

Financial statements of

Trinity Western University

April 30, 2015

Trinity Western University

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Independent Auditor's Report

To the Board of Governors of
Trinity Western University

We have audited the accompanying financial statements of Trinity Western University, which comprise the statement of financial position as at April 30, 2015, and the statements of operations and changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trinity Western University as at April 30, 2015, 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.

Chartered Professional Accountants
Langley, British Columbia

August 20, 2015

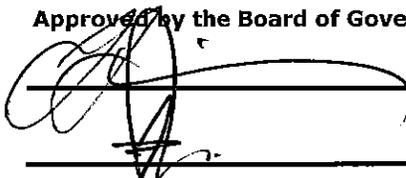
Trinity Western University

Statement of financial position

As at April 30

	2015	2014
	\$	\$
Assets		
Current		
Cash	13,253,153	10,556,318
Restricted cash (Note 4)	471,186	535,130
Accounts receivable	1,811,039	2,100,638
Inventory	337,046	289,334
Prepaid expenses	1,459,871	1,319,232
	17,332,295	14,800,652
Other asset (Note 6)	2,848,111	3,067,197
Investments (Note 5)	18,315,112	17,837,688
Capital assets (Note 7)	144,406,959	139,921,353
	182,902,477	175,626,890
Liabilities		
Current		
Accounts payable and accrued liabilities	3,736,058	3,294,315
Student deposits and deferred income	7,912,510	6,814,551
Current portion of capital lease obligations (Note 8)	66,325	86,397
Current portion of long-term debt (Note 9)	1,725,048	4,245,564
	13,439,941	14,440,827
Capital lease obligations (Note 8)	185,327	122,895
Long-term debt (Note 9)	38,725,951	37,533,218
	52,351,219	52,096,940
Fund balances		
Restricted funds		
Capital fund	102,509,704	97,954,729
Specific purpose fund (Note 10)	10,483,180	9,632,660
Endowment fund (Note 10)	17,369,622	15,753,809
Unrestricted fund	188,752	188,752
	130,551,258	123,529,950
	182,902,477	175,626,890

Approved by the Board of Governors



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

Trinity Western University
Statement of operations and changes in fund balances
Year ended April 30

	Unrestricted	Capital	Specific Purpose	Endowment	2015	2014
	\$	\$	\$	\$	\$	\$
						(Note 21)
Revenues						
Tuition and fees	51,018,112	-	-	-	51,018,112	47,713,161
Less: Scholarships and bursaries	<u>(12,143,026)</u>	-	-	-	<u>(12,143,026)</u>	(11,853,427)
Tuition and fees (net)	38,875,086	-	-	-	38,875,086	35,859,734
Ancillaries	11,438,407	-	-	-	11,438,407	10,593,315
Donations	5,868,716	558,529	3,763,784	788,131	10,979,160	14,209,593
Other (Note 11)	3,445,088	300,400	3,419,827	-	7,165,315	8,081,553
	<u>59,627,297</u>	<u>858,929</u>	<u>7,183,611</u>	<u>788,131</u>	<u>68,457,968</u>	<u>68,744,195</u>
Expenditures						
Compensation	32,235,085	-	1,199,734	-	33,434,819	32,187,726
Operating costs	8,338,387	101,868	4,177,033	-	12,617,288	10,035,987
Ancillaries	5,765,916	-	-	-	5,765,916	5,347,464
Scholarships and bursaries	-	-	1,112,919	-	1,112,919	1,330,843
Interest	-	1,727,202	-	-	1,727,202	1,754,356
Overhead and other	1,650,479	-	-	-	1,650,479	1,821,356
	<u>47,989,867</u>	<u>1,829,070</u>	<u>6,489,686</u>	<u>-</u>	<u>56,308,623</u>	<u>52,477,732</u>
Excess (deficiency) of revenue over expenditures before the following items	<u>11,637,430</u>	<u>(970,141)</u>	<u>693,925</u>	<u>788,131</u>	<u>12,149,345</u>	<u>16,266,463</u>
Amortization of capital assets (non-cash)	-	(4,798,795)	-	-	(4,798,795)	(4,950,137)
Amortization of other assets (non-cash)	-	(8,556)	(219,086)	-	(227,642)	(227,686)
Interest rate swaps (non-cash) (Note 20)	-	(273,851)	-	-	(273,851)	(183,896)
Change in fair value of investments (non-cash)	237,953	(65,702)	-	-	172,251	614,848
	<u>237,953</u>	<u>(5,146,904)</u>	<u>(219,086)</u>	<u>-</u>	<u>(5,128,037)</u>	<u>(4,746,871)</u>
Excess (deficiency) of revenue over expenditures	<u>11,875,383</u>	<u>(6,117,045)</u>	<u>474,839</u>	<u>788,131</u>	<u>7,021,308</u>	<u>11,519,592</u>
Interfund transfers (Note 12)	(11,875,383)	10,672,020	375,681	827,682	-	-
Change in fund balances for the year	-	4,554,975	850,520	1,615,813	7,021,308	11,519,592
Fund balances at the beginning of the year	188,752	97,954,729	9,632,660	15,753,809	123,529,950	112,010,358
Fund balances at the end of the year	<u>188,752</u>	<u>102,509,704</u>	<u>10,483,180</u>	<u>17,369,622</u>	<u>130,551,258</u>	<u>123,529,950</u>

