

Financial statements of

Trinity Western University

April 30, 2017

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, 2017, and the statements of operations and changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trinity Western University as at April 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
Langley, British Columbia

August 10, 2017

Trinity Western University

Statement of financial position

As at April 30

	2017	2016
	\$	\$
Assets		
Current		
Cash	15,555,032	12,980,088
Restricted cash	41,173	38,083
Accounts receivable	1,394,970	1,201,234
Inventory	360,105	512,181
Prepaid expenses	1,915,005	1,557,606
	19,266,285	16,289,192
Other asset (Note 4)	2,409,941	2,629,025
Investments (Note 5)	20,286,341	17,073,273
Capital assets (Note 6)	144,446,540	145,363,303
	186,409,107	181,354,793
Liabilities		
Current		
Accounts payable and accrued liabilities	3,471,063	3,167,875
Student deposits and deferred income	9,603,669	8,347,315
Current portion of long-term debt (Note 7)	1,800,874	1,788,410
	14,875,606	13,303,600
Long-term debt (Note 7)	29,192,424	32,303,786
Due to Trinity Western University Foundation (Note 3 & 8)	5,467,000	4,000,000
	49,535,030	49,607,386
Contingent liabilities (Note 13)		
Commitments (Note 16)		
Fund balances		
Restricted funds		
Capital fund	104,266,699	103,290,243
Specific purpose fund (Note 9)	12,236,147	11,392,851
Endowment fund (Note 9)	20,182,479	16,875,561
Unrestricted fund	188,752	188,752
	136,874,077	131,747,407
	186,409,107	181,354,793

Approved by the Board of Governors

"Mr. Robert G. Kuhn"

"Mr. Lorne Jacobson"

"Mr. Fred Fleming"

Trinity Western University

Statement of operations and changes in fund balances

Year Ended April 30

	Unrestricted	Capital	Specific Purpose	Endowment	2017	2016
	\$	\$	\$	\$	\$	\$
Revenues						
Tuition and fees	57,083,619	-	-	-	57,083,619	52,914,709
Less: Scholarships and bursaries	(11,338,770)	-	-	-	(11,338,770)	(11,424,804)
Tuition and fees (net)	45,744,849	-	-	-	45,744,849	41,489,905
Ancillaries	10,351,573	-	-	-	10,351,573	10,495,428
Donations	3,554,163	1,254,027	2,544,140	1,013,861	8,366,191	6,997,162
Other (Notes 10)	4,232,755	36,973	2,209,832	-	6,479,560	7,022,877
	63,883,340	1,291,000	4,753,972	1,013,861	70,942,173	66,005,373
Expenditures						
Compensation	36,500,887	-	1,408,751	-	37,909,638	35,005,356
Operating costs	12,103,622	175,938	3,151,790	-	15,431,350	12,955,468
Ancillaries	4,945,507	-	-	-	4,945,507	5,260,600
Scholarships and bursaries	-	-	981,763	-	981,763	1,035,667
Interest	-	1,273,404	-	-	1,273,404	1,587,114
Overhead and other	1,722,283	-	-	-	1,722,283	1,712,108
	55,272,299	1,449,342	5,542,304	-	62,263,945	57,556,312
Excess (deficiency) of revenue over expenditures before the following items	8,611,041	(158,343)	(788,332)	1,013,861	8,678,228	8,449,061
Amortization of capital assets	-	(5,090,032)	-	-	(5,090,032)	(4,943,938)
Amortization of other assets	-	(8,381)	(219,086)	-	(227,467)	(227,570)
Interest rate swaps (Note 19)	-	130,710	-	-	130,710	48,856
Change in fair value of investments (non-cash) (Note 5)	1,665,985	(30,754)	-	-	1,635,231	(2,130,260)
	1,665,985	(4,998,457)	(219,086)	-	(3,551,558)	(7,252,912)
Excess (deficiency) of revenue over expenditures	10,277,026	(5,156,799)	(1,007,417)	1,013,861	5,126,670	1,196,149
Interfund transfers (Note 11)	(10,277,026)	6,133,255	1,850,714	2,293,057	-	-
Change in fund balances for the year	-	976,456	843,296	3,306,918	5,126,670	1,196,149
Fund balances at the beginning of the year	188,752	103,290,243	11,392,851	16,875,561	131,747,407	130,551,258
Fund balances at the end of the year	188,752	104,266,699	12,236,147	20,182,479	136,874,077	131,747,407

