200,000	2,638,500	-	18,448,787	15,111,346
	80,837,554	4,252,197	5,268,107	572,867	90,930,725	82,301,624
Expenditures						
Compensation	39,806,892	-	1,387,116	-	41,194,008	37,909,639
Operating costs	20,195,377	35,480	3,346,324	-	23,577,181	20,389,687
Scholarships and bursaries	11,878,458	-	993,828	-	12,872,286	12,414,120
Interest	-	1,157,984	-	-	1,157,984	1,276,741
Overhead and other	1,612,609	-	18,578	-	1,631,187	1,633,209
	73,493,336	1,193,464	5,745,846	-	80,432,646	73,623,396
Excess (deficiency) of revenue over expenditures before the following non-cash items	7,344,218	3,058,733	(477,739)	572,867	10,498,079	8,678,228
Amortization of capital assets	-	(5,247,279)	-	-	(5,247,279)	(5,090,032)
Amortization of other assets	-	(8,245)	(219,086)	-	(227,331)	(227,467)
Change in fair value of interest rate swaps (Note 19)	-	245,065	-	-	245,065	130,710
Change in fair value of investments (Note 5)	(337,921)	-	-	-	(337,921)	1,635,231
	(337,921)	(5,010,459)	(219,086)	-	(5,567,466)	(3,551,558)
Excess (deficiency) of revenue over expenditures	7,006,297	(1,951,726)	(696,825)	572,867	4,930,613	5,126,670
Interfund transfers (Note 11)	(7,006,297)	7,699,882	(814,843)	121,258	-	-
Change in fund balances for the year	-	5,748,156	(1,511,668)	694,125	4,930,613	5,126,670
Fund balances at the beginning of the year	188,752	104,266,699	12,236,147	20,182,479	136,874,077	131,747,407
Fund balances at the end of the year	188,752	110,014,855	10,724,479	20,876,604	141,804,690	136,874,077

The accompanying notes are an integral part of these financial statements.

Trinity Western University

Statement of cash flows

Year Ended April 30

	2018	2017
	\$	\$
Operating activities		
Excess of revenues over expenditures	4,930,613	5,126,670
Add back (deduct) items not involving cash:		
Amortization of transaction costs	8,245	8,381
Amortization of capital assets	5,247,279	5,090,032
Amortization of other assets	219,086	219,086
Donated capital asset additions	(70,635)	(11,599)
Change in fair value of interest rate swaps	(245,065)	(130,710)
Change in fair value of investments	337,921	(1,635,231)
	10,427,444	8,666,629
Change in operating working capital		
Accounts receivable	(646,421)	(193,736)
Inventory	(7,448)	152,076
Prepaid expenses	64,324	(357,399)
Accounts payable and accrued liabilities	2,202,528	303,188
Student deposits and deferred income	956,861	1,255,732
	2,569,844	1,159,861
	12,997,288	9,826,490
Financing activities		
Scheduled annual amortization of long-term debt	(594,508)	(556,405)
Additional repayment of HSBC long-term debt	(667,000)	(1,467,000)
Increase in Trinity Western University Foundation long-term debt	667,000	1,467,000
Additional repayment of long-term debt	(2,070,132)	(3,457,881)
Increase in long-term debt	2,860,654	2,505,337
	196,014	(1,508,949)
Investing activities		
Change in restricted cash	2,137	(3,090)
Change in prepaid deposit	(835,325)	-
Purchase of capital assets	(16,152,877)	(4,161,670)
Proceeds from disposal of capital asset	248,026	-
Purchase of investments	(1,429,652)	(1,844,837)
Proceeds from sale of investments	396,000	267,000
	(17,771,691)	(5,742,597)
Change in cash during the year	(4,578,389)	2,574,944
Cash at beginning of year	15,555,032	12,980,088
Cash at end of year	10,976,643	15,555,032

The accompanying notes are an integral part of these financial statements.

Trinity Western University

Notes to financial statements

April 30, 2018

1. Business operations

Purpose and authority

The mission of Trinity Western University, as an arm of the Church, is to develop godly Christian leaders: positive, goal-oriented university graduates with thoroughly Christian minds; growing disciples of Jesus Christ who glorify God through fulfilling the Great Commission, serving God and people in the marketplaces of life.

