
**THE LUTHERAN COLLEGIATE
BIBLE INSTITUTE**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Heagy Altrogge Matchett & Partners LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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#4 - 305 Idylwyld Drive North
CP Station
Saskatoon, Saskatchewan S7L 0Z1

Telephone: 306 665-7667

Facsimile: 306-652-5567

Clare E. Heagy, F.C.A. (Retired)

Richard D. Altrogge, B.Comm., CPA, CA (Retired)

Richard D. Matchett, B.Comm., CPA, CA

Alan S. Ashdown, B.Comm., CPA, CA

James R. Schemenauer, B.Comm., CPA, CA

INDEPENDENT AUDITORS' REPORT

To the Board of Regents of
The Lutheran Collegiate Bible Institute

We have audited the accompanying financial statements of The Lutheran Collegiate Bible Institute, which comprise the statement of financial position as at June 30, 2016 and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended along with the 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.

Auditors' 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 auditors' judgment, including the assessment of 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 institute'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 institute'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 of our audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the institute derives revenue from the general public in the form of donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of revenue was limited to the amounts recorded in the records of the institute and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses for the year, assets and fund balances.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Lutheran Collegiate Bible Institute as at June 30, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 12 in the financial statements, which describes matters and conditions that indicate the existence of material uncertainties that cast doubt about the institute's ability to continue as a going concern.



CHARTERED PROFESSIONAL ACCOUNTANTS
October 14, 2016

THE LUTHERAN COLLEGIATE BIBLE INSTITUTE

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30

	Current Fund \$	Capital Fund \$	Trust Fund \$	Total 2016 \$	Total 2015 \$
ASSETS (note 6)					
CURRENT ASSETS					
Cash	92,665	-	29,220	121,885	83,966
Accounts receivable (note 3)	2,418	-	-	2,418	8,721
Inventory	3,456	-	-	3,456	3,456
Prepaid expenses	10,160	-	-	10,160	11,225
	108,699	-	29,220	137,919	107,368
LONG-TERM INVESTMENTS (note 4)					
	-	-	558,081	558,081	506,314
TANGIBLE CAPITAL ASSETS (notes 5 and 7)					
	-	1,427,710	-	1,427,710	1,465,179
	108,699	1,427,710	587,301	2,123,710	2,078,861
LIABILITIES					
CURRENT LIABILITIES					
Bank overdraft (note 6)	-	-	-	-	103,504
Accounts payable and accrued liabilities	140,153	-	-	140,153	134,947
Deferred revenue	10,435	-	-	10,435	49,403
Current portion of long-term debt	33,100	-	10,000	43,100	41,100
Interfund balance	318,629	-	(318,629)	-	-
Current liabilities before callable debt	502,317	-	(308,629)	193,688	328,954
Callable debt (note 7)	315,000	-	-	315,000	215,000
	817,317	-	(308,629)	508,688	543,954
LONG-TERM DEBT (note 7)					
	301,618	-	-	301,618	186,017
	1,118,935	-	(308,629)	810,306	729,971
FUND BALANCES					
FUND BALANCES	(1,010,236)	1,427,710	895,930	1,313,404	1,348,890
	108,699	1,427,710	587,301	2,123,710	2,078,861

SIGNED ON BEHALF OF THE BOARD

_____ Director
 _____ Director

THE LUTHERAN COLLEGIATE BIBLE INSTITUTE

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE YEAR ENDED
JUNE 30**

	Current Fund \$	Capital Fund \$	Trust Fund \$	Total 2016 \$	Total 2015 \$
BALANCE (DEFICIT) - BEGINNING OF YEAR	(1,038,642)	1,465,179	922,353	1,348,890	1,646,397
Excess (deficiency) of revenue over expenses for the year	28,406	(37,469)	(26,423)	(35,486)	(297,507)
BALANCE (DEFICIT) - END OF YEAR	(1,010,236)	1,427,710	895,930	1,313,404	1,348,890
FUND BALANCES CONSIST OF:					
Unrestricted	(1,010,236)	-	-	(1,010,236)	(1,038,642)
Invested in tangible capital assets	-	1,427,710	-	1,427,710	1,465,179
Externally restricted	-	-	895,930	895,930	922,353
	(1,010,236)	1,427,710	895,930	1,313,404	1,348,890

