
Consolidated financial statements of Trinity Western University

April 30, 2020

Independent Auditor's Report	1-2
Consolidated statement of financial position	3
Consolidated statement of operations and changes in fund balances	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6-19

Independent Auditor's Report

To the Board of Governors of
Trinity Western University

Opinion

We have audited the consolidated financial statements of Trinity Western University ("the University"), which comprise the consolidated statement of financial position as at April 30, 2020, and the consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at April 30, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
June 18, 2020
Langley, British Columbia

Trinity Western University
Consolidated statement of financial position

As at April 30, 2020

	Notes	2020 \$	2019 \$
Assets			
Current assets			
Cash		19,753,914	6,525,784
Restricted cash		70,019	67,740
Accounts receivable		4,453,743	3,508,249
Inventory		408,410	415,344
Prepaid expenses		1,657,024	2,023,477
		26,343,110	12,540,594
Other asset	4	1,752,684	1,971,770
Investments	5	22,977,620	22,403,597
Capital assets	6	172,151,600	164,894,652
		223,225,014	201,810,613
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		5,364,458	4,752,377
Student deposits and deferred income		18,877,067	14,896,965
Current portion of long-term bank debt	7	—	11,118
		24,241,525	19,660,460
Long-term bank debt	7	—	2,569,265
Long-term debt	8	20,870,859	20,641,021
		45,112,384	42,870,746
Contingent liabilities	13		
Commitments	16		
Covid-19	20		
Fund balances			
Restricted funds	9		
Capital fund		142,418,726	122,307,067
Specific purpose fund		12,179,777	14,061,222
Endowment fund		23,204,016	22,357,191
Unrestricted fund		310,111	214,387
		178,112,630	158,939,867
		223,225,014	201,810,613

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board of Governors

"Mr. Fred Fleming"

"Mr. Lorne Jacobson"

Trinity Western University
Consolidated statement of operations and changes in fund balances
Year ended April 30, 2020

	Notes	Unrestricted	Capital	Specific Purpose	Endowment	2020	2019
		\$	\$	\$	\$	\$	\$
Revenue							
Tuition and fees		81,751,466	—	—	—	81,751,466	70,173,048
Donations		2,725,776	13,795,259	2,351,281	1,911,820	20,784,136	15,425,000
Other	10	14,738,520	498,915	3,253,313	—	18,490,748	17,507,057
		99,215,762	14,294,174	5,604,594	1,911,820	121,026,350	103,105,105
Expenditures							
Compensation		49,128,614	40,086	1,321,845	—	50,490,545	44,278,256
Operating costs		24,298,311	31,337	2,526,745	—	26,856,393	25,518,264
Scholarships and bursaries		13,246,944	—	1,316,589	—	14,563,533	13,742,001
Interest		—	831,334	—	—	831,334	1,005,114
Overhead and other		2,107,401	—	20,381	—	2,127,782	2,055,126
		88,781,270	902,757	5,185,560	—	94,869,587	86,598,761
Excess of revenue over expenditures before the following non-cash items		10,434,492	13,391,417	419,034	1,911,820	26,156,763	16,506,344
Amortization of capital assets		—	(5,831,567)	—	—	(5,831,567)	(5,473,917)
Amortization of other assets		—	—	(219,086)	—	(219,086)	(291,763)
Change in fair value of interest rate swaps	19	—	35,932	—	—	35,932	(2,816)
Change in fair value of investments	5	(969,279)	—	—	—	(969,279)	237,796
		(969,279)	(5,795,635)	(219,086)	—	(6,984,000)	(5,530,700)
Excess of revenue over expenditures		9,465,213	7,595,782	199,948	1,911,820	19,172,763	10,975,644
Interfund transfers	11	(9,369,489)	12,515,877	(2,081,393)	(1,064,995)	—	—
Change in fund balances for the year		95,724	20,111,659	(1,881,445)	846,825	19,172,763	10,975,644
Fund balances at the beginning of the year		214,387	122,307,067	14,061,222	22,357,191	158,939,867	147,964,223
Fund balances at the end of the year		310,111	142,418,726	12,179,777	23,204,016	178,112,630	158,939,867

The accompanying notes are an integral part of the consolidated financial statements.