Established in 1962, Trinity Western University ("TWU", the "University") operates under the authority of the *Trinity Western University Act* of the Province of British Columbia. TWU is a Christian liberal arts and sciences university offering undergraduate, graduate and continuing education programs. TWU is a not-for-profit entity, governed by a Board of Governors. TWU is a registered charity and is therefore exempt from income taxes under section 149 of the Canadian Income Tax Act and section 501(c)(3) of the Internal Revenue Code in the United States of America.

2. Significant accounting policies

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant policies:

Fund accounting

TWU accounts provide for separate fund balances to be maintained at various times in order to recognize restrictions imposed on the use of available resources. The Statements of Financial Position and Cash Flows combine the assets and liabilities of all funds. The Statement of Operations and Changes in Fund Balances segregates the Unrestricted, Capital, Specific Purpose and Endowment funds.

TWU follows the restricted fund method of accounting for contributions.

The Unrestricted Fund reports on TWU's program delivery, administrative and ancillary activities.

The Capital Fund reports the net investment in capital assets.

The Specific Purpose Fund reports funds received but not yet expended for specific projects.

The Endowment Fund reports donations received to be held permanently, the income of which is to be used primarily for scholarships. Realized investment gains and losses from the Endowment Fund are reported in the Unrestricted Fund, unless restricted by the donor.

Ancillaries (Note 10) include Housing Services, Dining Services, Conference Services, and the University Bookstore.

Controlled not-for-profit organizations

The University does not consolidate controlled not-for-profit organizations into its financial statements. Information on controlled not-for-profit organizations is disclosed in Note 3.

Trinity Western University

Notes to financial statements

April 30, 2018

2. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the University becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for the following instruments:

- a) Investments in unlisted shares, which are measured at cost less any reduction for impairment;
- b) Investments in listed shares and derivative financial instruments that are not designated in a qualifying hedging relationship, which are measured at fair value at the statement of financial position date. The fair value of listed shares is based on the latest closing price and the fair value quote received from the bank counterparty is used as a proxy for the fair value of derivative financial instruments.

Interest earned on short term investments, unrealized gains and losses on listed shares, and realized gains and losses on sale of short term investments are included in other income in the statement of operations.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the University recognizes in net earnings an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the statement of operations in the period the event occurs.

Revenue recognition

Tuition and fees and ancillaries are recognized as revenue at the time the goods are delivered or the services are provided. Deferred revenue is recorded for payments made prior to services rendered.

Restricted contributions are recognized as revenue of one of the restricted funds in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions subject to internal restrictions are allocated to the appropriate restricted fund through an inter-fund transfer.

Endowment donations are recognized as revenue in the Endowment Fund.

The sources of donation revenues described above are individuals and corporations.

Trinity Western University

Notes to financial statements

April 30, 2018

2. Significant accounting policies (continued)

Gifts in kind are recorded at fair market value on the date of their donation, or at nominal value when fair market value cannot be reasonably determined. Donated services are not recognized in these financial statements.

Other income is recognized in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Inventory

Inventory is comprised of items held for resale by the University Bookstore and is valued at the lower of cost and net realizable value. Cost is determined on the average cost basis. Net realizable value is the selling price less the cost necessary to make the sale. During the year the University expensed \$1,093,816 (2017 - \$1,176,872) of inventory on the statement of operations and changes in fund balances.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at their fair market value on the date of the contribution. No amortization is taken in the year of acquisition and a full year of amortization is taken in the year of disposal. Amortization is provided using the straight-line basis over the estimated useful life of the assets as follows:

Buildings, roads and parking lots	8 - 40 years
Furniture and equipment	10 years
Library collection	10 years
Computers	3 - 7 years
Vehicles	5 years

An impairment loss is recognized in capital assets when the asset no longer has any long-term service potential to the University. The amount of the impairment loss is determined as the excess of its net carrying amount over any residual value and will be recognized in the statement of operations.

