

Financial statements of

**Trinity Western University**

April 30, 2009

# Trinity Western University

## Table of contents

Auditors' Report .....	1
Statement of financial position.....	2
Statement of operations and fund balances.....	3
Statement of cash flows.....	4
Notes to financial statements .....	5-19

## 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, 2009 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, 2009 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  
August 7, 2009

# Trinity Western University

## Statement of financial position

April 30

	2009	2008
<b>Assets</b>		
Current		
Funds held in trust	\$ 43,126	\$ 30,081
Accounts receivable	1,651,663	1,979,605
Inventory	314,448	242,657
Prepaid expenses	572,013	562,064
	<b>2,581,250</b>	2,814,407
Investments (Note 5)	9,299,558	11,066,599
Capital assets (Note 6)	47,079,142	47,632,995
	<b>\$ 58,959,950</b>	\$ 61,514,001
<b>Liabilities</b>		
Current		
Accounts payable	\$ 2,495,979	\$ 2,736,974
Student deposits and deferred income	4,976,413	3,788,641
Current portion of long-term debt (Note 7)	33,130,554	10,776,794
	<b>40,602,946</b>	17,302,409
Long-term debt (Note 7)	654,815	20,034,875
	<b>41,257,761</b>	37,337,284
<b>Fund balances</b>		
Restricted funds		
Capital fund	6,981,148	10,237,589
Specific purpose fund (Note 8)	4,246,036	4,918,832
Endowment fund (Note 8)	7,831,597	8,831,544
Unrestricted fund	(1,356,592)	188,752
	<b>17,702,189</b>	24,176,717
	<b>\$ 58,959,950</b>	\$ 61,514,001

Approved by the Board of Governors

*"Mr. Wade Larson"*

---

*"Dr. Jonathan S. Raymond"*

---

See Note 1 to the financial statements - Continuing operations

# Trinity Western University

## Statement of operations and fund balances

Year ended April 30

	Unrestricted	Capital	Specific Purpose	Endowment	2009	Total 2008
<b>Revenues</b>						
Tuition and fees	\$ 34,692,090	\$ -	\$ -	\$ -	\$ 34,692,090	\$ 34,408,914
Less: Scholarships and bursaries	(6,344,416)	-	-	-	(6,344,416)	(4,782,599)
Tuition and fees (net)	28,347,674	-	-	-	28,347,674	29,626,315
Ancillaries	11,134,420	-	-	-	11,134,420	10,275,914
Donations	3,726,183	411,362	1,174,875	530,357	5,842,777	4,802,860
Other (Note 9)	2,395,407	226,053	2,241,996	-	4,863,456	5,222,211
	45,603,684	637,415	3,416,871	530,357	\$ 50,188,327	\$ 49,927,300
<b>Expenditures</b>						
Compensation	28,897,282	-	1,154,409	-	30,051,691	28,676,875
Operating costs	7,240,172	-	2,316,574	-	9,556,746	10,537,259
Ancillaries	5,573,652	-	-	-	5,573,652	4,861,789
Scholarships and bursaries	-	-	995,094	-	995,094	575,234
Interest	-	1,449,553	-	-	1,449,553	1,669,194
Overhead and other	1,699,968	-	-	-	1,699,968	1,410,625
	43,411,074	1,449,553	4,466,077	-	49,326,704	47,730,977
<b>Excess (deficiency) of revenue over expenditures before the following other costs</b>						
	2,192,610	(812,138)	(1,049,206)	530,357	861,623	2,196,324
Amortization of capital assets	-	3,016,084	-	-	3,016,084	3,273,955
Change in fair value of interest rate swaps (Note 7)	-	1,696,428	-	-	1,696,428	-
Change in fair value of investments (Note 5)	2,235,751	-	387,888	-	2,623,639	764,523
	2,235,751	4,712,512	387,888	-	7,336,151	4,038,477
<b>Excess (deficiency) of revenue over expenditures</b>						
	(43,141)	(5,524,650)	(1,437,094)	530,357	(6,474,528)	(1,842,154)
Interfund transfers (Note 10)	(1,502,203)	2,268,209	764,298	(1,530,304)	-	-
Change in fund balances for the year	(1,545,344)	(3,256,441)	(672,796)	(999,947)	(6,474,528)	(1,842,154)
Fund balances at the beginning of the year	188,752	10,237,589	4,918,832	8,831,544	24,176,717	26,018,871
<b>Fund balances at the end of the year</b>	\$ (1,356,592)	\$ 6,981,148	\$ 4,246,036	\$ 7,831,597	\$ 17,702,189	\$ 24,176,717

