

Financial statements of

Trinity Western University

April 30, 2013 and April 30, 2012

Trinity Western University

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Independent Auditor's Report

To the Board of Governors of
Trinity Western University

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We have audited the accompanying financial statements of Trinity Western University, which comprise the statements of financial position as at April 30, 2013, April 30, 2012, and May 1, 2011, and the statements of operations and changes in fund balances and cash flows for the years ended April 30, 2013 and April 30, 2012, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits 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, 2013, April 30, 2012 and May 1, 2011, and the results of its operations and its cash flows for the years ended April 30, 2013 and April 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants
Langley, British Columbia

September 9, 2013

Trinity Western University

Statements of financial position

As at April 30

	2013	2012	May 1, 2011
	\$	\$	\$
		(Note 2)	(Note 2)
Assets			
Current			
Cash	8,104,320	10,481,862	4,164,990
Restricted cash (Note 5)	2,887,815	2,157,651	569,892
Accounts receivable	1,896,476	1,691,133	2,742,360
Investments (Note 6)	-	150,000	898,000
Inventory	294,908	308,251	326,938
Prepaid expenses	1,245,124	829,923	942,365
	14,428,643	15,618,819	9,644,545
Other asset (Note 7)	3,286,282	3,505,368	-
Accounts receivable (Note 8)	200,000	400,000	-
Investments (Note 6)	15,043,510	11,409,068	11,072,754
Capital assets (Note 8)	132,724,069	134,316,635	135,217,522
	165,682,504	165,249,891	155,934,821
Liabilities			
Current			
Accounts payable and accrued liabilities	2,424,571	2,970,606	2,979,686
Student deposits and deferred income	6,053,895	5,502,434	4,786,700
Current portion of capital lease obligations (Note 9)	207,479	283,638	287,102
Current portion of long-term debt (Note 10)	4,899,986	5,110,802	6,422,722
	13,585,931	13,867,480	14,476,210
Capital lease obligations (Note 9)	37,100	232,545	478,558
Long-term debt (Note 10)	40,049,115	41,357,601	30,783,340
	53,672,146	55,457,626	45,738,108
Fund balances			
Restricted funds			
Capital fund	93,057,657	91,390,886	94,658,835
Specific purpose fund (Note 11)	6,265,663	7,067,517	4,150,909
Endowment fund (Note 11)	12,498,286	11,145,110	11,198,217
Unrestricted fund	188,752	188,752	188,752
	112,010,358	109,792,265	110,196,713
	165,682,504	165,249,891	155,934,821