Other asset

Other asset is recorded at cost and is amortized on a straight-line basis over the term of the related agreement.

Assets under capital lease

Assets under capital lease are accounted for at cost. Amortization is provided using the straight-line basis over the estimated useful life of the assets, which is 3 years.

Asset retirement obligations

Legal obligations related to asset retirement obligations are recognized when a reasonable estimate of fair value can be made. These obligations are recorded at fair value with a corresponding increase in asset value. The liability is accreted over the life of the asset to fair value and the increase in asset value is depreciated over the remaining useful life of the asset. This includes future removal and site restoration costs as required due to environmental law or contract. Management has determined that the University has no asset retirement obligations at April 30, 2018.

Trinity Western University

Notes to financial statements

April 30, 2018

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Key areas of estimation, as a result of matters that are inherently uncertain, include the provision for doubtful accounts in respect of receivables, the useful lives of capital assets, accrued liabilities, and liabilities under legal contingencies. Actual results could differ from those estimates.

3. Related party transactions

Not-for-profit organizations controlled by the University are as follows:

Trinity Western University Foundation (TWUF)

TWUF was established as a Crown Corporation under the *Trinity Western University Foundation Act* of the Province of British Columbia on July 20, 1989. Its main purpose is to receive, manage and invest funds to further the purposes of TWU. The Act provides TWUF with the status of an Agent of the Crown in the Right of the Province of British Columbia. TWUF is not subject to income taxes. The TWUF board members consist of TWU board members.

Trinity Western University Foundation - US (TWUF - US)

TWUF - US was incorporated under the *Washington Non-Profit Corporation Act* in 1980 to support and benefit Christian colleges associated with the Evangelical Free Churches of America and receive charitable donations for the benefit of TWU. TWUF - US is not subject to income taxes. TWUF - US is controlled by an independent board of governors.

Not-for-profit organization significantly influenced by the University:

The Associated Canadian Theological Schools Society (ACTS)

ACTS was incorporated under the Society Act of British Columbia on March 30, 2016. The primary purpose of ACTS is to support and facilitate excellent theological education, Christian leadership training, and the provision of resources for effective Christian ministry primarily at the graduate level and to support the creation and maintenance of effective joint academic programs among those registered charities that are members of the Society that grant the credits and confer the degrees offered through such joint academic programs. On May 1, 2016 the assets, liabilities and member balances of the previous ACTS joint venture were transferred to this newly incorporated Society. TWU is one of the four full members of ACTS. Each full member may appoint three individuals to the Board of Directors and elect additional directors from associate members, where applicable, subject to certain restrictions. As a full member, among other responsibilities, TWU is obligated to financially support the jointly-managed systems and infrastructure facilitated by the ACTS according to the amounts, fees and formula approved by the Board. During the year these financial support payments totalled \$160,212 (2017 - \$160,212).

Trinity Western University

Notes to financial statements

April 30, 2018

3. Related party transactions (continued)

Financial summaries for controlled not-for-profit organizations are as follows:

	2018			2017
	TWUF 31-Mar-18	TWUF - US 31-Dec-17	Total	Total
	\$	\$	\$	\$
Financial position				
Total assets	6,159,533	6,169,027	12,328,560	11,156,736
Total liabilities	-	(2,461,179)	(2,461,179)	(2,709,883)
Total net assets	6,159,533	3,707,848	9,867,381	8,446,853
Results of operations				
Total revenues	668,084	3,197,775	3,865,859	3,871,136
Total expenses	(1,040)	(2,233,644)	(2,234,684)	(1,977,994)
Excess of revenues over expenses	667,044	964,131	1,631,175	1,893,142
Contributions	-	121,820	121,820	146,451
	667,044	1,085,951	1,752,995	2,039,593
Cash flows				
Cash provided (used) by operations	667,044	260,730	927,774	1,398,414
Cash (used) provided by investing activities	(667,000)	(210,197)	(877,197)	(4,856,166)
Net cash flow	44	50,533	50,577	(3,457,752)

During the fiscal year TWU received the following amounts from related parties:

	2018			2017
	ACTS	TWUF - US	Total	Total
	\$	\$	\$	\$
Donations	-	600,279	600,279	(1,074,114)
Recovery of salaries	513,234	-	513,234	(510,177)
Provision of goods and services	457,952	-	457,952	(530,736)
	971,186	600,279	1,571,465	(2,115,027)

During the year, TWU received a \$667,000 loan from TWUF. Refer to Note 8.