# Trinity Western University

## Statement of cash flows

Year ended April 30

	2009	2008
<b>Operating activities</b>		
Deficiency of revenues over expenditures	\$ (6,474,528)	\$ (1,842,154)
Non-cash items:		
Amortization of capital assets	3,016,084	3,273,955
Change in fair value of interest rate swaps	1,696,428	-
Change in fair value of investments	2,623,639	764,523
	<b>861,623</b>	<b>2,196,324</b>
Change in non-cash operating working capital		
Accounts receivable	327,942	(985,986)
Inventory	(71,791)	126,774
Prepaid expenses	(9,949)	176,467
Accounts payable	(240,995)	(22,467)
Student deposits and deferred income	1,187,772	(501,050)
	<b>1,192,979</b>	<b>(1,206,262)</b>
	<b>2,054,602</b>	<b>990,061</b>
<b>Financing activities</b>		
Increase in long-term debt	606,869	5,030,686
Repayment of long-term debt	(959,988)	(1,682,757)
	<b>(353,119)</b>	<b>3,347,929</b>
<b>Investing activities</b>		
Funds held in trust	(13,045)	62,356
Purchase of capital assets	(2,462,231)	(3,527,500)
Purchase of investments, net	(856,599)	(1,333,452)
	<b>(3,331,875)</b>	<b>(4,798,596)</b>
<b>Change in operating line during the year</b>	<b>(1,630,392)</b>	<b>(460,605)</b>
Operating line at beginning of year	(4,968,833)	(4,508,228)
<b>Operating line at end of year (Note 7)</b>	<b>\$ (6,599,225)</b>	<b>\$ (4,968,833)</b>
<b>Supplemental cash flow information</b>		
Interest paid	\$ 1,449,553	\$ 1,669,194

# Trinity Western University

## Notes to financial statements

April 30, 2009

### 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.

#### *Continuing operations*

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the University will continue in operation for the foreseeable future and be able to realize its assets and satisfy its liabilities in the normal course of business. The University has reported two successive years of deficits in its consolidated statement of operations and fund balances and carries a significant working capital deficit. The ability of the University to continue as a going concern is dependent upon increasing its cash flow from operations through increased revenues and a reduction in its cost structure. Corrective activities commenced in Fall 2008 with the development of a five year financial plan and a comprehensive University redesign. These actions are expected to lift the University out of deficit and generate a small surplus in fiscal 2010 and produce a stable operating model by the end of fiscal 2012.

Because these financial statements have been prepared on the basis of accounting principles applicable to a going concern they do not give effect to adjustments that would be necessary should the University not be able to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of operations and at amounts different from those recorded in the financial statements. 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 \$39,000,000 at April 30, 2009.

### 2. Change in accounting policies

During the year the University adopted the following recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook:

Section 1535, *Capital Disclosures*. This section requires the disclosure of (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with externally imposed capital requirements; and (iv) if any entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance. This was no impact on the University's financial statements beyond disclosures in Note 17.

Section 3031, *Inventories*. This section establishes standards for the measurement and disclosure of inventories. The accounting policy was adopted retroactively without restatement of comparative financial statements. The adoption of this accounting policy had no impact on the University's financial position or results of operations.

# Trinity Western University

## Notes to financial statements

April 30, 2009

### 3. 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 4.

#### *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*.

#### 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.

#### Interest rate swaps

During the year ended April 30, 2009, the University entered into interest rate swaps to manage its exposure to changes in interest rates associated with \$15,000,000 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 75 basis points for a total of 5.23%. All changes in fair values of these instruments are immediately recognized in the statement of operations and fund balances.



