

Financial statements of

**Trinity Western University**

April 30, 2012

# 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, 2012, and the statements of operations and changes in fund balances and cash flows for the year then ended, and the notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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

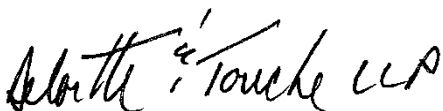
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Langley, British Columbia  
August 20, 2012

# Trinity Western University

## Statement of financial position

April 30

	2012	2011
	\$	\$
<b>Assets</b>		
Current		
Cash	10,481,862	4,164,990
Restricted cash (Note 4)	2,157,651	569,892
Accounts receivable	1,867,967	2,863,164
Investments (Note 5)	150,000	898,000
Inventory	308,250	326,938
Prepaid expenses	829,924	942,365
	<b>15,795,654</b>	9,765,349
Other asset (Note 6)	3,505,368	-
Accounts receivable (Note 7)	400,000	-
Investments (Note 5)	11,409,068	11,072,754
Capital assets (Note 7)	51,564,053	50,775,459
	<b>82,674,143</b>	71,613,562
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	3,147,440	3,100,490
Student deposits and deferred income	5,502,434	4,786,700
Current portion of capital lease obligations (Note 8)	283,638	287,102
Current portion of long-term debt (Note 9)	5,110,802	6,422,722
	<b>14,044,314</b>	14,597,014
Capital lease obligations (Note 8)	232,545	478,558
Long-term debt (Note 9)	41,357,601	30,783,340
	<b>55,634,460</b>	45,858,912
<b>Fund balances</b>		
Restricted funds		
Capital fund	8,638,304	10,216,772
Specific purpose fund (Note 10)	7,067,517	4,150,909
Endowment fund (Note 10)	11,145,110	11,198,217
Unrestricted fund	188,752	188,752
	<b>27,039,683</b>	25,754,650
	<b>82,674,143</b>	71,613,562

Approved by the Board of Governors

*"Mr. Wade Larson"*

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*"Dr. Jonathan Raymond"*

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# Trinity Western University

## Statement of operations and changes in fund balances

Year ended April 30

	Unrestricted	Capital	Specific Purpose	Endowment	2012	2011
	\$	\$	\$	\$	\$	\$
<b>Revenues</b>						
Tuition and fees	42,900,872	-	-	-	<b>42,900,872</b>	39,897,502
Less: Scholarships and bursaries	<u>(11,273,178)</u>	-	-	-	<u><b>(11,273,178)</b></u>	<u>(10,190,984)</u>
Tuition and fees (net)	31,627,694	-	-	-	<b>31,627,694</b>	29,706,518
Ancillaries	9,621,994	-	-	-	<b>9,621,994</b>	9,770,218
Donations	2,604,114	3,852,336	2,228,651	386,111	<b>9,071,212</b>	7,956,294
Other (Note 11)	2,671,690	217,656	2,660,229	970	<b>5,550,545</b>	7,188,575
	<b>46,525,492</b>	<b>4,069,992</b>	<b>4,888,880</b>	<b>387,081</b>	<b>55,871,445</b>	<b>54,621,605</b>
<b>Expenditures</b>						
Compensation	28,800,222	-	1,427,526	-	<b>30,227,748</b>	29,101,579
Operating costs	6,472,702	410,898	2,464,821	-	<b>9,348,421</b>	7,937,130
Ancillaries	4,747,487	-	-	-	<b>4,747,487</b>	4,608,790
Scholarships and bursaries	-	-	1,296,268	-	<b>1,296,268</b>	1,055,147
Interest	-	2,022,205	-	-	<b>2,022,205</b>	1,863,833
Overhead and other	1,403,697	-	-	-	<b>1,403,697</b>	1,444,336
	<b>41,424,108</b>	<b>2,433,103</b>	<b>5,188,615</b>	<b>-</b>	<b>49,045,826</b>	<b>46,010,815</b>
<b>Excess (deficiency) of revenue over expenditures before the following items</b>						
	<b>5,101,384</b>	<b>1,636,889</b>	<b>(299,735)</b>	<b>387,081</b>	<b>6,825,619</b>	<b>8,610,790</b>
Amortization of capital assets	-	(3,268,760)	-	-	<b>(3,268,760)</b>	(2,949,078)
Amortization of other assets (Note 6)	-	-	(146,057)	-	<b>(146,057)</b>	-
Interest rate swaps (Note 9)	-	(933,159)	-	-	<b>(933,159)</b>	(307,573)
Change in fair value of investments (Note 5)	(912,615)	(55,000)	(224,995)	-	<b>(1,192,610)</b>	(121,449)
	<b>(912,615)</b>	<b>(4,256,919)</b>	<b>(371,052)</b>	<b>-</b>	<b>(5,540,586)</b>	<b>(3,378,100)</b>
<b>Excess (deficiency) of revenue over expenditures</b>						
	<b>4,188,769</b>	<b>(2,620,030)</b>	<b>(670,787)</b>	<b>387,081</b>	<b>1,285,033</b>	<b>5,232,690</b>
Interfund transfers (Note 12)	(4,188,769)	1,041,562	3,587,395	(440,188)	-	-
Change in fund balances for the year	-	(1,578,468)	2,916,608	(53,107)	<b>1,285,033</b>	5,232,690
Fund balances at the beginning of the year	188,752	10,216,772	4,150,909	11,198,217	<b>25,754,650</b>	20,521,960
<b>Fund balances at the end of the year</b>	<b>188,752</b>	<b>8,638,304</b>	<b>7,067,517</b>	<b>11,145,110</b>	<b>27,039,683</b>	<b>25,754,650</b>