These transactions are in the normal course of operations and are measured at the exchange amounts.

Trinity Western University

Notes to financial statements

April 30, 2018

3. Related party transactions (continued)

Included in accounts (payable) receivable are the following amounts with related parties:

	2018	2017
	\$	\$
ACTS	11,287	(112,154)
TWUF - US	(16,390)	19,778
	(5,103)	(92,376)

4. Other asset

The University has prepaid for the multi-year access and operating agreements with the Township of Langley (the "Township") to utilize a portion of the Langley Events Centre until April 2029.

The University recorded amortization of \$219,086 during the year ended April 30, 2018 (2017 - \$219,086) and the current portion of \$219,086 has been included in prepaid expenses on the statement of financial position.

5. Investments

	2018	2017
	\$	\$
Portfolio investments:		
Marketable securities	20,981,072	20,285,341
Shares of private company (net of impairment of \$238,000, 2017 - \$238,000)	1,000	1,000
	20,982,072	20,286,341

The private company shares were received by TWU in December 2010 through an estate donation. These shares are not traded on an open market. Since 2010, TWU has received \$87,500 as cash dividends from these shares. In the current year, there was no impairment recorded in income relating to these shares (2017 - \$30,754).

Trinity Western University

Notes to financial statements

April 30, 2018

5. Investments (continued)

The composition of the portfolio investments is as follows:

	2018	
Portfolio Investments	Fair Value	Fund Allocation
	\$	
Cash Equivalents	964,075	4.6%
Canadian Equities	4,979,182	23.7%
US Equities	3,599,435	17.2%
International Equities	3,129,523	14.9%
Fixed Income Fund	7,949,077	37.9%
Total Leith Wheeler	20,621,292	98.3%
Other funds	360,780	1.7%
Total Funds	20,982,072	100.0%

	2017	
Portfolio Investments	Fair Value	Fund Allocation
	\$	
Cash Equivalents	549,908	2.7%
Canadian Equities	7,119,848	35.1%
US Equities	3,485,707	17.2%
International Equities	2,857,951	14.1%
Fixed Income Fund	5,932,607	29.2%
Total Leith Wheeler	19,946,021	98.3%
Other funds	340,320	1.7%
Total Funds	20,286,341	100.0%

The return on investment of the Leith Wheeler endowment portfolio was 4.0% (2017 – 16.8%), after all related fees.

The University monitors the performance of investment managers through its Independent Investment Committee ("IIC"). The IIC is comprised of two Board members and one external advisor. The IIC reports to the University's Board of Governors through its Finance Committee. IIC's primary responsibilities are to regularly monitor investment manager performance and recommend changes to investment policy and strategy and to replace or expand investment managers when considered necessary.

The market return on investments includes interest income, dividends, capital gains and unrealized gains / losses. During the year ended April 30, 2018, the University recorded an unrealized loss on investments of \$337,921 (2017-\$1,635,231 gain) and recognized investment income of \$1,247,843 (2017 – \$1,276,277).

Trinity Western University

Notes to financial statements

April 30, 2018

6. Capital assets

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	49,319,702	-	49,319,702	49,567,728
Buildings, roads and parking lots	119,519,072	21,396,273	98,122,799	87,541,079
Furniture and equipment	8,611,847	3,860,389	4,751,458	4,120,978
Library collection	6,940,246	6,323,582	616,664	631,021
Computers	6,436,356	4,118,964	2,317,392	2,525,542
Vehicles	146,229	99,497	46,732	60,192
	190,973,452	35,798,705	155,174,747	144,446,540

During the year ended April 30, 2018 the University acquired capital assets totalling \$16,223,512 (2017 \$4,173,269) – of this total, \$70,635 (2017 - \$11,599) was by means of donated assets and \$16,152,877 (2017 - \$4,161,670) by means of cash.

