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# Consolidated financial statements of Trinity Western University

April 30, 2023

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## Independent Auditor's Report

### 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, 2023, and the consolidated statements of operations and 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, 2023, 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  
August 15, 2023  
Vancouver, British Columbia

**Trinity Western University**  
**Consolidated statement of financial position**  
As at April 30, 2023

	Notes	2023 \$	2022 \$
<b>Assets</b>			
Current assets			
Cash		<b>46,730,815</b>	37,235,487
Restricted cash		—	60,119
Accounts receivable	3, 10 and 17	<b>3,750,052</b>	3,624,647
Inventory		<b>225,526</b>	261,136
Prepaid expenses		<b>2,373,299</b>	1,915,203
		<b>53,079,692</b>	43,096,592
Other asset	4	<b>1,095,428</b>	1,314,513
Investments	5	<b>36,997,550</b>	33,580,719
Capital assets	6	<b>206,367,792</b>	204,044,626
		<b>297,540,462</b>	282,036,450
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	3 and 6	<b>5,750,848</b>	8,333,030
Student deposits and deferred income - short-term		<b>31,136,414</b>	27,805,593
		<b>36,887,262</b>	36,138,623
Long-term debt	7 and 8	<b>15,148,649</b>	16,863,138
Student deposits and deferred income - long-term		<b>21,065,081</b>	8,024,209
		<b>73,100,992</b>	61,025,970
Contingent liabilities	13		
Commitments	16		
<b>Fund balances</b>			
Restricted funds	9		
Capital fund		<b>166,375,974</b>	166,328,149
Specific purpose fund		<b>20,798,076</b>	20,793,228
Endowment fund		<b>36,953,956</b>	33,578,805
Unrestricted fund		<b>311,464</b>	310,298
		<b>224,439,470</b>	221,010,480
		<b>297,540,462</b>	282,036,450

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

Approved by the Board of Governors

"Mr. Leighton Friesen"

"Mr. Fred Fleming"

**Trinity Western University**

**Consolidated statement of operations and changes in fund balances**

Year ended April 30, 2023

	Unrestricted	Capital	Specific Purpose	Endowment	2023	2022
Notes	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Tuition and fees	89,006,260	—	—	—	89,006,260	83,912,258
Donations	1,964,407	641,956	1,733,500	2,370,147	6,710,010	14,412,537
Other	16,367,286	43,124	2,358,220	—	18,768,630	20,339,966
	<b>107,337,953</b>	<b>685,080</b>	<b>4,091,720</b>	<b>2,370,147</b>	<b>114,484,900</b>	<b>118,664,761</b>
<b>Expenditures</b>						
Compensation	58,051,746	8,344	1,594,732	—	59,654,822	55,864,085
Operating costs	24,687,479	282,321	1,644,632	—	26,614,432	21,021,983
Scholarships and bursaries	12,291,019	—	1,477,423	—	13,768,442	14,490,290
Interest	—	603,525	—	—	603,525	463,994
Overhead and other	2,323,096	36	12,118	—	2,335,250	2,459,217
	<b>97,353,340</b>	<b>894,226</b>	<b>4,728,905</b>	<b>—</b>	<b>102,976,471</b>	<b>94,299,569</b>
Excess of revenue over expenditures before the following non-cash items	<b>9,984,613</b>	<b>(209,146)</b>	<b>(637,185)</b>	<b>2,370,147</b>	<b>11,508,429</b>	<b>24,365,192</b>
Amortization of capital assets	—	(8,485,059)	—	—	(8,485,059)	(7,216,559)
Amortization of other assets	—	—	(219,086)	—	(219,086)	(219,086)
Change in fair value of investments	624,706	—	—	—	624,706	(2,825,619)
	<b>624,706</b>	<b>(8,485,059)</b>	<b>(219,086)</b>	<b>—</b>	<b>(8,079,439)</b>	<b>(10,261,264)</b>
Excess (deficiency) of revenue over expenditures	<b>10,609,319</b>	<b>(8,694,205)</b>	<b>(856,271)</b>	<b>2,370,147</b>	<b>3,428,990</b>	<b>14,103,928</b>
Interfund transfers	(10,608,153)	8,742,030	861,119	1,005,004	—	—
Change in fund balances for the year	<b>1,166</b>	<b>47,825</b>	<b>4,848</b>	<b>3,375,151</b>	<b>3,428,990</b>	<b>14,103,928</b>
Fund balances at the beginning of the year	<b>310,298</b>	<b>166,328,149</b>	<b>20,793,228</b>	<b>33,578,805</b>	<b>221,010,480</b>	<b>206,906,552</b>
<b>Fund balances at the end of the year</b>	<b>311,464</b>	<b>166,375,974</b>	<b>20,798,076</b>	<b>36,953,956</b>	<b>224,439,470</b>	<b>221,010,480</b>

