

**BRIERCREST COLLEGE AND  
SEMINARY**

***FINANCIAL STATEMENTS***

***June 30, 2017***

## Independent Auditor's Report

### TO THE BOARD 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, 2017, and the statement 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, 2017, 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 2, 2017  
Regina, Saskatchewan

Briercrest College and Seminary

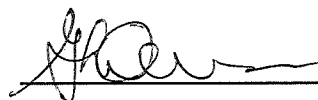
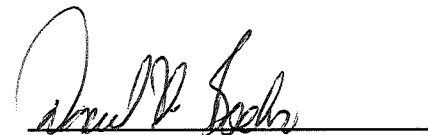
STATEMENT OF FINANCIAL POSITION

As at June 30

	2017							Total \$	2016 Total \$
	Operating Fund \$	Capital Asset Fund \$	Educational Projects Fund \$	Mission Trust Fund \$	Annuity Fund \$	Capital Campaign Fund \$	Endowment Fund \$		
<b>ASSETS</b>									
<b>Current</b>									
Cash	-	584,211	675,775	63,104	254,372	48,169	266,624	1,892,255	2,043,126
Accounts receivable [note 3]	178,008	-	-	-	-	-	-	178,008	187,406
Inventory	105,333	-	-	-	-	-	-	105,333	91,950
Investments [note 4]	300,000	-	-	-	-	-	2,063,596	2,363,596	1,708,613
Prepaid expenses and supplies	216,732	-	-	-	-	-	-	216,732	208,948
<b>Total current assets</b>	<b>800,073</b>	<b>584,211</b>	<b>675,775</b>	<b>63,104</b>	<b>254,372</b>	<b>48,169</b>	<b>2,330,220</b>	<b>4,755,924</b>	<b>4,240,043</b>
Equities in co-operatives	5	-	-	-	-	-	-	5	5
Investments [note 4]	500,000	-	-	-	-	-	-	500,000	188,849
Capital assets [note 5]	-	8,691,894	-	-	-	-	-	8,691,894	9,140,010
Deferred charges [note 6]	-	-	-	-	-	-	-	-	856
	<b>1,300,078</b>	<b>9,276,105</b>	<b>675,775</b>	<b>63,104</b>	<b>254,372</b>	<b>48,169</b>	<b>2,330,220</b>	<b>13,947,823</b>	<b>13,569,763</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Current</b>									
Bank indebtedness [note 7]	742,135	-	-	-	-	-	-	742,135	-
Accounts payable and accrued charges	775,605	-	-	-	1,622	-	-	777,227	770,384
Deferred revenue and deposits [note 8]	123,257	-	-	-	-	-	-	123,257	111,332
Due to (from) other funds	-	-	(137,381)	-	-	-	137,381	-	-
Demand loans [note 10]	800,000	-	-	-	-	-	-	800,000	2,500
Current portion of capital lease obligations [note 11]	-	57,106	-	-	-	-	-	57,106	54,542
<b>Total current liabilities</b>	<b>2,440,997</b>	<b>57,106</b>	<b>(137,381)</b>	<b>-</b>	<b>1,622</b>	<b>-</b>	<b>137,381</b>	<b>2,499,725</b>	<b>938,758</b>
Capital lease obligations [note 11]	-	77,107	-	-	-	-	-	77,107	35,694
Life annuity bond agreements [note 13]	-	-	-	-	97,000	-	-	97,000	137,000
<b>Total liabilities</b>	<b>2,440,997</b>	<b>134,213</b>	<b>(137,381)</b>	<b>-</b>	<b>98,622</b>	<b>-</b>	<b>137,381</b>	<b>2,673,832</b>	<b>1,111,452</b>
<b>Fund balances</b>									
Invested in capital assets	-	9,141,892	-	-	-	-	-	9,141,892	9,829,270
Externally restricted	-	-	813,156	63,104	-	48,169	2,192,839	3,117,268	2,761,182
Internally restricted	-	-	-	-	155,750	-	-	155,750	126,607
Unrestricted	(1,140,919)	-	-	-	-	-	-	(1,140,919)	(258,748)
<b>Total fund balances</b>	<b>(1,140,919)</b>	<b>9,141,892</b>	<b>813,156</b>	<b>63,104</b>	<b>155,750</b>	<b>48,169</b>	<b>2,192,839</b>	<b>11,273,991</b>	<b>12,458,311</b>
	<b>1,300,078</b>	<b>9,276,105</b>	<b>675,775</b>	<b>63,104</b>	<b>254,372</b>	<b>48,169</b>	<b>2,330,220</b>	<b>13,947,823</b>	<b>13,569,763</b>

See accompanying notes

Approved on behalf of the Board of Directors:

Sec.