The University has a prepaid deposit of \$835,325 related to a dormitory under construction with an estimated construction completion date of September 2018. As at April 30, 2018, the University's remaining contractual commitment for the dormitory under construction is \$11,327,539.

Trinity Western University

Notes to financial statements

April 30, 2018

7. Long-term debt

	2018	2017
	\$	\$
HSBC Bank Canada non-revolving loan (Capital Loan), bearing interest at HSBC prime rate plus 0.4%, payable in equal monthly installments of principal and interest based on an amortization period of 20 years, maturing in 2032. The University has entered into an interest rate swap covering \$9,333,332 of this loan (Note 19).	9,657,999	10,854,999
Promissory notes payable, unsecured income contracts with varying terms, bearing interest at an average rate of 2.92%, maturing at various dates up to 2023.	5,314,760	5,795,635
Loan payable to Canadian Western Trust for TWU's RRSP/RRIF program, revocable indefinite term contracts bearing interest at an average rate of 3.75%, rates adjusted semi-annually, secured by a fixed charge on specific land and building.	15,287,568	14,016,171
Computer equipment lease in the amount of \$146,608, repayable in monthly instalments of \$2,842 including interest calculated at 4.3%, maturing April 2019.	29,737	63,325
Parking equipment lease in the amount of \$138,178, repayable in monthly instalments of \$2,861 including interest calculated at 4.33%, maturing September 2019.	43,286	74,206
	30,333,350	30,804,336
Fair value of interest rate swaps	33,116	278,181
Unamortized transaction costs	(72,677)	(80,922)
	30,293,789	31,001,595
Less current portion	(449,995)	(1,800,874)
	29,843,794	29,200,721

As at April 30, 2018, the University has unused credit facilities, secured as described below, as follows:

- Operating loan facility for \$4,000,000, bearing interest at prime plus 0.4%, increasing to \$6,500,000 from May 1 to September 30 of each year.
- Term loan facility for \$5,000,000, bearing interest at prime plus 0.4%, available by draws of not less than \$500,000, with monthly principal repayments of \$16,000 until 2021.

Trinity Western University

Notes to financial statements

April 30, 2018

7. Long-term debt (continued)

Under the terms of the agreement with HSBC Bank Canada dated April 13, 2016, the University was in compliance with its loan covenants for the fiscal year ending April 30, 2018.

As of April 30, 2018, the University has an agreement to renew its credit facilities beyond their stated maturity dates. Subsequent to year-end, a new HSBC Bank Canada facilities agreement has been signed by the University. The purpose of this loan is to refinance existing loans and to provide financing for the completion of the dormitory under construction (Note 6).

The estimated principal repayments of debt outstanding on April 30, 2018, based on renewing the credit facilities on similar terms over the next five years (including capital lease payments) are as follows:

	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$
Total estimated principal repayments	449,995	397,531	386,320	386,320	386,320

The HSBC bank loans are secured by a general security agreement, a fixed charge on specific land and buildings of up to \$50 million, assignment of rents and insurance, environmental and indemnity agreements on specific properties.

Total cash interest paid on all borrowings during the year is \$775,398 (2017 - \$951,823).

8. Due to Trinity Western University Foundation

As of April 30, 2018, the University has received \$6,134,000 in loan funds from Trinity Western University Foundation for the purposes of HSBC bank debt repayment. This loan is non-interest bearing, matures April 2026, has no fixed terms of repayment, and has covenants attached. Certain land and buildings have been pledged as security for the Trinity Western University Foundation loan.

9. Specific Purpose Fund and Endowment Fund

Restrictions imposed on the following funds are:

	2018		2017	
	Specific Purpose	Endowment	Specific Purpose	Endowment
	\$	\$	\$	\$
Externally restricted	5,728,788	14,078,151	5,048,742	13,505,284
Internally restricted	4,995,691	6,798,453	7,187,405	6,677,196
	10,724,479	20,876,604	12,236,147	20,182,480

Trinity Western University

Notes to financial statements

April 30, 2018

9. Specific Purpose Fund and Endowment Fund (continued)

The externally restricted portion of the Endowment Fund is comprised of donations from external sources. The externally restricted portion of the Specific Purpose Fund is comprised of amounts restricted for various purposes including scholarships, program development, athletic sponsorships, and student trips. The internally restricted portion is comprised of interfund transfers and earnings net of scholarship distributions.