# Trinity Western University

## Statement of cash flows

Year ended April 30

	2012	2011
<b>Operating activities</b>	<b>\$</b>	<b>\$</b>
Excess of revenues over expenditures	1,285,033	5,232,690
Items not involving cash:		
Loss on disposal of land	226,681	-
Amortization of transaction costs	1,437	-
Amortization of capital assets	3,268,760	2,949,078
Amortization of other assets	146,057	-
Donated capital asset additions	(2,716,423)	(1,759,500)
Donated investments	(275,642)	-
Change in fair value of interest rate swaps	-	307,573
Change in fair value of investments	1,192,610	121,449
	<b>3,128,513</b>	<b>6,851,290</b>
Change in operating working capital		
Accounts receivable	995,197	(787,389)
Inventory	18,688	13,419
Prepaid expenses	331,527	(131,105)
Accounts payable	46,950	358,449
Student deposits and deferred income	715,734	127,369
	<b>2,108,096</b>	<b>(419,257)</b>
	<b>5,236,609</b>	<b>6,432,033</b>
<b>Financing activities</b>		
Increase in long-term debt	8,317,403	6,628,543
Repayment of long-term debt	(351,487)	(1,935,154)
Transaction costs paid	(125,000)	-
	<b>7,840,916</b>	<b>4,693,389</b>
<b>Investing activities</b>		
Change in restricted cash	(1,587,759)	(520,877)
Purchase of capital assets	(5,068,935)	(5,797,641)
Proceeds from disposal of land	401,323	-
Purchase of investments	(3,192,943)	(1,831,150)
Proceeds from sale of investments	2,014,656	251,424
Redemption of investment in private company shares	673,005	-
	<b>(6,760,653)</b>	<b>(7,898,244)</b>
<b>Change in cash during the year</b>	<b>6,316,872</b>	<b>3,227,178</b>
Cash at beginning of year	4,164,990	937,812
<b>Cash at end of year</b>	<b>10,481,862</b>	<b>4,164,990</b>
<b>Supplemental information:</b>		
Interest paid	1,550,181	1,599,645

# Trinity Western University

## Notes to financial statements

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. 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 3.

# Trinity Western University

## Notes to financial statements

April 30, 2012

### 2. Significant accounting policies (continued)

#### *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.

#### 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.

Cash and restricted cash	Held for trading
Investments	Held for trading
Interest rate swaps	Held for trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Capital lease obligations	Other liabilities
Other liabilities	Other liabilities
Long-term debt	Other liabilities

#### Cash

Cash is comprised of balances on deposit.

#### 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 or are presented separately on the statement of operations and changes in fund balances.

#### Interest rate swaps

The University recognizes the fair value of interest rate swaps on the balance sheet, with changes in fair value recognized in the statement of operations and changes in fund balances.



# Trinity Western University

## Notes to financial statements

April 30, 2012

### 2. Significant accounting policies (continued)

#### 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.

#### *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.

As at April 30, 2012 there are no pledges included in accounts receivable (2011 - \$1,102,000).

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, 2012

### 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*

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 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 \$1,155,587 (2011 - \$1,161,974) 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

#### *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, 2012.

#### *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

# Trinity Western University

## Notes to financial statements

April 30, 2012

### 2. Significant accounting policies (continued)

inherently uncertain, includes the fair value of 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.

#### *Future accounting changes*

##### New accounting framework

The Canadian Institute of Chartered Accountants has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards and generally accepted accounting principles for not-for-profit organizations, with Accounting Standards for Private Enterprises as the underlying framework. The University plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning on May 1, 2012 and is evaluating the impact of adoption.