# Trinity Western University

## Notes to financial statements

April 30, 2009

### 3. Significant accounting policies (continued)

#### 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
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.

# Trinity Western University

## Notes to financial statements

April 30, 2009

### 3. Significant accounting policies (continued)

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.

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. 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 \$1,392,166 (2008 - \$1,483,314) 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

#### *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, 2009.

#### *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.

# Trinity Western University

## Notes to financial statements

April 30, 2009

### 3. 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*

Certain CICA Handbook sections related to Not-for-Profit Organizations were amended applicable for fiscal years beginning on or after January 1, 2009. These standards affect the presentation of Not-for-Profit Organizations' financial statements, particularly with respect to the presentation of cash flows, net assets, and related party transactions. The University will adopt these new standards for its 2010 financial statements and is evaluating their effect on the financial statements.

### 4. 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, 2009

### 4. 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:

	2009			Total	2008
	ACTS 30-Apr-09	TWUF 31-Mar-09	TWUF - US 31-Dec-08		Total
<b>Financial position</b>					
Total assets	\$ 37,660	\$ 1,620	\$ 2,771,420	\$ <b>2,810,700</b>	\$ 3,756,973
Total liabilities	47,482	1,500	1,840,011	<b>1,888,993</b>	2,044,609
Total net assets	\$ (9,822)	\$ 120	\$ 931,409	\$ <b>921,707</b>	\$ 1,712,364
<b>Results of operations</b>					
Total revenues	\$ 316,598	\$ 2	\$ (260,363)	\$ <b>56,236</b>	\$ 1,243,652
Total expenses	(446,094)	(529)	(917,747)	<b>(1,364,369)</b>	(1,247,984)
(Deficiency)	(129,496)	(527)	(1,178,110)	<b>(1,308,133)</b>	(4,332)
Contributions by TWU	120,000	-	213,809	<b>333,809</b>	247,308
	\$ (9,496)	\$ (527)	\$ (964,301)	\$ <b>(974,324)</b>	\$ 242,976
<b>Cash flows</b>					
Cash (used) provided by operations	\$ 131	\$ (527)	\$ (248,225)	\$ <b>(248,622)</b>	\$ 509,621
Cash (used) provided in investing activities	(131)	-	226,091	<b>225,961</b>	(484,381)
<b>Net cash flow</b>	\$ -	\$ (527)	\$ (22,134)	\$ <b>(22,661)</b>	\$ 25,240

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:

	2009			2008
	ACTS	TWUF - US	Total	Total
Donations	\$ -	\$ 392,837	\$ <b>392,837</b>	\$ 392,798
Recovery of salaries	624,116	-	<b>624,116</b>	828,127
Provision of goods and services	324,209	-	<b>324,209</b>	343,894
	\$ 948,325	\$ 392,837	\$ <b>1,341,162</b>	\$ 1,564,819

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, 2009

### 4. Related party transactions (continued)

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

	2009	2008
ACTS	\$ 219,587	\$ 219,970
TWUF - US	78,435	122,451
	<b>\$ 298,022</b>	<b>\$ 342,421</b>

### 5. Investments

	2009	2008
Portfolio investments:		
Marketable securities	\$ 6,987,880	\$ 8,850,099
Shares of private company	2,311,678	2,216,500
	<b>\$ 9,299,558</b>	<b>\$ 11,066,599</b>

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

2009			
Marketable Securities	Market Value	Fund Allocation	2009 Market Return
Canadian Equity Fund	\$ 2,616,991	38.1%	-25.4%
Global Equity Fund	1,853,702	27.0%	-24.3%
Fixed Income Fund	2,344,388	34.2%	5.8%
Money Market Fund	44,799	0.7%	2.6%
Total McLean Budden	6,859,880	100.0%	-14.3%
Other funds *	128,000		5.0%
Total Funds	\$ 6,987,880		-14.0%

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%

# Trinity Western University

## Notes to financial statements

April 30, 2009

### 5. 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. Realized gains / losses on investments are disclosed in Note 9. The University recognized an unrealized loss on investments of \$2,623,639 in 2009 (2008 - \$764,523).