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

Trinity Western University
Statement of cash flows
Year ended April 30

	2015	2014
	\$	\$
		(Note 21)
Operating activities		
Excess of revenues over expenditures	7,021,308	11,519,592
Add back (deduct) items not involving cash:		
Gain on disposal of capital asset	-	(1,275,192)
Amortization of transaction costs	8,556	8,600
Amortization of capital assets	4,798,795	4,950,137
Amortization of other assets	219,086	219,086
Donated capital asset additions	-	(4,444,680)
Change in fair value of interest rate swaps	273,851	183,896
Change in fair value of investments	(172,251)	(614,848)
	12,149,345	10,546,591
Change in non-cash operating working capital items		
Accounts receivable	289,599	(4,162)
Inventory	(47,712)	5,574
Prepaid expenses	(140,639)	(74,108)
Accounts payable and accrued liabilities	441,743	869,744
Student deposits and deferred income	1,097,959	760,656
	1,640,950	1,557,704
	13,790,295	12,104,295
Financing activities		
Scheduled annual amortization of long-term debt	(894,150)	(978,393)
Additional repayment of long-term debt	(5,004,870)	(6,839,917)
Increase in long-term debt	4,331,190	4,420,207
	(1,567,830)	(3,398,103)
Investing activities		
Change in restricted cash	63,944	2,352,685
Purchase of capital assets	(9,284,401)	(7,927,838)
Proceeds from disposal of capital asset	-	1,500,289
Purchase of investments	(416,393)	(2,930,862)
Proceeds from sale of investments	111,220	751,532
	(9,525,630)	(6,254,194)
Change in cash during the year	2,696,835	2,451,998
Cash at beginning of year	10,556,318	8,104,320
Cash at end of year	13,253,153	10,556,318

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

Trinity Western University

Notes to financial statements

April 30, 2015

1. Business operations

Purpose and authority

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

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

2. Significant accounting policies

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

Fund accounting

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

TWU follows the restricted fund method of accounting for contributions.

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

The Capital Fund reports the net investment in capital assets.

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

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

Ancillaries include Housing Services, Dining Services, Conference Services, University Bookstore and Trinity Western University's English as a Second Language (ESL) program. Compensation expenses for Ancillaries are included in the compensation line of the Unrestricted Fund.

Controlled not-for-profit organizations

The University does not consolidate controlled not-for-profit organizations into its financial statements. Information on controlled not-for-profit organizations is disclosed in Note 3.

Trinity Western University

Notes to financial statements

April 30, 2015

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 balance sheet 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 net earnings 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 net earnings in the period the reversal occurs.

Revenue recognition

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

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

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

As of April 30, 2015 there are pledges totalling \$nil included in accounts receivable (2014 – \$nil). During the year, \$nil (2014 - \$nil) was recognized in revenue.

Endowment donations are recognized as revenue in the Endowment Fund.

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

Trinity Western University

Notes to financial statements

April 30, 2015

2. Significant accounting policies (continued)

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

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

Inventory

Inventory is comprised of items held for resale by the University Bookstore and is valued at the lower of cost and net realizable value. Cost is determined on the average cost basis. Net realizable value is the selling price less the cost necessary to make the sale. During the year the University expensed \$1,171,918 (2014 - \$1,072,919) 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:

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 organization. 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, 2015.