Trinity Western University
Consolidated statement of cash flows

Year ended April 30, 2020

	2020	2019
	\$	\$
Operating activities		
Excess of revenues over expenditures	19,172,763	10,975,644
Add back (deduct) items not involving cash		
Amortization of transaction costs	—	72,677
Amortization of capital assets	5,831,567	5,473,917
Amortization of other assets	219,086	219,086
Donated capital asset additions	(149,040)	(975)
Change in fair value of interest rate swaps	(35,932)	2,816
Change in fair value of investments	969,279	(237,796)
	26,007,723	16,505,369
Change in operating working capital		
Accounts receivable	(945,494)	(1,466,858)
Inventory	6,934	(47,791)
Prepaid expenses	366,453	(172,796)
Accounts payable and accrued liabilities	612,081	(921,214)
Student deposits and deferred income	3,980,102	4,344,732
	4,020,076	1,736,073
	30,027,799	18,241,442
Financing activities		
Scheduled annual amortization of long-term bank debt	(11,118)	(106,072)
Additional repayment of long-term bank debt	(2,303,495)	(9,127,787)
Increase in long-term debt	—	2,085,980
	(2,314,613)	(7,147,879)
Investing activities		
Change in restricted cash	(2,279)	(28,704)
Change in prepaid deposit	—	835,325
Purchase of capital assets	(12,960,280)	(15,197,507)
Proceeds from disposal of capital asset	20,805	4,661
Purchase of investments	(22,994,092)	(1,489,681)
Proceeds from sale of investments	21,450,790	305,951
	(14,485,056)	(15,569,955)
Change in cash during the year	13,228,130	(4,476,392)
Cash at beginning of year	6,525,784	11,002,176
Cash at end of year	19,753,914	6,525,784

The accompanying notes are an integral part of the consolidated financial statements.

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

Principles of consolidation

These consolidated financial statements include the accounts of the University and its controlled not-for-profit organization, Trinity Western University Foundation.

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 (Note 10) include Housing Services, Dining Services, Conference Services, and the University Bookstore.

Presentation of the US Foundation

Trinity Western University Foundation - US, which is controlled by the University, is not consolidated in the University's financial statements. Information on this controlled not-for-profit organization is disclosed in Note 3.

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. Deferred revenue is recorded for payments made prior to services rendered.

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.

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 \$783,740 (\$987,524 in 2019) of inventory 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, 2020.

2. Significant accounting policies (continued)

Use of estimates

The preparation of consolidated 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 useful lives of capital assets, accrued liabilities, and liabilities under legal contingencies. Actual results could differ from those estimates.

3. Related party transactions

Unconsolidated not-for-profit organizations controlled by the University:

TWUF - US (the "US Foundation") 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 has an independent board of governors and therefore TWU does not control the US Foundation through board representation; however, since the fundraising activities of the US Foundation are conducted primarily to benefit TWU directly or are consistent with the University's core values, mission and faith statements, the University has effective control over the US Foundation as defined under Canadian accounting standards for not-for-profit organizations.

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

The Associated Canadian Theological Schools Society (ACTS)

ACTS is incorporated under the Society Act of British Columbia. 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. 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 totaled \$173,938 (\$193,328 in 2019).

3. Related party transactions (continued)

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

	TWUF - US	TWUF-US
	December 31,	December 31,
	2019	2018
	\$	\$
Financial position		
Total assets	6,735,442	6,185,564
Total liabilities	(3,637,225)	(2,540,390)
Total net assets	3,098,217	3,645,174
Results of operations		
Total revenues	1,223,148	1,098,472
Total expenses	(1,612,833)	(1,442,979)
Excess (deficiency) of revenues over expenses	(389,685)	(344,507)
Contributions	—	131,865
	(389,685)	(212,642)
Cash flows		
Cash provided by operations	(58,091)	218,525
Cash used in investing activities	90,101	(240,337)
Net cash flow	32,010	(21,812)

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

	ACTS	TWUF-US	2020	2019
	\$	\$	Total	Total
			\$	\$
Donations	—	1,733,462	1,733,462	721,246
Recovery of salaries	457,581	—	457,581	521,134
Provision of goods and services	570,023	—	570,023	500,020
	1,027,604	1,733,462	2,761,066	1,742,400

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

3. Related party transactions (continued)

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

	2020	2019
	\$	\$
ACTS	(26,030)	(94,722)
TWUF-US	15,394	74,468
	(10,636)	(20,254)

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, 2020 (\$219,086 in 2019) and the current portion of \$219,086 has been included in prepaid expenses on the statement of financial position.