Approved by the Board of Governors



Trinity Western University

Statements of operations and changes in fund balances

Years ended April 30

2013

2012

	Unrestricted	Capital	Specific Purpose	Endowment	Total	Unrestricted	Capital	Specific Purpose	Endowment	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Tuition and fees	46,551,246	-	-	-	46,551,246	42,900,872	-	-	-	42,900,872
Less: Scholarships and bursaries	(11,612,023)	-	-	-	(11,612,023)	(11,273,178)	-	-	-	(11,273,178)
Tuition and fees (net)	34,939,223	-	-	-	34,939,223	31,627,694	-	-	-	31,627,694
Ancillaries	9,999,444	-	-	-	9,999,444	9,621,994	-	-	-	9,621,994
Donations	1,926,186	3,284,700	1,315,555	519,792	7,046,233	2,604,114	3,852,336	2,228,651	386,111	9,071,212
Other (Note 12)	2,675,239	127,790	2,942,752	-	5,745,781	2,671,690	217,656	2,660,229	970	5,550,545
	49,540,092	3,412,490	4,258,307	519,792	57,730,681	46,525,492	4,069,992	4,888,880	387,081	55,871,445
Expenditures										
Compensation	29,875,227	-	1,382,479	-	31,257,706	28,800,222	-	1,427,526	-	30,227,748
Operating costs	6,984,792	87,219	2,757,653	-	9,829,664	6,472,702	410,898	2,464,821	-	9,348,421
Ancillaries	4,932,979	-	-	-	4,932,979	4,747,487	-	-	-	4,747,487
Scholarships and bursaries	-	-	1,137,583	-	1,137,583	-	-	1,296,268	-	1,296,268
Interest	-	1,838,410	-	-	1,838,410	-	2,022,205	-	-	2,022,205
Overhead and other	1,768,930	-	-	-	1,768,930	1,403,697	-	-	-	1,403,697
	43,561,928	1,925,629	5,277,715	-	50,765,272	41,424,108	2,433,103	5,188,615	-	49,045,826
Excess (deficiency) of revenue over expenditures before the following items	5,978,164	1,486,861	(1,019,408)	519,792	6,965,409	5,101,384	1,636,889	(299,735)	387,081	6,825,619
Amortization of capital assets (non-cash)	-	(4,880,740)	-	-	(4,880,740)	-	(4,958,241)	-	-	(4,958,241)
Amortization of other assets (non-cash)	-	(8,619)	(219,086)	-	(227,705)	-	-	(146,057)	-	(146,057)
Interest rate swaps	-	-	-	-	-	-	(933,159)	-	-	(933,159)
Change in fair value of investments (non-cash)	391,441	(30,312)	-	-	361,129	(912,615)	(55,000)	(224,995)	-	(1,192,610)
	391,441	(4,919,671)	(219,086)	-	(4,747,316)	(912,615)	(5,946,400)	(371,052)	-	(7,230,067)
Excess (deficiency) of revenue over expenditures	6,369,605	(3,432,810)	(1,238,494)	519,792	2,218,093	4,188,769	(4,309,511)	(670,787)	387,081	(404,448)
Interfund transfers (Note 13)	(6,369,605)	5,099,581	436,640	833,384	-	(4,188,769)	1,041,562	3,587,395	(440,188)	-
Change in fund balances for the year	-	1,666,771	(801,854)	1,353,176	2,218,093	-	(3,267,949)	2,916,608	(53,107)	(404,448)
Fund balances at the beginning of the year	188,752	91,390,886	7,067,517	11,145,110	109,792,265	188,752	94,658,835	4,150,909	11,198,217	110,196,713
Fund balances at the end of the year	188,752	93,057,657	6,265,663	12,498,286	112,010,358	188,752	91,390,886	7,067,517	11,145,110	109,792,265

Trinity Western University

Statement of cash flows

Years ended April 30

	2013	2012
Operating activities	\$	\$
Excess (deficiency) of revenues over expenditures	2,218,093	(404,448)
Add back (deduct) items not involving cash:		
Loss on disposal of capital assets	12,489	226,681
Amortization of transaction costs	8,619	1,437
Amortization of capital assets	4,880,740	4,958,241
Amortization of other assets	219,086	146,057
Donated capital asset additions	(78,397)	(2,716,423)
Donated investments	-	(275,643)
Change in fair value of investments	(361,129)	1,192,610
	6,899,501	3,128,513
Change in operating working capital		
Accounts receivable	(5,343)	1,051,227
Inventory	13,343	18,687
Prepaid expenses	(415,201)	331,527
Accounts payable	(546,035)	(9,080)
Student deposits and deferred income	551,461	715,734
	(401,775)	2,108,095
	6,497,726	5,236,608
Financing activities		
Increase in long-term debt	1,252,986	8,317,403
Repayment of long-term debt	(3,052,511)	(351,487)
Transaction costs paid	-	(125,000)
	(1,799,525)	7,840,916
Investing activities		
Change in restricted cash	(730,164)	(1,587,759)
Purchase of capital assets	(3,222,266)	(5,068,934)
Proceeds from disposal of land	-	401,323
Purchase of investments	(3,372,966)	(3,192,943)
Proceeds from sale of investments	249,653	2,014,656
Redemption of investment in private company shares	-	673,005
	(7,075,743)	(6,760,652)
Change in cash during the year	(2,377,542)	6,316,872
Cash at beginning of year	10,481,862	4,164,990
Cash at end of year	8,104,320	10,481,862

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

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. Adoption of new accounting framework

Adoption of accounting standards for not-for-profit organizations

The University was required to adopt Canadian accounting standards for not-for-profit organizations. These financial statements are the first financial statements for which the University has applied Canadian accounting standards for not-for-profit organizations.

The financial statements for the year ended April 30, 2013 and April 30, 2012 were prepared in accordance with the accounting principles and provisions set out in Section 1501, First-time Adoption by Not-for-Profit Organizations, for first-time adopters of this basis of accounting.

The impact of adopting these standards was accounted for in fund balances at the date of transition, May 1, 2011. As described below, the University has elected to adopt the exemption available under Section 1501 relating to the fair value of capital assets and has re-valued land and buildings at May 1, 2011.