Trinity Western University

Notes to financial statements

April 30, 2015

2. Significant accounting policies (continued)

Use of estimates

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

3. Related party transactions

The Associated Canadian Theological Schools (ACTS)

TWU is a 20% participant in the ACTS joint venture and recognizes this interest under the equity method. ACTS forms an instructional consortium of independent seminaries which have in common an extensive doctrinal compatibility and are committed to church leadership training in a manner which preserves the distinct goals of each of the five participating institutions. As ACTS, the five seminaries constitute the Graduate School of Theological Studies of Trinity Western University. ACTS is not subject to income taxes.

Trinity Western University Foundation (TWUF)

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

Trinity Western University Foundation - US (TWUF - US)

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

Trinity Western University

Notes to financial statements

April 30, 2015

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:

				2015	2014
	ACTS	TWUF	TWUF - US	Total	Total
	30-Apr-15	31-Mar-15	31-Dec-14		
	\$	\$	\$	\$	\$
Financial position					
Total assets	184,462	1,499	4,240,506	4,426,467	4,439,395
Total liabilities	(328,957)	-	(2,126,216)	(2,455,173)	(2,612,702)
Total net (liabilities) assets	(144,495)	1,499	2,114,290	1,971,294	1,826,693
Results of operations					
Total revenues	2,071,806	1,001	1,141,675	3,214,482	3,460,596
Total expenses	(2,737,432)	(1,040)	(1,143,832)	(3,882,304)	(3,686,449)
(Deficiency) excess of revenues over expenses	(665,626)	(39)	(2,157)	(667,822)	(225,853)
Contributions by members	565,008	-	76,109	641,117	147,419
	(100,618)	(39)	73,952	(26,705)	(78,434)
TWU's share of interest	20%	100%	100%		
	(20,124)	(39)	73,952	53,789	494,145
Cash flows					
Cash (used) provided by operations	(71,168)	(39)	(105,618)	(176,825)	231,060
Cash (used) provided by investing activities	(4,006)	-	44,329	40,323	(233,669)
Cash provided by financing activities	75,145	-		75,145	57,004
Net cash flow	(29)	(39)	(61,289)	(61,357)	54,395

During the year TWU contributed \$135,612 (2014 - \$140,007) to ACTS.

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

			2015	2014
	ACTS	TWUF - US	Total	Total
	\$	\$	\$	\$
Donations	-	391,345	391,345	391,094
Recovery of salaries	771,208	-	771,208	806,248
Provision of goods and services	350,703	-	350,703	349,267
	1,121,911	391,345	1,513,256	1,546,609

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, 2015

3. Related party transactions (continued)

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

	2015	2014
	\$	\$
ACTS	48,111	217,368
TWUF - US	(27,123)	70,739
	20,988	288,107

4. Restricted cash

Restricted cash is comprised of the following:

	2015	2014
	\$	\$
Externally restricted funds - land acquisition	375,012	500,000
Other	96,174	35,130
	471,186	535,130

Trinity Western University

Notes to financial statements

April 30, 2015

5. Investments

	2015	2014
	\$	\$
Portfolio investments:		
Marketable securities	18,271,058	17,727,932
Shares of private company (net of impairment of \$194,946, 2014 - \$129,244)	44,054	109,756
	18,315,112	17,837,688

The private company shares were received by TWU in December 2010 through an estate donation. These shares are not traded on an open market. Since 2010, TWU has received \$87,500 as cash dividends from these shares. In the current year, there was impairment recorded in income on these shares of \$65,702 (2014 - \$43,932).