5. Investments

The composition of the portfolio investments is as follows:

	Fair value	2020 Fund allocation
	\$	%
Portfolio investments		
Cash equivalents	1,078,211	4.7%
Canadian equities	4,624,188	20.1%
US equities	4,805,836	20.9%
International equities	4,178,246	18.2%
Fixed income Fund	7,792,075	33.9%
Total Mawer	22,478,556	97.8%
Other funds	499,064	2.2%
	22,977,620	100.0%
	Fair value	2019 Fund allocation
	\$	%
Portfolio investments		
Cash equivalents	1,077,284	4.8%
Canadian equities	5,208,687	23.2%
US equities	3,889,085	17.4%
International equities	3,272,349	14.6%
Fixed income Fund	8,462,891	37.8%
Total Leith Wheeler	21,910,296	97.8%
Other funds	493,301	2.2%
	22,403,597	100.0%

5. Investments (continued)

On August 7, 2019 investments held in Leith Wheeler were transferred to Mawer Investment Management Ltd.

During the year ended April 30, 2020, the return on investment of the endowment portfolio was -1.63% (5.3% in 2019), 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 investment 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, 2020, the University recorded an unrealized loss on investments of \$969,279 (\$237,796 gain in 2019) and recognized investment income of \$839,988 (\$1,002,411 in 2019).

6. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
	\$	\$	\$	\$
Land	50,771,845	—	50,771,845	49,319,702
Buildings, roads and parking lots	140,607,295	29,100,110	111,507,185	107,682,477
Furniture and equipment	11,408,534	5,418,055	5,990,479	4,836,130
Library collection	6,594,146	5,839,603	754,543	591,155
Computers	8,936,515	5,843,210	3,093,305	2,429,137
Vehicles	161,041	126,798	34,243	36,051
	218,479,376	46,327,776	172,151,600	164,894,652

During the year ended April 30, 2020 the University acquired capital assets totaling \$13,109,320 (\$15,198,482 in 2019) – of this total, \$149,040 (\$975 in 2019) was by means of donated assets and \$12,960,280 (\$15,197,507 in 2019) by means of cash expenditures.

7. Long-term bank debt

	2020 \$	2019 \$
HSBC Bank Canada revolving loan (Operating Loan). In 2019 the University entered into an interest rate swap covering \$2,533,333 of this loan (Note 19). This ended in January 2020	—	2,533,333
Parking equipment lease in the amount of \$138,178, repaid in monthly instalments of \$2,861 including interest calculated at 4.33%. This was fully repaid September 2019	—	11,118
	—	2,544,451
Fair value of interest rate swaps	—	35,932
	—	2,580,383
Less current portion	—	(11,118)
	—	2,569,265

During the year ended April 30, 2019, the University renewed its credit facilities with HSBC Bank Canada ("HSBC") for financing working capital requirements, repaying certain investor promissory notes, redeeming certain RRSP contributions and financing construction activities. There were no changes to the facilities in 2020. The University obtained two loan facilities maturing June 11, 2023, with the balance outstanding in aggregate not to exceed \$40,000,000 and with allocation between the two loan facilities at the University's discretion:

- (a) Operating loan: Revolving, non-amortizing, with interest at the HSBC prime rate. No balance has been drawn on this loan facility as at April 30, 2020 as noted in the table above (\$2,533,333 drawn at April 30, 2019).
- (b) Term loan: Non-revolving, 25 year straight-line amortization, with interest at the HSBC prime rate minus 0.35%. No balance has been drawn on this loan facility as at April 30, 2020.

The HSBC loan facilities are secured by the following:

- i. A general security agreement creating a first fixed charge and security interest over all present and after acquired personal property of the University.
- ii. A fixed charge on specific land and buildings of up to \$50,000,000.
- iii. Assignment of rents and insurance.
- iv. Environmental and indemnity agreements on specific properties.

The University is required to satisfy certain restrictive financial covenants under the terms of the HSBC loan facilities. The University was in compliance with these covenants during the year ended April 30, 2020. The HSBC loan facilities are due on demand following an occurrence of an event of default as defined in the agreement. Since no such event of default has occurred, the loans are classified as a non-current liability in these financial statements.

The University has repaid \$11,118 of principal in fiscal 2020 and until the University utilizes the HSBC Term Loan facility, there are no further principal repayments required by HSBC in fiscal 2021 through to fiscal 2024.

Total cash interest paid on long-term bank debt borrowings during the year is \$94,988 (\$273,008 in 2019).

8. Long-term debt

	2020	2019
	\$	\$
Promissory notes payable, unsecured income contracts with varying terms, bearing interest at an average rate of 2.81%, maturing at various dates up to 2023	3,938,060	3,833,328
Loan payable to Canadian Western Trust for for TWU's RRSP/RRIF program, revocable indefinite term contracts bearing interest at an average rate of 3.75%, rates adjusted semi-annually, secured by a fixed charge on specific land and building	16,932,799	16,807,693
	20,870,859	20,641,021

Total cash interest paid on all long-term debt borrowings during the year is \$221,979 (\$274,138 in 2019).