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

**Trinity Western University**  
**Consolidated statement of cash flows**  
Year ended April 30, 2023

	2023 \$	2022 \$
<b>Operating activities</b>		
Excess of revenues over expenditures	3,428,990	14,103,928
Add back (deduct) items not involving cash		
Amortization of capital assets	8,485,059	7,216,559
Amortization of other assets	219,086	219,086
Donated capital asset additions	(11,230)	(15,134)
Change in fair value of investments	(624,706)	2,825,619
	<b>11,497,199</b>	<b>24,350,058</b>
Change in operating working capital		
Accounts receivable	(125,405)	1,786,806
Inventory	35,609	(28,995)
Prepaid expenses	(458,096)	(228,439)
Accounts payable and accrued liabilities - operations	(2,582,182)	(3,055,233)
Student deposits and deferred income	16,371,693	13,652,546
	<b>13,241,619</b>	<b>12,126,685</b>
	<b>24,738,818</b>	<b>36,476,743</b>
<b>Financing activity</b>		
Repayment of long-term debt	(1,714,489)	(2,110,836)
<b>Investing activities</b>		
Change in restricted cash	60,119	1,532
Purchase of capital assets	(10,979,317)	(19,562,167)
Proceeds from disposal of capital asset	182,322	9,718
Purchase of investments	(2,792,125)	(7,583,755)
	<b>(13,529,001)</b>	<b>(27,134,672)</b>
Change in cash during the year	<b>9,495,328</b>	<b>7,231,235</b>
Cash at beginning of year	<b>37,235,487</b>	<b>30,004,252</b>
<b>Cash at end of year</b>	<b>46,730,815</b>	<b>37,235,487</b>

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 accounting 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 with amounts relating to services to occur in greater than 12 months being classified as non-current.

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 corporations and foundations.

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.

## **2. Significant accounting policies (continued)**

### *Recognition of pledges*

Pledges are recorded in the financial statements when the amount to be received can be reasonably estimated and ultimate 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 \$385,032 (\$326,491 in 2022) 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. No amortization is recorded on construction-in-progress assets.

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
Leasehold improvements	Over lease term
Furniture and equipment	10 years
Library collection	10 years
Computer and equipment	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.

### *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, 2023.

### *Government assistance*

Government assistance is recorded in the financial statements when there is reasonable assurance that the University has complied with, and will continue to comply with, all conditions necessary to obtain the assistance.

## **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 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* in which the University has a significant economic interest

### *Trinity Western University Foundation – US (TWUF – US)*

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. In addition, TWU has no control or significant influence over operational decision making or on the governance of the US Foundation. 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 is defined to have a significant economic interest in the US Foundation as per the 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 three 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 \$196,524 (\$195,662 in 2022).