THE LUTHERAN COLLEGIATE BIBLE INSTITUTE

STATEMENT OF REVENUE AND EXPENSES

**FOR THE YEAR ENDED
JUNE 30**

	Current Fund \$	Capital Fund \$	Trust Fund \$	Total 2016 \$	Total 2015 \$
REVENUE					
Donations and bequests	755,937	75,000	28,900	859,837	745,790
Tuition and other fees	374,694	-	-	374,694	352,558
Dept. of Education grant	310,946	-	-	310,946	327,218
Dining and other meals	182,259	-	-	182,259	184,327
Room rentals	153,123	-	-	153,123	175,211
Other rentals	67,050	-	-	67,050	54,112
Fund raising and self-financing activities	26,400	-	7,308	33,708	35,977
Miscellaneous grants	24,205	-	-	24,205	14,620
Investment income	-	-	22,885	22,885	28,671
Gain on disposal of portfolio investments	-	-	5,004	5,004	51,577
Interest and miscellaneous	3,169	-	-	3,169	16,742
Unrealized loss on portfolio investments	-	-	(8,176)	(8,176)	(50,726)
	1,897,783	75,000	55,921	2,028,704	1,936,077
EXPENSES					
Salaries and benefits	1,348,528	-	-	1,348,528	1,407,445
Utilities	113,553	-	-	113,553	108,108
Depreciation	-	112,469	-	112,469	110,657
Food and food services	76,353	-	-	76,353	88,801
Office and miscellaneous	58,252	-	4,330	62,582	48,043
Scholarships and bursaries	-	-	57,600	57,600	89,157
Classroom supplies	39,442	-	-	39,442	22,337
Repairs and maintenance	36,219	-	-	36,219	48,358
Fund raising and self-financing activities	12,318	-	20,414	32,732	62,379
Promotion	28,649	-	-	28,649	30,897
Insurance	28,520	-	-	28,520	63,036
Interest on long-term debt	25,819	-	-	25,819	23,209
Discounts	23,600	-	-	23,600	43,200
Telephone	15,829	-	-	15,829	14,301
Interest and bank charges	11,352	-	-	11,352	4,207
Travel	11,346	-	-	11,346	19,566
Professional fees	10,053	-	-	10,053	12,110
Graduation and yearbook	7,149	-	-	7,149	6,217
Property taxes	7,030	-	-	7,030	3,332
Bad debts	6,001	-	-	6,001	14,344
Associate school admin. fees	5,671	-	-	5,671	7,295
Board of Regents	3,693	-	-	3,693	6,477
Mission and outreach	-	-	-	-	108
	1,869,377	112,469	82,344	2,064,190	2,233,584
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR					
	28,406	(37,469)	(26,423)	(35,486)	(297,507)

THE LUTHERAN COLLEGIATE BIBLE INSTITUTE

STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED
JUNE 30**

	Current Fund \$	Capital Fund \$	Trust Fund \$	Total 2016 \$	Total 2015 \$
OPERATING ACTIVITIES					
Excess (deficiency) of revenue over expenses for the year	28,406	(37,469)	(26,423)	(35,486)	(297,507)
Items not affecting cash -					
Depreciation	-	112,469	-	112,469	110,657
Gain on disposal of portfolio investments	-	-	(5,004)	(5,004)	(51,577)
Unrealized loss on portfolio investments	-	-	8,176	8,176	50,726
	28,406	75,000	(23,251)	80,155	(187,701)
Changes in non-cash working capital items (note 9)	(49,838)	-	23,444	(26,394)	52,459
Cash Provided by (Used In) Operating Activities	(21,432)	75,000	193	53,761	(135,242)
FINANCING ACTIVITIES					
Proceeds of long-term debt	250,000	-	-	250,000	375
Repayment of long-term debt	(32,399)	-	-	(32,399)	(633,851)
Cash Provided By (Used In) Financing Activities	217,601	-	-	217,601	(633,476)
INVESTING ACTIVITIES					
Purchase of tangible capital assets	-	(75,000)	-	(75,000)	-
Proceeds on disposal of portfolio investments	-	-	60,000	60,000	303,305
Purchase of portfolio investments	-	-	(114,925)	(114,925)	-
Reinvested dividends	-	-	(14)	(14)	-
Cash Provided By (Used in) Investing Activities	-	(75,000)	(54,939)	(129,939)	303,305
INCREASE (DECREASE) IN CASH POSITION					
(DEFICIENCY) - BEGINNING OF YEAR	196,169	-	(54,746)	141,423	(465,413)
CASH POSITION (DEFICIENCY) - END OF YEAR	(103,504)	-	83,966	(19,538)	445,875
CASH POSITION (DEFICIENCY) - END OF YEAR	92,665	-	29,220	121,885	(19,538)

1. THE ORGANIZATION

The Lutheran Collegiate Bible Institute, incorporated under a special act of the Legislative Assembly of Saskatchewan, operates as a non-profit co-educational school in Outlook, Saskatchewan for the educational, recreational and religious training of pupils therein. The institute is a registered charitable organization and is exempt from income taxes under provisions of the Canadian Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Financial Instruments

The institute initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The institute subsequently measures all financial assets and financial liabilities at amortized cost except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess (deficiency) of revenue over expenses for the year.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include bank overdraft, accounts payable and accrued liabilities, callable debt and long-term debt.