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

2. Adoption of new accounting framework (continued)

Financial statement impact on transition

The impact of the adoption of the new standards on the statement of financial position items as at May 1, 2011 is summarized as follows:

	Balance previously reported April 30, 2011	Adjustments	Reference	Balance as adjusted May 1, 2011
	\$	\$		\$
Assets				
Capital assets	50,775,459	84,442,063	(a)	135,217,522
Fund balances				
Capital fund	10,216,772	84,442,063	(a)	94,658,835

The impact of the adoption of the new standards on the statement of financial position items as at April 30, 2012 is summarized as follows:

	Balance previously reported April 30, 2012	Adjustments	Reference	Balance as adjusted April 30, 2012
	\$	\$		\$
Assets				
Capital assets	51,564,053	82,752,582	(a)	134,316,635
Fund balances				
Capital fund	8,638,304	82,752,582	(a)	91,390,886

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

2. Adoption of new accounting framework (continued)

Financial statement impact on transition (continued)

The impact of the adoption of the new standards on the statement of operations and changes in fund balances for the year ended April 30, 2012 is summarized as follows:

	Balance previously reported April 30, 2012	Adjustment	Reference	Balance as adjusted April 30, 2012
	\$	\$		\$
Expenditures				
Amortization	3,268,760	1,689,481	(a)	4,958,241
Excess (deficiency) of revenue over expenditures	3,268,760	1,689,481		4,958,241

The new standards require separate disclosure of the amount of government remittances payable. See Note 9 for details.

Explanation of adjustment

a) Capital assets

The University has applied one of the elections provided in Section 1501 and has elected to measure its land and buildings at its fair value as at May 1, 2011. This fair value becomes the deemed cost of the land and buildings. The adjustment of \$84,442,063 as at May 1, 2011 represents the difference between the fair value and its previous carrying amount. The adjustment of \$1,689,481 to amortization of capital assets for the year ended April 31, 2012 represents the difference in amortization resulting from this change.

3. 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 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.

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

3. Significant accounting policies (continued)

Fund accounting (continued)

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 include Housing Services, Dining Services, Conference Services, University Bookstore and Trinity Western University's English as a Second Language (ESL) program. Compensation expenses for Ancillaries are included in the compensation line of the Unrestricted Fund.

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 4.

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 investments which are measured at fair value at the balance sheet date.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the financial instruments that are measured at amortized cost 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 net income as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the University recognizes in net income an impairment loss, if any, when 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 shall be reversed in net income in the period the reversal occurs.

Cash and cash equivalents

Cash and cash equivalents include cash and short term investments with a term to maturity of three months or less at the date of acquisition.

Revenue recognition

Tuition, fees and Ancillaries are recognized as revenue at the time the goods are delivered or the services are provided.

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.

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

3. Significant accounting policies (continued)

Revenue recognition (continued)

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.

As of April 30, 2013 there are pledges totalling \$99,520 included in accounts receivable (April 30, 2012 – \$nil, May 1, 2011 - \$1,102,000). During the year, \$99,510 (2012 - \$nil) was recognized in revenue.

Endowment donations are recognized as revenue in the Endowment Fund.

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

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 \$1,144,161 (2012 - \$1,155,587) of inventory through Ancillaries on the statement of operations and 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 organization. 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.

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

3. Significant accounting policies (continued)

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. Amortization is provided using the straight-line basis over the estimated useful life of the assets as follows:

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, 2013.

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 fair value of the private company shares, impairment of long-lived assets, the useful lives of capital assets, accrued liabilities, and liabilities under legal contingencies. Actual results could differ from those estimates.

4. Related party transactions

The Associated Canadian Theological Schools (ACTS)

TWU is a 20% participant in the ACTS joint venture and recognizes this interest under the equity method. ACTS forms an instructional consortium of independent seminaries which have in common an extensive doctrinal compatibility and are committed to church leadership training in a manner which preserves the distinct goals of each of the five participating institutions. As ACTS, the five seminaries constitute the Graduate School of Theological Studies of Trinity Western University. ACTS is not subject to income taxes.

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.