**3. Related party transactions (continued)**

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

	<b>TWUF - US December 31, 2022 \$</b>	TWUF - US December 31, 2021 \$
Financial position		
Total assets	<b>3,726,701</b>	4,516,103
Total liabilities	<b>(1,592,925)</b>	(1,687,389)
Total net assets	<b>2,133,776</b>	2,828,714
Results of operations		
Total revenues	<b>(133,296)</b>	1,517,347
Total expenses	<b>(723,132)</b>	(1,656,238)
Excess (deficiency) of revenues over expenses	<b>(856,428)</b>	(138,891)
Cash flows		
Cash provided by operations	<b>(143,056)</b>	(1,352,719)
Cash used in investing activities	<b>153,020</b>	1,273,884
Net cash flow	<b>9,964</b>	(78,835)

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

	<b>ACTS \$</b>	<b>TWUF-US \$</b>	<b>2023 Total \$</b>	2022 Total \$
Donations	—	<b>318,731</b>	<b>318,731</b>	1,177,377
Recovery of salaries	<b>343,162</b>	—	<b>343,162</b>	390,683
Provision of goods and services	<b>726,714</b>	—	<b>726,714</b>	658,697
	<b>1,069,876</b>	<b>318,731</b>	<b>1,388,607</b>	2,226,757

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

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

	<b>2023 \$</b>	2022 \$
ACTS	<b>(81,532)</b>	(81,881)
TWUF-US	<b>16,141</b>	19,576
	<b>(65,391)</b>	(62,305)

**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.

**4. Other asset (continued)**

The University recorded amortization of \$219,086 during the year ended April 30, 2023 (\$219,086 in 2022) 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 \$	2023 Fund allocation %
Core endowment - portfolio investments		
Cash equivalents	2,511,946	6.8%
Canadian equities	7,809,352	21.1%
US equities	8,117,756	21.9%
International equities	6,200,390	16.8%
Fixed income Fund	11,814,120	31.9%
Total Mawer	36,453,564	98.5%
Other funds	543,986	1.5%
	<b>36,997,550</b>	<b>100.0%</b>
	Fair value \$	2022 Fund allocation %
Core endowment - portfolio investments		
Cash equivalents	2,502,000	7.5%
Canadian equities	8,114,779	24.2%
US equities	6,642,291	19.8%
International equities	5,906,952	17.6%
Fixed income Fund	9,879,297	29.4%
Total Mawer	33,045,319	98.4%
Other funds	535,400	1.6%
	<b>33,580,719</b>	<b>100.0%</b>

During the year ended April 30, 2023, the return on investment of the Core endowment portfolio was 5.3% (-3.0% in 2022 of the endowment portfolio), 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, 2023, the University recorded an unrealized gain on investments of \$624,706 (\$2,825,619 loss in 2022) and recognized investment income of \$1,343,123 (\$1,699,306 in 2022).

## 6. Capital assets

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
	\$	\$	\$	\$
Land	54,850,486	—	54,850,486	50,771,845
Buildings, roads and parking lots	176,229,796	41,479,563	134,750,233	136,731,341
Leasehold improvements	7,379,052	2,817,574	4,561,478	5,346,292
Furniture and equipment	15,802,175	8,343,211	7,458,965	6,959,078
Library collection	6,956,763	6,084,067	872,696	758,037
Computer equipment	13,262,821	9,453,097	3,809,724	3,435,597
Vehicles	226,921	162,710	64,210	42,436
	<b>274,708,013</b>	<b>68,340,222</b>	<b>206,367,792</b>	<b>204,044,626</b>

During the year ended April 30, 2023 the University acquired capital assets totaling \$10,990,547 (\$23,057,843 in 2022) – of this total, \$11,230 (\$15,134 in 2022) was by means of donated assets, \$10,979,317 (\$19,562,167 in 2022) was by means of cash expenditures and \$nil (\$3,480,542 in 2022) was yet to be paid.

Included in buildings, roads and parking lots is \$nil (\$34,560,666 in 2022) related to construction in progress assets, which remains unamortized until put into use.

## 7. Long-term bank debt

During the year ended April 30, 2023, 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. The University has two loan facilities maturing June 11, 2025, 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 minus 0.30%. No balance has been drawn on this loan facility as at April 30, 2023 (nil drawn at April 30, 2022).
- (b) Term loan: Non-revolving, 25 year straight-line amortization, with interest at the HSBC prime rate minus 0.30%. No balance has been drawn on this loan facility as at April 30, 2023 (nil drawn at April 30, 2022).

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, 2023. The HSBC loan facilities are due on demand following an occurrence of an event of default as defined in the agreement. No such event of default has occurred during the year ended April 30, 2023 and 2022.