The institute's financial assets measured at fair value include portfolio investments (short-term and long-term investments).

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in excess (deficiency) of revenue over expenses for the year. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting an allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess (deficiency) of revenue over expenses for the year.

The institute recognizes its transaction costs in excess (deficiency) of revenue over expenses in the year incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory is valued at the lower of cost and net realizable value using the first-in, first-out method. The value of inventory is regularly reviewed and written down when necessary. If inventory write-downs are subsequently determined recoverable, inventory is written up to its previous cost value, provided the realizable value exceeds its original cost. Otherwise, inventory is written up to its new realizable value. Any write-downs or subsequent reversals of these write-downs are to be disclosed in the financial statements in the period such adjustment is determined.

Tangible Capital Assets and Depreciation

Tangible capital assets are recorded at cost and amortized over their estimated useful lives. This requires estimation of the useful life of the asset and its salvage and residual value. When management considers that a tangible capital asset no longer contributes to the institute's ability to provide services, its carrying amount is written down to its residual value. As is true of all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in earnings in the period in which it became known.

Depreciation of tangible capital assets is calculated using the straight-line method at the following annual rates:

Buildings	2.5%
Land improvements	5.0%
Furniture and equipment	10.0%
Automotive equipment	20.0%

Depreciation on assets acquired during the year is recorded at the full annual rate. There is no depreciation recorded in the year of disposal.

Fund Accounting

Current Fund

The current fund reflects the primary operations of the institute including revenue from tuition and government grants for provision of services. Expenses are for the delivery of services.

Capital Fund

The capital fund is a restricted fund that reflects the equity of the institute in tangible capital assets after taking into consideration any associated long-term debt. Expenses consist primarily of depreciation of tangible capital assets and interest on long-term debt.

Trust Fund

The trust fund is an externally restricted fund maintained for the payment of scholarships, bursaries and designated building or other projects in accordance with the conditions of the trust.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Lutheran Collegiate Bible Institute follows the restricted fund method for accounting for contributions. Restricted contributions related to primary operations are recognized as revenue of the current fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate fund. Unrestricted contributions are recognized as revenue of the current fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Tuition fees, Department of Education grants, room and other rentals and dining meals are recognized over the two teaching semesters as services are rendered. Donations, fundraising and self-financing activities are recognized when funds are received. Proceeds from the sale of mineral rights are recognized over the term of the lease.

Donated Material and Services

The institute benefits from the donation of materials and services from its members. With the exception of tangible capital assets, these financial statements do not reflect the value of donations in kind received in the period since a fair value cannot be reasonably estimated. Donations of tangible capital assets are recorded as donations and capitalized at estimated fair market value.

Use of Estimates

The preparation of the 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 revenue and expenses during the year. Significant items subject to estimate and assumption include valuation of accounts receivable, net realizable value of inventory and the estimated useful lives of tangible capital assets. Actual results could differ from estimates.

3. ACCOUNTS RECEIVABLE

	2016	2015
	\$	\$
Tuition fees receivable	74,260	74,803
Miscellaneous receivables	500	500
GST receivable	-	3,014
Less: allowance for doubtful accounts	(72,342)	(69,596)
	2,418	8,721

THE LUTHERAN COLLEGIATE BIBLE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2016**

4. LONG-TERM INVESTMENTS

	2016	2015
	\$	\$
Portfolio investments	558,081	506,314

5. TANGIBLE CAPITAL ASSETS

	Cost \$	Accumulated Depreciation \$	Net Book Value	
			2016 \$	2015 \$
Land	4,130	-	4,130	4,130
Old Main building	511,535	352,982	158,553	168,409
Administration building	212,933	174,534	38,399	39,842
Gymnasium	463,975	431,158	32,817	44,416
Auditorium and Chapel	166,239	107,674	58,565	61,771
Dean's residence	18,273	11,311	6,962	7,419
Dining hall and lower residence	59,903	57,129	2,774	3,147
Custodial house	45,458	32,717	12,741	13,752
President's residence	54,330	38,696	15,634	16,261
Garage	1,000	1,000	-	-
Shop	46,551	16,296	30,255	31,419
Boys' dormitory	415,772	373,634	42,138	43,396
Classroom complex	1,234,975	585,857	649,118	679,992
Rental houses	296,831	59,313	237,518	244,939
Land improvements	43,456	35,728	7,728	8,770
Furniture and equipment	810,369	747,206	63,163	56,694
Automotive equipment	256,868	189,653	67,215	40,822
	4,642,598	3,214,888	1,427,710	1,465,179

6. BANK OVERDRAFT

The bank overdraft is secured by a general security agreement and bears interest at a floating rate based on bank prime plus 1/2 percent. The institute's total available overdraft is \$150,000 (2015 - \$150,000). The terms of the overdraft are renegotiated from time to time.

