



Financial Report

Financial Statements for the Fiscal Year Ended April 30, 2008

Trinity Western University

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Auditors' Report

The Board of Governors,
Trinity Western University

We have audited the statement of financial position of Trinity Western University as at April 30, 2008 and the statements of operations and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

"Deloitte & Touche LLP"

Chartered Accountants
July 4, 2008

Trinity Western University

Statement of financial position

April 30

| | 2008 | 2007 |
|--|----------------------|---------------|
| Assets | | |
| Current | | |
| Funds held in trust | \$ 30,081 | \$ 92,437 |
| Accounts receivable | 1,979,605 | 993,619 |
| Inventory | 242,657 | 369,431 |
| Prepaid expenses | 562,064 | 738,531 |
| | 2,814,407 | 2,194,018 |
| Investments (Note 4) | 11,066,599 | 10,497,670 |
| Capital assets (Note 5) | 47,632,995 | 47,379,450 |
| | \$ 61,514,001 | \$ 60,071,138 |
| Liabilities | | |
| Current | | |
| Accounts payable | \$ 2,736,974 | \$ 2,759,441 |
| Student deposits and deferred income | 3,788,641 | 4,289,692 |
| Current portion of long-term debt (Note 6) | 10,776,794 | 6,403,352 |
| | 17,302,409 | 13,452,485 |
| Long-term debt (Note 6) | 20,034,875 | 20,599,782 |
| | 37,337,284 | 34,052,267 |
| Fund balances | | |
| Restricted funds | | |
| Capital fund | 10,237,589 | 11,608,179 |
| Specific purpose fund (Note 7) | 4,918,832 | 5,956,275 |
| Endowment fund (Note 7) | 8,831,544 | 8,265,665 |
| Unrestricted fund | 188,752 | 188,752 |
| | 24,176,717 | 26,018,871 |
| | \$ 61,514,001 | \$ 60,071,138 |

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 | 2008 | Total | 2007 |
|---|---------------|---------------|------------------|--------------|---------------|-------|-------------|
| Revenues | | | | | | | |
| Tuition and fees | \$ 34,408,914 | \$ - | \$ - | \$ - | \$ 34,408,914 | \$ | 34,386,661 |
| Less: Scholarships and bursaries | (4,782,599) | - | - | - | (4,782,599) | | (4,266,088) |
| Tuition and fees (net) | 29,626,315 | - | - | - | 29,626,315 | | 30,120,573 |
| Ancillaries | 10,275,914 | - | - | - | 10,275,914 | | 10,608,566 |
| Donations | 2,535,488 | 352,613 | 1,124,870 | 789,889 | 4,802,860 | | 4,684,595 |
| Other (Note 8) | 2,460,068 | 41,102 | 1,956,518 | - | 4,457,688 | | 4,602,684 |
| | 44,897,785 | 393,715 | 3,081,388 | 789,889 | \$ 49,162,777 | \$ | 50,016,418 |
| Expenditures | | | | | | | |
| Compensation | 27,826,435 | - | 850,440 | - | 28,676,875 | | 27,811,427 |
| Operating costs | 7,111,577 | - | 3,425,682 | - | 10,537,259 | | 9,097,873 |
| Ancillaries | 4,861,789 | - | - | - | 4,861,789 | | 5,457,086 |
| Scholarships and bursaries | - | - | 575,234 | - | 575,234 | | 442,197 |
| Interest | - | 1,645,498 | 23,696 | - | 1,669,194 | | 1,528,325 |
| Overhead and other | 1,287,081 | 123,544 | - | - | 1,410,625 | | 1,491,286 |
| Amortization of capital assets | - | 3,273,955 | - | - | 3,273,955 | | 3,443,783 |
| | 41,086,882 | 5,042,997 | 4,875,052 | - | 51,004,931 | | 49,271,977 |
| Excess (deficiency) of revenue over expenditures | 3,810,903 | (4,649,282) | (1,793,664) | 789,889 | (1,842,154) | | 744,441 |
| Interfund transfers (Note 9) | (3,810,903) | 3,278,692 | 756,221 | (224,010) | - | | - |
| Change in fund balances for the year | - | (1,370,590) | (1,037,443) | 565,879 | (1,842,154) | | 744,441 |
| Fund balances at the beginning of the year | 188,752 | 11,608,179 | 5,956,275 | 8,265,665 | 26,018,871 | | 25,274,430 |
| Fund balances at the end of the year | \$ 188,752 | \$ 10,237,589 | \$ 4,918,832 | \$ 8,831,544 | \$ 24,176,717 | \$ | 26,018,871 |