Briercrest College and Seminary

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended June 30

	Operating Fund		Restricted Funds					Endowment Fund			
	2017	2016	Capital	Educational	Mission	Capital	Total	Total	2017	2016	
			Asset	Projects	Trust	Annuity					Campaign
	\$	\$	Fund	Fund	Fund	Fund	Fund	2017	2016	\$	\$
<b>REVENUES</b>											
Tuition and fees	6,832,256	7,049,192	-	-	-	-	-	-	-	-	-
Donations	2,103,364	1,592,934	411,780	248,249	1,420	40,000	24,000	725,449	218,649	134,018	260,177
Government grants	209,260	397,049	-	-	-	-	-	-	-	-	-
Investment income	11,208	7,883	-	141,374	-	-	120	141,494	61,813	-	-
Ancillary operations	2,844,457	3,007,901	-	-	-	-	-	-	-	-	-
General sales	1,044,948	949,185	-	-	-	-	-	-	-	-	-
Rentals	1,070,080	1,102,991	-	-	-	-	-	-	-	-	-
Miscellaneous	73,701	249,015	2,300	-	-	-	-	2,300	750,218	-	-
	14,189,274	14,356,150	414,080	389,623	1,420	40,000	24,120	869,243	1,030,680	134,018	260,177
<b>EXPENSES</b>											
Operating expenses	5,796,667	5,480,627	-	-	-	-	-	-	-	-	-
Salaries and benefits	6,823,239	6,245,161	-	-	-	-	-	-	36,600	-	-
Ancillary cost of goods sold	2,418,102	2,407,582	-	-	-	-	-	-	-	-	-
Amortization	-	-	885,425	-	-	-	-	885,425	960,080	-	-
Interest	2,693	-	3,604	-	-	-	-	3,604	12,127	-	-
Scholarships and annuity payments	-	-	-	151,067	-	10,857	-	161,924	224,236	-	-
Miscellaneous	30,744	26,898	212,429	38,172	3,856	-	-	254,457	51,268	-	-
	15,071,445	14,160,268	1,101,458	189,239	3,856	10,857	-	1,305,410	1,284,311	-	-
Excess (deficiency) of revenues over expenses	(882,171)	195,882	(687,378)	200,384	(2,436)	29,143	24,120	(436,167)	(253,631)	134,018	260,177
Fund balances, beginning of year	(258,748)	(419,630)	9,829,270	621,249	65,540	126,607	24,927	10,667,593	10,886,746	2,049,466	1,788,767
Interfund transfers [note 9]	-	(35,000)	-	(8,477)	-	-	(878)	(9,355)	34,478	9,355	522
<b>Fund balances, end of year</b>	<b>(1,140,919)</b>	<b>(258,748)</b>	<b>9,141,892</b>	<b>813,156</b>	<b>63,104</b>	<b>155,750</b>	<b>48,169</b>	<b>10,222,071</b>	<b>10,667,593</b>	<b>2,192,839</b>	<b>2,049,466</b>