### 3. 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

## Notes to financial statements

April 30, 2012

### 3. Related party transactions (continued)

#### *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 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.

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

				2012	2011
	ACTS	TWUF	TWUF - US	Total	Total
	30-Apr-12	31-Mar-12	31-Dec-11		
	\$	\$	\$	\$	\$
<b>Financial position</b>					
Total assets	65,559	1,597	2,940,754	<b>3,007,910</b>	2,957,299
Total liabilities	(84,779)	-	(1,712,241)	<b>(1,797,020)</b>	(1,761,661)
Total net (liabilities) assets	(19,220)	1,597	1,228,513	<b>1,210,890</b>	1,195,638
<b>Results of operations</b>					
Total revenues	419,169	1,001	1,178,625	<b>1,598,795</b>	1,336,456
Total expenses	(541,863)	(1,000)	(1,193,472)	<b>(1,736,335)</b>	(1,329,295)
(Deficiency) excess of revenues over expenses	(122,694)	1	(14,847)	<b>(137,540)</b>	7,161
Contributions					
by TWU	123,600	-	140,901	<b>264,501</b>	269,822
	906	1	126,054	<b>126,961</b>	276,983
<b>Cash flows</b>					
Cash (used) provided					
by operations	(2,138)	1	(52,267)	<b>(54,405)</b>	(139,659)
Cash (used) provided in investing activities	(3,694)	-	104,296	<b>100,603</b>	146,615
Cash (used) provided by financing activities	5,832	-	-	<b>5,832</b>	4,332
<b>Net cash flow</b>	-	1	52,029	<b>52,030</b>	11,288

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

# Trinity Western University

## Notes to financial statements

April 30, 2012

### 3. Related party transactions (continued)

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

	ACTS	TWUF - US	2012 Total	2011 Total
	\$	\$	\$	\$
Donations	-	841,706	<b>841,706</b>	339,269
Recovery of salaries	818,021	-	<b>818,021</b>	577,664
Provision of goods and services	338,970	-	<b>338,970</b>	341,010
	<b>1,156,991</b>	<b>841,706</b>	<b>1,998,697</b>	<b>1,257,943</b>

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:

	2012	2011
	\$	\$
ACTS	<b>122,380</b>	165,839
TWUF - US	<b>83,329</b>	77,831
	<b>205,709</b>	<b>243,670</b>

### 4. Restricted cash

Restricted cash is comprised of the following:

	2012	2011
	\$	\$
RRSP Program	<b>1,796,279</b>	525,547
Other	<b>361,372</b>	44,345
	<b>2,157,651</b>	<b>569,892</b>

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.

# Trinity Western University

## Notes to financial statements

April 30, 2012

### 5. Investments

	2012	2011
	\$	\$
Portfolio investments:		
Marketable securities	11,375,068	11,072,754
Shares of private company	184,000	898,000
	<b>11,559,068</b>	11,970,754
Less current portion	(150,000)	(898,000)
	<b>11,409,068</b>	11,072,754

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

	2012		
Marketable Securities	Market Value	Fund Allocation	2011 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%

	2011		
Marketable Securities	Market Value	Fund Allocation	2010 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 9.

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, 2012

### 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 11. The University recognized an unrealized loss on investments of \$967,615 (2011 – \$121,449) and a realized loss on investments of \$224,995.

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

### 6. Other asset and liability

During the year ended April 30, 2012, the University finalized 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 committed to pay a total of \$3,870,511 which was recorded as an other asset and long-term debt on the statement of financial position.

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

During the year ended April 30, 2012, the University settled a portion of the obligation by transferring land valued at \$2,700,000 to the Township. The remaining balance of \$1,170,511 has been recorded as long-term debt on the statement of financial position.

Minimum payments of principal and interest at 3.6% on the remaining liability over the next five years are as follows:

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

# Trinity Western University

## Notes to financial statements

April 30, 2012

### 7. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	4,130,039	-	<b>4,130,039</b>	4,827,941
Roads and parking lots	4,625,625	1,665,337	<b>2,960,288</b>	2,938,794
Buildings	53,563,972	16,890,526	<b>36,673,447</b>	35,088,807
Furniture and equipment	14,034,443	9,565,631	<b>4,468,812</b>	4,027,303
Library collection	6,702,435	5,662,804	<b>1,039,632</b>	1,202,237
Computers	8,857,167	6,597,904	<b>2,259,263</b>	2,648,946
Vehicles	83,243	50,670	<b>32,573</b>	41,431
	<b>91,996,925</b>	<b>40,432,872</b>	<b>51,564,053</b>	50,775,459

During the year ended April 30, 2012 the University acquired capital assets totalling \$7,785,357 - \$2,716,423 by means of donated assets and \$5,068,935 by means of cash.