**8. Long-term debt**

	<b>2023</b>	2022
	\$	\$
Promissory notes payable, unsecured income contracts with varying terms, bearing interest at an average rate of 3.40%, maturing at various dates up to 2024	<b>1,721,577</b>	2,527,537
Loan payable to Canadian Western Trust for TWU's RRSP/RRIF program, revocable indefinite term contracts bearing interest at an average rate of 4.25%, rates adjusted semi-annually, secured by a fixed charge on specific land and building	<b>13,427,072</b>	14,335,601
	<b>15,148,649</b>	16,863,138

Under the terms of the agreement with HSBC, an operating and term loan were established up to an aggregate total of \$40 million, with the purpose being to repay certain investor promissory notes falling due in 2024. The underlying HSBC loans are long-term, thus the promissory notes are classified as long-term. These facilities were not drawn upon at April 30, 2023.

Total cash interest paid on long-term alternative debt borrowings during the year is \$420,599 (\$388,070 in 2022).

**9. Restricted funds**

Restrictions imposed on the following funds are:

	<b>Capital</b>	<b>Specific purpose</b>	<b>Endowment</b>	<b>2023 Total</b>
	\$	\$	\$	\$
Externally restricted	<b>506,290</b>	<b>8,024,835</b>	<b>29,026,127</b>	<b>37,557,252</b>
Internally restricted	<b>165,869,684</b>	<b>12,773,241</b>	<b>7,927,829</b>	<b>186,570,754</b>
	<b>166,375,974</b>	<b>20,798,076</b>	<b>36,953,956</b>	<b>224,128,006</b>
	<b>Capital</b>	<b>Specific purpose</b>	<b>Endowment</b>	<b>2022 Total</b>
	\$	\$	\$	\$
Externally restricted	10,954,256	8,076,661	26,655,980	45,686,897
Internally restricted	155,373,893	12,716,567	6,922,825	175,013,285
	166,328,149	20,793,228	33,578,805	220,700,182

The externally restricted portion of the Capital Fund is comprised of unspent donations for capital projects. 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:

	<b>Unrestricted</b>	<b>Capital</b>	<b>Specific purpose</b>	<b>2023 Total</b>	<b>2022 Total</b>
	\$	\$	\$	\$	\$
Ancillaries	<b>10,477,594</b>	—	—	<b>10,477,594</b>	8,188,474
Miscellaneous	<b>1,240,367</b>	<b>43,124</b>	<b>768,538</b>	<b>2,052,029</b>	1,697,068
Grants	<b>543,950</b>	—	<b>1,470,007</b>	<b>2,013,957</b>	7,203,850
Investment & other	<b>2,861,919</b>	—	—	<b>2,861,919</b>	2,041,989
Parking & rental	<b>1,243,456</b>	—	<b>119,674</b>	<b>1,363,130</b>	1,208,585
	<b>16,367,286</b>	<b>43,124</b>	<b>2,358,220</b>	<b>18,768,630</b>	20,339,966

During the year the University applied for and received benefits under:

- (a) Canada Emergency Wage Subsidy program of \$nil (\$5,533,210 in 2022);
- (b) Canada Emergency Rent Subsidy program of \$nil (\$146,229 in 2022); and
- (c) BC Increased Employment Incentive program of \$nil (\$149,493 in 2022)
- (d) Canada Recovery Hiring program of \$502,348 (\$0 in 2022)

These amounts were recorded as unrestricted grants in other revenue on the statement of operations and changes in fund balances.

