

Financial statements of

Trinity Western University

April 30, 2010

Trinity Western University

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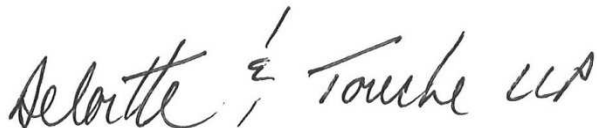
Auditors' Report

The Board of Governors,
Trinity Western University

We have audited the statement of financial position of Trinity Western University as at April 30, 2010 and the statements of operations and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP". The signature is written in dark ink and is positioned in the lower-left quadrant of the page.

Chartered Accountants
July 9, 2010

Trinity Western University

Statement of financial position

April 30

	2010	2009
Assets		
Current		
Cash	\$ 1,053,473	\$ 260,877
Funds held in trust	49,015	43,126
Accounts receivable	2,075,775	1,646,561
Inventory	340,357	314,448
Prepaid expenses	811,260	572,013
	4,329,880	2,837,025
Investments (Note 5)	10,512,477	9,299,558
Capital assets (Note 6)	45,401,733	47,079,142
	\$ 60,244,090	\$ 59,215,725

Liabilities

Current

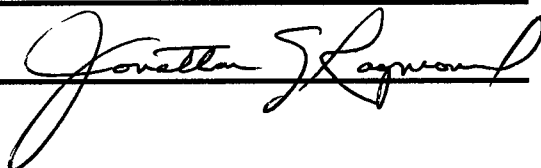
Bank indebtedness	\$ 115,661	\$ -
Accounts payable	2,742,041	2,495,979
Student deposits and deferred income	4,659,331	4,976,413
Demand loan	2,655,000	6,855,000
Current portion of long-term debt	25,121,454	26,275,554
	35,293,487	40,602,946
Long-term debt (Note 7)	4,428,644	910,590
	39,722,131	41,513,536

Fund balances

Restricted funds

Capital fund	8,352,606	6,981,148
Specific purpose fund (Note 8)	4,479,376	4,246,036
Endowment fund (Note 8)	9,483,406	7,831,597
Unrestricted fund	(1,793,429)	(1,356,592)
	20,521,959	17,702,189
	\$ 60,244,090	\$ 59,215,725

Approved by the Board of Governors



Jonetta J. Raymond

Trinity Western University

Statement of operations and fund balances

Year Ended April 30

	Unrestricted	Capital	Specific Purpose	Endowment	2010	2009
Revenues						
Tuition and fees	\$ 37,047,096	\$ -	\$ -	\$ -	\$ 37,047,096	\$ 34,692,090
Less: scholarships and bursaries	(8,262,861)	-	-	-	(8,262,861)	(6,344,416)
Tuition and fees (net)	28,784,235	-	-	-	28,784,235	28,347,674
Ancillaries	10,354,120	-	-	-	10,354,120	11,134,420
Donations	2,231,592	1,098,366	1,016,995	645,689	4,992,642	5,842,777
Other (Note 9)	2,843,894	1,496,370	2,357,547	-	6,697,811	4,863,456
	44,213,841	2,594,736	3,374,542	645,689	\$ 50,828,808	\$ 50,188,327
Expenditures						
Compensation	27,911,866	-	1,289,458	-	29,201,324	30,051,691
Operating costs	6,339,912	43,552	1,710,762	-	8,094,226	9,556,746
Ancillaries	4,920,918	-	-	-	4,920,918	5,573,652
Scholarships and bursaries	-	-	1,042,771	-	1,042,771	995,094
Interest	-	1,559,302	-	-	1,559,302	1,449,553
Overhead and other	1,383,698	-	-	-	1,383,698	1,699,968
	40,556,394	1,602,854	4,042,991	-	46,202,239	49,326,704
Excess (deficiency) of revenue over expenditures before the following non-cash items						
	3,657,447	991,882	(668,449)	645,689	4,626,569	861,623
Amortization of capital assets	-	(2,957,780)	-	-	(2,957,780)	(3,016,084)
Change in fair value of interest rate swaps (Note 7)	-	932,039	-	-	932,039	(1,696,428)
Change in fair value of investments (Note 5)	434,101	-	(215,159)	-	218,942	(2,623,639)
	434,101	(2,025,741)	(215,159)	-	(1,806,799)	(7,336,151)
Excess (deficiency) of revenue over expenditures						
	4,091,548	(1,033,859)	(883,608)	645,689	2,819,770	(6,474,528)
Interfund transfers (Note 10)	(4,528,385)	2,405,317	1,116,948	1,006,120	-	-
Change in fund balances for the year	(436,837)	1,371,458	233,340	1,651,809	2,819,770	(6,474,528)
Fund balances at the beginning of the year	(1,356,592)	6,981,148	4,246,036	7,831,597	17,702,189	24,176,717
Fund balances at the end of the year	\$ (1,793,429)	\$ 8,352,606	\$ 4,479,376	\$ 9,483,406	\$ 20,521,959	\$ 17,702,189

