

**BRIERCREST COLLEGE AND
SEMINARY**

FINANCIAL STATEMENTS

June 30, 2018

Independent Auditor's Report

To the Board of Directors of Briercrest College and Seminary

We have audited the accompanying financial statements of Briercrest College and Seminary, which comprise the statement of financial position as at June 30, 2018, 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 Briercrest College and Seminary as at June 30, 2018, 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
Licensed Professional Accountants
November 1, 2018
Regina, Saskatchewan

Briercrest College and Seminary

STATEMENT OF FINANCIAL POSITION

As at June 30

	2018							2017	
	Operating Fund	Capital Asset Fund	Educational Projects Fund	Mission Trust Fund	Annuity Fund	Capital Campaign Fund	Endowment Fund	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS									
Current									
Cash	-	400	697,456	63,142	47,417	-	217,307	1,025,722	1,892,255
Accounts receivable [note 3]	275,619	-	-	-	-	-	-	275,619	178,008
Inventory	106,480	-	-	-	-	-	-	106,480	105,333
Investments [note 4]	800,000	-	-	-	-	-	-	800,000	300,000
Prepaid expenses and supplies	232,612	-	-	-	-	-	-	232,612	216,732
Total current assets	1,414,711	400	697,456	63,142	47,417	-	217,307	2,440,433	2,692,328
Loans receivable	1,796	-	-	-	-	-	-	1,796	-
Equities in co-operatives	5	-	-	-	-	-	-	5	5
Investments [note 4]	-	-	-	-	-	-	2,204,349	2,204,349	2,563,596
Capital assets [note 5]	-	8,847,624	-	-	-	-	-	8,847,624	8,691,894
	1,416,512	8,848,024	697,456	63,142	47,417	-	2,421,656	13,494,207	13,947,823
LIABILITIES AND FUND BALANCES									
Current									
Bank indebtedness [note 6]	1,225,065	-	-	-	-	-	-	1,225,065	742,135
Accounts payable and accrued charges	1,436,930	-	-	-	755	-	-	1,437,685	777,227
Deferred revenue and deposits [note 7]	115,947	-	-	-	-	-	-	115,947	123,257
Due to (from) other funds	(362,598)	362,598	(10,128)	-	-	-	10,128	-	-
Demand loans [note 9]	1,300,000	-	-	-	-	-	-	1,300,000	800,000
Current portion of forgivable loan [note 11]	-	25,600	-	-	-	-	-	25,600	-
Current portion of capital lease obligations [note 10]	-	48,714	-	-	-	-	-	48,714	57,106
Total current liabilities	3,715,344	436,912	(10,128)	-	755	-	10,128	4,153,011	2,499,725
Capital lease obligations [note 10]	-	165,532	-	-	-	-	-	165,532	77,107
Forgivable loan [note 11]	-	95,652	-	-	-	-	-	95,652	-
Life annuity bond agreements [note 14]	-	-	-	-	67,000	-	-	67,000	97,000
Total liabilities	3,715,344	698,096	(10,128)	-	67,755	-	10,128	4,481,195	2,673,832
Fund balances									
Invested in capital assets	-	8,149,928	-	-	-	-	-	8,149,928	9,141,892
Externally restricted	-	-	707,584	63,142	-	-	2,313,592	3,084,317	3,117,268
Internally restricted	-	-	-	-	(20,338)	-	97,936	77,598	155,750
Unrestricted	(2,298,832)	-	-	-	-	-	-	(2,298,832)	(1,140,919)
Total fund balances	(2,298,832)	8,149,928	707,584	63,142	(20,338)	-	2,411,528	9,013,012	11,273,991
	1,416,512	8,848,024	697,456	63,142	47,417	-	2,421,656	13,494,207	13,947,823

See accompanying notes

Approved on behalf of the Board of Directors.