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

Trinity Western University

Statement of cash flows

Year ended April 30

	2017	2016
	\$	\$
Operating activities		
Excess of revenues over expenditures	5,126,670	1,196,149
Add back (deduct) items not involving cash:		
Amortization of transaction costs	8,381	8,484
Amortization of capital assets	5,090,032	4,943,938
Amortization of other asset	219,086	219,086
Donated capital asset additions	(11,599)	(1,240)
Change in fair value of interest rate swaps	(130,710)	(48,856)
Change in fair value of investments	(1,635,231)	2,130,260
	8,666,628	8,447,821
Change in non-cash operating working capital		
Accounts receivable	(193,738)	609,805
Inventory	152,076	(175,135)
Prepaid expenses	(357,398)	(97,735)
Accounts payable	303,189	(568,183)
Student deposits and deferred income	1,256,354	434,805
	1,160,482	203,557
	9,827,111	8,651,378
Financing activities		
Scheduled annual amortization of long-term debt	(556,405)	(769,716)
Additional repayment of HSBC long-term debt	(1,467,000)	(4,000,000)
Increase in Trinity Western University Foundation long-term debt	1,467,000	4,000,000
Additional repayment of long-term debt	(3,457,881)	(4,508,202)
Increase in long-term debt	2,504,716	2,707,835
	(1,509,570)	(2,570,083)
Investing activities		
Change in restricted cash	(3,090)	433,103
Purchase of capital assets	(4,161,670)	(5,899,042)
Purchase of investments	(1,844,837)	(2,270,296)
Proceeds from sale of investments	267,000	1,381,875
	(5,742,597)	(6,354,360)
Change in cash during the period	2,574,945	(273,065)
Cash at beginning of period	12,980,088	13,253,153
Cash at end of period	15,555,032	12,980,088

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

Trinity Western University

Notes to financial statements

April 30, 2017

1. Business operations

Purpose and authority

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

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

2. Significant accounting policies

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

Fund accounting

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

TWU follows the restricted fund method of accounting for contributions.

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

The Capital Fund reports the net investment in capital assets.

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

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

Ancillaries 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 3.

Trinity Western University

Notes to financial statements

April 30, 2017

2. Significant accounting policies (continued)

Financial instruments

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

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

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

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

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

Revenue recognition

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

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

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

Endowment donations are recognized as revenue in the Endowment Fund.

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

Trinity Western University

Notes to financial statements

April 30, 2017

2. Significant accounting policies (continued)

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

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

Inventory

Inventory is comprised of items held for resale by the University Bookstore and is valued at the lower of cost and net realizable value. Cost is determined on the average cost basis. Net realizable value is the selling price less the cost necessary to make the sale. During the year the University expensed \$1,176,872 (2016 - \$1,140,257) of inventory through ancillaries on the statement of operations and changes in fund balances.

Capital assets

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

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

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

Other asset

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

Assets under capital lease

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

Asset retirement obligations

Legal obligations related to asset retirement obligations are recognized when a reasonable estimate of fair value can be made. These obligations are recorded at fair value with a corresponding increase in asset value. The liability is accreted over the life of the asset to fair value and the increase in asset value is depreciated over the remaining useful life of the asset. This includes future removal and site restoration costs as required due to environmental law or contract. Management has determined that the University has no asset retirement obligations at April 30, 2017.

Trinity Western University

Notes to financial statements

April 30, 2017

2. Significant accounting policies (continued)

Use of estimates

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

3. Related party transactions

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

Trinity Western University Foundation (TWUF)

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

Trinity Western University Foundation - US (TWUF - US)

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

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

The Associated Canadian Theological Schools Society (ACTS)

ACTS was incorporated under the Society Act of British Columbia on March 30, 2016. The primary purpose of ACTS is to support and facilitate excellent theological education, Christian leadership training, and the provision of resources for effective Christian ministry primarily at the graduate level and to support the creation and maintenance of effective joint academic programs among those registered charities that are members of the Society that grant the credits and confer the degrees offered through such joint academic programs. On May 1, 2016 the assets, liabilities and member balances of the previous ACTS joint venture were transferred to this newly incorporated Society. TWU is one of the four full members of ACTS. Each full member may appoint three individuals to the Board of Directors and elect additional directors from associate members, where applicable, subject to certain restrictions. As a full member, among other responsibilities, TWU is obligated to financially support the jointly-managed systems and infrastructure facilitated by the ACTS according to the amounts, fees and formula approved by the Board. During the year these financial support payments totalled \$160,212 (2016 - \$145,212).

