

Financial statements of

Trinity Western University

April 30, 2011

Trinity Western University

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Independent Auditors' Report

The Board of Governors,
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, 2011, and the statements of operations and 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 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

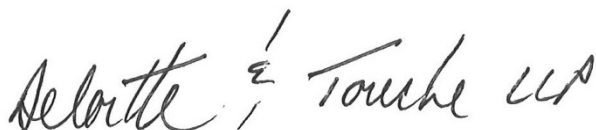
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2011, 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 black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
August 19, 2011

Trinity Western University

Statement of financial position

April 30

	2011	2010
	\$	\$
Assets		
Current		
Cash	4,164,990	1,053,473
Restricted cash (Note 4)	569,892	49,015
Accounts receivable	2,863,164	2,075,775
Investments (Note 5)	898,000	-
Inventory	326,938	340,357
Prepaid expenses	942,365	811,260
	9,765,349	4,329,880
Investments (Note 5)	11,072,754	10,512,477
Capital assets (Note 6)	50,775,459	45,401,733
	71,613,562	60,244,090
Liabilities		
Current		
Bank indebtedness	-	115,662
Accounts payable	3,100,490	2,742,040
Student deposits and deferred income	4,786,700	4,659,331
Demand loan	-	2,655,000
Current portion of capital lease obligations (Note 7)	287,102	-
Current portion of long-term debt (Note 8)	6,422,722	25,121,454
	14,597,014	35,293,487
Capital lease obligations (Note 7)	478,558	-
Long-term debt (Note 8)	30,783,340	4,428,644
	45,858,912	39,722,131
Fund balances		
Restricted funds		
Capital fund	10,216,772	8,352,606
Specific purpose fund (Note 9)	4,150,909	4,479,376
Endowment fund (Note 9)	11,198,217	9,483,406
Unrestricted fund	188,752	(1,793,429)
	25,754,650	20,521,959
	71,613,562	60,244,090

Approved by the Board of Governors

"Mr. Wade Larson"

"Dr. Jonathan S. Raymond"

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

	Unrestricted	Capital	Specific Purpose	Endowment	2011	2010
	\$	\$	\$	\$	\$	\$
Revenues						
Tuition and fees	39,897,502	-	-	-	39,897,502	37,047,096
Less: Scholarships and bursaries	(10,190,984)	-	-	-	(10,190,984)	(8,737,531)
Tuition and fees (net)	29,706,518	-	-	-	29,706,518	28,309,565
Ancillaries	9,770,218	-	-	-	9,770,218	10,354,120
Donations	3,772,526	2,282,114	1,065,965	835,689	7,956,294	4,992,642
Other (Note 10)	2,558,892	1,991,250	2,638,433	-	7,188,575	6,697,811
	45,808,154	4,273,364	3,704,398	835,689	54,621,605	50,354,138
Expenditures						
Compensation	27,862,935	-	1,238,644	-	29,101,579	29,201,324
Operating costs	5,940,523	29,336	1,967,271	-	7,937,130	7,619,556
Ancillaries	4,608,790	-	-	-	4,608,790	4,920,918
Scholarships and bursaries	-	-	1,055,147	-	1,055,147	1,042,771
Interest	-	1,863,833	-	-	1,863,833	1,559,302
Overhead and other	1,444,336	-	-	-	1,444,336	1,383,698
	39,856,584	1,893,169	4,261,062	-	46,010,815	45,727,569
Excess (deficiency) of revenue over expenditures before the following non-cash items						
	5,951,570	2,380,195	(556,664)	835,689	8,610,790	4,626,569
Amortization of capital assets	-	(2,949,078)	-	-	(2,949,078)	(2,957,780)
Change in fair value of interest rate swaps (Note 8)	-	(307,573)	-	-	(307,573)	932,039
Change in fair value of investments (Note 5)	640,233	-	(761,682)	-	(121,449)	218,942
	640,233	(3,256,651)	(761,682)	-	(3,378,100)	(1,806,799)
Excess (deficiency) of revenue over expenditures	6,591,803	(876,456)	(1,318,346)	835,689	5,232,690	2,819,770
Interfund transfers (Note 11)	(4,609,622)	2,740,622	989,879	879,121	-	-
Change in fund balances for the year	1,982,181	1,864,166	(328,467)	1,714,810	5,232,690	2,819,770
Fund balances at the beginning of the year	(1,793,429)	8,352,606	4,479,376	9,483,407	20,521,960	17,702,189
Fund balances at the end of the year	188,752	10,216,772	4,150,909	11,198,217	25,754,650	20,521,959