See accompanying notes

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
	2017	2017	2017	2017	2017	2017	2017	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>									
Excess (deficiency) of revenues over expenses	(882,171)	(687,378)	200,384	(2,436)	29,143	24,120	134,018	(1,184,320)	202,428
Add charges to operations not requiring a current cash payment									
Net losses (gains) on investments	-	-	-	-	-	-	(77,893)	(77,893)	188,292
Amortization of deferred charges	-	856	-	-	-	-	-	856	1,713
Amortization of capital assets	-	884,569	-	-	-	-	-	884,569	958,367
Contributed capital assets	-	(134,911)	-	-	-	-	-	(134,911)	(9,611)
Gain on disposal of capital assets	-	(2,300)	-	-	-	-	-	(2,300)	(750,218)
	(882,171)	60,836	200,384	(2,436)	29,143	24,120	56,125	(513,999)	590,971
Net change in non-cash working capital balances related to operations [note 12]	7,583	(11)	-	-	(573)	-	-	6,999	(129,476)
<b>Cash provided by (used in) operating activities</b>	<b>(874,588)</b>	<b>60,825</b>	<b>200,384</b>	<b>(2,436)</b>	<b>28,570</b>	<b>24,120</b>	<b>56,125</b>	<b>(507,000)</b>	<b>461,495</b>
<b>INVESTING ACTIVITIES</b>									
Purchase of investments	(800,000)	-	-	-	-	-	(257,340)	(1,057,340)	(1,756,386)
Proceeds on disposal of investments	-	-	-	-	-	-	169,099	169,099	1,512,795
Purchase of capital assets	-	(185,350)	-	-	-	-	-	(185,350)	(83,455)
Proceeds on disposal of capital assets	-	2,300	-	-	-	-	-	2,300	1,122,300
<b>Cash provided by (used in) investing activities</b>	<b>(800,000)</b>	<b>(183,050)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(88,241)</b>	<b>(1,071,291)</b>	<b>795,254</b>
<b>FINANCING ACTIVITIES</b>									
Addition of demand loans	800,000	-	-	-	-	-	-	800,000	-
Repayment of demand loans	-	(2,500)	-	-	-	-	-	(2,500)	(602,772)
Repayment of capital lease obligations	-	(72,215)	-	-	-	-	-	(72,215)	(86,162)
Repayment of amounts due to (from) other funds	-	-	(79,000)	-	-	-	79,000	-	-
Reduction of life annuity bond agreements	-	-	-	-	(40,000)	-	-	(40,000)	-
<b>Cash provided by (used in) financing activities</b>	<b>800,000</b>	<b>(74,715)</b>	<b>(79,000)</b>	<b>-</b>	<b>(40,000)</b>	<b>-</b>	<b>79,000</b>	<b>685,285</b>	<b>(688,934)</b>
<b>Net increase (decrease) in cash during the year</b>	<b>(874,588)</b>	<b>(196,940)</b>	<b>121,384</b>	<b>(2,436)</b>	<b>(11,430)</b>	<b>24,120</b>	<b>46,884</b>	<b>(893,006)</b>	<b>567,815</b>
Cash, beginning of year	132,453	781,151	562,868	65,540	265,802	24,927	210,385	2,043,126	1,475,311
Interfund transfers	-	-	(8,477)	-	-	(878)	9,355	-	-
<b>Cash, end of year</b>	<b>(742,135)</b>	<b>584,211</b>	<b>675,775</b>	<b>63,104</b>	<b>254,372</b>	<b>48,169</b>	<b>266,624</b>	<b>1,150,120</b>	<b>2,043,126</b>

See accompanying notes

# **BRIERCREST COLLEGE AND SEMINARY**

## **Notes to Financial Statements**

**Year Ended June 30, 2017**

### **1. PURPOSE OF THE ORGANIZATION**

Briercrest College and Seminary (the “Organization”) was incorporated under the laws of Saskatchewan and provides Bible based education enabling Christ-like integrity in life, thought and service. The Organization operates as the Briercrest College and Seminary including Caronport High School, together with various ancillary businesses. The Organization is incorporated under An Act to Incorporate Briercrest College and Seminary 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, 2017**

### **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**

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.

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.

Endowment contributions are recognized as revenue in the Endowment Fund.

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

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

Tuition and ancillary revenue are recorded when services are provided.

Investment income on Educational Projects Fund resources is recognized as revenue in the Educational Projects Fund when earned. Investment income on Annuity Fund resources is recognized as revenue in the Annuity Fund when earned. Investment income on Endowment Fund resources that is not endowed is recognized as revenue in the Educational Projects Fund when earned. Investment income on Capital Campaign Fund resources is recognized as revenue in the Capital Campaign Fund when earned. Other investment income is recognized as revenue of the Operating Fund when earned.

#### **Contributed materials**

Contributed materials of \$146,327 (\$15,124 - 2016) are recorded at their fair value.

# **BRIERCREST COLLEGE AND SEMINARY**

## **Notes to Financial Statements**

**Year Ended June 30, 2017**

### **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, 2017

### 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 is being amortized straight-line over the estimated life of the dike (20 years).

#### Employee future benefits

The Organization has made contributions of \$103,283 (\$99,085 - 2016) to a defined contribution employee future benefit plan. These contributions are expensed as incurred.

### 3. ACCOUNTS RECEIVABLE

	2017 \$	2016 \$
Trade	85,660	29,018
Student	121,494	104,520
Other	63,885	109,756
	<b>271,039</b>	243,294
Allowance for doubtful accounts	93,031	55,888
	<b>178,008</b>	187,406

# BRIERCREST COLLEGE AND SEMINARY

## Notes to Financial Statements

Year Ended June 30, 2017

### 4. INVESTMENTS

	2017		2016	
	Cost \$	Carrying Value \$	Cost \$	Carrying Value \$
GIC	979,000	991,211	269,000	287,530
Mutual Funds	1,812,192	1,872,385	1,633,950	1,609,932
	2,791,192	2,863,596	1,902,950	1,897,462
Less current portion	2,291,192	2,363,596	1,723,950	1,708,613
Long-term portion	500,000	500,000	179,000	188,849

Investments include guaranteed investment certificates with interest rates from 1.35% to 2.55% and maturity dates ranging from July 2017 to March 2019 (2.35% to 2.55%, July 2016 to January 2018).