Briercrest College and Seminary

STATEMENT OF CASH FLOWS

Year ended June 30

	Operating Fund	Capital Asset Fund	Educational Projects Fund	Mission Trust Fund	Annuity Fund	Capital Campaign Fund	Endowment Fund	Total	Total
	2018	2018	2018	2018	2018	2018	2018	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$
OPERATING ACTIVITIES									
Excess (deficiency) of revenues over expenses	(1,357,913)	(991,964)	(94,111)	38	23,912	6,000	153,059	(2,260,979)	(1,184,320)
Add charges to operations not requiring a current cash payment									
Net gains on investments	-	-	-	-	-	-	(39,567)	(39,567)	(77,893)
Amortization of deferred charges	-	-	-	-	-	-	-	-	856
Amortization of capital assets	-	960,755	-	-	-	-	-	960,755	884,569
Contributed capital assets	-	(164,936)	-	-	-	-	-	(164,936)	(134,911)
Loss (gain) on disposal of capital assets	-	26,415	-	-	-	-	-	26,415	(2,300)
	(1,357,913)	(169,730)	(94,111)	38	23,912	6,000	113,492	(1,478,312)	(513,999)
Net change in non-cash working capital balances related to operations [note 13]	539,377	121,252	-	-	(867)	-	-	659,762	6,999
Cash provided by (used in) operating activities	(818,536)	(48,478)	(94,111)	38	23,045	6,000	113,492	(818,550)	(507,000)
INVESTING ACTIVITIES									
Purchase of investments	-	-	-	-	-	-	(656,521)	(656,521)	(1,057,340)
Proceeds on disposal of investments	-	-	-	-	-	-	555,335	555,335	169,099
Purchase of capital assets	-	(831,337)	-	-	-	-	-	(831,337)	(185,350)
Proceeds on disposal of capital assets	-	10,667	-	-	-	-	-	10,667	2,300
Cash used in investing activities	-	(820,670)	-	-	-	-	(101,186)	(921,856)	(1,071,291)
FINANCING ACTIVITIES									
Addition of demand loans	500,000	-	-	-	-	-	-	500,000	800,000
Repayment of demand loans	-	-	-	-	-	-	-	-	(2,500)
Addition of loans receivable	(1,796)	-	-	-	-	-	-	(1,796)	-
Repayment of capital lease obligations	-	(77,261)	-	-	-	-	-	(77,261)	(72,215)
Repayment of amounts due to (from) other funds	(362,598)	362,598	127,253	-	-	-	(127,253)	-	-
Reduction of life annuity bond agreements	-	-	-	-	(30,000)	-	-	(30,000)	(40,000)
Cash provided by (used in) financing activities	135,606	285,337	127,253	-	(30,000)	-	(127,253)	390,943	685,285
Net increase (decrease) in cash during the year	(682,930)	(583,811)	33,142	38	(6,955)	6,000	(114,947)	(1,349,463)	(893,006)
Cash and bank indebtedness, beginning of year	(742,135)	584,211	675,775	63,104	254,372	48,169	266,624	1,150,120	2,043,126
Interfund transfers	200,000	-	(11,461)	-	(200,000)	(54,169)	65,630	-	-
Cash and bank indebtedness, end of year	(1,225,065)	400	697,456	63,142	47,417	-	217,307	(199,343)	1,150,120

See accompanying notes

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2018

1. PURPOSE OF THE ORGANIZATION

Briercrest College and Seminary (the “Organization”) is a partnership of three Christ-centred, Bible-anchored, ministry-focused schools that thrive in the context of a vibrant spiritual community. The Organization operates as Briercrest Christian Academy, College and Seminary, together with various ancillary businesses. The Organization is incorporated under An Act to Incorporate Briercrest College and Seminary in the province of Saskatchewan and operates as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) and reflect the following significant accounting policies:

Fund accounting

The Organization follows the restricted fund method of accounting for contributions. The accounts of the Organization are maintained in accordance with the principles of fund accounting in order that limitations and restrictions placed on the use of available resources are observed. Under fund accounting, resources are classified for accounting and reporting purposes into funds with activities or objectives specified. For financial reporting purposes, the accounts have been classified into the following seven funds:

The **Operating Fund** records the operating revenue and expenditures of the Organization as well as the related assets and liabilities.

The **Capital Asset Fund** records capital assets, corresponding indebtedness, and the revenue and expenditures related to these assets and liabilities.

The **Endowment Fund** records endowed contributions to be held permanently for student and faculty scholarships, library resources and faculty chairs.

The **Educational Projects Fund** records donations received for the assistance and development of charitable and educational programs and investment income earned on endowed donations for student scholarships.

The **Mission Trust Fund** records donations received for mission projects as approved by the Organization.

The **Annuity Fund** records funds acquired by the Organization under the terms of life annuity bond agreements.

The **Capital Campaign Fund** records donations received for Future In Focus campaign projects as approved by the Organization.

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and use assumptions that effect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Key components of the financial statements requiring management to make estimates include allowance for doubtful accounts and the useful lives of capital assets. Actual results could differ from those estimates.

Revenue and expense recognition

Donations are recorded as revenue only when received; pledges are not recorded in the accounts.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Endowment contributions are recognized as revenue in the Endowment Fund.

Tuition and ancillary revenue are recorded when services are provided.

Government assistance towards current expenditures has been included in revenue of the Operating Fund.

Investment income on Endowment Fund resources that is not endowed is recognized as revenue in the Educational Projects Fund when earned. Investment income on the resources of all other restricted funds is recognized as revenue in the respective fund when earned. Other investment income is recognized as revenue of the Operating Fund when earned.