Trinity Western University

Statement of cash flows

Year ended April 30

| | 2008 | 2007 |
|---|---------------------|---------------------|
| Operating activities | | |
| Excess (deficiency) of revenues over expenditures | | |
| Unrestricted fund | \$ 3,810,903 | \$ 4,533,984 |
| Specific purpose fund | (1,793,664) | 58,332 |
| Interest paid by the capital fund | (1,645,498) | (1,477,587) |
| | 371,741 | 3,114,729 |
| Change in non-cash operating working capital | | |
| Accounts receivable | (985,986) | (46,012) |
| Inventory | 126,774 | 2,395 |
| Prepaid expenses | 176,467 | (211,122) |
| Accounts payable | (22,467) | 325,117 |
| Student deposits and deferred income | (501,050) | 593 |
| | (1,206,262) | 70,971 |
| | (834,521) | 3,185,700 |
| Financing activities | | |
| Increase in long-term debt | 3,608,307 | 2,174,595 |
| Repayment of long-term debt | (1,942,431) | (2,864,863) |
| Capital donations received | 352,613 | 612,011 |
| Capital Fund - other revenue received | 41,102 | - |
| Endowment donations received | 789,889 | 528,852 |
| | 2,849,480 | 450,595 |
| Investing activities | | |
| Funds held in trust | 62,356 | (40,516) |
| Purchase of capital assets | (3,651,044) | (2,735,709) |
| Increase in investments, net | (568,928) | (1,278,150) |
| | (4,157,616) | (4,054,375) |
| Change in cash surplus during the year | (2,142,657) | (418,080) |
| Cash surplus applied to long-term debt | | |
| at beginning of the year | 5,246,310 | 5,664,390 |
| Cash surplus applied to long-term debt | | |
| at end of the year (Note 6) | \$ 3,103,653 | \$ 5,246,310 |

Trinity Western University

Notes to financial statements

April 30, 2008

1. 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, the majority of whom are appointed by the Evangelical Free Church of Canada and the Evangelical Free Church of America. 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.

Financial instruments

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.

Trinity Western University

Notes to financial statements

April 30, 2008

2. Significant accounting policies (continued)

Classification

| | |
|---------------------|-----------------------|
| Funds held in trust | Held for trading |
| Investments | Held for trading |
| Accounts receivable | Loans and receivables |
| Accounts payable | Other liabilities |
| Long-term debt | Other liabilities |

Held for trading

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

Loans and receivables

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

Other liabilities

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

Transaction costs

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

Effective interest method

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

Revenue recognition

Tuition fees and sales of goods and services 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.

Trinity Western University

Notes to financial statements

April 30, 2008

2. Significant accounting policies (continued)

Revenue recognition (continued)

Endowment donations are recognized as revenue in the Endowment Fund.

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

Inventory

Inventory is comprised of items held for resale by the University Bookstore and is valued at the lower of actual cost and net realizable value.

Capital assets

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

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

Asset retirement obligations

Legal obligations related to asset retirement obligations are recognized when a reasonable estimate of fair value can be made. These obligations are recorded at fair value with a corresponding increase in asset value. The liability is accreted over the life of the asset to fair value and the increase in asset value is depreciated over the remaining useful life of the asset. This includes future removal and site restoration costs as required due to environmental law or contract. Management has determined that the University has no asset retirement obligations at April 30, 2008.

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. 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 internal contributions and cumulative earnings net of scholarship distributions.

Trinity Western University

Notes to financial statements

April 30, 2008

2. Significant accounting policies (continued)

Ancillaries

Ancillaries include Housing Services, Dining Services, Conference Services, 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.