The composition of the portfolio investments is as follows:

	2015	
Portfolio Investments	Market Value	Fund Allocation
Cash Equivalents	136,691	0.7%
Canadian Equities	6,696,251	36.6%
US Equities	2,889,663	15.8%
International Equities	2,937,585	16.0%
Fixed Income Fund	5,321,080	29.1%
Total Leith Wheeler	17,981,270	98.2%
Other funds	333,842	1.8%
Total Funds	18,315,112	100.0%

	2014	
Portfolio Investments	Market Value	Fund Allocation
	\$	
Cash Equivalents	280,238	1.6%
Canadian Equities	5,647,486	31.7%
US Equities	2,435,280	13.7%
International Equities	2,658,714	14.9%
Fixed Income Fund	4,516,557	25.2%
Total Leith Wheeler	15,538,275	87.1%
HSBC	2,000,000	11.2%
Other funds	299,413	1.7%
Total Funds	17,837,688	100.0%

The return on investment of marketable securities was 8% (2014 – 14.8%). The return on investment of other funds was nil (2014 – nil).

Trinity Western University

Notes to financial statements

April 30, 2015

5. Investments (continued)

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

The market return on investments includes interest income, dividends, capital gains and unrealized gains / losses. Realized gains / losses on investments are disclosed in Note 11. During the year ended April 30, 2015, the University recognized an unrealized gain on investments of \$172,251 (2014 – \$614,848) and a realized gain on investments of \$1,108,981 (2014 – \$1,774,257).

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

6. 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, 2015 (2014 - \$219,086) and the current portion of \$219,086, has been included in prepaid expenses on the statement of financial position.

Trinity Western University

Notes to financial statements

April 30, 2015

7. Capital assets

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	49,002,554	-	49,002,554	49,000,420
Buildings, roads and parking lots	100,357,632	11,553,842	88,803,790	84,341,815
Furniture and equipment	15,546,643	11,955,566	3,591,077	3,793,304
Library collection	6,900,717	6,213,939	686,778	771,883
Computers	11,305,985	8,983,225	2,322,760	2,011,073
Vehicles	78,928	78,928	-	2,858
	183,192,459	38,785,500	144,406,959	139,921,353

During the year ended April 30, 2015 the University acquired capital assets totalling \$9,284,401 (2014 - \$12,372,518) – of this total, \$0 (2014 - \$4,444,680) was by means of donated assets and \$9,284,401 (2014 - \$7,927,838) by means of cash.

Trinity Western University

Notes to financial statements

April 30, 2015

8. Capital lease obligations

	2015	2014
	\$	\$
Computer equipment lease in the amount of \$248,624, repayable in quarterly instalments of \$20,432 including interest calculated at 4.5%, matured August 2014.	-	38,984
Computer equipment lease in the amount of \$191,261, repayable in monthly instalments of \$5,625 without interest, matured August 2014.	-	16,370
Computer equipment lease in the amount of \$146,608, repayable in monthly instalments of \$2,842 including interest calculated at 4.3%, maturing April 2019.	129,420	170,516
Parking equipment lease in the amount of \$138,178, repayable in monthly instalments of \$2,861 including interest calculated at 4.33%, maturing September 2019.	144,442	-
	273,862	225,870
Less amounts representing interest	(22,210)	(16,578)
	251,652	209,292
Less current portion	(66,325)	(86,397)
	185,327	122,895

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

	\$
2016	66,325
2017	66,325
2018	66,325
2019	63,675
2020	11,212
	273,862
Less amounts representing interest	(22,210)
	251,652

Trinity Western University

Notes to financial statements

April 30, 2015

9. Long-term debt

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

	2015	2014
	\$	\$
HSBC Bank Canada non-revolving loan (Capital Loan), bearing interest at HSBC prime rate plus 1%, payable in equal monthly installments of principal and interest based on an amortization period of 20 years, maturing in 2032. The University has entered into an interest rate swap covering \$14,000,000 of this loan (Note 20).	17,567,000	18,347,000
Due to the Township of Langley, unsecured, bearing interest at the municipal rate + 0.25% (currently 5.97%). Repaid during the year.	-	235,229
Promissory notes payable, unsecured income contracts with varying terms, bearing interest at an average rate of 3.73%.	9,389,623	10,175,732
Promissory notes payable, income contracts with varying terms, bearing interest at an average rate of 5.00% secured by a fixed charge on specific land and buildings.	1,863,437	3,129,529
Loan payable to Canadian Western Trust for TWU's RRSP/RRIF program, revocable indefinite term contracts bearing interest at an average rate of 4.33%, rates adjusted semi-annually, secured by a fixed charge on specific land and building.	11,270,979	9,813,740
	40,091,039	41,701,230
Fair value of interest rate swaps	457,747	183,896
Unamortized transaction costs	(97,787)	(106,344)
	40,450,999	41,778,782
Less current portion	(1,725,048)	(4,245,564)
	38,725,951	37,533,218

Trinity Western University

Notes to financial statements

April 30, 2015

9. Long-term debt (continued)

Under the terms of the agreement with HSBC Bank Canada dated April 27, 2015, the University was in compliance with its loan covenants for the fiscal year ending April 30, 2015.