Contributed materials

Contributed materials of \$22,594 (\$146,327 - 2017) are recorded at their fair value.

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which the Organization has measured at fair market value.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction cost 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 effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

With respect to financial assets measured as cost or amortized cost, the Organization 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.

Cash and cash equivalent

Cash and cash equivalent consist of cash and bank balances, including bank overdraft with a balance that fluctuate frequently from being positive to overdrawn.

Inventory

Inventory is valued at the lower of cost and net realizable value, determined on an average cost basis for the bookstore and on a first-in, first-out basis for the other inventory.

Capital assets

Capital assets are recorded at cost. When capital assets are sold or retired, the related cost and accumulated amortization are removed from the respective accounts and any gain or loss is recorded in the statement of operations and changes in fund balances. Expenditures for repairs and maintenance are expensed as incurred.

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets (continued)

Capital assets are amortized over their estimated useful lives using the straight-line method at the following rates:

Land improvements	10 years
Buildings	10 – 40 years
Electrical distribution system	25 years
Furniture and equipment	4, 5, 10 or 20 years
Library resources	4 or 20 years
Vehicles	5 years

Capital assets under construction are not amortized until they are placed in service.

Impairment of capital assets

When an item included in capital assets no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations and changes in fund balances. Write-downs are not reversed.

Deferred charges

The Organization contributed toward the construction of a dike as a preventative measure against future flooding. This has been amortized in full on a straight-line over the estimated life of the dike (20 years).

Employee future benefits

The Organization has made contributions of \$94,358 (\$103,283 - 2017) to a defined contribution employee future benefit plan. These contributions are expensed as incurred.

3. ACCOUNTS RECEIVABLE

	2018 \$	2017 \$
Trade	35,063	85,660
Student	172,320	121,494
Rent	44,503	-
Other	147,643	63,885
	399,529	271,039
Allowance for doubtful accounts	123,910	93,031
	275,619	178,008

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2018

4. INVESTMENTS

	2018		2017	
	Cost \$	Carrying Value \$	Cost \$	Carrying Value \$
GIC	800,000	800,000	979,000	991,211
Mutual Funds	2,092,378	2,204,349	1,812,192	1,872,385
	2,892,378	3,004,349	2,791,192	2,863,596
Less current portion	800,000	800,000	300,000	300,000
Long-term portion	2,092,378	2,204,349	2,491,192	2,563,596

Investments included guaranteed investment certificates with interest rates from 1.55% to 2.05% and maturing March 7, 2019 (2017: 1.35% to 2.55%, maturing July 2017 to March 2019).

5. CAPITAL ASSETS

	2018		2017	
	Cost \$	Accumulated Amortization \$	Cost \$	Accumulated Amortization \$
Land	230,582	-	230,582	-
Land improvements	406,552	171,863	196,907	156,798
Buildings	24,299,787	17,511,272	24,091,861	16,899,180
Electrical distribution system	21,326	15,680	21,326	14,827
Furniture and equipment	1,097,938	532,871	861,802	489,111
Library resources	1,616,575	996,722	1,612,887	963,391
Vehicles	419,747	358,023	402,355	337,002
Equip./Veh. under capital lease	553,720	212,172	457,965	323,482
	28,646,227	19,798,603	27,875,685	19,183,791
Less:				
Accumulated amortization	19,798,603		19,183,791	
Net book value	8,847,624		8,691,894	

6. BANK INDEBTEDNESS

The Organization has a revolving operating loan facility of \$1,500,000 (2017: \$800,000) at prime plus 0.5% (2017: prime plus 0.5%). The prime rate is at 3.45% (2017: prime rate at 2.70%) and the facility is repayable in full upon demand against which a term deposit is held as security.

Subsequent to year end, the revolving operating loan facility of \$1,500,000 and demand loan of \$500,000 were replaced with a \$3,250,000 line of credit facility at prime plus 0.5%. The line of credit facility is repayable in full upon demand against which a general security agreement on all assets, registered mortgage on various properties and rent receivable are held as security.

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2018

7. DEFERRED REVENUE AND DEPOSITS

	2018 7\$	2017 \$
Advance fees and room reservations	44,300	46,050
Damage fee deposits	71,647	77,207
	115,947	123,257

8. INTERFUND TRANSACTIONS

During the year, the Board of Directors authorized the transfer of \$200,000 from the Annuity Fund to the Operating Fund to cover operating fund expenditures.

The Educational Projects Fund transferred \$98,557 to the Endowment Fund to be preserved and applied towards financing future provision of scholarships.

The Endowment Fund transferred \$32,927 to the Educational Projects Fund to finance the provision of scholarships.