Trinity Western University

Notes to financial statements

April 30, 2017

3. Related party transactions (continued)

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

			2017	2016
	TWUF	TWUF - US	Total	Total
	31-Mar-17	31-Dec-16		
	\$	\$	\$	\$
Financial position				
Total assets	5,492,489	5,664,247	11,156,736	10,830,711
Total liabilities	-	(2,709,883)	(2,709,883)	(4,086,796)
Total net assets	5,492,489	2,954,364	8,446,853	6,743,915
Results of operations				
Total revenues	1,478,936	2,392,200	3,871,136	7,751,541
Total expenses	(1,041)	(1,976,953)	(1,977,994)	(4,098,975)
Excess of revenues over expenses	1,477,895	415,247	1,893,142	3,652,566
Contributions	-	146,451	146,451	698,464
	1,477,895	561,698	2,039,593	4,351,030
Cash flows				
Cash provided (used) by operations	1,477,895	(79,481)	1,398,414	4,817,193
Cash (used) provided by investing activities	(5,467,000)	610,834	(4,856,166)	(4,938,989)
Cash provided by financing activities	-	-	-	129,402
Net cash flow	(3,989,105)	531,353	(3,457,752)	7,606

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

			2017	2016
	ACTS	TWUF - US	Total	Total
	\$	\$	\$	\$
Donations	-	1,074,114	1,074,114	427,836
Recovery of salaries	510,177	-	510,177	808,734
Provision of goods and services	530,736	-	530,736	349,757
	1,040,913	1,074,114	2,115,027	1,586,327

During the year, TWU received a \$1,467,000 loan from TWUF. Refer to Note 8.

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

Trinity Western University

Notes to financial statements

April 30, 2017

3. Related party transactions (continued)

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

	2017	2016
	\$	\$
ACTS	(112,154)	(309,887)
TWUF - US	19,778	(3,177)
	(92,376)	(313,064)

4. Other asset

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

The University recorded amortization of \$219,086 during the year ended April 30, 2017 (2016 - \$219,086) and the current portion of \$219,086 has been included in prepaid expenses on the statement of financial position.

5. Investments

	2017	2016
	\$	\$
Portfolio investments:		
Marketable securities	20,285,341	17,041,519
Shares of private company (net of impairment of \$238,000, 2016 - \$207,246)	1,000	31,754
	20,286,341	17,073,273

The private company shares were received by TWU in December 2010 through an estate donation. These shares are not traded on an open market. Since 2010, TWU has received \$87,500 as cash dividends from these shares. In the current year, there was impairment recorded in income relating to these shares of \$30,754 (2016 - \$12,300).

Trinity Western University

Notes to financial statements

April 30, 2017

5. Investments (continued)

The composition of the portfolio investments is as follows:

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

	2016	
Portfolio Investments	Fair Value	Fund Allocation
	\$	
Cash Equivalents	480,729	2.8%
Canadian Equities	6,216,076	36.4%
US Equities	2,666,027	15.6%
International Equities	2,500,101	14.6%
Fixed Income Fund	4,850,957	28.4%
Total Leith Wheeler	16,713,890	97.9%
Other funds	359,383	2.1%
Total Funds	17,073,273	100.0%

The return on investment of the Leith Wheeler endowment portfolio was positive 16.8% (2016 – negative 3.3%), after all related fees.

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

The market return on investments includes interest income, dividends, capital gains and unrealized gains / losses. During the year ended April 30, 2017, the University recorded an unrealized gain on investments of \$1,635,231 (2016 – \$2,130,260 loss) and recognized investment income of \$1,276,277 (2016 – \$1,606,671) (Note 10).

