THE LUTHERAN COLLEGIATE BIBLE INSTITUTE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Heagy LLP

Chartered Professional Accountants

HEAGY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Regents of
The Lutheran Collegiate Bible Institute

Qualified Opinion

We have audited the accompanying financial statements of The Lutheran Collegiate Bible Institute, which comprise the statement of financial position as at June 30, 2022 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.

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, 2022 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of The Lutheran Collegiate Bible Institute 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 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.

In preparing the financial statements, management is responsible for assessing The Lutheran Collegiate Bible Institute's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate The Lutheran Collegiate Bible Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The Lutheran Collegiate Bible Institute's financial reporting process.

Auditors' Responsibilities for the Audit of the 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, we exercise 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 Lutheran Collegiate Bible Institute'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 Lutheran Collegiate Bible Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause The Lutheran Collegiate Bible Institute 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.

Heagy LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Saskatoon, SK
November 24, 2022

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30

	Current Fund $	Capital Fund $	Trust Fund $	Total 2022 $	Total 2021 $
ASSETS (note 7)					
CURRENT ASSETS					
Cash	213,579	-	1,917	215,496	339,579
Accounts receivable (note 3)	27,431	-	-	27,431	62,296
Inventory	3,150	-	-	3,150	3,390
Prepaid expenses	31,728	-	-	31,728	28,018
	275,888	-	1,917	277,805	433,283
LONG-TERM INVESTMENTS (note 4)	45,042	-	894,872	939,914	982,578
OTHER INVESTMENTS (note 5)	55,800	-	-	55,800	55,800
TANGIBLE CAPITAL ASSETS (notes 6 and 8)	-	1,055,364	-	1,055,364	1,078,476
	376,730	1,055,364	896,789	2,328,883	2,550,137
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	189,388	-	-	189,388	231,520
Government remittances payable	33,493	-	-	33,493	27,514
Deferred revenue	51,212	-	-	51,212	38,113
Current portion of long-term debt	34,200	-	10,000	44,200	669,013
Interfund balance	(19,107)	-	19,107	-	-
	289,186	-	29,107	318,293	966,160
LONG-TERM DEBT (note 8)	625,943	-	-	625,943	60,000
	915,129	-	29,107	944,236	1,026,160
FUND BALANCES					
FUND BALANCES	(538,399)	1,055,364	867,682	1,384,647	1,523,977
	376,730	1,055,364	896,789	2,328,883	2,550,137

SIGNED ON BEHALF OF THE BOARD

__________________________ Director

__________________________ Director

STATEMENT OF CHANGES IN FUND BALANCES **FOR THE YEAR ENDED JUNE 30**

	Current Fund $	Capital Fund $	Trust Fund $	Total 2022 $	Total 2021 $
BALANCE (DEFICIT) - BEGINNING OF YEAR	(494,915)	1,078,476	940,416	1,523,977	1,106,414
Excess (deficiency) of revenue over expenses for the year	7,386	(86,982)	(59,734)	(139,330)	417,563
	(487,529)	991,494	880,682	1,384,647	1,523,977
Interfund transfers -					
Interfund transfer (note 13)	13,000	-	(13,000)	-	-
Purchase of tangible capital assets	(63,870)	63,870	-	-	-
	(50,870)	63,870	(13,000)	-	-
BALANCE (DEFICIT) - END OF YEAR	(538,399)	1,055,364	867,682	1,384,647	1,523,977
FUND BALANCES CONSIST OF:					
Unrestricted	(538,399)	-	-	(538,399)	(494,915)
Invested in tangible capital assets	-	1,055,364	-	1,055,364	1,078,476
Externally restricted	-	-	867,682	867,682	940,416
	(538,399)	1,055,364	867,682	1,384,647	1,523,977