3. Related party transactions

The Associated Canadian Theological Schools (ACTS)

TWU is a 16.7% 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 six participating institutions. As ACTS, the six seminaries constitute the Graduate School of Theological Studies of Trinity Western University.

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.

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.

Trinity Western University

Notes to financial statements

April 30, 2008

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:

| | 2008 | | | Total | 2007 |
|------------------------------|-------------------|-------------------|------------------------|---------------------|--------------|
| | ACTS 30-Apr-08 | TWUF 31-Mar-08 | TWUF - US 31-Dec-07 | | Total |
| Financial position | | | | | |
| Total assets | \$ 17,999 | \$ 2,647 | \$ 3,736,327 | \$ 3,756,973 | \$ 4,152,920 |
| Total liabilities | 62,689 | 2,000 | 1,979,920 | 2,044,609 | 2,021,503 |
| Total net assets | \$ (44,690) | \$ 647 | \$ 1,756,407 | \$ 1,712,364 | \$ 2,131,417 |
| Results of operations | | | | | |
| Total revenues | \$ 346,108 | \$ 1 | \$ 897,543 | \$ 1,243,652 | \$ 1,373,323 |
| Total expenses | (467,109) | (1,029) | (779,846) | (1,247,984) | (1,421,986) |
| (Deficiency) excess | (121,001) | (1,028) | 117,697 | (4,332) | (48,663) |
| Contributions | | | | | |
| by TWU | 116,000 | 3,550 | 127,758 | 247,308 | 235,178 |
| | \$ (5,001) | \$ 2,522 | \$ 245,455 | \$ 242,976 | \$ 186,515 |
| Cash flows | | | | | |
| Cash (used) provided | | | | | |
| by operations | \$ 3,774 | \$ 2,522 | \$ 503,325 | \$ 509,621 | \$ (389,465) |
| Cash (used) provided | | | | | |
| in investing activities | (3,774) | - | (480,607) | (484,381) | 363,034 |
| Net cash flow | \$ - | \$ 2,522 | \$ 22,718 | \$ 25,240 | \$ (26,431) |

These figures reflect 16.7% of ACTS and 100% of TWUF and TWUF-US.

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

| | 2008 | | Total | 2007 |
|----------------------|--------------|------------|---------------------|--------------|
| | ACTS | TWUF - US | | Total |
| Donations | \$ - | \$ 392,798 | \$ 392,798 | \$ 44,682 |
| Recovery of salaries | 828,127 | - | 828,127 | 815,969 |
| Provision of goods | | | | |
| and services | 343,894 | - | 343,894 | 377,122 |
| | \$ 1,172,021 | \$ 392,798 | \$ 1,564,819 | \$ 1,237,773 |

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, 2008

3. Related party transactions (continued)

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

| | 2008 | 2007 |
|-----------|-------------------|------------|
| ACTS | \$ 219,970 | \$ 24,482 |
| TWUF - US | 122,451 | 122,088 |
| | \$ 342,421 | \$ 146,570 |

4. Investments

| | 2008 | 2007 |
|---------------------------|----------------------|---------------|
| Portfolio investments: | | |
| Marketable securities | \$ 8,850,099 | \$ 8,281,170 |
| Shares of private company | 2,216,500 | 2,216,500 |
| | \$ 11,066,599 | \$ 10,497,670 |

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

| 2008 | | | |
|------------------------------|---------------------|------------------------|---------------------------|
| Marketable Securities | Market Value | Fund Allocation | 2008 Market Return |
| Canadian Equity Fund | \$ 3,395,419 | 39.3% | 2.2% |
| Global Equity Fund | 2,237,036 | 25.9% | -9.2% |
| Fixed Income Fund | 2,558,111 | 29.0% | 4.3% |
| Money Market Fund | 497,725 | 5.8% | 4.7% |
| Total McLean Budden | 8,688,291 | 100.0% | 0.1% |
| Other funds * | 161,808 | | 11.4% |
| Total Funds | \$ 8,850,099 | | 0% |

| 2007 | | | |
|------------------------------|---------------------|------------------------|---------------------------|
| Marketable Securities | Market Value | Fund Allocation | 2007 Market Return |
| Canadian Equity Fund | \$ 3,013,548 | 37.6% | 16.4% |
| Global Equity Fund | 2,256,071 | 28.2% | 14.3% |
| Fixed Income Fund | 2,563,327 | 30.2% | 7.1% |
| Money Market Fund | 318,374 | 4.0% | 4.2% |
| Total McLean Budden | 8,151,320 | 100.0% | 12.7% |
| Other funds * | 129,850 | | 11.3% |
| Total Funds | \$ 8,281,170 | | 12.5% |