The following table outlines the University's borrowing capacity with HSBC.

Borrowing capacity - HSBC	Balance Available at April 30, 2015	Balance Utilized at April 30, 2015
	\$	\$
Capital Loan and SWAP facility	17,761,199	17,567,000
Operating loan *	4,000,000	-
Term Loan (to fund Promissory Note maturities)	5,000,000	-
Letter of Credit facility	250,000	150,000
* increases to \$6,500,000 from May 1- September 30		

As of April 30, 2015, the University has an agreement to renew its credit facilities beyond their stated maturity dates. The estimated principal repayments assuming credit facilities are renewed on similar terms over the next five years are as follows:

	2016	2017	2018	2019	2020
Amortizing debt - HSBC	780,000	780,000	924,000	924,000	924,000
Amortizing debt - HSBC (Promissory Note refinancing)	192,000	192,000	192,000	192,000	192,000
Amortizing debt - funded by operations	972,000	972,000	1,116,000	1,116,000	1,116,000
Promissory notes	3,889,611	3,107,709	1,787,222	605,081	-
Promissory notes (secured by specific properties)	1,863,437	-	-	-	-
Promissory note refinancing	(5,000,000)				
	753,048	3,107,709	1,787,222	605,081	-
Total estimated principal repayments	1,725,048	4,079,709	2,903,222	1,721,081	1,116,000

The table above presents the promissory notes at their stated maturity dates. However, the University has experienced an average renewal subscription rate of 50% on maturing promissory notes.

Under the terms of the agreement with HSBC, a new term loan was established for up to \$5 million, replacing the Evergreen loan, with the purpose of being used to repay certain investor promissory notes falling due in 2015 and 2016. This facility was not drawn upon at April 30, 2015.

The HSBC bank loans are secured by a general security agreement, a fixed charge on specific land and buildings of up to \$50 million, assignment of rents and insurance, environmental and indemnity agreements on specific properties.

Total cash interest paid on all borrowings during the year is \$1,313,406 (2014 - \$1,296,972).

Trinity Western University

Notes to financial statements

April 30, 2015

9. Long-term debt (continued)

The following table summarizes the land and building values pledged as security for various debt instruments:

	Long-term debt	Fair market value of land and buildings pledged as security
	\$	\$
HSBC Bank Canada	17,567,000	110,670,000
Loan payable to Canadian Western Trust for TWU's RRSP/RRIF program, secured by fixed charge on specific land and buildings	11,270,979	25,800,000
Promissory notes payable, secured by fixed charge on specific land and buildings	1,863,437	6,610,000
	<u>30,701,416</u>	<u>143,080,000</u>
Land and buildings not pledged as security		<u>9,640,000</u>
		<u><u>152,720,000</u></u>

The fair market values represent the depreciated replacement cost plus estimated land value determined by a third party valuator, as at June 2015.

10. Specific Purpose Fund and Endowment Fund

Restrictions imposed on the following funds are:

	2015		2014	
	Specific Purpose	Endowment	Specific Purpose	Endowment
	\$	\$	\$	\$
Externally restricted	4,653,682	11,964,323	2,224,636	11,176,191
Internally restricted	5,829,498	5,405,299	7,408,024	4,577,618
	<u>10,483,180</u>	<u>17,369,622</u>	<u>9,632,660</u>	<u>15,753,809</u>

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

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Notes to financial statements

April 30, 2015

11. Other income

The components of other income are as follows:

	Unrestricted	Capital	Specific Purpose	2015 Total	2014 Total
	\$	\$	\$	\$	\$
Project revenues	-	300,400	2,715,850	3,016,250	3,590,256
Student related	598,970	-	703,977	1,302,947	1,105,419
Investment income realized	1,108,981	-	-	1,108,981	1,774,257
Miscellaneous	531,433	-	-	531,433	507,656
Parking receipts	484,127	-	-	484,127	455,337
Rental income	304,777	-	-	304,777	287,493
Wellness centre	268,049	-	-	268,049	238,588
US exchange gain	148,751	-	-	148,751	122,547
	3,445,088	300,400	3,419,827	7,165,315	8,081,553