The prime rate at June 30, 2016 was 2.7%.

THE LUTHERAN COLLEGIATE BIBLE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2016**

7. LONG-TERM DEBT

	2016	2015
	\$	\$
6.5% Prairie Centre Credit Union Ltd. mortgage, payable in blended monthly instalments of \$4,649, maturing September, 2019, secured by land	334,718	217,117
1.5% Friends of LCBI Support Fund Limited Partnership demand loan, payable in interest-only payments, secured by land	315,000	215,000
Certificate of Deposit loan, non-interest bearing, repayable upon maturity of contract, maturing April, 2017	10,000	10,000
	659,718	442,117
Less: current portion	43,100	41,100
	616,618	401,017
Less: callable debt	315,000	215,000
	301,618	186,017

Callable debt represents demand loans, net of current portion.

The principal payments required in each of the next five years to meet retirement provisions based on current loan terms are as follows:

	\$
Year ending June 30, 2017	43,100
2018	35,300
2019	37,600
2020	40,100
2021	42,800

THE LUTHERAN COLLEGIATE BIBLE INSTITUTE

NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2016**

8. LEASE OBLIGATIONS

The institute leases equipment under a 66 month lease expiring December, 2018 and a 60 month lease expiring March, 2019. The fixed minimum annual rental payments in each of the next five years are as follows:

	\$
Year ending June 30, 2017	8,706
2018	8,706
2019	5,959
2020	-
2021	-

9. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Current Fund \$	Capital Fund \$	Trust Fund \$	Total 2016 \$	Total 2015 \$
Accounts receivable	6,303	-	-	6,303	22,357
Prepaid expenses	1,065	-	-	1,065	2,122
Interfund balance	(23,444)	-	23,444	-	-
Accounts payable and accrued liabilities	5,206	-	-	5,206	25,099
Deferred revenue	(38,968)	-	-	(38,968)	2,881
	<u>(49,838)</u>	-	23,444	<u>(26,394)</u>	<u>52,459</u>

10. EMPLOYEE FUTURE BENEFITS

The institute participates in the Evangelical Lutheran Church in Canada (ELCIC) pension plan, a multi-employer defined contribution plan covering its permanent employees (excluding teachers who are covered with their own government subsidized STF pension plan). Contributions are accumulated in individual accounts. The accounts of all plan members are invested together in a balanced fund where investment returns are allocated to individual accounts.

The institute accrues its obligations under the defined contribution pension plan at the rate of 8% of salary for every 7% contributed by its permanent employees and settles its obligations monthly. The institute has no pension liability beyond the matching amounts noted above.

11. COMPARATIVE FIGURES

The 2015 figures for callable debt and long-term debt on the balance sheet and in note 7 have been reclassified to conform to the 2016 financial statement presentation.

12. FINANCIAL RISK

Credit risk

Credit risk is the risk that financial instrument future cash flows will fluctuate due to changes in the financial position of entities that possess credit with the institute. The institute is subject to credit risk on its accounts receivable. Management has attempted to minimize this risk by maintaining relationships with past students as well as adjusting the balance to reflect expected collectability.

Liquidity risk

Liquidity risk is the risk that the institute will not be able to meet its financial obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The institute manages its liquidity risk by monitoring future cash flows to ensure that future requirements can be met.

Market risk

Market risk is the risk that financial instrument fair values will fluctuate due to changes in market prices. The institute is subject to interest rate risk on its portfolio investments. Management has attempted to minimize this risk by investing in high-quality securities and by selecting a diverse portfolio of investments.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The institute is subject to interest rate risk on its debt obligations. Management has attempted to minimize this risk by negotiating the best possible interest rates.

13. GOING CONCERN

These financial statements have been prepared on a going concern basis which assumes that the institute will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The institute's ability to continue as a going concern is dependent upon its ability to attract students, attain profitable operations and generate funds and/or borrowings from third parties sufficient to meet current and future obligations. Management is actively engaged in the review and due diligence of cost savings and recruitment opportunities and is seeking to raise additional capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities which might be necessary should the institute be unable to continue in existence.