

**BRIERCREST COLLEGE AND
SEMINARY**

FINANCIAL STATEMENTS

June 30, 2020

Independent Auditor's Report

To the Board of Directors of
Briercrest College and Seminary

Opinion

We have audited the financial statements of Briercrest College and Seminary (the "Organization"), which comprise the statement of financial position as at June 30, 2020, and the statements of operations and changes in fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2020, 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 Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 the 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's 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 auditor's 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 GAAS 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 GAAS, we exercise professional judgment 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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.

Deloitte LLP

Chartered Professional Accountants
November 4, 2020
Regina, Saskatchewan

Briercrest College and Seminary

STATEMENT OF FINANCIAL POSITION

As at June 30

| | 2020 | | | | | | | 2019 | |
|--|------------------|--------------------|---------------------------|--------------------|-----------------|-----------------------|------------------|-------------------|-------------------|
| | Operating Fund | Capital Asset Fund | Educational Projects Fund | Mission Trust Fund | Annuity Fund | Capital Campaign Fund | Endowment Fund | Total | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| ASSETS | | | | | | | | | |
| Current | | | | | | | | | |
| Cash | 1,015,429 | 39,874 | 351,723 | 63,989 | 34,957 | - | 174,031 | 1,680,003 | 948,655 |
| Accounts receivable [note 3] | 668,406 | - | 8,390 | - | - | - | - | 676,796 | 307,312 |
| Inventory | 121,678 | - | - | - | - | - | - | 121,678 | 144,459 |
| Investments [note 4] | 800,000 | - | 480,000 | - | - | - | - | 1,280,000 | 1,175,000 |
| Prepaid expenses and supplies | 322,877 | - | - | - | - | - | - | 322,877 | 238,520 |
| Assets held for sale [note 18] | 36,265 | 250,225 | - | - | - | - | - | 286,490 | - |
| Total current assets | 2,964,655 | 290,099 | 840,113 | 63,989 | 34,957 | - | 174,031 | 4,367,844 | 2,813,946 |
| Loans receivable | 36,768 | - | - | - | - | - | - | 36,768 | 12,920 |
| Equities in co-operatives | 5 | - | - | - | - | - | - | 5 | 5 |
| Investments [note 4] | - | - | - | - | - | - | 2,486,255 | 2,486,255 | 2,468,298 |
| Capital assets [note 5] | - | 7,411,894 | - | - | - | - | - | 7,411,894 | 8,325,210 |
| | 3,001,428 | 7,701,993 | 840,113 | 63,989 | 34,957 | - | 2,660,286 | 14,302,766 | 13,620,379 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| Current | | | | | | | | | |
| Bank indebtedness [note 6] | - | - | - | - | - | - | - | - | 2,991,861 |
| Accounts payable and accrued charges | 1,185,961 | - | - | - | 755 | - | - | 1,186,716 | 1,647,490 |
| Deferred revenue and deposits [note 7] | 111,692 | 78,750 | - | - | - | - | - | 190,442 | 195,062 |
| Due to (from) other funds | (858,604) | 858,604 | (23,646) | - | - | - | 23,646 | - | - |
| Demand loans [note 8] | 2,450,000 | - | - | - | - | - | - | 2,450,000 | 1,500,000 |
| Current portion of forgivable loan [note 9] | - | - | - | - | - | - | - | - | 24,500 |
| Current portion of capital lease obligations [note 10] | - | 54,789 | - | - | - | - | - | 54,789 | 49,893 |
| Liabilities held for sale [note 9, 18] | 122,461 | 192,208 | - | - | - | - | - | 314,669 | - |
| Total current liabilities | 3,011,510 | 1,184,351 | (23,646) | - | 755 | - | 23,646 | 4,196,616 | 6,408,806 |
| Forgivable loan [note 9] | - | - | - | - | - | - | - | - | 190,855 |
| Capital lease obligations [note 10] | - | 76,194 | - | - | - | - | - | 76,194 | 115,639 |
| Life annuity bond agreements [note 11] | - | - | - | - | 57,000 | - | - | 57,000 | 67,000 |
| Total liabilities | 3,011,510 | 1,260,545 | (23,646) | - | 57,755 | - | 23,646 | 4,329,810 | 6,782,300 |
| Fund balances | | | | | | | | | |
| Invested in capital assets | - | 6,441,448 | - | - | - | - | - | 6,441,448 | 7,281,225 |
| Externally restricted | - | - | 863,759 | 63,989 | - | - | 2,527,627 | 3,455,375 | 3,465,134 |
| Internally restricted | - | - | - | - | (22,798) | - | 109,013 | 86,215 | 83,314 |
| Unrestricted | (10,082) | - | - | - | - | - | - | (10,082) | (3,991,594) |
| Total fund balances | (10,082) | 6,441,448 | 863,759 | 63,989 | (22,798) | - | 2,636,640 | 9,972,956 | 6,838,079 |
| | 3,001,428 | 7,701,993 | 840,113 | 63,989 | 34,957 | - | 2,660,286 | 14,302,766 | 13,620,379 |