Trinity Western University

Notes to financial statements

April 30, 2008

4. Investments (continued)

TWU's Board of Governors, through its Business/Finance Committee, monitors the performance of the investment manager (McLean Budden), with the advice of an external investment advisor. The Business/Finance Committee of the Board has established a Board Investment Committee (B.I.C.) to carry out its responsibilities. 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.

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. and B.I.C.

The market return on investments includes interest income, dividends, capital gains and unrealized gains / losses.

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

5. Capital assets

| | | | 2008 | | 2007 | |
|----------------------------|---------------|-----------------------------|---------------------------|----|-------------------|--|
| | Cost | Accumulated amortization | Net book value | | Net book value | |
| Land | \$ 3,585,571 | \$ - | \$ 3,585,571 | \$ | 3,585,571 | |
| Roads and parking lots | 4,511,542 | 1,237,851 | 3,273,691 | | 2,667,955 | |
| Buildings | 45,559,742 | 13,113,781 | 32,445,961 | | 32,849,676 | |
| Furniture and equipment | 11,491,756 | 6,274,756 | 5,217,000 | | 4,795,376 | |
| Library collection | 6,394,301 | 4,652,040 | 1,742,261 | | 1,903,175 | |
| Computers | 5,749,031 | 4,380,520 | 1,368,511 | | 1,571,568 | |
| Vehicles | 64,639 | 64,639 | - | | 6,129 | |
| | \$ 77,356,582 | \$ 29,723,587 | \$ 47,632,995 | \$ | 47,379,450 | |

Trinity Western University

Notes to financial statements

April 30, 2008

6. Long-term debt

| | 2008 | 2007 |
|---|----------------------|---------------|
| Royal Bank of Canada non-revolving term facility, bearing interest between 4.08% and 4.75%, borrowing capacity is reduced by \$109,918 at October 31, 2008 and by \$539,000 at March 30, 2009, due May 31, 2009. | \$ 17,098,000 | \$ 13,552,000 |
| Royal Bank of Canada demand loan, bearing interest at Royal Bank prime, payable on demand. | 4,968,833 | 4,617,539 |
| Royal Bank of Canada non-revolving term facility, payable monthly at \$68,000 including interest at 6.19%, due November 13, 2008. | 3,866,400 | 4,426,687 |
| Royal Bank of Canada revolving reducing term facility, bearing interest between 4.48% and 4.75%, maximum borrowing capacity is reduced by \$178,000 at October 31, 2008, the balance maturing May 31, 2009. | 2,693,594 | 3,096,105 |
| Royal Bank of Canada non-revolving term facility, bearing interest 4.48%, payable in full October 31, 2008. | 829,000 | 829,629 |
| Due to the Township of Langley, unsecured, bearing interest at the municipal rate + 0.25%, repayable over 20 years with the first payment due on June 30, 2009. | 665,770 | - |
| Deposit agreements payable, income contracts with varying terms, unsecured, bearing interest at an average rate of 4.00%, \$223,309 comes due for renewal within the next fiscal year. | 338,862 | 294,131 |
| Loan payable to Canadian Western Trust for TWU's RRSP/RRIF program, revocable indefinite term contracts bearing interest at rates adjusted semi-annually, currently 4.75%, secured by a fixed charge on specific land and building. | 327,473 | 163,230 |
| Investment trust agreements, unsecured revocable income contracts bearing interest at an average rate of 8.90%. These contracts are for an indefinite term. | 23,737 | 23,813 |
| | 30,811,669 | 27,003,134 |
| Less current portion | (10,776,794) | (6,403,352) |
| | \$ 20,034,875 | \$ 20,599,782 |

Trinity Western University

Notes to financial statements

April 30, 2008

6. Long-term debt (continued)

Included in the current portion of long-term debt is a \$5,000,000 revolving facility used to finance general operations. In addition, the non-revolving term facility of \$3,866,400 due November 13, 2008, and the non-revolving term facility of \$829,000 due October 31, 2008, are included in the current portion of long term debt and are expected to be refinanced prior to their respective due dates.