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

### 6. Capital assets

	2009			2008
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 3,782,571	\$ -	\$ 3,782,571	\$ 3,585,571
Roads and parking lots	4,460,839	1,349,372	3,111,467	3,273,692
Buildings	46,211,747	13,963,492	32,248,255	32,445,961
Furniture and equipment	11,866,723	7,102,293	4,764,430	5,217,000
Library collection	6,554,678	4,904,758	1,649,920	1,742,261
Computers	6,362,668	4,840,167	1,522,500	1,368,511
Vehicles	64,639	64,639	-	-
	\$ 79,303,865	\$ 32,224,723	\$ 47,079,142	\$ 47,632,995

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 \$39,000,000 at April 30, 2009.

# Trinity Western University

## Notes to financial statements

April 30, 2009

### 7. Long-term debt

	2009	2008
Royal Bank of Canada non-revolving term facility, bearing interest at 5.23%, due November 30, 2009.	\$ 14,461,000	\$ -
Operating line with the Royal Bank of Canada, bearing interest at Royal Bank prime, payable on demand.	6,599,225	4,968,833
Royal Bank of Canada non-revolving term facility, payable monthly at \$60,000 including interest at Royal Bank prime + .3%, due November 30, 2009.	3,419,005	3,866,400
Royal Bank of Canada revolving reducing term facility, bearing interest between 1.44% and Royal Bank prime, maximum borrowing capacity is reduced by \$187,361 at October 31, 2009, the balance maturing November 30, 2009.	2,830,000	2,693,594
Royal Bank of Canada non-revolving term facility, bearing interest at 1.44%, borrowing capacity is reduced by \$116,698 at October 31, 2009.	1,988,000	17,098,000
Royal Bank of Canada non-revolving term facility, payable monthly at \$16,000 including interest at Royal Bank prime + .3%, repayable on November 30, 2009.	829,000	829,000
Due to the Township of Langley, bearing interest at the municipal rate + 0.25%, repayable over 20 years with a first payment of \$370,735 due on April 30, 2009.	650,297	665,770
Deposit agreements payable, income contracts with varying terms, bearing interest at an average rate of 4.24%, \$681,386 comes due for renewal within the next fiscal year.	819,656	338,862
Loan payable to Canadian Western Trust for TWU's RRSP/RRIF program, revocable indefinite term contracts bearing interest at rates adjusted semi-annually, currently 4.10%, secured by a fixed charge on specific land and building.	468,839	327,473
Investment trust agreements, revocable income contracts bearing interest at an average rate of 8.90%. These contracts are for an indefinite term.	23,918	23,737
	<b>32,088,941</b>	30,811,669
Change in fair value of interest rate swaps	<b>1,696,428</b>	-
	<b>33,785,369</b>	30,811,669
Less current portion	<b>(33,130,554)</b>	(10,776,794)
	<b>\$ 654,815</b>	\$ 20,034,875

# Trinity Western University

## Notes to financial statements

April 30, 2009

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

Under the revised terms of the agreement with the Royal Bank of Canada dated July 31, 2009, the Royal Bank has confirmed the University was in compliance with its debt service coverage ratio requirement for the fiscal year ending April 30, 2009.

Assuming credit facilities are renegotiated with similar terms, the estimated principal repayments over the next five years are as follows:

2010	\$	9,124,333	(*)
2011		2,300,363	
2012		2,041,089	
2013		2,156,596	
2014		1,925,795	

(\*) This includes the \$6,599,225 revolving Demand Loan balance at April 30 which revolves with normal cash flows.

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 \$1,449,553 (2008 - \$1,669,194).

At April 30, 2009 the difference between the fair value and the carrying value of the debt, being the fair value of the interest rate swap was \$1,696,428 (2008 - nil).