Trinity Western University

Statement of cash flows

Year Ended April 30

	2011	2010
	\$	\$
Operating activities		
Excess of revenues over expenditures	5,232,690	2,819,770
Add back (deduct) items not involving cash:		
Gain on sale of land	-	(974,519)
Amortization of capital assets	2,949,078	2,957,780
Donated capital asset additions	(1,759,500)	(316,578)
Change in fair value of interest rate swaps	307,573	(932,039)
Change in fair value of investments	121,449	(218,942)
	6,851,290	3,335,472
Change in operating working capital		
Accounts receivable	(787,389)	(429,214)
Inventory	13,419	(25,909)
Prepaid expenses	(131,105)	(239,247)
Accounts payable	358,449	246,062
Student deposits and deferred income	127,369	(317,082)
	(419,257)	(765,390)
	6,432,033	2,570,082
Financing activities		
Increase in long-term debt	6,628,543	596,566
Repayment of long-term debt	(1,935,154)	(1,500,573)
	4,693,389	(904,007)
Investing activities		
Change in restricted cash	(520,877)	(5,889)
Purchase of capital assets	(5,797,641)	(1,671,524)
Proceeds from disposal of land (net of \$87,750 in disposal costs and taxes)	-	1,682,250
Purchase of investments	(1,831,150)	(1,010,882)
Proceeds from sale of investments	251,424	16,905
	(7,898,244)	(989,140)
Change in cash during the year	3,227,178	676,935
Cash at beginning of the year	937,812	260,877
Cash at end of the year	4,164,990	937,812
Cash is comprised of:		
Bank indebtedness	-	(115,661)
Cash	4,164,990	1,053,473
	4,164,990	937,812
Supplemental information:		
Interest paid	1,599,645	1,481,988

Trinity Western University

Notes to financial statements

April 30, 2011

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, 2011

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.

Interest rate swaps

The University entered into interest rate swaps to manage its exposure to changes in interest rates associated with \$13,032,000 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%. The fair value of these derivative instruments is recognized on the balance sheet, with changes in fair value recognized in the statement of operations and fund balances.

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
Capital lease obligations	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.

Trinity Western University

Notes to financial statements

April 30, 2011

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 of April 30, 2011 pledges receivable of \$1,102,000 (2010 - \$45,025) have been included in accounts receivable.

Endowment donations are recognized as revenue in the Endowment Fund.

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

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

Trinity Western University

Notes to financial statements

April 30, 2011

2. Significant accounting policies (continued)

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 \$1,161,974 (2010 - \$1,196,271) 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, 2011.

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.

Trinity Western University

Notes to financial statements

April 30, 2011

2. Significant accounting policies (continued)

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

Effective for fiscal periods beginning on or after January 1, 2012, not-for-profit organizations must adopt International Financial Reporting Standards or the new accounting framework for not-for-profit organizations. The University is in the process of reviewing the potential impact of the standards on its financial statements.