The estimated principal repayments over the next five years, assuming credit facilities are renegotiated with similar terms, and excluding the operating facility, are as follows:

| | | |
|------|----|-----------|
| 2009 | \$ | 1,679,606 |
| 2010 | | 1,570,070 |
| 2011 | | 1,684,785 |
| 2012 | | 1,780,144 |
| 2013 | | 1,919,312 |

The Royal Bank loans are secured by a general security agreement, a fixed charge on specific land and building (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 interest paid on all borrowings during the year amounted to \$1,669,194 (2007 - \$1,528,325).

Changes in long-term debt during the year were as follows:

| | 2008 | | | 2007 |
|---|--|--|----------------------|---------------|
| | Debt amortized over a period of 15 years or more | Debt amortized over a period less than 15 years | Total | Total |
| Gross debt at the beginning of the year | \$ 29,974,372 | \$ 2,275,073 | \$ 32,249,445 | \$ 32,939,712 |
| Increase in debt | 3,395,522 | 212,785 | 3,608,307 | 2,174,595 |
| Debt repayment | (1,682,757) | (259,674) | (1,942,431) | (2,864,863) |
| Gross debt at the end of the year | <u>\$ 31,687,137</u> | <u>\$ 2,228,184</u> | 33,915,321 | 32,249,444 |
| Temporary repayment through cash surplus | | | (3,103,653) | (5,246,310) |
| | | | \$ 30,811,668 | \$ 27,003,134 |

Trinity Western University

Notes to financial statements

April 30, 2008

7. Specific purpose fund and endowment fund

Restrictions imposed on the following funds are:

| | 2008 | | 2007 | |
|-----------------------|---------------------|---------------------|---------------------|---------------------|
| | Specific Purpose | Endowment | Specific Purpose | Endowment |
| Externally restricted | \$ 4,078,303 | \$ 7,564,091 | \$ 3,648,947 | \$ 6,755,227 |
| Internally restricted | 840,529 | 1,267,453 | 2,307,328 | 1,510,438 |
| | \$ 4,918,832 | \$ 8,831,544 | \$ 5,956,275 | \$ 8,265,665 |

8. Other income

The components of other income are as follows:

| | 2008 | | | 2007 | |
|-------------------|---------------------|------------------|---------------------|---------------------|---------------------|
| | Unrestricted | Capital | Specific Purpose | Total | Total |
| Rental income | \$ 258,227 | \$ - | \$ - | \$ 258,227 | \$ 263,255 |
| Investment income | | | | | |
| Realized | 799,902 | - | - | 799,902 | 517,619 |
| Unrealized | (764,523) | - | - | (764,523) | 341,513 |
| Parking receipts | 376,487 | - | - | 376,487 | 373,279 |
| Project revenues | - | - | 1,638,049 | 1,638,049 | 1,438,475 |
| Student related | 557,800 | - | 318,469 | 876,269 | 910,341 |
| Wellness Centre | 190,309 | - | - | 190,309 | 168,805 |
| US exchange | 91,284 | - | - | 91,284 | 168,153 |
| Miscellaneous | 950,582 | 41,102 | - | 991,684 | 421,244 |
| | \$ 2,460,068 | \$ 41,102 | \$ 1,956,518 | \$ 4,457,688 | \$ 4,602,684 |