Trinity Western University

Statement of cash flows

Year ended April 30

	2010	2009
Operating activities		
Excess (deficiency) of revenues over expenditures	\$ 2,819,770	\$ (6,474,528)
Add back (deduct):		
Gain on sale of land	(974,519)	-
Amortization of capital assets	2,957,780	3,016,084
Change in fair value of interest rate swaps	(932,039)	1,696,428
Change in fair value of investments	(218,942)	2,623,639
	3,652,050	861,623
Change in operating working capital		
Accounts receivable	(429,214)	333,044
Inventory	(25,909)	(71,791)
Prepaid expenses	(239,247)	(9,949)
Accounts payable	246,062	(240,995)
Student deposits and deferred income	(317,082)	1,187,772
	(765,390)	1,198,081
	2,886,660	2,059,704
Financing activities		
Increase in long-term debt	596,566	606,869
Repayment of long-term debt	(1,500,573)	(959,988)
Increase in demand loan	-	1,886,167
	(904,007)	1,533,048
Investing activities		
Funds held in trust	(5,889)	(13,045)
Purchase of capital assets	(1,988,102)	(2,462,231)
Proceeds from disposal of land (net of \$87,750 in disposal costs & taxes)	1,682,250	-
Purchase of investments	(1,010,882)	(936,409)
Proceeds from sale of investments	16,905	79,810
	(1,305,718)	(3,331,875)
Change in cash during the year	676,935	260,877
Cash at beginning of year	260,877	-
Cash at end of year (Note 7)	\$ 937,812	\$ 260,877
Cash is comprised of:		
Bank indebtedness	\$ (115,661)	\$ -
Cash	1,053,473	260,877
	\$ 937,812	\$ 260,877

Trinity Western University

Notes to financial statements

April 30, 2010

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.

Continuing operations

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the University will continue in operation for the foreseeable future and be able to realize its assets and satisfy its liabilities in the normal course of business. In 2008, the University reported deficits in its consolidated statement of operations and fund balances and carried a significant working capital deficit. In the current year, the University reported a surplus in the consolidated statement of operations and fund balances; however it continues to carry a significant working capital deficit. The ability of the University to continue as a going concern is dependent upon increasing its cash flow from operations through increased revenues and a reduction in its cost structure. Corrective activities commenced in Fall 2008 with the development of a five year financial plan and a comprehensive University redesign. These actions are expected to lift the University out of deficit and produce a stable operating model by the end of fiscal 2012.

Because these financial statements have been prepared on the basis of accounting principles applicable to a going concern they do not give effect to adjustments that would be necessary should the University not be able to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of operations and at amounts different from those recorded in the financial statements. University real estate holdings (land and buildings) were appraised in May 2009 at a comprehensive value in excess of \$110,000,000 on the basis of estimated depreciated replacement cost plus estimated land value as compared to a book value of approximately \$38,000,000 at April 30, 2010.

2. Change in accounting policy

During the year, the University applied the new recommendations of the Canadian Institute of Chartered Accountants on accounting, measurement and financial reporting by not-for-profit organizations contained in Section 1540 and in the 4400 series of Sections of the CICA Handbook. The adoption of these standards resulted in the presentation of gross cash flows in the Statement of Cash Flows.