10. Other income

The components of other income are as follows:

	Unrestricted	Capital	Specific Purpose	2018 Total	2017 Total
	\$	\$	\$	\$	\$
Ancillaries	10,644,641	-	-	10,644,641	8,902,980
Miscellaneous	1,339,804	1,200,000	804,365	3,344,169	2,139,680
Grants	196,521	-	1,792,170	1,988,691	1,533,956
Investment & Other	1,499,761	-	-	1,499,761	1,603,901
Parking & Rental	929,560	-	41,965	971,525	930,829
	14,610,287	1,200,000	2,638,500	18,448,787	15,111,346

11. Interfund transfers

Transfers between the various funds during the fiscal year 2018 are summarized as follows:

	Unrestricted	Capital	Specific Purpose	Endowment
	\$	\$	\$	\$
Debt repayment	(630,277)	630,277	-	-
Interest on long-term debt	(1,155,803)	1,155,803	-	-
Capital assets	(2,651,433)	2,755,642	(104,209)	-
Appropriations	(1,193,608)	3,158,160	(1,964,552)	-
Investment gain, net of scholarship expenses	(703,120)	-	581,862	121,258
Travel studies	(672,056)	-	672,056	-
	(7,006,297)	7,699,882	(814,843)	121,258

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12. Interfund loans

The loans receivable (payable) between the various funds as outlined below are non-interest bearing and have no specific terms for repayment.

	2018	2017
	\$	\$
Unrestricted Fund	1,565,427	(5,575,607)
Capital Fund	(9,576,302)	(3,720,542)
Specific Purpose Fund	7,983,079	9,278,174
Endowment Fund	27,796	17,975
	-	-

13. Contingent liabilities

Evangelical Free Church of Canada

TWU has agreed to provide the Evangelical Free Church of Canada ("EFCC") perpetual occupancy of specific office premises on campus. In return, the EFCC has contributed certain amounts towards construction costs of their premises.

By an agreement dated July 30, 1995, TWU has agreed to repay the EFCC an amount based on the appraised value of the space occupied by EFCC, should they choose to vacate the office premises. Neither the amount nor the timing of any potential liability under this agreement can be reasonably estimated at this time. Therefore, no provision has been made in the financial statements.

Canadian University Reciprocal Insurance Exchange

Since 1988 Trinity Western University has been a member of the Canadian University Reciprocal Insurance Exchange ("C.U.R.I.E"), a self-insurance co-operative providing property and general liability insurance coverage to 64 university subscribers in Canada.

Under this co-operative arrangement, the University participates in the periodic return of excess premiums and shares in any losses realized by C.U.R.I.E., in proportion to its participation in C.U.R.I.E. For the current fiscal year, there was a return of \$3,511 (2017 - \$22,871) related to the return of excess premiums; there are no anticipated member assessments based on C.U.R.I.E.'s current financial position.

Letter of guarantee

In accordance with the Post-secondary Education Choice and Excellence Act of the Province of Ontario [S.O. 2000, Chap. 36], the University has provided a \$150,000 letter of guarantee to the Ministry of Training, Colleges and Universities to operate the Laurentian Leadership Centre in Ottawa.

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Notes to financial statements

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13. Contingent liabilities (continued)

Canada Institute of Linguistics ("CANIL") ground lease

The University has entered into a ground lease that allows CANIL to construct and occupy a building on University lands for a period of 35 years with four tenant renewal options of five years each. The initial lease term ends in 2039. Under the terms of the arrangement, CANIL may vacate the premises at any time and require TWU to purchase its interest in the building according to a reducing balance formula. At April 30, 2018 the amount calculated under the formula was approximately \$ 1,447,888 (2017 -\$1,514,920). At the end of the lease term, including all renewals, title and ownership of the building will pass to the University. No amounts have been recorded in these financial statements with respect to the CANIL lease.

