THE LUTHERAN COLLEGIATE BIBLE INSTITUTE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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, 2023 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, 2023 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
December 14, 2023

THE LUTHERAN COLLEGIATE BIBLE INSTITUTE

STATEMENT OF FINANCIAL POSITION **AS AT JUNE 30**

	Current Fund $	Capital Fund $	Trust Fund $	Total 2023 $	Total 2022 $
		ASSETS (note 7)			
CURRENT ASSETS					
Cash	287,821	-	5,391	293,212	215,496
Accounts receivable (note 3)	17,197	-	-	17,197	27,431
Inventory	3,150	-	-	3,150	3,150
Prepaid expenses	38,053	-	-	38,053	31,728
	346,221	-	5,391	351,612	277,805
LONG-TERM INVESTMENTS (note 4)	-	-	863,458	863,458	939,914
OTHER INVESTMENTS (note 5)	56,401	-	-	56,401	55,800
TANGIBLE CAPITAL ASSETS (notes 6 and 8)	-	1,013,415	-	1,013,415	1,055,364
	402,622	1,013,415	868,849	2,284,886	2,328,883
		LIABILITIES			
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	227,461	-	-	227,461	189,388
Government remittances payable	31,272	-	-	31,272	33,493
Deferred revenue	101,769	-	-	101,769	51,212
Current portion of long-term debt	75,400	-	10,000	85,400	44,200
Interfund balance	(49,299)	-	49,299	-	-
	386,603	-	59,299	445,902	318,293
LONG-TERM DEBT (note 8)	545,006	-	-	545,006	625,943
	931,609	-	59,299	990,908	944,236
		FUND BALANCES			
FUND BALANCES	(528,987)	1,013,415	809,550	1,293,978	1,384,647
	402,622	1,013,415	868,849	2,284,886	2,328,883

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 2023 $	Total 2022 $
BALANCE (DEFICIT) - BEGINNING OF YEAR	(538,399)	1,055,364	867,682	1,384,647	1,523,977
Excess (deficiency) of revenue over expenses for the year	31,476	(92,263)	(29,882)	(90,669)	(139,330)
	(506,923)	963,101	837,800	1,293,978	1,384,647
Interfund transfers -					
Interfund transfer (note 13)	28,250	-	(28,250)	-	-
Purchase of tangible capital assets	(50,314)	50,314	-	-	-
	(22,064)	50,314	(28,250)	-	-
BALANCE (DEFICIT) - END OF YEAR	(528,987)	1,013,415	809,550	1,293,978	1,384,647
FUND BALANCES CONSIST OF:					
Unrestricted	(528,987)	-	-	(528,987)	(538,399)
Invested in tangible capital assets	-	1,013,415	-	1,013,415	1,055,364
Externally restricted	-	-	809,550	809,550	867,682
	(528,987)	1,013,415	809,550	1,293,978	1,384,647

STATEMENT OF REVENUE AND EXPENSES **FOR THE YEAR ENDED JUNE 30**

	Current Fund $	Capital Fund $	Trust Fund $	Total 2023 $	Total 2022 $
REVENUE					
Min. of Education grant	799,171	-	-	799,171	615,581
Donations and bequests	746,327	-	1,100	747,427	733,540
Dining and other meals	200,152	-	-	200,152	187,011
Tuition and other fees	188,737	-	-	188,737	142,878
Room rentals	144,049	-	-	144,049	162,422
Fund raising and self-financing activities	94,982	-	-	94,982	48,956
Investment income	3,796	-	37,215	41,011	47,140
Other rentals	32,239	-	-	32,239	27,383
Interest and miscellaneous	23,992	-	-	23,992	5,238
Miscellaneous grants	15,741	-	-	15,741	7,313
Foreign exchange loss on portfolio investments	3,768	-	-	3,768	-
Government wage subsidies	-	-	-	-	118,681
Forgivable portion of CEBA loan (note 8)	-	-	-	-	20,000
Loss on disposal of portfolio investments	(3,095)	-	-	(3,095)	(518)
Unrealized loss on portfolio investments	-	-	(24,994)	(24,994)	(80,692)
	2,249,859	-	13,321	2,263,180	2,034,933
EXPENSES					
Salaries, benefits and related party contractor (note 12)	1,502,504	-	-	1,502,504	1,471,689
Utilities	136,236	-	-	136,236	117,703
Repairs and maintenance	117,579	-	-	117,579	107,235
Food and food services	113,360	-	-	113,360	97,149
Depreciation	-	92,263	-	92,263	86,982
Office and miscellaneous	66,263	-	6,911	73,174	64,380
Classroom supplies	65,777	-	-	65,777	30,496
Fund raising activities	52,654	-	-	52,654	25,068
Insurance	37,315	-	-	37,315	28,566
Scholarships and bursaries	-	-	36,292	36,292	27,075
Professional fees	22,798	-	-	22,798	13,466
Travel	19,989	-	-	19,989	9,743
Promotion	19,520	-	-	19,520	34,962
Interest on long-term debt	18,780	-	-	18,780	19,092
Graduation and yearbook	10,563	-	-	10,563	6,951
Telephone	10,154	-	-	10,154	10,198
Property taxes	8,006	-	-	8,006	8,934
Associate school admin. fees	7,831	-	-	7,831	7,263
Interest and bank charges	5,814	-	-	5,814	4,666
Discounts	2,000	-	-	2,000	3,000
Mission and outreach	652	-	-	652	-
Bad debts (recovery)	588	-	-	588	(355)
	2,218,383	92,263	43,203	2,353,849	2,174,263
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	31,476	(92,263)	(29,882)	(90,669)	(139,330)