Trinity Western University

Notes to financial statements

April 30, 2010

3. Significant accounting policies

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles for not-for-profit organizations and reflect 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.

The Endowment Fund reports donations received primarily for scholarships. Investment gains and losses from the Endowment Fund are reported in the Unrestricted Fund, unless restricted by the donor.

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

The University has elected to continue applying the standards of the CICA Handbook Section 3861 Financial Instruments – Disclosure and Presentation and not adopt CICA Handbook Section 3862 Financial Instruments – Disclosure and Section 3863 Financial Instruments – Presentation.

Derivative financial instruments

The University's objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures.

Interest rate swaps

During the year ended April 30, 2009, the University entered into interest rate swaps to manage its exposure to changes in interest rates associated with \$15,000,000 of the University's debt obligations. The contracts have the effect of converting the floating rate of interest on the debt to a fixed rate of 4.48% plus the bank's stamping fee of 200 basis points for a total of 6.48%. All changes in fair values of these instruments are immediately recognized in the statement of operations and fund balances.

Trinity Western University

Notes to financial statements

April 30, 2010

3. Significant accounting policies (continued)

Classification

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the University's designation of such instruments. Settlement date accounting is used.

Funds held in trust	Held for trading
Investments	Held for trading
Interest rate swaps	Held for trading
Accounts receivable	Loans and receivables
Accounts payable	Other liabilities
Demand loan	Other liabilities
Long-term debt	Other liabilities

Cash and Bank indebtedness

Cash is comprised of balances on deposit. Bank Indebtedness is comprised of cheques written in excess of bank balances.

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Transaction costs

Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

Effective interest method

The University uses the effective interest method to recognize interest income or expense which includes transaction costs or fees and premiums or discounts earned or incurred for financial instruments.

Trinity Western University

Notes to financial statements

April 30, 2010

3. Significant accounting policies (continued)

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.

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 funds through an inter-fund transfer.

Endowment donations are recognized as revenue in the Endowment Fund.

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.

Inventory

Inventory is comprised of items held for resale by the University Bookstore and is valued at the lower of actual 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 \$1,196,271 (2009 - \$1,392,166) 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:

Roads and parking lots	40 years
Buildings	40 years
Furniture and equipment	10 years
Library collection	10 years
Computers	3 - 7 years
Vehicles	5 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, 2010.

Trinity Western University

Notes to financial statements

April 30, 2010

3. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. A key area of estimation, as a result of matters that are inherently uncertain, includes the fair value of the private company shares. Accordingly, actual results could differ from those estimates.

Endowments

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.

Ancillaries

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.

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.

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 with the Evangelical Free Churches of America and receive charitable donations for the benefit of TWU. TWUF - US was also established to provide financial backing for the Seminary and Christian colleges of Evangelical Free Churches of America so that they may be aided in providing liberal arts college education with a Christian emphasis. TWUF - US is not subject to income taxes.

Trinity Western University

Notes to financial statements

April 30, 2010

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:

	2010			Total	2009
	ACTS 30-Apr-10	TWUF 31-Mar-10	TWUF - US 31-Dec-09		Total
Financial position					
Total assets	\$ 55,798	\$ 1,596	\$ 2,965,802	\$ 3,023,196	\$ 2,810,700
Total liabilities	102,860	2,000	1,809,989	1,914,849	1,888,993
Total net assets	\$ (47,062)	\$ (404)	\$ 1,155,813	\$ 1,108,347	\$ 921,707
Results of operations					
Total revenues	\$ 366,101	\$ 1	\$ 461,825	\$ 827,927	\$ 56,236
Total expenses	(489,587)	(525)	(974,001)	(1,464,113)	(1,364,369)
(Deficiency)	(123,486)	(524)	(512,176)	(636,186)	(1,308,133)
Contributions by TWU	121,100	-	212,367	333,467	333,809
	\$ (2,386)	\$ (524)	\$ (299,809)	\$ (302,719)	\$ (974,324)
Cash flows					
Cash (used) provided by operations	\$ (18,426)	\$ (24)	\$ (36,330)	\$ (54,779)	\$ (248,622)
Cash (used) provided in investing activities	(183)	-	90,474	90,292	225,961
Cash (used) provided by financing activities	18,608	-	-	18,608	-
Net cash flow	\$ -	\$ (24)	\$ 54,145	\$ 54,121	\$ (22,661)

These figures reflect 20% of ACTS and 100% of TWUF and TWUF-US.