## 11. Interfund transfers

Transfers between the various funds during the fiscal year 2023 are summarized as follows:

	<b>Unrestricted</b>	<b>Capital</b>	<b>Specific purpose</b>	<b>Endowment</b>
	\$	\$	\$	\$
Interest on long-term debt	<b>(603,525)</b>	<b>603,525</b>	—	—
Capital asset purchases	<b>(3,914,215)</b>	<b>4,110,433</b>	<b>(196,219)</b>	—
Appropriations	<b>(4,331,557)</b>	<b>4,022,338</b>	<b>309,219</b>	—
Investment loss, net of scholarship expenses	<b>(1,758,856)</b>	<b>5,734</b>	<b>748,119</b>	<b>1,005,004</b>
	<b>(10,608,153)</b>	<b>8,742,030</b>	<b>861,119</b>	<b>1,005,004</b>

## 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.

	<b>2023</b>	<b>2022</b>
	\$	\$
Unrestricted fund	<b>5,169,413</b>	(473,609)
Capital fund	<b>(24,574,169)</b>	(18,554,339)
Specific purpose fund	<b>19,414,702</b>	19,052,096
Endowment fund	<b>(9,946)</b>	(24,148)
	<b>—</b>	<b>—</b>



### **13. Contingent liabilities**

#### *Evangelical Free Church of Canada*

By an agreement dated June 26, 2020, TWU has agreed to provide Evangelical Free Church of Canada ("EFCC") specific office premises on campus for a 50 year term. EFCC has contributed certain direct, indirect and consequential costs related to the construction of the leased premises. During the terms of the lease agreement, certain costs will be charged as rent to EFCC, but no base rent will be payable by EFCC for the expanded premises.

At any time after the tenth anniversary of the lease commencement date, EFCC can terminate the lease by providing a minimum of two years notice of termination. TWU has agreed to repay EFCC an amount of 80% of the undepreciated value of EFCC's investment, should EFCC choose to vacate the office premises. The amount calculated under the formula that could become payable in 2032 is \$1,951,493 if EFCC terminates the lease at the earliest date permitted. Since it is unknown whether EFCC will exercise their option to terminate the lease 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.

#### *Northwest Baptist Theological College*

By an agreement dated June 26, 2020, TWU has agreed to provide Northwest Baptist Theological College ("NWB") specific office premises on campus for a 25 year term. NWB has contributed certain direct, indirect and consequential costs related to the construction of the leased premises. During the terms of the lease agreement, certain costs will be charged as rent to NWB, but no base rent will be payable by NWB for the expanded premises.

At any time after the tenth anniversary of the lease commencement date, NWB can terminate the lease by providing a minimum of two years notice of termination. TWU has agreed to repay NWB an amount of 80% of the undepreciated value of NWB's investment, should NWB choose to vacate the office premises. The amount calculated under the formula that could become payable in 2032 is \$695,194 if NWB terminates the lease at the earliest date permitted. Since it is unknown whether NWB will exercise their option to terminate the lease 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 \$16,054 (\$23,924 in 2022) 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.

#### *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

**13. Contingent liabilities (continued)**

*Canada Institute of Linguistics ("CANIL") ground lease (continued)*

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, 2023 the amount calculated under the formula was approximately \$1,112,729 (\$1,179,761 in 2022). 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 three 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, 2023, the balance outstanding on the line of credit is \$nil (nil in 2022).

**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 1985, known as the Trinity Western Advancement Fund:

	<b>2023</b>	2022
	\$	\$
<b>Endowment Fund</b>		
Aggregate contributed principal	<b>387,000</b>	387,000
Market Value - April 1	<b>628,002</b>	619,452
Fund Earnings	<b>1,744</b>	32,578
Transfer to Award Fund	<b>(28,034)</b>	(24,028)
Market value - March 31	<b>601,712</b>	<b>628,002</b>
<b>Award Fund</b>		
Balance - April 1	<b>12,658</b>	11,370
Transfer from Endowment Fund	<b>28,034</b>	24,028
Distribution to TWU	<b>(26,604)</b>	(22,740)
Balance - March 31	<b>14,088</b>	12,658

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 and premises are as follows:

	\$
2024	210,598
2025	260,661
2026	120,000

**17. Government remittances**

Included in accounts receivables is \$41,718 (\$36,866 in 2022) 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 are 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, 2023 and 2022, the University no longer has swaps covering the HSBC revolving loan as the bank debt has been repaid.

*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, 2023 is \$518,843 (\$605,651 in 2022).

**19. Financial risks (continued)**

*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, 2023, the most significant financial liabilities are: accounts payable and accrued liabilities and long-term debt.