### 5. CAPITAL ASSETS

	2017		2016	
	Cost \$	Accumulated Amortization \$	Cost \$	Accumulated Amortization \$
Land	230,582	-	230,582	-
Land improvements	196,907	156,798	196,907	150,564
Buildings	24,091,861	16,899,180	24,061,024	16,290,984
Electrical distribution system	21,326	14,827	21,326	13,974
Furniture and equipment	861,802	489,111	672,269	397,264
Library resources	1,612,887	963,391	1,606,070	930,461
Vehicles	402,355	337,002	468,954	423,255
Equip./Veh. under capital lease	457,965	323,482	341,773	252,393
	27,875,685	19,183,791	27,598,905	18,458,895
Less:				
Accumulated amortization	19,183,791		18,458,895	
<b>Net book value</b>	<b>8,691,894</b>		<b>9,140,010</b>	

### 6. DEFERRED CHARGES

	Cost \$	Accumulated Amortization \$	2017 Net Book Value \$	2016 Net Book Value \$
Flood control project	34,074	34,074	-	856

# BRIERCREST COLLEGE AND SEMINARY

## Notes to Financial Statements

Year Ended June 30, 2017

### 7. BANK INDEBTEDNESS

The Organization has a revolving operating loan facility at prime plus 0.5% (prime plus 2.5% - 2016) (prime rate 2.70% - 2017; 2.70% - 2016) of \$800,000 (\$630,000 - 2016), repayable in full upon demand against which a term deposit is held as security.

### 8. DEFERRED REVENUE AND DEPOSITS

	2017 \$	2016 \$
Advance fees and room reservations	46,050	43,800
Damage fee deposits	77,207	67,532
	<b>123,257</b>	<b>111,332</b>

### 9. INTERFUND TRANSACTIONS

During the year, the Board of Directors authorized the transfer of \$1,000 from the Endowment Fund to the Educational Projects Fund to finance the provision of scholarships to students of Briercrest College and Seminary.

The Educational Projects Fund transferred \$9,500 to the Endowment Fund to set up an endowed scholarship.

The Capital Campaign Fund transferred \$855 to the Endowment Fund to set up an endowed scholarship.

The Capital Campaign Fund transferred \$23 to the Educational Projects Fund to finance the provision of a scholarship.

### 10. DEMAND LOANS

	2017 \$	2016 \$
Private loans from various individuals, with interest rates of 0.65% to 1.75%, with various maturity dates through 2019, repayable within 30 days of demand, no collateral.	-	2,500
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	-
Total demand loans	<b>800,000</b>	<b>2,500</b>

# BRIERCREST COLLEGE AND SEMINARY

## Notes to Financial Statements

Year Ended June 30, 2017

### 11. CAPITAL LEASE OBLIGATIONS

	2017 \$	2016 \$
Capital lease obligations repayable to the Royal Bank of Canada at rates of 3.00%, repayable in monthly installments of \$4,732, matured in July 2016 and March 2017.	-	20,399
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	69,837
Capital lease obligations repayable to Davlyn Corporation at rates of 1.05%, repayable in monthly installments of \$1,862, maturing in August 2021.	98,519	-
	<b>134,213</b>	90,236
Less: current portion	57,106	54,542
	<b>77,107</b>	35,694

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

	\$
2018	57,106
2019	21,636
2020	21,866
2021	22,097
2022	11,508

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

	2017 \$	2016 \$
<b>(INCREASE) DECREASE IN</b>		
Accounts receivable	9,398	2,719
Inventory	(13,383)	61,791
Prepaid expenses and supplies	(7,784)	44,209
<b>INCREASE (DECREASE) IN</b>		
Accounts payable and accrued charges	6,843	(243,842)
Deferred revenue and deposits	11,925	5,647
	<b>6,999</b>	(129,476)

# BRIERCREST COLLEGE AND SEMINARY

## Notes to Financial Statements

Year Ended June 30, 2017

### 13. 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 (\$12,430 - 2016) of annuity payments were made. No external actuarial estimate of the annuity liability has been made.

### 14. LEASE COMMITMENTS

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

	\$
2018	<b>40,002</b>
2019	<b>8,123</b>

### 15. 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, 2017.

#### *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.

# **BRIERCREST COLLEGE AND SEMINARY**

## **Notes to Financial Statements**

**Year Ended June 30, 2017**

### **15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

#### *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, 2017, the most significant financial liabilities are: bank indebtedness, accounts payable and accrued charges, capital lease obligations and demand loans.