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

	2010			2009
	ACTS	TWUF - US	Total	Total
Donations	\$ -	\$ 480,731	\$ 480,731	\$ 392,837
Recovery of salaries	697,425	-	697,425	624,116
Provision of goods and services	322,434	-	322,434	324,209
	\$ 1,019,859	\$ 480,731	\$ 1,500,590	\$ 1,341,162

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, 2010

4. Related party transactions (continued)

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

	2010	2009
ACTS	\$ 259,902	\$ 219,587
TWUF - US	108,200	78,435
	\$ 368,102	\$ 298,022

In addition, the University holds \$7,341 in a specific purpose fund on behalf of ACTS.

5. Investments

	2010	2009
Portfolio investments:		
Marketable securities	\$ 8,852,795	\$ 6,987,880
Shares of private company	1,659,682	2,311,678
	\$ 10,512,477	\$ 9,299,558

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

	2010		
Marketable Securities	Market Value	Fund Allocation	2010 Market Return
Canadian Equity Fund	\$ 3,293,926	37.8%	28.5%
Global Equity Fund	2,316,805	26.6%	14.9%
Fixed Income Fund	2,913,937	33.4%	6.0%
Money Market Fund	188,127	2.2%	0.5%
Total McLean Budden	8,712,795	100.0%	16.6%
Other funds *	140,000		9.0%
Total Funds	\$ 8,852,795		16.5%

	2009		
Marketable Securities	Market Value	Fund Allocation	2009 Market Return
Canadian Equity Fund	\$ 2,616,991	38.1%	-25.4%
Global Equity Fund	1,853,702	27.0%	-24.3%
Fixed Income Fund	2,344,388	34.2%	5.8%
Money Market Fund	44,799	0.7%	2.6%
Total McLean Budden	6,859,880	100.0%	-14.3%
Other funds *	128,000		5.0%
Total Funds	\$ 6,987,880		-14.0%

The University monitors the performance of the investment manager (McLean Budden), with the advice of an external investment advisor. Administrative responsibility regarding the custodial activities of investments is delegated to the University's Management Investment Committee (M.I.C.). Fund Managers are retained by the M.I.C. to carry out the daily investment decisions and oversight of the funds.

Trinity Western University

Notes to financial statements

April 30, 2010

5. Investments (continued)

The external investment advisor is an independent consultant who analyzes and evaluates the external fund manager's investment performance, strategies and compliance with the University's Investment Management Policy through regular written reports and presentations to the M.I.C.

The market return on investments includes interest income, dividends, capital gains and unrealized gains/losses. Realized gains / losses on investments are disclosed in Note 9. The University recognized an unrealized gain on investments of \$218,942 (2009 - \$2,623,639 unrealized loss).

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

6. Capital assets

	2010			2009
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 3,074,839	\$ -	\$ 3,074,839	\$ 3,782,570
Roads and parking lots	4,460,839	1,460,893	2,999,946	3,111,467
Buildings	46,639,188	15,032,146	31,607,042	32,248,255
Furniture and equipment	12,627,427	7,978,013	4,649,414	4,764,430
Library collection	6,643,093	5,226,656	1,416,437	1,649,920
Computers	6,972,291	5,332,524	1,639,767	1,522,500
Vehicles	53,243	38,955	14,288	-
	\$ 80,470,920	\$ 35,069,187	\$ 45,401,733	\$ 47,079,142

University real estate holdings (land and buildings) were appraised in May 2009 at a comprehensive value in excess of \$110,000,000 on the basis of estimated depreciated replacement cost plus estimated land value as compared to a book value of approximately \$38,000,000 at April 30, 2010.