### 8. Specific purpose fund and endowment fund

Restrictions imposed on the following funds are:

	2009		2008	
	Specific Purpose	Endowment	Specific Purpose	Endowment
Externally restricted	\$ 3,992,898	\$ 7,831,597	\$ 4,078,303	\$ 7,564,091
Internally restricted	253,138	-	840,529	1,267,453
	\$ 4,246,036	\$ 7,831,597	\$ 4,918,832	\$ 8,831,544



# Trinity Western University

## Notes to financial statements

April 30, 2009

### 9. Other income

The components of other income are as follows:

	2009				2008
	Unrestricted	Capital	Specific Purpose	Total	Total
Rental income	\$ 275,899	\$ -	\$ -	\$ 275,899	\$ 258,227
Investment income					
Realized	218,752	-	-	218,752	799,902
Parking receipts	347,997	-	-	347,997	376,487
Project revenues	-	225,000	1,514,879	1,739,879	1,638,049
Student related	530,626	-	727,117	1,257,743	876,268
Wellness Centre	211,925	-	-	211,925	190,309
US exchange	295,944	-	-	295,944	91,284
Miscellaneous	514,263	1,053	-	515,316	991,685
	\$ 2,395,407	\$ 226,053	\$ 2,241,996	\$ 4,863,456	\$ 5,222,211

### 10. Interfund transfers

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

	Unrestricted	Capital	Specific Purpose	Endowment
Debt related				
Debt repayment - RBC	\$ (927,987)	\$ 927,987	\$ -	\$ -
Debt repayment - internal	(7,141)	-	7,141	-
Interest on long term debt	(1,449,553)	1,449,553	-	-
Capital assets funded by Specific Purpose Fund, other	-	(109,331)	109,331	-
	(2,384,681)	2,268,209	116,472	-
Appropriations				
Investment loss, net of expenses	1,274,009	-	338,723	(1,612,732)
Travel Studies	(391,089)	-	391,089	-
Project funds endowed	(442)	-	(81,986)	82,428
	\$ (1,502,203)	\$ 2,268,209	\$ 764,298	\$ (1,530,304)

# Trinity Western University

## Notes to financial statements

April 30, 2009

### 11. Interfund loans

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

	2009	2008
Unrestricted Fund	\$ 3,051,484	\$ 3,899,960
Capital Fund	(6,537,625)	(6,583,737)
Specific Purpose Fund	2,642,424	2,702,331
Endowment Fund	843,717	(18,555)
	\$ -	\$ -

### 12. 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*

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.

# Trinity Western University

## Notes to financial statements

April 30, 2009

### 12. 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, 2009 the amount calculated under the formula was 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.

### 13. 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 \$967,234 (2008 - \$881,051) to employee retirement plans. The fair market value of the assets owned by employees in the University sponsored program at April 30, 2009 was \$14,458,133 (2008 - \$17,564,749). There is no past service liability with respect to this program.

### 14. 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:

	<u>2009</u>	<u>2008</u>
Contributed principal	\$ 387,000	\$ 387,000
Market value	\$ 361,245	\$ 451,124
Income earned	\$ 15,094	\$ 23,921
Distribution to TWU	\$ 23,784	\$ 23,664

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.

### 15. Financial instruments

#### *Fair values*

The carrying values of long-term debt, 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 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.

# Trinity Western University

## Notes to financial statements

April 30, 2009

### 15. Financial instruments (continued)

#### *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.

#### *Currency and credit risk*

It is management's opinion that the University is not exposed to significant, currency or credit risks arising from these financial instruments.

### 16. Commitments

The University leases photocopiers under an operating lease program. Future minimum lease payments are as follows:

2010	\$61,680
2011	\$61,680
2012	\$61,680
2012	\$61,680
2013	\$15,420

### 17. 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.

As a result of the current year loss, the University operated for the current year with negative unrestricted funds. The University's objective in managing its capital over the next five years will be focused on the need to generate capital to meet operating requirements and eliminate its negative unrestricted funds. To achieve this objective, the University has adopted budgetary controls, developed a financial plan and launched a comprehensive University redesign to increase revenues and reduce its cost structure as described in Note 1.

The University does not use financial ratios to manage its capital and is not subject to externally imposed requirements which have an impact on its management of capital except for the restrictions relating to its restricted funds and the debt service coverage requirements of its long-term debt.

# Trinity Western University

Notes to financial statements

April 30, 2009

## **18. Subsequent events**

Subsequent to year end, the University entered into a 20 year commitment to lease the Langley Events Centre. The total value of this commitment is \$3,500,000 plus interest at 3.6% with the first payment due July 2, 2010.