See accompanying notes

Approved on behalf of the Board of Directors:

Briercrest College and Seminary

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended June 30

| | Operating Fund | | Restricted Funds | | | | | Endowment Fund | | |
|--|-------------------|--------------------|--------------------|---------------------------|--------------------|-----------------|-----------------------|------------------|------------------|------------------|
| | 2020 | 2019 | Capital Asset Fund | Educational Projects Fund | Mission Trust Fund | Annuity Fund | Capital Campaign Fund | Total 2019 | 2020 | 2019 |
| | | | 2020 | 2020 | 2020 | 2020 | 2020 | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| REVENUES | | | | | | | | | | |
| Tuition and fees | 6,973,247 | 7,317,898 | - | - | - | - | - | - | - | - |
| Donations | 3,580,947 | 1,534,599 | 118,787 | 308,193 | 3,135 | 10,000 | - | 440,115 | 404,785 | 105,421 |
| Government grants | 3,202,800 | 653,140 | - | - | - | - | - | - | - | - |
| Investment income | 19,798 | 18,731 | - | 37,236 | - | - | - | 37,236 | 124,432 | - |
| Ancillary operations | 476,801 | 678,795 | - | - | - | - | - | - | - | - |
| General sales | 936,485 | 1,045,703 | - | - | - | - | - | - | - | - |
| Rentals | 1,098,514 | 1,228,887 | - | - | - | - | - | - | - | - |
| Miscellaneous | 1,133,848 | 100,064 | 28,087 | - | - | - | - | 28,087 | 65,982 | - |
| | 17,422,440 | 12,577,817 | 146,874 | 345,429 | 3,135 | 10,000 | - | 505,438 | 595,199 | 105,421 |
| EXPENSES | | | | | | | | | | |
| Operating expenses | 6,061,827 | 6,488,229 | - | - | - | - | - | - | - | - |
| Salaries and benefits | 6,556,421 | 6,895,622 | - | - | - | - | - | - | - | - |
| Ancillary cost of goods sold | 639,672 | 712,406 | - | - | - | - | - | - | - | - |
| Amortization | - | - | 907,069 | - | - | - | - | 907,069 | 933,016 | - |
| Interest | 109,157 | 93,521 | 4,046 | - | - | - | - | 4,046 | 5,012 | - |
| Scholarships and annuity payments | - | - | - | 213,723 | - | 6,230 | - | 219,953 | 210,685 | - |
| Program development expenses | - | - | - | 246,232 | - | - | - | 246,232 | 170,795 | - |
| Miscellaneous | 12,710 | 34,911 | - | - | - | - | - | - | 3,068 | - |
| | 13,379,787 | 14,224,689 | 911,115 | 459,955 | - | 6,230 | - | 1,377,300 | 1,322,576 | - |
| Excess (deficiency) of revenues over expenses before discontinued operations | 4,042,653 | (1,646,872) | (764,241) | (114,526) | 3,135 | 3,770 | - | (871,862) | (727,377) | 105,421 |
| Deficiency of revenues over expenses from discontinued operations [note 18] | (65,799) | (37,287) | (75,536) | - | - | - | - | (75,536) | (58,019) | - |
| Excess (deficiency) of revenues over expenses | 3,976,854 | (1,684,159) | (839,777) | (114,526) | 3,135 | 3,770 | - | (947,398) | (785,396) | 105,421 |
| Fund balances, beginning of year | (3,991,594) | (2,298,832) | 7,281,225 | 975,472 | 60,854 | (26,568) | - | 8,290,983 | 8,900,316 | 2,538,690 |
| Interfund transfers [note 13] | 4,658 | (8,603) | - | 2,813 | - | - | - | 2,813 | 176,063 | (7,471) |
| Fund balances, end of year | (10,082) | (3,991,594) | 6,441,448 | 863,759 | 63,989 | (22,798) | - | 7,346,398 | 8,290,983 | 2,636,640 |