Trinity Western University

Notes to financial statements

April 30, 2010

7. Long-term debt

	2010	2009
Royal Bank of Canada non-revolving term facility, bearing interest at Royal Bank prime + 2.95%, due September 30, 2010.	\$ 13,766,000	\$ 14,461,000
Royal Bank of Canada demand loan, bearing interest at Royal Bank prime + 2.65%, payable on demand.	2,655,000	6,855,000
Royal Bank of Canada non-revolving term facility, payable monthly at \$84,500 including interest at Royal Bank prime + 2.85%, repayable in full on September 30, 2010.	3,721,545	4,248,005
Royal Bank of Canada revolving reducing term facility, bearing interest at Royal Bank prime + 2.95%, maximum borrowing capacity is reduced by \$198,000 at October 31, 2010, balance due September 30, 2010.	2,681,000	2,830,000
Royal Bank of Canada non-revolving term facility, bearing interest at Royal Bank prime + 2.95%, borrowing capacity is reduced by \$146,000 at October 31, 2010, balance due September 30, 2010.	1,866,000	1,988,000
Due to the Township of Langley, unsecured, bearing interest at the municipal rate + 0.25%, repayable over 19 years.	642,185	650,297
Promissory notes payable, unsecured, income contracts with varying terms, bearing interest at an average rate of 3.98%, \$1,938,272 comes due for renewal within the next fiscal year.	4,533,977	819,656
Loan payable to Canadian Western Trust for TWU's RRSP/RRIF program, revocable indefinite term contracts bearing interest at rates adjusted semi-annually, currently 4.00%, secured by a fixed charge on specific land and building.	1,571,270	468,839
Investment trust agreements, revocable income contracts bearing interest at an average rate of 8.90%. These contracts are for an indefinite term.	3,732	23,919
	31,440,709	32,344,716
Fair value of interest rate swaps	764,389	1,696,428
	32,205,098	34,041,144
Less demand loan	(2,655,000)	(6,855,000)
Less current portion	(25,121,454)	(26,275,554)
	\$ 4,428,644	\$ 910,590

Under the terms of the agreement with the Royal Bank of Canada dated July 31, 2009, the Royal Bank has confirmed the University was in compliance with its debt service coverage ratio requirement for the fiscal year ending April 30, 2010. The University was not in compliance with other covenants as described in note 17.

Trinity Western University

Notes to financial statements

April 30, 2010

7. Long-term debt (continued)

Assuming credit facilities are renegotiated with similar terms, the estimated principal repayments over the next five years are as follows:

2011	\$ 7,650,909
2012	3,105,134
2013	3,517,800
2014	2,246,320
2015	1,395,547

The Royal Bank loans are secured by a general security agreement, a fixed charge on specific land and buildings of up to \$45 million, a fixed charge on specific land and buildings of up to \$5.3 million (pari passu with the loan payable to Canadian Western Trust), and an agreement to not encumber any land or buildings without prior consent of the Royal Bank.

Total cash interest paid on all borrowings during the year is \$1,559,302 (2009 - \$1,449,553)

At April 30, 2010 the difference between the fair value and the carrying value of the debt, being the fair value of the interest rate swap was \$764,389 (2009 – 1,696,428).

8. Specific purpose fund and endowment fund

Restrictions imposed on the following funds are:

	2010		2009	
	Specific Purpose	Endowment	Specific Purpose	Endowment
Externally restricted	\$ 3,466,249	\$ 8,733,610	\$ 3,992,898	\$ 7,831,597
Internally restricted	1,013,127	749,796	253,138	-
	\$ 4,479,376	\$ 9,483,406	\$ 4,246,036	\$ 7,831,597

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Notes to financial statements

April 30, 2010

9. Other income

The components of other income are as follows:

	2010				2009
	Unrestricted	Capital	Specific Purpose	Total	Total
Rental income	\$ 284,913	\$ -	\$ -	\$ 284,913	\$ 275,899
Investment income					
Realized	298,864	-	-	298,864	218,752
Parking receipts	352,415	-	-	352,415	347,997
Project revenues	-	521,851	1,867,278	2,389,129	1,739,879
Student related	937,298	-	490,269	1,427,567	1,257,743
Wellness Centre	232,849	-	-	232,849	211,925
US exchange	143,164	-	-	143,164	295,944
Miscellaneous	594,391	974,519	-	1,568,910	515,317
	\$ 2,843,894	\$ 1,496,370	\$ 2,357,547	\$ 6,697,811	\$ 4,863,456