The Associated Canadian Theological Schools Society (ACTS)

As one of the four full members of the ACTS, TWU guaranteed a maximum of \$100,000 of a \$300,000 working capital line of credit provided to ACTS by its banker. At April 30, 2018, the balance outstanding on the line of credit is \$nil.

14. Retirement plans

Trinity Western University makes a defined contribution to registered retirement plans for employees. Both the employee and employer portions vest immediately. Employees have full discretion to invest the funds within the University sponsored program. There is no past service liability with respect to this program.

15. Trinity Western Advancement Fund

Trinity Western University established a permanent Endowment Fund with the Vancouver Foundation in 1986, known as the Trinity Western Advancement Fund:

	2018	2017
	\$	\$
Aggregate contributed principal	387,000	387,000
Market value on March 31	563,139	564,302
Income earned	20,535	19,672
Distribution to TWU	20,063	19,233

Under the terms of the Fund, the capital and any addition thereto shall be held permanently by Vancouver Foundation, the income from which shall be used for scholarships, bursaries and for such other educational purposes as may be determined by the University's Board of Governors from time to time.

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16. Commitments

The University's future minimum operating lease payments on furniture and equipment are as follows:

	\$
2019	63,675
2020	11,211

17. Government remittances

Included in accounts payable and accrued liabilities is \$105,939 (2017 – \$263,936) of government remittances.

18. Capital disclosures

The University's capital consists of restricted capital, special purpose and endowment funds, unrestricted funds and long-term debt, as shown on the Statement of Financial Position.

The University manages the capital structure and makes adjustments to it in light of changes in economic conditions and working capital requirements. The University has adopted prudent investment and budgetary policies with the goal of maintaining liquidity and earning a sustainable return on capital. These policies are designed to enable the University to meet its obligations as they fall due, fund its capital and special purpose funds, and build long-term financial stability. In order to facilitate the management of its capital requirements, the University prepares annual budgets and multi-year financial plans that are updated as necessary for review with the Board of Governors.

Under the terms of the HSBC long-term debt agreement and the Trinity Western University Foundation agreement, the University must satisfy restrictive covenants. The University satisfied those debt covenants as at April 30, 2018.

19. Financial risks

Market risk

The University's market risk arises from its investment in marketable securities and private company shares (Note 5). This exposes the University to changes in its investment value which fluctuates based on changes in market prices. Refer to Note 5 on how the University manages its market risk.

The fair value of the marketable securities included in Note 5 is based on quoted market prices. The fair value of the private company shares was determined by review of the historical net income and dividend payments and the ability of the company to sustain or increase those amounts.

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19. Financial risks (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The University is subject to interest rate cash flow risk with respect to its floating rate debt. When interest rate risk exposure is considered significant, the University manages this risk by entering into interest rate swap agreements ("swaps") that fix the interest rates over the term of the corresponding obligation.

As at April 30, 2018, the University has entered into swaps covering \$9,333,332 of the HSBC non-revolving loan (Note 7). Under the terms of the swaps, the variable interest rate has been exchanged for fixed interest rates of between 3.74% to 4.84%, maturing between May 14, 2018 and January 15, 2021. The fair value of the swaps at April 30, 2018 is a liability of \$33,116. The fair value is based on information received from the financial institution. An unrealized gain of \$245,065 has been recorded in the current year related to these swaps (2017 - \$130,710 unrealized gain).

Currency and credit risk

The University provides credit to its students in the normal course of its operations, and maintains an allowance for doubtful accounts. The allowance for doubtful accounts balance at April 30, 2018 is \$220,687 (2017 - \$205,806).

Liquidity risk

The University's objective is to have sufficient liquidity to meet its liabilities when due. The University monitors its cash balances and cash flows generated from operations to meet its requirements. As at April 30, 2018, the most significant financial liabilities are: accounts payable and accrued liabilities, capital lease obligations, loan due to Trinity Western University Foundation and long-term debt.

20. Comparative figures

Certain comparative figures have been reclassified to conform to current year presentation.