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

4. Related party transactions (continued)

Financial summaries for controlled related parties and TWU's share of its interest in the ACTS joint venture are as follows:

	April 30, 2013			
	ACTS	TWUF	TWUF - US	
	30-Apr-13	31-Mar-13	31-Dec-12	Total
	\$	\$	\$	\$
Financial position				
Total assets	363,632	1,538	3,016,735	3,381,904
Total liabilities	(461,083)	-	(1,687,829)	(2,148,912)
Total net (liabilities) assets	(97,451)	1,538	1,328,906	1,232,992
Results of operations				
Total revenues	1,965,461	1,001	755,741	2,722,203
Total expenses	(2,610,542)	(1,060)	(799,415)	(3,411,017)
(Deficiency) excess of revenues over expenses	(645,081)	(59)	(43,674)	(688,814)
Contributions by members	625,944	-	144,068	770,012
	(19,137)	(59)	100,393	81,197
TWU's share of interest	20%	100%	100%	
	(3,827)	(59)	100,393	96,507
Cash flows				
Cash (used) provided by operations	18,393	(59)	(84,442)	(66,108)
Cash (used) provided by investing activities	(36,179)	-	29,747	(6,432)
Cash provided by financing activities	17,786	-	-	17,786
Net cash flow	-	(59)	(54,695)	(54,754)

During the year TWU contributed \$139,620 (2012 - \$123,600) to ACTS.

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

4. Related party transactions (continued)

	April 30, 2012			
	ACTS 30-Apr-12	TWUF 31-Mar-12	TWUF - US 31-Dec-11	Total
	\$	\$	\$	\$
Financial position				
Total assets	325,968	1,597	2,940,754	3,268,319
Total liabilities	(422,068)	-	(1,712,241)	(2,134,309)
Total net (liabilities) assets	(96,100)	1,597	1,228,513	1,134,010
Results of operations				
Total revenues	2,095,845	1,001	1,178,625	3,275,471
Total expenses	(2,709,315)	(1,000)	(1,193,472)	(3,903,787)
(Deficiency) excess of revenues over expenses	(613,470)	1	(14,847)	(628,316)
Contributions by members	618,000	-	140,901	758,901
	4,530	1	126,054	130,585
TWU's share of interest	20%	100%	100%	
	906	1	126,054	126,961
Cash flows				
Cash (used) provided by operations	(10,691)	1	(52,267)	(62,957)
Cash (used) provided by investing activities	(18,467)	-	104,296	85,829
Cash provided by financing activities	29,158	-	-	29,158
Net cash flow	-	1	52,029	52,030

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

	2013		
	ACTS	TWUF - US	Total
	\$	\$	\$
Donations	-	290,160	290,160
Recovery of salaries	806,248	-	806,248
Provision of goods and services	351,058	-	351,058
	1,157,306	290,160	1,447,466
2012			
	ACTS	TWUF - US	Total
	\$	\$	\$
Donations	-	841,706	841,706
Recovery of salaries	818,021	-	818,021
Provision of goods and services	338,970	-	338,970
	1,156,991	841,706	1,998,697

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

4. Related party transactions (continued)

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

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

	April 30, 2013	April 30, 2012	May 1, 2011
	\$	\$	\$
ACTS	159,652	122,380	165,839
TWUF - US	70,837	83,329	77,831
	230,489	205,709	243,670

5. Restricted cash

Restricted cash is comprised of the following:

	April 30, 2013	April 30, 2012	May 1, 2011
	\$	\$	\$
RRSP Program	-	1,796,279	525,547
Other	2,887,815	361,372	44,345
	2,887,815	2,157,651	569,892

Restricted cash held for the RRSP program represent a temporary oversubscription of funds related to the University's registered savings program with Canadian Western Trust. Other restricted cash relates primarily to donated funds held for property acquisition.

6. Investments

	April 30, 2013	April 30, 2012	May 1, 2011
	\$	\$	\$
Portfolio investments:			
Marketable securities	14,889,822	11,375,068	11,072,754
Shares of private company	153,688	184,000	898,000
	15,043,510	11,559,068	11,970,754
Less current portion	-	(150,000)	(898,000)
	15,043,510	11,409,068	11,072,754

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

6. Investments (continued)

The composition and return on investment of the marketable securities are as follows:

April 30, 2013			
Marketable Securities	Market Value	Fund Allocation	Market Return
	\$		
Canadian Equity Fund	5,055,342	33.6%	5.1%
Global Equity Fund	3,945,843	26.2%	17.1%
Fixed Income Fund	3,236,348	21.5%	6.1%
Money Market Fund	451,679	3.0%	1.1%
HSBC	2,026,556	13.5%	1.2%
Total McLean Budden & HSBC	14,715,768	97.8%	7.9%
Other funds	327,742	2.2%	-9.0%
Total Funds	15,043,510	100.0%	7.5%