University real estate holdings (land, buildings, roads and parking lots) were appraised in June 2012 at a comprehensive value in excess of \$130,000,000 on the basis of estimated depreciated replacement cost plus estimated land value as compared to a book value of approximately \$43,800,000 at April 30, 2012.

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



# Trinity Western University

## Notes to financial statements

April 30, 2012

### 8. Capital lease obligations

	2012	2011
	\$	\$
Computer equipment lease in the amount of \$302,152, repayable in monthly instalments of \$20,432 including interest calculated at 4.5%, maturing August 2014.	<b>189,561</b>	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.	<b>93,487</b>	152,918
Computer equipment lease in the amount of \$397,715, repayable in monthly instalments of \$13,403 without interest, maturing November 2013.	<b>250,672</b>	383,574
	<b>533,721</b>	802,325
Less amounts representing interest	<b>(17,538)</b>	(36,665)
	<b>516,183</b>	765,660
Less current portion	<b>(283,638)</b>	(287,102)
	<b>232,545</b>	478,558

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

	\$
2013	<b>283,638</b>
2014	<b>212,304</b>
2015	<b>37,779</b>
	<b>533,721</b>
Less amounts representing interest	<b>(17,538)</b>
	<b>516,183</b>

# Trinity Western University

## Notes to financial statements

April 30, 2012

### 9. Long-term debt

	2012	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 3.8%, due May 10, 2013, payable in equal monthly instalments of principal and interest based on an amortization period of 20 years.	<b>7,966,000</b>	
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 3.3%, due May 10, 2013, payable in equal monthly instalments of principal and interest based on an amortization period of 20 years.	<b>13,941,000</b>	
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
Due to the Township of Langley, unsecured, bearing interest at the municipal rate + 0.25% (currently 5.97%), repayable over 18 years.	<b>624,625</b>	633,635
Due to the Township of Langley, unsecured, bearing interest at 3.6%, repayable over 17 years commencing in 2015 (Note 6).	<b>1,170,511</b>	-
Promissory notes payable, unsecured income contracts with varying terms, bearing interest at an average rate of 4.45%.	<b>11,003,939</b>	7,756,915
Promissory notes payable, income contracts with varying terms, bearing interest at an average rate of 4.73%, secured by a fixed charge on specific land and buildings.	<b>4,888,227</b>	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 4.46%, rates adjusted semi-annually, secured by a fixed charge on specific land and building.	<b>6,996,674</b>	3,278,820
Balance carried forward	<b>46,590,976</b>	36,130,422

# Trinity Western University

## Notes to financial statements

April 30, 2012

### 9. Long-term debt (continued)

	2012	2011
	\$	\$
Balance forward	46,590,976	36,130,422
Investment trust agreements, revocable income contracts bearing interest at an average rate of 10%. These contracts are for an indefinite term.	990	3,677
	46,591,966	36,134,099
Fair value of interest rate swaps	-	1,071,963
Unamortized transaction costs	(123,563)	-
	46,468,403	37,206,062
Less current portion	(5,110,802)	(6,422,722)
	41,357,601	30,783,340

On February 29, 2012, the University received \$22,000,000 of debt financing from HSBC Bank Canada to refinance its debt held by Royal Bank of Canada. In conjunction with the refinancing, the University paid out the fair value of the interest rate swap held with the Royal Bank of Canada resulting in a loss of \$933,159 being recorded on the statement of operations and changes in fund balances for the year ended April 30, 2012.

As of April 30, 2011, the University had recognized an obligation of \$1,071,963 relating to fair value differences on the swaps held. The University has not entered into any interest rate swaps as at April 30, 2012.

Under the terms of the agreement with HSBC Bank Canada dated February 29, 2012, the University was in compliance with its loan covenants for the fiscal year ending April 30, 2012.