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 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, 2011

3. 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:

	5			2011	2010
	ACTS 30-Apr-11	TWUF 31-Mar-11	TWUF - US 31-Dec-10	Total	Total
	\$	\$	\$	\$	\$
Financial position					
Total assets	62,615	1,596	2,893,088	2,957,299	3,023,196
Total liabilities	(88,573)	-	(1,673,088)	(1,761,661)	(1,914,849)
Total net (liabilities) assets	(25,958)	1,596	1,220,000	1,195,638	1,108,347
Results of operations					
Total revenues	375,976	2,501	957,979	1,336,456	827,927
Total expenses	(490,402)	(500)	(838,393)	(1,329,295)	(1,464,113)
(Deficiency) excess of revenues over expenses	(114,426)	2,001	119,586	7,161	(636,186)
Contributions by TWU	122,400	-	147,422	269,822	333,467
	7,974	2,001	267,008	276,983	(302,719)
Cash flows					
Cash (used) provided by operations	(30)	1	(139,630)	(139,659)	(54,779)
Cash (used) provided in investing activities	(4,302)	-	150,917	146,615	90,292
Cash (used) provided by financing activities	4,332	-	-	4,332	18,608
Net cash flow	-	1	11,287	11,288	54,121

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

Trinity Western University

Notes to financial statements

April 30, 2011

3. Related party transactions (continued)

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

	ACTS 30-Apr-11	TWUF - US 31-Dec-10	2011 Total 30-Apr-11	2010 Total 30-Apr-10
	\$	\$	\$	\$
Donations	-	339,269	339,269	480,731
Recovery of salaries	577,664	-	577,664	697,425
Provision of goods and services	341,010	-	341,010	322,434
	918,674	339,269	1,257,943	1,500,590

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:

	2011	2010
	\$	\$
ACTS	165,839	259,902
TWUF - US	77,831	108,200
	243,670	368,102

4. Restricted cash

Restricted cash is comprised of the following:

	2011	2010
	\$	\$
RRSP Program	525,547	-
Other	44,345	49,015
	569,892	49,015

Restricted cash held for the RRSP program represent an oversubscription of funds related to the University's registered savings program with Canadian Western Trust.

Trinity Western University

Notes to financial statements

April 30, 2011

5. Investments

	2011	2010
	\$	\$
Portfolio investments:		
Marketable securities	11,072,754	8,852,795
Shares of private company	898,000	1,659,682
	11,970,754	10,512,477
Less current portion	(898,000)	-
	11,072,754	10,512,477

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

2011			
Marketable Securities	Market Value	Fund Allocation	2011 Market Return
	\$		
Canadian Equity Fund	4,335,496	40.3%	20.9%
Global Equity Fund	2,852,668	26.5%	4.7%
Fixed Income Fund	3,441,279	32.0%	5.5%
Money Market Fund	141,374	1.3%	0.9%
Total McLean Budden	10,770,817	100.0%	11.2%
Other funds	301,937		4.4%
Total Funds	11,072,754		11.1%

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%

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.

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Notes to financial statements

April 30, 2011

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 10. The University recognized an unrealized loss on investments of \$121,449 (2010 – recognized unrealized gain of \$218,942).

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

6. Capital assets

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	4,827,941	-	4,827,941	3,074,839
Roads and parking lots	4,491,835	1,553,041	2,938,794	2,999,946
Buildings	51,022,456	15,933,649	35,088,807	31,607,042
Furniture and equipment	12,893,990	8,866,687	4,027,303	4,649,414
Library collection	6,637,351	5,435,114	1,202,237	1,416,437
Computers	8,441,216	5,792,270	2,648,946	1,639,767
Vehicles	83,243	41,812	41,431	14,288
	88,398,032	37,622,573	50,775,459	45,401,733

During the year ended April 30, 2011 the University acquired capital assets totalling \$8,322,804, \$765,660 by means of capital leases, \$1,759,500 by means of donated assets and \$5,797,641 by means of cash. Included in capital assets at April 30, 2011 are assets under capital lease with a cost and net book value of \$765,660.

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 \$39,900,000 at April 30, 2011.