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 |
|---|------------------|--------------------|---------------------------|--------------------|-----------------|-----------------------|-----------------|------------------|--------------------|
| | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| OPERATING ACTIVITIES | | | | | | | | | |
| Excess (deficiency) of revenues over expenses before discontinued operations | 4,042,653 | (764,241) | (114,526) | 3,135 | 3,770 | - | 105,421 | 3,276,212 | (2,079,627) |
| Add charges to operations not requiring a current cash payment | | | | | | | | | |
| Net loss (gain) on investments | - | - | - | - | - | - | 32,743 | 32,743 | (83,774) |
| Amortization of capital assets | - | 907,069 | - | - | - | - | - | 907,069 | 933,016 |
| Contributed capital assets | - | (15,643) | - | - | - | - | - | (15,643) | (16,891) |
| Gain on disposal of capital assets | - | (4,940) | - | - | - | - | - | (4,940) | (12,460) |
| | 4,042,653 | 122,245 | (114,526) | 3,135 | 3,770 | - | 138,164 | 4,195,441 | (1,259,736) |
| Net change in non-cash working capital balances related to operations [note 14] | (895,301) | - | (1,153) | - | - | - | - | (896,454) | 213,340 |
| Cash provided by (used in) operating activities | 3,147,352 | 122,245 | (115,679) | 3,135 | 3,770 | - | 138,164 | 3,298,987 | (1,046,396) |
| INVESTING ACTIVITIES | | | | | | | | | |
| Purchase of investments | - | - | (105,000) | - | - | - | (190,615) | (295,615) | (1,165,750) |
| Proceeds on disposal of investments | - | - | - | - | - | - | 139,915 | 139,915 | 610,575 |
| Purchase of capital assets | - | (346,149) | - | - | - | - | - | (346,149) | (493,069) |
| Proceeds on disposal of capital assets | - | 47,218 | - | - | - | - | - | 47,218 | 53,799 |
| | - | (298,931) | (105,000) | - | - | - | (50,700) | (454,631) | (994,445) |
| Cash provided by discontinued operations | 20,397 | - | - | - | - | - | - | 20,397 | (37,287) |
| Cash provided by (used in) investing activities | 20,397 | (298,931) | (105,000) | - | - | - | (50,700) | (434,234) | (1,031,732) |
| FINANCING ACTIVITIES | | | | | | | | | |
| Addition of demand loans | 2,450,000 | - | - | - | - | - | - | 2,450,000 | 200,000 |
| Repayment of demand loans | (1,500,000) | - | - | - | - | - | - | (1,500,000) | - |
| Addition of loans receivable | (23,848) | - | - | - | - | - | - | (23,848) | (11,124) |
| Addition of forgivable loan | - | - | - | - | - | - | - | - | 110,000 |
| Repayment of forgivable loan | - | (23,147) | - | - | - | - | - | (23,147) | (15,897) |
| Addition of capital lease obligations | - | 18,370 | - | - | - | - | - | 18,370 | - |
| Repayment of capital lease obligations | - | (52,919) | - | - | - | - | - | (52,919) | (48,714) |
| Repayment of amounts due to (from) other funds | (91,269) | 91,269 | 49,145 | - | - | - | (49,145) | - | - |
| Reduction of life annuity bond agreements | - | - | - | - | (10,000) | - | - | (10,000) | - |
| Cash provided by (used in) financing activities | 834,883 | 33,573 | 49,145 | - | (10,000) | - | (49,145) | 858,456 | 234,265 |
| Net increase (decrease) in cash during the year | 4,002,632 | (143,113) | (171,534) | 3,135 | (6,230) | - | 38,319 | 3,723,209 | (1,843,863) |
| Cash and bank indebtedness, beginning of year | (2,991,861) | 182,987 | 520,444 | 60,854 | 41,187 | - | 143,183 | (2,043,206) | (199,343) |
| Interfund transfers | 4,658 | - | 2,813 | - | - | - | (7,471) | - | - |
| Cash and bank indebtedness, end of year | 1,015,429 | 39,874 | 351,723 | 63,989 | 34,957 | - | 174,031 | 1,680,003 | (2,043,206) |

See accompanying notes

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2020

1. PURPOSE OF THE ORGANIZATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Fund accounting

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

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

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

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

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

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

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

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

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

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

Revenue and expense recognition

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

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

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

Endowment contributions are recognized as revenue in the Endowment Fund.

Tuition and ancillary revenue are recorded when services are provided.

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

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

Contributed materials

Contributed materials of \$15,643 (\$17,812 - 2019) are recorded at their fair value.

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2020

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 equivalents

Cash and cash equivalents 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, 2020

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 a capital asset no longer contributes to the Organization's ability to provide goods and services, or the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount, the net carrying amount of the tangible capital asset is written down to the asset's fair value or replacement cost.

Employee future benefits

The Organization has made contributions of \$101,894 (\$99,159 - 2019) to a defined contribution employee future benefit plan. These contributions are expensed as incurred.