April 30, 2012			
Marketable Securities	Market Value	Fund Allocation	Market Return
	\$		
Canadian Equity Fund	4,318,747	38.3%	-13.3%
Global Equity Fund	3,206,787	28.0%	-1.8%
Fixed Income Fund	1,011,809	8.8%	8.8%
Money Market Fund	435,250	3.8%	1.2%
HSBC	2,004,474	17.3%	1.2%
Total McLean Budden & HSBC	10,977,067	96.2%	-4.7%
Other funds	432,001	3.8%	8.5%
Total Funds	11,409,068	100.0%	-4.1%

May 1, 2011			
Marketable Securities	Market Value	Fund Allocation	Market Return
	\$		
Canadian Equity Fund	4,335,496	39.2%	20.9%
Global Equity Fund	2,852,668	25.7%	4.7%
Fixed Income Fund	3,441,279	31.1%	5.5%
Money Market Fund	141,374	1.3%	0.9%
Total McLean Budden	10,770,817	97.3%	11.2%
Other funds	301,937	2.7%	4.4%
Total Funds	11,072,754	100.0%	11.1%

Marketable securities held by HSBC have been pledged as security against HSBC loans as described in Note 10.

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

6. Investments (continued)

The University monitors the performance of investment managers through its Independent Investment Committee ("IIC"). The IIC is comprised of two Board members and two external advisors. 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. Realized gains / losses on investments are disclosed in Note 12. During the year ended April 30, 2013, the University recognized an unrealized gain on investments of \$366,441 (2012 – loss of \$967,615) and a realized gain on investments of \$nil (2012 – loss of \$224,995).

The return on investment for the other funds above is for the year ending December 31.

7. Other asset

The University has 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. Under the agreements, the University owes the Township \$1,170,511 (April 30, 2012 - \$1,170,511, May 1, 2011 - \$nil) which is recorded as long-term debt (Note 10).

The University recorded amortization of \$219,086 during the year ended April 30, 2013 (2012 - \$146,057) and the current portion of \$219,086, has been included in prepaid expenses on the statement of financial position.

Minimum payments of principal on the remaining liability over the next five years are as follows.

	\$
2015	101,507
2016	99,407
2017	97,907
Thereafter	871,690
	<hr/> 1,170,511 <hr/>

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

8. Capital assets

	April 30, 2013		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	41,664,278	-	41,664,278
Buildings, roads and parking lots	89,405,045	5,630,030	83,775,015
Furniture and equipment	14,665,782	10,406,567	4,259,215
Library collection	6,752,209	5,873,251	878,958
Computers	9,513,883	7,390,996	2,122,887
Vehicles	83,243	59,528	23,715
	162,084,441	29,360,372	132,724,069

	April 30, 2012		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	41,664,278	-	41,664,278
Buildings, roads and parking lots	87,610,731	2,758,654	84,852,077
Furniture and equipment	14,034,443	9,565,631	4,468,812
Library collection	6,702,435	5,662,804	1,039,631
Computers	8,857,167	6,597,904	2,259,263
Vehicles	83,244	50,670	32,574
	158,952,298	24,635,663	134,316,635

	May 1, 2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	42,362,180	-	42,362,180
Buildings, roads and parking lots	84,935,425	-	84,935,425
Furniture and equipment	12,893,990	8,866,687	4,027,303
Library collection	6,637,351	5,435,114	1,202,237
Computers	8,441,216	5,792,270	2,648,946
Vehicles	83,243	41,812	41,431
	155,353,405	20,135,883	135,217,522

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

8. Capital assets (continued)

During the year ended April 30, 2013 the University acquired capital assets totalling \$3,300,663 (2012 - \$7,785,357) – of this total, \$78,397 (2012 - \$2,716,423) was by means of donated assets and \$3,532,945 (2012 - \$5,068,935) by means of cash.

During the year ended April 30, 2012, the University sold property for \$801,323. Funds owing from the sale are secured by a mortgage on the property with payments due in September 2013 (\$200,000) and September 2014 (\$200,000). These payments are included in accounts receivable.