Trinity Western University

Notes to financial statements

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6. Capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	49,567,728	-	49,567,728	49,319,702
Buildings, roads and parking lots	105,597,987	18,056,908	87,541,079	89,627,534
Furniture and equipment	17,488,115	13,367,137	4,120,978	3,468,741
Library collection	6,853,046	6,222,025	631,021	625,148
Computers	13,223,772	10,698,230	2,525,542	2,286,633
Vehicles	146,229	86,037	60,192	35,545
	192,876,877	48,430,336	144,446,540	145,363,303

During the year ended April 30, 2017 the University acquired capital assets totalling \$4,173,269 (2016 \$5,900,282) – of this total, \$11,599 (2016 - \$1,240) was by means of donated assets and \$4,161,670 (2016 - \$5,899,042) by means of cash.

Trinity Western University

Notes to financial statements

April 30, 2017

7. Long-term debt

The University manages interest rate risk by entering into interest rate swap agreements that fix the market based component of its interest rates over the term of the corresponding obligation.

	2017	2016
	\$	\$
HSBC Bank Canada non-revolving loan (Capital Loan), bearing interest at HSBC prime rate plus 1%, payable in equal monthly installments of principal and interest based on an amortization period of 20 years, maturing in 2032. The University has entered into an interest rate swap covering this loan (Note 19).	9,333,332	11,866,666
HSBC Bank Canada demand loan, bearing interest at HSBC Bank prime + .40%, payable on demand.	1,521,667	985,333
Promissory notes payable, unsecured income contracts with varying terms, bearing interest at an average rate of 3.29%, maturing at various dates up to 2019.	5,787,338	7,833,197
Loan payable to Canadian Western Trust for TWU's RRSP/RRIF program, revocable indefinite term contracts bearing interest at an average rate of 3.89%, rates adjusted semi-annually, secured by a fixed charge on specific land and building.	14,016,171	12,890,477
Computer equipment lease in the amount of \$146,608, repayable in monthly instalments of \$2,842 including interest calculated at 4.3%, maturing April 2019.	63,325	93,006
Parking equipment lease in the amount of \$138,178, repayable in monthly instalments of \$2,861 including interest calculated at 4.33%, maturing September 2019.	74,206	103,929
	30,796,039	33,772,608
Fair value of interest rate swaps	278,181	408,891
Unamortized transaction costs	(80,922)	(89,303)
	30,993,298	34,092,196
Less current portion	(1,800,874)	(1,788,410)
	29,192,424	32,303,786

Trinity Western University

Notes to financial statements

April 30, 2017

7. Long-term debt (continued)

Under the terms of the agreement with HSBC Bank Canada dated April 13, 2016, the University was in compliance with its loan covenants for the fiscal year ending April 30, 2017.

As of April 30, 2017, the University has an agreement to renew its credit facilities beyond their stated maturity dates. The estimated principal repayments based on renewing the credit facilities on similar terms over the next five years (including capital lease payments) are as follows:

	2018	2019	2020	2021	2022
	\$	\$	\$	\$	\$
Total estimated principal repayments	1,800,874	2,471,986	1,773,009	1,761,798	1,821,798

The HSBC bank loans are secured by a general security agreement, a fixed charge on specific land and buildings of up to \$50 million, assignment of rents and insurance, environmental and indemnity agreements on specific properties. Subsequent to year end, certain unencumbered land and buildings will be pledged as security against the Trinity Western University Foundation loan.

Total cash interest paid on all borrowings during the year is \$951,823 (2016 - \$1,227,042).

8. Due to Trinity Western University Foundation

As of April 30, 2017, the University has received \$5,467,000 in loan funds from Trinity Western University Foundation for the purposes of HSBC bank debt repayment. This loan is non-interest bearing, matures April 2026, has no fixed terms of repayment, and has covenants attached.

9. Specific Purpose Fund and Endowment Fund

Restrictions imposed on the following funds are:

	2017		2016	
	Specific Purpose	Endowment	Specific Purpose	Endowment
	\$	\$	\$	\$
Externally restricted	5,048,742	13,505,284	4,877,597	12,491,423
Internally restricted	7,187,405	6,677,196	6,515,254	4,384,138
	12,236,147	20,182,479	11,392,851	16,875,561

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Notes to financial statements

April 30, 2017

9. Specific Purpose Fund and Endowment Fund (continued)

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

10. Other income

The components of other income are as follows:

	Unrestricted	Capital	Specific Purpose	2017 Total	2016 Total
	\$	\$	\$	\$	\$
Project revenues	-	36,973	1,638,800	1,675,773	2,459,260
Student related	919,581	-	571,032	1,490,613	1,223,159
Investment income realized	1,276,277	-	-	1,276,277	1,606,671
Miscellaneous	704,176	-	-	704,176	566,171
Parking receipts	557,633	-	-	557,633	490,223
Rental income	340,815	-	-	340,815	294,916
Wellness centre	256,844	-	-	256,844	261,649
US exchange gain	177,428	-	-	177,428	120,828
	4,232,755	36,973	2,209,832	6,479,560	7,022,877

11. Interfund transfers

Transfers between the various funds are summarized as follows:

	Unrestricted	Capital	Specific Purpose	Endowment
	\$	\$	\$	\$
Debt repayment	(622,422)	622,422	-	-
Interest on long-term debt	(1,273,404)	1,273,404	-	-
Capital assets	(2,833,552)	3,044,185	(210,633)	-
Appropriations	(2,088,323)	1,262,579	825,744	-
Investment gain, net of scholarship expenses	(2,751,379)	(90,000)	548,322	2,293,057
Travel studies	(707,946)	-	707,946	-
Transfer of equity	-	20,665	(20,665)	-
	(10,277,026)	6,133,255	1,850,714	2,293,057

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12. Interfund loans

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

	2017	2016
	\$	\$
Unrestricted Fund	(5,575,607)	(4,366,009)
Capital Fund	(3,720,542)	(4,012,617)
Specific Purpose Fund	9,278,174	8,420,940
Endowment Fund	17,975	(42,314)
	-	-

13. Contingent liabilities

Evangelical Free Church of Canada

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

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

Canadian University Reciprocal Insurance Exchange

Since 1988 Trinity Western University has been a member of the Canadian University Reciprocal Insurance Exchange ("C.U.R.I.E"), a self-insurance co-operative providing property and general liability insurance coverage to 61 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 \$22,871 (2016 - nil) related to the return of excess premiums; there are no anticipated member assessments based on C.U.R.I.E.'s current financial position.

Letter of guarantee

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

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Notes to financial statements

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13. Contingent liabilities (continued)

Canada Institute of Linguistics ("CANIL") ground lease

The University has entered into a ground lease that allows CANIL to construct and occupy a building on University lands for a period of 35 years with four tenant renewal options of five years each. The initial lease term ends in 2039. Under the terms of the arrangement, CANIL may vacate the premises at any time and require TWU to purchase its interest in the building according to a reducing balance formula. At April 30, 2017 the amount calculated under the formula was approximately \$1,514,920 (2016 -\$1,581,952). At the end of the lease term, including all renewals, title and ownership of the building will pass to the University. No amounts have been recorded in these financial statements with respect to the CANIL lease.

The Associated Canadian Theological Schools Society (ACTS)

As one of the four full members of the ACTS, TWU guaranteed a maximum of \$100,000 of a \$300,000 working capital line of credit provided to ACTS by its banker. At April 30, 2017, the balance outstanding on the line of credit is \$nil.

14. Retirement plans

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

15. Trinity Western Advancement Fund

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

	2017	2016
	\$	\$
Aggregate contributed principal	387,000	387,000
Market value on March 31	564,302	523,065
Income earned	19,672	18,748
Distribution to TWU	19,233	18,255

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.

16. Commitments

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

	\$
2018	56,340
2019	3,286

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Notes to financial statements

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17. Government remittances

Included in accounts payable and accrued liabilities is \$263,936 (2016 – \$191,840) of government remittances.

18. Capital disclosures

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

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

Under the terms of the HSBC long-term debt agreements, the University must satisfy restrictive covenants. The University satisfied those debt covenants as at April 30, 2017.

19. Financial instruments

Market risk

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

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

Interest rate risk

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

As at April 30, 2017, the University has entered into swaps covering \$9,333,332 of the HSBC non-revolving loan (Note 7). Under the terms of the swaps, the variable interest rate has been exchanged for fixed interest rates of between 3.74% to 4.84%, maturing between May 14, 2018 and January 5, 2021. The fair value of the swaps at April 30, 2017 is a liability of \$278,181. The fair value is based on information received from the financial institution. A gain of \$130,710 has been recorded in the current year related to these swaps (2016 - \$48,856 gain).

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19. 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, 2017 was \$205,806 (2016 - \$130,273).

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, 2017, the most significant financial liabilities are: accounts payable and accrued liabilities, capital lease obligations, loan due to Trinity Western University Foundation and long-term debt.