9. Restricted Funds

Restrictions imposed on the following funds are:

	Capital	Specific purpose	Endowment	2020
	\$	\$	\$	Total
	\$	\$	\$	\$
Externally restricted	18,153,566	6,870,582	17,071,891	42,096,039
Internally restricted	124,265,160	5,309,195	6,132,125	135,706,480
	142,418,726	12,179,777	23,204,016	177,802,519
				2019
	Capital	Specific purpose	Endowment	Total
	\$	\$	\$	\$
Externally restricted	9,965,339	6,161,405	15,160,071	31,286,815
Internally restricted	112,341,728	7,899,817	7,197,120	127,438,665
	122,307,067	14,061,222	22,357,191	158,725,480

9. Restricted Funds (continued)

The externally restricted portion of the Capital Fund is comprised of unspent donations for capital projects, most of which are earmarked for the capital elements of the Vision 2020 fundraising initiative. 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 related activities. The externally restricted portion of the Endowment Fund is comprised of donations from external sources.

The internally restricted portion of the funds is comprised of investments in capital assets, interfund transfers, and endowment investment earnings net of scholarship distributions.

10. Other income

The components of other income are as follows:

	2020				2019
	Unrestricted	Capital	Specific purpose	Total	Total
	\$	\$	\$	\$	\$
Ancillaries	10,940,311	—	—	10,940,311	11,128,439
Miscellaneous	1,242,945	479,622	820,222	2,542,789	1,973,166
Grants	80,678	19,293	2,398,457	2,498,428	2,048,301
Investment & other	1,356,050	—	—	1,356,050	1,288,569
Parking & rental	1,118,536	—	34,634	1,153,170	1,067,438
	14,738,520	498,915	3,253,313	18,490,748	17,505,913

11. Interfund transfers

Transfers between the various funds during the fiscal year 2020 are summarized as follows:

	Unrestricted	Capital	Specific purpose	Endowment
	\$	\$	\$	\$
Debt repayment	(11,118)	11,118	—	—
Interest on long-term debt	(831,334)	831,334	—	—
Capital asset purchases	(3,657,265)	4,121,570	(464,305)	—
Appropriations	(4,479,205)	7,544,720	(3,065,515)	—
Investment gain, net of scholarship expenses	354,525	7,135	703,335	(1,064,995)
Travel studies	(745,092)	—	745,092	—
	(9,369,489)	12,515,877	(2,081,393)	(1,064,995)

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.

	2020	2019
	\$	\$
Unrestricted fund	(1,384,638)	7,741,765
Capital fund	(8,863,015)	(19,367,181)
Specific purpose fund	9,956,581	11,604,308
Endowment fund	291,072	21,108
	—	—

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. If the payment clause were to be exercised, the University would record the cost as a capital asset addition.

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 64 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 \$15,867 (nil in 2019) 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.

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, 2020 the amount calculated under the formula was approximately \$1,313,825 (\$1,380,857 in 2019). 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. If the payment clause were to be exercised, the University would record the cost as a capital asset addition.

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, 2020, 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:

	2020	2019
	\$	\$
Aggregate contributed principal	387,000	387,000
Market value on March 31	521,018	572,627
Income earned	22,315	21,567
Distribution to TWU	21,971	21,088

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:

	\$
2021	107,656
2022	107,656
2023	107,656
2024	119,294

17. Government remittances

Included in accounts receivables is \$23,618 (in accounts payable and accrued liabilities \$176,323 in 2019) 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.

19. Financial risks

Market risk

The University's market risk arises from its investment in marketable securities (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.

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, 2020, the University no longer has swaps covering the HSBC revolving loan as the debt has been repaid in the current year (Note 7). A realized gain of \$35,932 has been recorded in the current year related to these swaps (\$2,816 in 2019 unrealized loss).

19. Financial risks (continued)

Currency and credit risk

The University provides credit to its students in the normal course of its operations, and maintains an allowance for doubtful accounts. The allowance for doubtful accounts balance at April 30, 2020 is \$456,594 (\$271,326 in 2019).

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, 2020, the most significant financial liabilities are: accounts payable and accrued liabilities and long-term debt.

20. Covid-19

On March 11, 2020, the World Health Foundation characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the University in future periods.

21. Comparative figures

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