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

<b>Borrowing capacity - HSBC Bank Canada</b>	<b>Balance Available at April 30, 2012</b>	<b>Balance Utilized at April 30, 2012</b>
	\$	\$
First Capital Loan	7,966,000	7,966,000
Second Capital Loan	13,941,000	13,941,000
Operating loan *	4,000,000	-
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

# Trinity Western University

## Notes to financial statements

April 30, 2012

### 9. Long-term debt (continued)

The estimated principal repayments assuming credit facilities are renewed on similar terms over the next five years are as follows:

	2013	2014	2015	2016	2017
Amortizing debt - HSBC Bank Canada	779,596	807,131	835,643	865,168	895,741
Amortizing debt - Township of Langley	9,496	380,743	111,664	110,522	109,622
Amortizing debt - funded by operations	789,092	1,187,874	947,307	975,690	1,005,363
Promissory notes	4,093,848	2,733,465	2,302,704	654,333	1,219,590
Promissory notes (secured by specific properties)	227,863	1,694,535	551,560	2,414,269	
	4,321,711	4,428,000	2,854,264	3,068,602	1,219,590
Total estimated principal repayments	5,110,802	5,615,874	3,801,571	4,044,292	2,224,953

The table above presents the promissory notes at their stated maturity dates. However, the University has experienced an average renewal subscription rate of 70% on maturing promissory notes.

The HSBC Bank Canada 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 marketable 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 \$1,550,181 (2011 - \$1,599,645).

### 10. Specific Purpose Fund and Endowment Fund

Restrictions imposed on the following funds are:

	2012		2011	
	Specific Purpose	Endowment	Specific Purpose	Endowment
	\$	\$	\$	\$
Externally restricted	2,129,322	9,956,379	2,791,954	9,569,299
Internally restricted	4,938,195	1,188,731	1,358,955	1,628,918
	7,067,517	11,145,110	4,150,909	11,198,217

# Trinity Western University

## Notes to financial statements

April 30, 2012

### 11. Other income

The components of other income are as follows:

					2012	2011
	Unrestricted	Capital	Specific Purpose	Endowment	Total	Total
	\$	\$	\$	\$	\$	\$
Rental income	276,691	-	-	-	<b>276,691</b>	277,709
Investment income realized	560,314	-	-	-	<b>560,314</b>	419,717
Parking receipts	360,086	-	-	-	<b>360,086</b>	355,830
Project revenues	-	217,656	2,094,973	-	<b>2,312,629</b>	4,108,656
Student related	628,091	-	565,256	-	<b>1,193,347</b>	1,134,368
Wellness centre	252,505	-	-	-	<b>252,505</b>	250,018
US exchange	125,452	-	-	-	<b>125,451</b>	136,407
Miscellaneous	468,551	-	-	970	<b>469,521</b>	505,870
	<b>2,671,690</b>	<b>217,656</b>	<b>2,660,229</b>	<b>970</b>	<b>5,550,545</b>	<b>7,188,575</b>

### 12. Interfund transfers

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

	Unrestricted	Capital	Specific Purpose	Endowment
	\$	\$	\$	\$
Debt repayment	(102,010)	102,010	-	-
Interest on long-term debt	(2,012,445)	2,012,445	-	-
Capital assets and other	(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	-
	<b>(4,188,769)</b>	<b>1,041,562</b>	<b>3,587,395</b>	<b>(440,188)</b>

# Trinity Western University

## Notes to financial statements

April 30, 2012

### 13. Interfund loans

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

	2012	2011
	\$	\$
Unrestricted Fund	(7,534,234)	(791,407)
Capital Fund	546,675	(2,586,965)
Specific Purpose Fund	7,067,517	3,252,909
Endowment Fund	(79,958)	125,463
	-	-

### 14. 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*

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 a return of \$11,027 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, 2012

### 14. Contingent liabilities (continued)

#### *Township of Langley*

During the year, the University extended agreements with the Township of Langley to occupy a portion of the Langley Event Centre (Note 6). The University is still in negotiations with the Township of Langley with regards to the settlement of certain other costs due 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, 2012 the amount calculated under the formula was approximately \$1,850,080. At the end of the lease term, including all renewals, title and ownership of the building will pass to the University.

### 15. 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 \$866,425 (2011 - \$991,584) to employee retirement plans. The fair market value of the assets owned by employees in the University sponsored program at April 30, 2012 was \$19,866,981 (2011 - \$19,756,969). There is no past service liability with respect to this program.

### 16. 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:

	2012	2011
	\$	\$
Contributed principal	<b>387,000</b>	387,000
Market value on March 31	<b>431,658</b>	438,354
Income earned	<b>16,327</b>	15,882
Distribution to TWU	<b>16,138</b>	14,880

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, 2012

### 17. 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 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.

#### *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. As at April 30, 2012, the University has not entered into any interest rate swap agreements.

#### *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.

### 18. Commitments

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

	\$
2013	344,604
2014	180,069
2015	83,059
2016	32,342
2017	12,411



# Trinity Western University

## Notes to financial statements

April 30, 2012

### 19. 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 Bank Canada long-term debt agreements, the University must satisfy restrictive covenants. The University satisfied those debt covenants as at April 30, 2012.