Trinity Western University

Notes to financial statements

April 30, 2008

9. Interfund transfers

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

| | Unrestricted | Capital | Specific Purpose | Endowment |
|---|----------------|--------------|------------------|--------------|
| Debt related | | | | |
| Debt repayment - RBC | \$ (1,682,757) | \$ 1,682,757 | \$ - | \$ - |
| Debt repayment - TWULIP, other | (49,722) | - | 49,722 | - |
| Interest on long term debt | (1,669,194) | 1,645,499 | 23,696 | - |
| Capital assets funded by SP Fund, other | - | (49,564) | 49,564 | - |
| | (3,401,673) | 3,278,692 | 122,982 | - |
| Appropriations | | | | |
| Investment income, net of expenses | (127) | - | - | 127 |
| Investment earnings distribution | - | - | 315,153 | (315,153) |
| Travel Studies | (405,984) | - | 405,984 | - |
| Project funds endowed | (3,119) | - | (87,898) | 91,016 |
| | \$ (3,810,903) | \$ 3,278,692 | \$ 756,221 | \$ (224,010) |

10. Interfund loans

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

| | 2008 | 2007 |
|-----------------------|--------------|--------------|
| Unrestricted Fund | \$ 3,899,960 | \$ 5,043,867 |
| Capital Fund | (6,583,736) | (8,768,136) |
| Specific Purpose Fund | 2,702,331 | 3,739,775 |
| Endowment Fund | (18,555) | (15,506) |
| | \$ - | \$ - |

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11. Contingent liabilities

Evangelical Free Church of Canada

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

By an agreement dated July 30, 1996, TWU has agreed to repay the EFCC an amount based on the appraised value of the space occupied by EFCC, should they choose to vacate the office premises.

Canadian University Reciprocal Insurance Exchange

Since 1988 Trinity Western University has been a member of the Canadian University Reciprocal Insurance Exchange (C.U.R.I.E.), a self-insurance co-operative providing property and general liability insurance coverage to 58 university subscribers in Canada. Under this co-operative arrangement, the University participates in the periodic return of excess premiums and shares in any losses realized by C.U.R.I.E., in proportion to its participation in C.U.R.I.E. For the current fiscal year, there was neither a return of excess premium nor a share in any loss; there are no anticipated member assessments in the near future based on C.U.R.I.E.'s current financial position.

Letter of guarantee

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

Canada Institute of Linguistics (CANIL) ground lease

The University has entered into a ground lease that allows CANIL to construct and occupy a building on University lands for a period of 35 years with four tenant renewal options of five years each. Under the terms of the arrangement, CANIL may vacate the premises at any time and require TWU to purchase its interest in the building according to a reducing balance formula. At April 30, 2008 CANIL's interest in the building totaled approximately \$2,000,000. At the end of the lease term, including all renewals, title and ownership of the building will pass to the University.

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12. 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 \$881,051 (2007 - \$880,740) to employee retirement plans. The fair market value of the assets owned by employees in the University sponsored program at April 30, 2008 was \$17,564,749 (2007 - \$17,817,448). There is no past service liability with respect to this program.

13. 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:

| | 2008 | 2007 |
|-------------------------------|-------------------|------------|
| Principal contributed to date | \$ 387,000 | \$ 387,000 |
| Market value | \$ 451,124 | \$ 496,848 |
| Income earned | \$ 23,921 | \$ 22,527 |
| Distribution to TWU | \$ 23,664 | \$ 20,907 |

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.

14. Financial instruments

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.

The fair value of the marketable securities included in Note 4 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.

Long-term debt, including the current portion, bear interest at current rates; as a result their carrying values approximate their fair market values.

Unless otherwise noted, it is management's opinion that the University is not exposed to significant interest, currency or credit risks arising from these financial instruments.

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15. Recent accounting pronouncements

Section 1535, *Capital Disclosures*, applicable to interim and annual periods relating to fiscal years beginning on or after October 1, 2007, specifies disclosures of (1) information about the entity's objectives, policies, and processes for managing capital structure; (2) quantitative data about what the entity regards as capital; and (3) whether the entity has complied with externally imposed capital requirements and if it has not complied, the consequences of such non-compliance.

Section 3031, *Inventories*, replaces existing standards and is applicable to fiscal years beginning on or after January 1, 2008. The standards provide more guidance on the measurement and disclosure requirements for inventories.

The University will adopt these new standards for its 2009 fiscal year and will be evaluating the effect on its consolidated financial statements.