Trinity Western University

Notes to financial statements

April 30, 2011

7. Capital lease obligations

	2011	2010
	\$	\$
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.	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.	152,918	-
Computer equipment lease in the amount of \$397,715, repayable in monthly instalments of \$13,403 without interest, maturing November 2013.	383,574	-
	802,325	-
Less amounts representing interest	(36,665)	-
	765,660	-
Less current portion	(287,102)	-
	478,558	-

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

	\$
2012	287,102
2013	280,719
2014	196,726
2015	37,778
	802,325
Less amounts representing interest	(36,665)
	765,660

Trinity Western University

Notes to financial statements

April 30, 2011

8. Long-term debt

	2011	2010
	\$	\$
Royal Bank of Canada non-revolving term facility, bearing interest at Royal Bank prime + 2.95%, due December 31, 2011.	13,032,000	13,766,000
Royal Bank of Canada demand loan, bearing interest at Royal Bank prime + 2.65%, payable on demand.	-	2,655,000
Royal Bank of Canada non-revolving term facility, payable monthly at \$88,167 principal plus interest at Royal Bank prime + 2.85%, repayable in full on December 31, 2011.	2,872,997	3,721,545
Royal Bank of Canada revolving reducing term facility, bearing interest at Royal Bank prime + 2.95%, maximum borrowing capacity is reduced by \$213,000 at October 31, 2011, balance due December 31, 2011.	2,483,000	2,681,000
Royal Bank of Canada non-revolving term facility, bearing interest at Royal Bank prime + 2.95%, borrowing capacity is reduced by \$131,000 at October 31, 2011, balance due December 31, 2011.	1,720,000	1,866,000
Due to the Township of Langley, unsecured, bearing interest at the municipal rate + 0.25%, repayable over 18 years.	633,635	642,185
Balance carried forward	20,741,632	25,331,730

Trinity Western University

Notes to financial statements

April 30, 2011

8. Long-term debt (continued)

	2011	2010
	\$	\$
Balance forward	20,741,632	25,331,730
Promissory notes payable, unsecured income contracts with varying terms, bearing interest at an average rate of 4.24%.	7,756,915	4,533,977
Promissory notes payable, income contracts with varying terms, bearing interest at an average rate of 4.75%, secured by a fixed charge on specific land and buildings.	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 4.00%, rates adjusted semi-annually, secured by a fixed charge on specific land and building.	3,278,820	1,571,270
Investment trust agreements, revocable income contracts bearing interest at an average rate of 8.67%. These contracts are for an indefinite term.	3,677	3,732
	36,134,099	31,440,709
Fair value of interest rate swaps	1,071,963	764,389
	37,206,062	32,205,098
Less demand loan	-	(2,655,000)
Less current portion	(6,422,722)	(25,121,454)
	30,783,340	4,428,644

Under the terms of the agreement with the Royal Bank of Canada dated January 25, 2011, the University was in compliance with its loan covenants for the fiscal year ending April 30, 2011.

Trinity Western University

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8. Long-term debt (continued)

As of April 30, 2011, the University has an agreement to renew its credit facilities beyond their stated maturity dates. The estimated principal repayments assuming credit facilities are renewed on similar terms over the next five years are as follows:

	2012	2013	2014	2015	2016
Amortizing debt - Royal Bank	1,961,018	2,075,582	2,220,542	1,377,482	1,401,000
Amortizing debt - Township of Langley	379,745	9,496	10,008	10,547	11,115
Amortizing debt - funded by operation:	2,340,763	2,085,078	2,230,550	1,388,029	1,412,115
Promissory notes	2,849,633	2,821,626	1,899,085	8,000	150,441
Promissory notes (secured by specific properties)	1,232,326	151,240	445,886	-	2,505,576
	4,081,959	2,972,866	2,344,971	8,000	2,656,017
Total estimated principal repayments	6,422,722	5,057,944	4,575,521	1,396,029	4,068,132

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 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 \$1,599,645 (2010 - \$1,481,988).