9. Capital lease obligations

	April 30, 2013	April 30, 2012	May 1, 2011
	\$	\$	\$
Computer equipment lease in the amount of \$302,152, repayable in quarterly instalments of \$20,432 including interest calculated at 4.5%, maturing August 2014.	113,540	189,561	265,833
Computer equipment lease in the amount of \$142,169, repayable in monthly instalments of \$5,306 including interest calculated at 6.75%, maturing November 2013.	34,352	93,487	152,918
Computer equipment lease in the amount of \$397,715, repayable in monthly instalments of \$13,403 without interest, maturing November 2013.	102,192	250,672	383,574
	250,083	533,721	802,325
Less amounts representing interest	(5,504)	(17,538)	(36,665)
	244,579	516,183	765,660
Less current portion	(207,479)	(283,638)	(287,102)
	37,100	232,545	478,558

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

9. Capital lease obligations (continued)

Future minimum lease payments under the capital leases in each of the next three years are as follows:

	\$
2014	207,479
2015	37,100
	244,579
Less amounts representing interest	(5,504)
	239,075

The computer equipment leased above is held at a cost of \$765,660 (April 30, 2012 - \$765,660, May 1, 2011 - \$765,660) and accumulated amortization of \$510,440 (April 30, 2012 - \$255,220, May 1, 2011 - \$nil) and is included in capital assets.

10. Long-term debt

	April 30, 2013	April 30, 2012	May 1, 2011
	\$	\$	\$
HSBC Bank Canada non-revolving loan (First Capital Loan), bearing interest at HSBC prime rate plus 1%, this facility is currently being financed by rolling 30 day bankers acceptances bearing interest at 3.95%, due May 31, 2014, payable in equal monthly installments of principal and interest based on an amortization period of 20 years, maturing in 2032.	4,690,000	7,966,000	-
HSBC Bank Canada non-revolving loan (Second Capital Loan), bearing interest at HSBC prime rate plus 1%, this facility is currently being financed by rolling 30 day bankers acceptances bearing interest at 3.45%, due May 31, 2014, payable in equal monthly installments of principal and interest based on an amortization period of 20 years, maturing in 2032. In April 2013, the University entered into \$6,400,000 of swap agreements with a start date of May 14, 2013, see Note 21.	13,437,000	13,941,000	-
HSBC Bank Canada revolving demand loan facilities, bearing interest at HSBC prime plus 1%, due May 31, 2014.	1,000,000	-	-
Balance carried forward	19,127,000	21,907,000	-

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

10. Long-term debt (continued)

	April 30, 2013	April 30, 2012	May 1, 2011
	\$	\$	\$
Balance forward	19,127,000	21,907,000	-
Due to the Township of Langley, representing \$244,395 unsecured, bearing interest at the municipal rate + 0.25% (currently 5.97%), repayable over 18 years, maturing in 2028 and \$370,735 of which repayment terms are still being negotiated.	615,130	624,625	633,635
Due to the Township of Langley, unsecured, bearing interest at 3.6%, repayable over 17 years commencing in 2015 (Note 7).	1,170,511	1,170,511	-
Promissory notes payable, unsecured income contracts with varying terms, bearing interest at an average rate of 4.41%.	10,756,989	11,004,929	7,760,592
Promissory notes payable, income contracts with varying terms, bearing interest at an average rate of 4.66% secured by a fixed charge on specific land and buildings.	4,792,067	4,888,227	4,353,055
Loan payable to Canadian Western Trust for TWU's RRSP/RRIF program, revocable indefinite term contracts bearing interest at an average rate of 4.25%, rates adjusted semi-annually, secured by a fixed charge on specific land and building.	8,602,348	6,996,674	3,278,820
Royal Bank of Canada term facilities, bearing interest ranging from Royal Bank prime plus 2.85% to 2.95%, due December 31, 2011.	-	-	20,107,997
	45,064,045	46,591,966	36,134,099
Fair value of interest rate swaps	-	-	1,071,963
Unamortized transaction costs	(114,944)	(123,563)	-
	44,949,101	46,468,403	37,206,062
Less current portion	(4,899,986)	(5,110,802)	(6,422,722)
	40,049,115	41,357,601	30,783,340

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

10. Long-term debt (continued)

Under the terms of the agreement with HSBC Bank Canada dated August 31, 2012, the University was in compliance with its loan covenants for the fiscal year ending April 30, 2013.

The following table outlines the University's borrowing capacity with HSBC.