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED JUNE 30

	Current Fund $	Capital Fund $	Trust Fund $	Total 2022 $	Total 2021 $
REVENUE					
Donations and bequests	727,490	-	6,050	733,540	652,583
Min. of Education grant	615,581	-	-	615,581	625,464
Dining and other meals	187,011	-	-	187,011	112,732
Room rentals	162,422	-	-	162,422	100,880
Tuition and other fees	142,878	-	-	142,878	101,855
Government wage subsidies	118,681	-	-	118,681	374,450
Fund raising and self-financing activities	48,956	-	-	48,956	18,188
Investment income	1,933	-	45,207	47,140	43,007
Other rentals	27,383	-	-	27,383	32,194
Forgivable portion of CEBA loan (note 8)	20,000	-	-	20,000	-
Miscellaneous grants	7,313	-	-	7,313	-
Interest and miscellaneous	5,238	-	-	5,238	953
Loss on disposal of portfolio investments	(518)	-	-	(518)	(14,697)
Unrealized gain (loss) on portfolio investments	(5,002)	-	(75,690)	(80,692)	181,348
	2,059,366	-	(24,433)	2,034,933	2,228,957
EXPENSES					
Salaries and benefits	1,471,689	-	-	1,471,689	1,232,263
Utilities	117,703	-	-	117,703	99,446
Repairs and maintenance	107,235	-	-	107,235	57,724
Food and food services	97,149	-	-	97,149	53,950
Depreciation	-	86,982	-	86,982	86,177
Office and miscellaneous	56,154	-	8,226	64,380	54,874
Promotion (note 12)	34,962	-	-	34,962	42,363
Classroom supplies	30,496	-	-	30,496	37,463
Insurance	28,566	-	-	28,566	20,080
Scholarships and bursaries	-	-	27,075	27,075	22,475
Fund raising activities	25,068	-	-	25,068	5,657
Interest on long-term debt	19,092	-	-	19,092	41,306
Professional fees	13,466	-	-	13,466	10,410
Telephone	10,198	-	-	10,198	9,450
Travel	9,743	-	-	9,743	408
Property taxes	8,934	-	-	8,934	8,917
Associate school admin. fees	7,263	-	-	7,263	5,024
Graduation and yearbook	6,951	-	-	6,951	13,129
Interest and bank charges	4,666	-	-	4,666	4,934
Discounts	3,000	-	-	3,000	6,430
Mission and outreach	-	-	-	-	743
Bad debts recovery	(355)	-	-	(355)	(1,829)
	2,051,980	86,982	35,301	2,174,263	1,811,394
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	7,386	(86,982)	(59,734)	(139,330)	417,563

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30

	Current Fund $	Capital Fund $	Trust Fund $	Total 2022 $	Total 2021 $
OPERATING ACTIVITIES					
Excess (deficiency) of revenue over expenses for the year	7,386	(86,982)	(59,734)	(139,330)	417,563
Items not affecting cash -					
Depreciation	-	86,982	-	86,982	86,177
Loss on disposal of portfolio investments	518	-	-	518	14,697
Unrealized (gain) loss on portfolio investments	5,002	-	75,690	80,692	(181,348)
Forgivable portion of CEBA loan	(20,000)	-	-	(20,000)	-
	(7,094)	-	15,956	8,862	337,089
Changes in non-cash working capital items (note 10)	8,566	-	(225)	8,341	35,504
Cash Provided By Operating Activities	1,472	-	15,731	17,203	372,593
FINANCING ACTIVITIES					
Proceeds of long-term debt	-	-	-	-	20,000
Repayment of long-term debt	(38,870)	-	-	(38,870)	(99,915)
Cash Used In Financing Activities	(38,870)	-	-	(38,870)	(79,915)
INVESTING ACTIVITIES					
Purchase of tangible capital assets	-	(63,870)	-	(63,870)	(40,189)
Proceeds on disposal of portfolio investments	124,794	-	1,000	125,794	387,582
Purchase of portfolio investments	(125,312)	-	(37,722)	(163,034)	(441,099)
Investment income re-invested	(1,306)	-	-	(1,306)	(222)
Cash Used In Investing Activities	(1,824)	(63,870)	(36,722)	(102,416)	(93,928)
INTERFUND TRANSFERS	(50,870)	63,870	(13,000)	-	-
INCREASE (DECREASE) IN CASH POSITION	(90,092)	-	(33,991)	(124,083)	198,750
CASH POSITION - BEGINNING OF YEAR	303,671	-	35,908	339,579	140,829
CASH POSITION - END OF YEAR	213,579	-	1,917	215,496	339,579

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 accounts payable and accrued liabilities, government remittances payable and long-term debt.

The institute's financial assets measured at fair value include other investments 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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	40 years
Land improvements	20 years
Furniture and equipment	10 years
Automotive equipment	5 years

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.

Revenue Recognition

The Lutheran Collegiate Bible Institute follows the restricted fund method for accounting for contributions. Restricted contributions related to general 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from student fees are recognized as revenue of the current fund as services are provided if the amount to be received can be reasonably estimated and collection is reasonably assured. Fees received for services not yet rendered are recorded as deferred revenue.

Grant revenue is recognized based on the terms of the granting agreement.

Investment income is recognized as revenue of the related fund when it is earned by the underlying investment. Unrealized gains or losses are recognized based upon fair value at year end for all investments where fair value can be determined by published price quotations in an active market.

Donated Material and Services

The institute benefits from the donation of materials and services from its members and other members of the community. These financial statements reflect the value of donations in kind when goods are received both for operational and capital purposes when fair value can be reasonably estimated. Where the value cannot be determined or when the donations are for services, no gift in kind has been recorded.

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, valuation of inventory and the estimated useful lives of tangible capital assets. Actual results could differ from estimates.

3. ACCOUNTS RECEIVABLE

	2022 $	2021 $
Government wage subsidies receivable	12,022	56,266
Tuition fees receivable	11,888	20,480
GST receivable	3,438	3,864
Miscellaneous receivables	500	803
Less: allowance for doubtful accounts	(417)	(19,117)
	27,431	62,296

4. LONG-TERM INVESTMENTS

	2022 $	2021 $
Portfolio investments	939,914	982,578

5. OTHER INVESTMENTS

In a prior year, the institute became the beneficiary on a $100,000 life insurance policy. At the time it was donated the estimated fair market value was $55,800.