The Capital Campaign Fund transferred \$54,169 to the Educational Projects Fund to finance the provision of a scholarship.

9. DEMAND LOANS

	2018 \$	2017 \$
Private loan from an individual, with an interest rate of 0% and a maturity date in 2020, repayable within 30 days of demand, no collateral.	800,000	800,000
Bank loan with interest rate of prime plus 0.5%, repayable on demand, secured by first mortgage on various properties and assignment of rents	500,000	-
Total demand loans	1,300,000	800,000

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2018

10. CAPITAL LEASE OBLIGATIONS

	2018 \$	2017 \$
Capital lease obligation repayable to the Royal Bank of Canada at a rate of 4.45%, repayable in monthly installments of \$3,192, maturing in June 2018.	-	35,694
Capital lease obligations repayable to Davlyn Corporation at rates of 2.70%, repayable in monthly installments of \$1,862, maturing in August 2021.	77,107	98,519
Capital lease obligations repayable to Davlyn Corporation at rates of 3.45%, repayable in monthly installments of \$2,136, maturing in September 2022.	112,988	-
Capital lease obligations repayable to Toyota Credit Canada Inc. at rates of 3.45 %, repayable in monthly installments of \$351, maturing in September 2022.	24,151	-
	214,246	134,213
Less: current portion	48,714	57,106
	165,532	77,107

Principal repayments due in each of the next five years are as follows:

	\$
2019	48,714
2020	49,893
2021	51,106
2022	33,731
2023	23,001

11. FORGIVABLE LOAN

	2018 \$	2017 \$
Husky Oil Marketing Company's loan forgivable in annual installments based on the consumption of petroleum per litre over the term of the agreement provided the Organization complies with the Retail Facility Sales Agreement	121,252	-
	121,252	-
Less: current portion	25,600	-
	95,652	-

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2018

12. INTEREST ON AMOUNTS HELD IN THE ENDOWMENT FUND

Interest for the year on amounts held in the Endowment Fund of \$75,237 (2017: \$137,381) was allocated to the Educational Projects Fund.

13. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

	2018 \$	2017 \$
(INCREASE) DECREASE IN		
Accounts receivable	(97,611)	9,398
Inventory	(1,147)	(13,383)
Prepaid expenses and supplies	(15,880)	(7,784)
INCREASE (DECREASE) IN		
Accounts payable and accrued charges	660,458	6,843
Deferred revenue and deposits	(7,310)	11,925
Forgivable loan	121,252	-
	659,762	6,999

14. COMMITMENTS AND CONTINGENT OBLIGATIONS

The Organization has established a gift annuity plan as a form of public support and, in exchange for contributions held in trust, obligates itself to pay donors fixed annual returns for life at rates varying from 5% to 13% (life annuity bond agreements). At the time of an annuitant's death, the principal balance passes to the Organization and is recorded as a donation in the Annuity Fund.

During the year \$11,430 (\$11,430 - 2017) of annuity payments were made. No external actuarial estimate of the annuity liability has been made.

15. LEASE COMMITMENTS

The Organization is committed to payments under term lease agreements as follows:

	\$
2019	30,036
2020	30,036
2021	30,036
2022	30,036
2023	27,700
2024	27,700

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2018

16. COMPARATIVE FIGURES

Certain figures for 2017 have been reclassified to conform to the presentation adopted in 2018.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Organization, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments. The following analysis provides a measurement of risk at June 30, 2018.

Credit Risk

The Organization's principal financial assets are cash, investments and accounts receivable which are subject to credit risk. The carrying amount of financial assets on the statement of financial position represents the Organization's maximum credit exposure at the statement of financial position date.

The Organization's credit risk is primarily attributable to trade and student receivables. The amounts disclosed in the statement of financial position are net of allowance for doubtful accounts, estimated by management based on previous experience and its assessment of the current economic environment. The Organization does not have significant exposure to any individual customer and has not incurred any significant bad debts during the year.

Interest Rate Risk

Briercrest is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest instruments subject Briercrest to fair value risk, while the floating rate instruments subject it to a cash flow risk. Briercrest is exposed to these risks as a result of investments in GIC and mutual funds as well as long term debt. Briercrest does not use derivative instruments to reduce exposure to risk.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Briercrest is exposed to other price risk through its investments in mutual funds for which the value fluctuates with the quoted market price. This risk is mitigated by maintaining a mixed asset portfolio and pooled investments.

Liquidity Risk

The Organization's objective is to have sufficient liquidity to meet its liabilities when due. The Organization monitors its cash balance and cash flows generated from operations to meet its requirements. As at June 30, 2018, the most significant financial liabilities are: bank indebtedness, accounts payable and accrued charges, capital lease obligations and demand loans.