10. Interfund transfers

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

	Unrestricted	Capital	Specific Purpose	Endowment
Debt repayment - RBC	\$ (1,351,572)	\$ 1,351,572	\$ -	\$ -
Interest on long term debt	(1,559,302)	1,559,302	-	-
Capital assets and other	(974,655)	468,962	505,693	-
Gain on sale of land	974,519	(974,519)	-	-
Investment gain, net of scholarship expenses	(1,154,761)	-	267,741	887,020
Travel studies	(463,514)	-	463,514	-
Project funds endowed	900	-	(120,000)	119,100
	\$ (4,528,385)	\$ 2,405,317	\$ 1,116,948	\$ 1,006,120

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April 30, 2010

11. Interfund loans

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

	2010	2009
Unrestricted Fund	\$ 1,347,495	\$ 3,051,484
Capital Fund	(4,844,029)	(6,537,625)
Specific Purpose Fund	2,865,923	2,642,424
Endowment Fund	630,611	843,717
	\$ -	\$ -

12. 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, 1996, 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

1) 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.

2) 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 neither a return of excess premium nor a share in any loss; 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.

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, 2010 the amount calculated under the formula was approximately \$1,984,143. At the end of the lease term, including all renewals, title and ownership of the building will pass to the University.

Trinity Western University

Notes to financial statements

April 30, 2010

12. Contingent liabilities (continued)

Langley Events Centre

During the year, the University began negotiating a 20 year agreement with the Township of Langley to lease a portion of the Langley Events Centre. The total value of this commitment was to be \$3,500,000 plus interest at 3.6% with the first payment due July 2, 2010. Subsequent to year end, the agreement became void as the terms of the contract had not been achieved. The University believes that a new contract will be negotiated; however, the new commitment cannot be reasonably estimated at this time. Therefore, no provision has been made in the financial statements.

13. 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 \$897,645 (2009 - \$967,234) to employee retirement plans. The fair market value of the assets owned by employees in the University sponsored program at April 30, 2010 was \$18,168,608 (2009 - \$14,458,133). There is no past service liability with respect to this program.

14. 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:

	2010	2009
Contributed principal	\$ 387,000	\$ 387,000
Market value	420,853	361,245
Income earned	15,893	15,094
Distribution to TWU	9,549	23,784

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.

15. Financial instruments

Fair values

The carrying values of demand loan, long-term debt, funds held in trust, accounts receivable and accounts payable approximate their fair values due to their liquidity and short-term maturity.

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 discounting their stated retraction amount for a credit risk factor.

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. The University mitigates this risk by entering into interest rate swap agreements that fix the interest rates over the terms of certain long-term debt obligations.

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Notes to financial statements

April 30, 2010

15. Financial instruments (continued)

Currency and credit risk

It is management's opinion that the University is not exposed to significant, currency or credit risks arising from its financial instruments.

16. Commitments

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

2011	\$382,040
2012	\$368,810
2012	\$346,760
2013	\$300,500
2014	\$248,593

17. 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 and five-year budgets that are updated as necessary. The annual and updated budgets are approved by the Board of Governors.

As a result of a prior year loss, the University operated for the current year with negative unrestricted funds. The University's objective in managing its capital over the next five years will be focused on the need to generate capital to meet operating requirements and eliminate its negative unrestricted funds. To achieve this objective, the University has adopted budgetary controls, developed a financial plan and launched a comprehensive University redesign to increase revenues and reduce its cost structure as described in Note 1.

Under the terms of the Royal Bank long-term debt agreements, the University must satisfy certain restrictive covenants including a debt service coverage ratio and an agreement to liquidate certain redundant assets. The University is in default under the covenant relating to the sale of assets. Consequently, the long-term debt has been classified in current liabilities.

18. Comparative figures

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