STATEMENT OF CASH FLOWS | **FOR THE YEAR ENDED JUNE 30**

	Current Fund $	Capital Fund $	Trust Fund $	Total 2023 $	Total 2022 $
OPERATING ACTIVITIES					
Excess (deficiency) of revenue over expenses for the year	31,476	(92,263)	(29,882)	(90,669)	(139,330)
Items not affecting cash -					
Depreciation	-	92,263	-	92,263	86,982
Foreign exchange loss on portfolio investments	(3,768)	-	-	(3,768)	-
Loss on disposal of portfolio investments	3,095	-	-	3,095	518
Unrealized loss on portfolio investments	-	-	24,994	24,994	80,692
Forgivable portion of CEBA loan	-	-	-	-	(20,000)
	30,803	-	(4,888)	25,915	8,862
Changes in non-cash working capital items (note 10)	60,126	-	30,192	90,318	8,341
Cash Provided By Operating Activities	90,929	-	25,304	116,233	17,203
FINANCING ACTIVITIES					
Repayment of long-term debt	(39,737)	-	-	(39,737)	(38,870)
Cash Used In Financing Activities	(39,737)	-	-	(39,737)	(38,870)
INVESTING ACTIVITIES					
Purchase of tangible capital assets	-	(50,314)	-	(50,314)	(63,870)
Increase in cash surrender value of life insurance	(601)	-	-	(601)	-
Proceeds on disposal of portfolio investments	211,517	-	32,395	243,912	125,794
Purchase of portfolio investments	(162,005)	-	(25,975)	(187,980)	(163,034)
Investment income re-invested	(3,797)	-	-	(3,797)	(1,306)
Cash Provided By (Used In) Investing Activities	45,114	(50,314)	6,420	1,220	(102,416)
INTERFUND TRANSFERS	(22,064)	50,314	(28,250)	-	-
INCREASE (DECREASE) IN CASH POSITION	74,242	-	3,474	77,716	(124,083)
CASH POSITION - BEGINNING OF YEAR	213,579	-	1,917	215,496	339,579
CASH POSITION - END OF YEAR	287,821	-	5,391	293,212	215,496

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, accounts receivable Guaranteed Investment Certificates and savings.

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 portfolio 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	5 - 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.

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 the estimated useful lives of tangible capital assets. Actual results could differ from estimates.

3. ACCOUNTS RECEIVABLE

	2023 $	2022 $
Tuition fees receivable	13,978	11,888
GST receivable	3,724	3,438
Miscellaneous receivables	500	500
Government wage subsidies receivable	-	12,022
Less: allowance for doubtful accounts	(1,005)	(417)
	17,197	27,431

4. LONG-TERM INVESTMENTS

	2023 $	2022 $
Portfolio investments	838,458	939,914
Guaranteed Investment Certificates and savings	25,000	-
	863,458	939,914

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 2023	Net Book Value 2022
	$	$	$	$
Land	4,130	-	4,130	4,130
Old Main building	511,535	419,132	92,403	101,104
Administration building	212,933	184,039	28,894	30,091
Gymnasium	463,975	456,381	7,594	7,553
Auditorium and Chapel	166,239	129,673	36,566	39,567
Dean's residence	18,273	14,509	3,764	4,221
Dining hall and lower residence	59,903	59,353	550	707
Custodial house	127,702	42,174	85,528	87,604
President's residence	54,330	42,958	11,372	11,939
Garage	1,000	1,000	-	-
Shop	46,551	24,441	22,110	23,274
Boys' dormitory	415,772	384,640	31,132	32,741
Classroom complex	1,234,975	801,977	432,998	463,872
Rental houses	296,831	111,259	185,572	192,993
Land improvements	43,456	42,264	1,192	1,476
Furniture and equipment	893,411	823,801	69,610	33,623
Automotive equipment	277,714	277,714	-	20,469
	4,828,730	3,815,315	1,013,415	1,055,364

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 (2022 - $150,000). The terms of the overdraft are renegotiated from time to time.

The prime rate at June 30, 2023 was 6.95%.

8. LONG-TERM DEBT

	2023 $	2022 $
3.3% Prairie Centre Credit Union Ltd. mortgage, payable in blended bi-weekly instalments of $2,076, maturing January, 2027, secured by land	580,406	620,143
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 January 18, 2024	40,000	40,000
Certificate of Deposit loan, non-interest bearing, repayable upon maturity of contract, due for renewal	10,000	10,000
	630,406	670,143
Less: current portion	85,400	44,200
	545,006	625,943

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, 2024	85,400
2025	36,600
2026	39,300
2027	39,100
2028	40,400

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 equipment under a monthly lease expiring in fiscal year end 2026. The fixed minimum annual rental payments in each of the next three years are as follows:

	$
Year ending June 30, 2024	6,390
2025	6,390
2026	6,390

10. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Current Fund $	Capital Fund $	Trust Fund $	Total 2023 $	Total 2022 $
Accounts receivable	10,234	-	-	10,234	34,865
Prepaid expenses	(6,325)	-	-	(6,325)	(3,710)
Inventory	-	-	-	-	240
Interfund balance	(30,192)	-	30,192	-	-
Accounts payable and accrued liabilities	38,073	-	-	38,073	(42,132)
Government remittances payable	(2,221)	-	-	(2,221)	5,979
Deferred revenue	50,557	-	-	50,557	13,099
	60,126	-	30,192	90,318	8,341

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 $32,400 (2022 - $21,600) 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 $28,250 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 RISKS

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.