Borrowing capacity - HSBC	Balance Available at April 30, 2013	Balance Utilized at April 30, 2013
	\$	\$
First Capital Loan	4,690,000	4,690,000
Second Capital Loan	13,437,000	13,437,000
Operating loan *	4,000,000	1,000,000
Evergreen loan	1,500,000	-
Lease facility	1,500,000	-
Letter of Credit facility	250,000	150,000

* increases to \$6,500,000 from May 1 - September 30

As of April 30, 2013, the University has an agreement to renew its credit facilities beyond their stated maturity dates. The estimated principal repayments assuming credit facilities are renewed on similar terms over the next five years are as follows:

	2014	2015	2016	2017	2018
Amortizing debt - HSBC	807,131	835,643	865,168	895,741	927,399
Amortizing debt - Township of Langley	9,166	9,714	111,801	110,315	109,466
Amortizing debt - funded by operation:	816,297	845,357	976,969	1,006,056	1,036,865
Promissory notes	2,369,162	3,806,066	2,579,656	1,257,543	743,603
Promissory notes (secured by specific properties)	1,714,527	616,063	2,434,886	-	-
	4,083,689	4,422,129	5,014,542	1,257,543	743,603
Total estimated principal repayments	4,899,986	5,267,486	5,991,511	2,263,599	1,780,468

The table above presents the promissory notes at their stated maturity dates. However, the University has experienced an average renewal subscription rate of 74% on maturing promissory notes.

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, hypothecation and pledge of fixed income and money market securities held by HSBC Bank Canada in the form of a \$2,000,000 debt reserve deposit, environmental and indemnity agreements on specific properties and a \$2,000,000 debt reserve guarantee posted by friends of the University.

Total cash interest paid on all borrowings during the year is \$1,288,060 (2012 - \$1,550,181).

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

10. Long-term debt (continued)

The following table summarizes the land and building values pledged as security for various debt instruments:

	Long term debt	Fair market value of land and buildings pledged as security
	\$	\$
HSBC Bank Canada	19,127,000	97,809,179
Loan payable to Canadian Western Trust for TWU's RRSP/RRIF program, secured by fixed charge on specific land and buildings	8,602,348	16,432,038
Promissory notes payable, secured by fixed charge on specific land and buildings	4,792,067	6,646,500
	<u>32,521,415</u>	<u>120,887,717</u>
Land and buildings not pledged as security		9,008,668
		<u><u>129,896,385</u></u>

The fair market values represent the depreciated replacement cost plus estimated land value determined by a third party valuator, as at June, 2012.

11. Specific Purpose Fund and Endowment Fund

Restrictions imposed on the following funds are:

	April 30, 2013		April 30, 2012		May 1, 2011	
	Specific Purpose	Endowment	Specific Purpose	Endowment	Specific Purpose	Endowment
	\$	\$	\$	\$	\$	\$
Externally restricted	2,502,096	10,476,171	2,129,322	9,956,379	2,791,954	9,569,299
Internally restricted	3,763,567	2,022,115	4,938,195	1,188,731	1,358,955	1,628,918
	<u>6,265,663</u>	<u>12,498,286</u>	<u>7,067,517</u>	<u>11,145,110</u>	<u>4,150,909</u>	<u>11,198,217</u>

The externally restricted portion of the Endowment Fund is comprised of donations from external sources. The internally restricted portion is comprised of interfund transfers and earnings net of scholarship distributions.

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

12. Other income

The components of other income are as follows:

	2013				
	Unrestricted	Capital	Specific Purpose	Endowment	Total
	\$	\$	\$	\$	\$
Rental income	277,369	-	-	-	277,369
Investment income realized	541,978	-	-	-	541,978
Parking receipts	405,334	-	-	-	405,334
Project revenues	-	127,790	2,609,091	-	2,736,881
Student related	618,395	-	333,661	-	952,056
Wellness centre	240,977	-	-	-	240,977
US exchange	131,337	-	-	-	131,337
Miscellaneous	459,849	-	-	-	459,849
	2,675,239	127,790	2,942,752	-	5,745,781

	2012				
	Unrestricted	Capital	Specific Purpose	Endowment	Total
	\$	\$	\$	\$	\$
Rental income	276,691	-	-	-	276,691
Investment income realized	560,314	-	-	-	560,314
Parking receipts	360,086	-	-	-	360,086
Project revenues	-	217,656	2,094,973	-	2,312,629
Student related	628,091	-	565,256	-	1,193,347
Wellness centre	252,505	-	-	-	252,505
US exchange	125,452	-	-	-	125,452
Miscellaneous	468,551	-	-	970	469,521
	2,671,690	217,656	2,660,229	970	5,550,545

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

13. Interfund transfers

Transfers between the various funds are summarized as follows:

	2013			
	Unrestricted	Capital	Specific Purpose	Endowment
	\$	\$	\$	\$
Debt repayment	(789,493)	789,493	-	-
Interest on long-term debt	(1,838,410)	1,838,410	-	-
Capital assets	(1,943,844)	1,718,089	225,755	-
Appropriations	(329,371)	125,000	204,371	-
Investment gain, net of scholarship expenses	(768,664)	-	297,450	471,214
Travel studies	(699,823)	-	699,823	-
Project funds endowed	-	-	(362,170)	362,170
Transfer of equity	-	628,589	(628,589)	-
	(6,369,605)	5,099,581	436,640	833,384

	2012			
	Unrestricted	Capital	Specific Purpose	Endowment
	\$	\$	\$	\$
Debt repayment	(102,010)	102,010	-	-
Interest on long-term debt	(2,012,445)	2,012,445	-	-
Capital assets	(565,163)	866,209	(301,046)	-
Appropriations	(1,233,583)	-	1,233,583	-
Investment loss, net of scholarship expenses	391,811	-	276,239	(668,050)
Travel studies	(667,379)	-	667,379	-
Project funds endowed	-	-	(227,862)	227,862
Transfer of equity	-	760,898	(760,898)	-
Other asset funding transfer	-	(2,700,000)	2,700,000	-
	(4,188,769)	1,041,562	3,587,395	(440,188)

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

14. Interfund loans

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

	April 30, 2013	April 30, 2012	May 1, 2011
	\$	\$	\$
Unrestricted Fund	(2,685,169)	(7,534,234)	(791,407)
Capital Fund	(861,917)	546,675	(2,586,965)
Specific Purpose Fund	3,930,806	7,067,517	3,252,909
Endowment Fund	(383,720)	(79,958)	125,463
	-	-	-

15. 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.

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 58 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 \$23,334 related to the return of excess premiums; there are no anticipated member assessments in the near future 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.

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

15. Contingent liabilities (continued)

Township of Langley

The University is in negotiations with the Township of Langley with regards to the settlement of certain costs payable to the University and payable by the University. The University believes these negotiations will be resolved in the next year but the settlement cannot be reasonably estimated at this time and no provision has been made.

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. 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, 2013 the amount calculated under the formula was approximately \$1,783,048. At the end of the lease term, including all renewals, title and ownership of the building will pass to the University.

16. 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. During the year the University contributed \$944,271 (2012 - \$866,425) to employee retirement plans. The fair market value of the assets owned by employees in the University sponsored program at April 30, 2013 was \$22,439,384 (April 30, 2012 - \$19,866,981, May 1, 2011 \$19,756,969). There is no past service liability with respect to this program.

17. 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:

	2013	2012
	\$	\$
Aggregate contributed principal	387,000	387,000
Market value on March 31	448,107	431,658
Income earned	16,597	16,327
Distribution to TWU	16,448	16,138

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.

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

18. Commitments

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

	\$
2014	257,006
2015	181,572
2016	115,289
2017	70,600
2018	14,230

19. Government remittances

Included in accounts payable and accrued liabilities (accounts receivable) is \$116,870 (April 30, 2012 – (\$103,269), May 1, 2011 – \$90,687) of government remittances.

20. 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 agreements, the University must satisfy restrictive covenants. The University satisfied those debt covenants as at April 30, 2013.

21. Financial instruments

Fair values

The carrying values of cash and restricted cash, accounts receivable and accounts payable approximate their fair values due to their liquidity and short-term maturity. Interest on long-term debt is based on prime and therefore the carrying value approximates the fair value.

The fair value of the marketable securities included in Note 6 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.

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 that fix the interest rates over the term of the corresponding obligation. In April 2013, the university entered into \$6,400,000 of swap agreements with a start date of May 14, 2013.

Trinity Western University

Notes to financial statements

April 30, 2013 and April 30, 2012

21. Financial instruments (continued)

Currency and credit risk

Due to the nature of revenue as well as the amount of revenue which is received in advance of services being provided, the University is not exposed to significant currency or credit risks arising from its financial instruments. The allowance for doubtful accounts balance at April 30, 2013 was \$47,000 (April 30, 2012 - \$47,000, May 1, 2011 - \$66,100).

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, 2013, April 30, 2012 and May 1, 2011, the most significant financial liabilities are: accounts payable and accrued liabilities, capital lease obligations and long-term debt.