12. Interfund transfers

Transfers between the various funds are summarized as follows:

	Unrestricted	Capital	Specific Purpose	Endowment
	\$	\$	\$	\$
Debt repayment	(844,420)	849,620	(5,200)	-
Interest on long-term debt	(1,727,202)	1,727,202	-	-
Capital assets	(1,912,521)	2,134,533	(222,012)	-
Appropriations	(5,839,075)	5,663,375	175,700	-
Investment gain, net of scholarship expenses	(879,441)	(125,000)	176,759	827,682
Travel studies	(672,724)	-	672,724	-
Transfer of equity	-	422,290	(422,290)	-
	(11,875,383)	10,672,020	375,681	827,682

Trinity Western University

Notes to financial statements

April 30, 2015

13. Interfund loans

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

	2015	2014
	\$	\$
Unrestricted Fund	(4,704,251)	(3,781,882)
Capital Fund	(1,714,239)	(2,588,877)
Specific Purpose Fund	7,293,260	6,346,378
Endowment Fund	(874,770)	24,381
	-	-

14. Contingent liabilities

Evangelical Free Church of Canada

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

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

Canadian University Reciprocal Insurance Exchange

Since 1988 Trinity Western University has been a member of the Canadian University Reciprocal Insurance Exchange (C.U.R.I.E), a self-insurance co-operative providing property and general liability insurance coverage to 61 university subscribers in Canada.

Under this co-operative arrangement, the University participates in the periodic return of excess premiums and shares in any losses realized by C.U.R.I.E., in proportion to its participation in C.U.R.I.E. For the current fiscal year, there was a return of \$23,070 (2014 - \$25,047) related to the return of excess premiums; 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, 2015

14. 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, 2015 the amount calculated under the formula was approximately \$1,648,984 (2014 - \$1,716,016). At the end of the lease term, including all renewals, title and ownership of the building will pass to the University.

15. 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 \$875,734 (2014 - \$950,121) to employee retirement plans. The fair market value of the assets owned by employees in the University sponsored program at April 30, 2015 was \$28,211,212 (2014 - \$24,576,114). There is no past service liability with respect to this program.

16. 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:

	2015	2014
	\$	\$
Aggregate contributed principal	387,000	387,000
Market value on March 31	535,321	501,463
Income earned	17,756	17,021
Distribution to TWU	17,345	16,772

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.

17. Commitments

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

	\$
2016	237,750
2017	171,775
2018	56,340
2019	3,286

Trinity Western University

Notes to financial statements

April 30, 2015

18. Government remittances

Included in accounts payable and accrued liabilities is \$179,255 (2014 – \$185,002) of government remittances.

19. Capital disclosures

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

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

Under the terms of the HSBC long-term debt agreements, the University must satisfy restrictive covenants. The University satisfied those debt covenants as at April 30, 2015.

20. Financial instruments

Market risk

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

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

Interest rate risk

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

As at April 30, 2015, the University has entered into swaps covering \$14,000,000 of the HSBC non-revolving loan (Note 9). Under the terms of the swaps, the variable interest rate has been exchanged for fixed interest rates of between 3.78% to 5.90%, maturing between May 14, 2016 and January 5, 2021. The fair value of the swaps at April 30, 2015 is a liability of \$457,747. The fair value is based on information received from the financial institution. A loss of \$273,851 has been recorded in the current year related to these swaps (2014 - \$183,896).

Trinity Western University

Notes to financial statements

April 30, 2015

20. Financial instruments (continued)

Currency and credit risk

Due to the nature of revenue as well as the amount of revenue which is received in advance of services being provided, the University is not exposed to significant currency or credit risks arising from its financial instruments. The allowance for doubtful accounts balance at April 30, 2015 was \$82,181 (2014 - \$71,000).

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, 2015, the most significant financial liabilities are: accounts payable and accrued liabilities, capital lease obligations and long-term debt.

21. Comparative figures

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