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Depreciation	Net Book Value 2022	Net Book Value 2021
	$	$	$	$
Land	4,130	-	4,130	4,130
Old Main building	511,535	460,373	51,162	110,514
Administration building	212,933	181,512	31,421	31,421
Gymnasium	463,975	455,943	8,032	8,032
Auditorium and Chapel	166,239	123,586	42,653	42,653
Dean's residence	18,273	13,596	4,677	4,677
Dining hall and lower residence	59,903	58,849	1,054	1,054
Custodial house	127,702	37,624	90,078	37,862
President's residence	54,330	41,777	12,553	12,553
Garage	1,000	1,000	-	-
Shop	46,551	22,116	24,435	24,435
Boys' dormitory	415,772	381,332	34,440	34,440
Classroom complex	1,234,975	740,227	494,748	494,748
Rental houses	296,831	96,418	200,413	200,413
Land improvements	43,456	41,980	1,476	2,518
Furniture and equipment	843,097	809,474	33,623	27,687
Automotive equipment	277,714	257,245	20,469	41,339
	4,778,416	3,723,052	1,055,364	1,078,476

7. BANK OVERDRAFT

The bank overdraft is secured by a general security agreement and bears interest at a floating rate based on bank prime plus 0.55 percent. The institute's total available overdraft is $150,000 (2021 - $150,000). The terms of the overdraft are renegotiated from time to time.

The prime rate at June 30, 2022 was 3.70%.

8. LONG-TERM DEBT

	2022	2021
	$	$
3.3% Prairie Centre Credit Union Ltd. mortgage, payable in blended bi-weekly instalments of $2,076, maturing January, 2027, secured by land	620,143	659,013
Non-interest bearing Canada Emergency Business Account (CEBA) loan through Prairie Centre Credit Union Ltd., with no fixed repayment terms and $20,000 that is forgivable if paid by December 31, 2023	40,000	60,000
Certificate of Deposit loan, non-interest bearing, repayable upon maturity of contract, due for renewal	10,000	10,000
	670,143	729,013
Less: current portion	44,200	669,013
	625,943	60,000

Assuming the loan will be renewed under terms similar to the existing repayment terms, 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, 2023	44,200
2024	75,300
2025	36,500
2026	39,200
2027	39,000

The full amount of the CEBA loan received was $60,000. As it is very likely the institute will make the required $40,000 repayment in time to receive the $20,000 debt forgiveness, the debt forgiveness amount has been recognized as revenue in the financial statements.

9. LEASE OBLIGATIONS

The institute leases various equipment under monthly leases expiring in fiscal year ends 2024 and 2026. The fixed minimum annual rental payments in each of the next four years are as follows:

	$
Year ending June 30, 2023	7,812
2024	6,864
2025	6,390
2026	6,390

10. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Current Fund $	Capital Fund $	Trust Fund $	Total 2022 $	Total 2021 $
Accounts receivable	34,865	-	-	34,865	(58,797)
Prepaid expenses	(3,710)	-	-	(3,710)	(3,389)
Inventory	240	-	-	240	330
Interfund balance	225	-	(225)	-	-
Accounts payable and accrued liabilities	(42,132)	-	-	(42,132)	77,298
Government remittances payable	5,979	-	-	5,979	3,238
Deferred revenue	13,099	-	-	13,099	16,824
	8,566	-	(225)	8,341	35,504

11. 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.

12. RELATED PARTY TRANSACTIONS

During the year, the institute contracted services to a spouse of senior management in the amount of $21,600 (2021 - $20,970) for assistance with database, website and research work. Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. INTERFUND TRANSFERS

During the year, the Board of Directors approved transfers of $13,000 from the trust fund to the current fund to account for the portion of funds that were designated and restricted to the payment of scholarships and bursaries.

14. ECONOMIC DEPENDENCE

The institute receives significant funding from the Saskatchewan Government - Ministry of Education. The institute's ability to continue viable operations are dependent upon continued receipt of this funding.

15. FINANCIAL RISK

Liquidity Risk

Liquidity risk is the risk that the school 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 is subject to liquidity risk mainly with respect to its accounts payable and accrued liabilities and long-term debt. This risk is offset by a history of strong support within the community in terms of donations and student enrolment as well as the continuation of government grants. There has been no change in risk exposure from the prior year.

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. There has been no change in risk exposure from the prior year.

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 market risk on its portfolio investments. There has been no change in risk exposure from the prior year.

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. Numerous increases in the prime rate has caused an increase in risk exposure from the prior year.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The institute is subject to currency risk on its marketable securities that are denominated in a currency other than Canadian dollars. There has been no change in risk exposure from the prior year.

16. UNCERTAINTY DUE TO THE COVID-19 HEALTH ISSUE

As a result of the ongoing health crisis created by the COVID-19 virus, there is uncertainty as to the financial impact and consequences to normal operations for The Lutheran Collegiate Bible Institute. The financial statements have been prepared assuming the institute will be able to continue to function and operate as it would under normal operating circumstances.