At April 30, 2011, the fair value of the interest rate swap was a liability of \$1,071,963 (2010 - \$764,389).

9. Specific Purpose Fund and Endowment Fund

Restrictions imposed on the following funds are:

	2011		2010	
	Specific Purpose	Endowment	Specific Purpose	Endowment
	\$	\$	\$	\$
Externally restricted	2,791,954	9,569,299	3,466,249	8,733,610
Internally restricted	1,358,955	1,628,918	1,013,127	749,796
	4,150,909	11,198,217	4,479,376	9,483,406

Trinity Western University

Notes to financial statements

April 30, 2011

10. Other income

The components of other income are as follows:

				2011	2010
	Unrestricted	Capital	Specific Purpose	Total	Total
	\$	\$	\$	\$	\$
Rental income	277,709	-	-	277,709	284,913
Investment income realized	419,717	-	-	419,717	298,864
Parking receipts	355,830	-	-	355,830	352,415
Project revenues	-	1,991,250	2,117,406	4,108,656	2,389,129
Student related	613,341	-	521,027	1,134,368	1,427,567
Wellness centre	250,018	-	-	250,018	232,849
US exchange	136,407	-	-	136,407	143,164
Miscellaneous	505,870	-	-	505,870	1,568,910
	2,558,892	1,991,250	2,638,433	7,188,575	6,697,811

Project revenues earned by the Capital Fund relate to funds received from the Government of Canada in regards to their Knowledge Infrastructure Program. This program was established to fund a portion of the capital costs incurred by the University in renovating and constructing buildings on campus.

11. Interfund transfers

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

	Unrestricted	Capital	Specific Purpose	Endowment
	\$	\$	\$	\$
Debt repayment - RBC	(1,737,097)	1,737,097	-	-
Interest on long-term debt	(1,863,833)	1,863,833	-	-
Capital assets and other	(986,197)	1,305,818	(319,621)	-
Appropriations	(421,344)	(191,216)	612,560	-
Investment gain, net of scholarship expenses	(1,044,320)	-	276,199	768,121
Travel studies	(531,741)	-	531,741	-
Project funds endowed	-	-	(111,000)	111,000
Transfer of equity	1,974,910	(1,974,910)	-	-
	(4,609,622)	2,740,622	989,879	879,121

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Notes to financial statements

April 30, 2011

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.

	2011	2010
	\$	\$
Unrestricted Fund	(791,407)	1,347,495
Capital Fund	(2,586,965)	(4,844,029)
Specific Purpose Fund	3,252,909	2,865,923
Endowment Fund	125,463	630,611
	-	-

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.

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.

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Notes to financial statements

April 30, 2011

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. 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, 2011 the amount calculated under the formula was approximately \$1,917,112. At the end of the lease term, including all renewals, title and ownership of the building will pass to the University.

Langley Events Centre

During the year, the University continued to negotiate 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. As of April 30, 2011, a final contract was not yet in place. 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.

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. During the year the University contributed \$991,584 (2010 - \$897,645) to employee retirement plans. The fair market value of the assets owned by employees in the University sponsored program at April 30, 2011 was \$19,756,969 (2010 - \$18,168,608). 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:

	2011	2010
	\$	\$
Contributed principal	387,000	387,000
Market value	438,354	420,853
Income earned	15,882	15,893
Distribution to TWU	14,880	9,549

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

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Notes to financial statements

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16. Financial instruments

Fair values

The carrying values of funds held in trust, 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 discounting their stated retraction amount for a credit risk factor and adjusting to the amount expected to be recovered.

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.

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.

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.

17. Commitments

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

	\$
2012	302,946
2013	276,676
2014	134,472
2015	49,252
2016	1,944

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Notes to financial statements

April 30, 2011

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

Under the terms of the Royal Bank long-term debt agreements, the University must satisfy a restrictive covenant regarding a debt service coverage ratio. The University satisfied that debt covenant during 2011.

19. Comparative figures

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