Change in Accounting Policies

Adoption of Section 4433, Tangible capital assets held by not-for-profit organizations

Effective July 1, 2019, the Organization adopted Handbook Section 4433, Tangible capital assets held by not-for-profit organizations ("Section 4433") replacing Section 4431 on the same topic. Section 4433 provides additional guidance related to componentization of tangible capital assets consisting of significant separable component parts, the recognition of partial impairments when the conditions indicate a tangible capital asset is impaired and related impairment disclosures. In accordance with the transition provisions, the Organization has applied Section 4433 prospectively with no impact on the disclosures or amounts recorded in the financial statements of the Organization.

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2020

3. ACCOUNTS RECEIVABLE

| | 2020 \$ | 2019 \$ |
|---------------------------------|----------------|------------|
| Trade | 2,920 | 24,640 |
| Student | 87,452 | 196,087 |
| Rent | 23,926 | 39,114 |
| Other | 597,095 | 150,064 |
| | 711,393 | 409,905 |
| Allowance for doubtful accounts | 34,597 | 102,593 |
| | 676,796 | 307,312 |

4. INVESTMENTS

| | 2020 | | 2019 | |
|----------------------|------------------|----------------------|------------|----------------------|
| | Cost \$ | Carrying Value \$ | Cost \$ | Carrying Value \$ |
| GIC | 1,280,000 | 1,280,000 | 1,175,000 | 1,175,000 |
| Mutual Funds | 2,323,253 | 2,486,255 | 2,272,554 | 2,468,298 |
| | 3,603,253 | 3,766,255 | 3,447,554 | 3,643,298 |
| Less current portion | 1,280,000 | 1,280,000 | 1,175,000 | 1,175,000 |
| Long-term portion | 2,323,253 | 2,486,255 | 2,272,554 | 2,468,298 |

Investments included guaranteed investment certificates with interest rates from 1.70% to 2.00% and maturing August 2020 and March 2021 (2019: 2.10% to 2.40%, maturing August 2019 and March 2020).

5. CAPITAL ASSETS

| | 2020 | | 2019 | |
|---------------------------------|-------------------|-----------------------------------|------------------|-----------------------------------|
| | Cost \$ | Accumulated Amortization \$ | Cost \$ | Accumulated Amortization \$ |
| Land | 230,582 | - | 230,582 | - |
| Land improvements | 268,689 | 60,200 | 243,724 | 46,714 |
| Buildings | 24,080,179 | 18,457,222 | 24,351,392 | 18,093,990 |
| Electrical distribution system | 21,326 | 17,386 | 21,326 | 16,533 |
| Furniture and equipment | 1,336,412 | 767,246 | 1,349,418 | 683,958 |
| Library resources | 1,530,668 | 956,759 | 1,581,246 | 982,641 |
| Vehicles | 438,545 | 354,824 | 431,063 | 333,515 |
| Equip./Veh. under capital lease | 291,856 | 172,726 | 419,485 | 145,675 |
| | 28,198,257 | 20,786,363 | 28,628,236 | 20,303,026 |
| Less: | | | | |
| Accumulated amortization | 20,786,363 | | 20,303,026 | |
| Net book value | 7,411,894 | | 8,325,210 | |

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2020

6. BANK INDEBTEDNESS

The Organization has a revolving operating loan facility of \$800,000 (2019: \$3,250,000) at prime plus 0.5% (2019: prime plus 0.5%). The prime rate is at 2.45% (2019: prime rate at 3.95%) and the facility is repayable in full upon demand against which a term deposit is held as security.

7. DEFERRED REVENUE AND DEPOSITS

| | 2020 \$ | 2019 \$ |
|------------------------------------|----------------|----------------|
| Advance fees and room reservations | 35,950 | 38,500 |
| Damage fee deposits | 75,742 | 77,812 |
| Capital Asset Fund Deposit | 78,750 | 78,750 |
| | 190,442 | 195,062 |

8. DEMAND LOANS

| | 2020 \$ | 2019 \$ |
|--|------------------|------------------|
| 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 |
| Private loan from an individual, with an interest rate of 4% and a maturity date in 2019, repayable within 30 days of demand, no collateral. | - | 700,000 |
| Bank loan with interest rate of prime plus 0.5%, prime rate is at 2.45 %, interest is capitalized for 6 months, interest-only payments for next 6 months, then repayable in principal and interest payments, maturing in May 2026, secured by first mortgage on various properties and assignment of rents | 2,450,000 | - |
| Total demand loans | 2,450,000 | 1,500,000 |

9. FORGIVABLE LOAN

| | 2020 \$ | 2019 \$ |
|---|----------------|----------------|
| Husky Oil Marketing Company's loan forgivable in annual installments based on the consumption of petroleum per litre over the term of the agreement provided the Organization complies with the Retail Facility Sales Agreement | 192,208 | 215,355 |
| | 192,208 | 215,355 |
| Less: current portion | 23,147 | 24,500 |
| | 169,061 | 190,855 |

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2020

10. CAPITAL LEASE OBLIGATIONS

| | 2020 \$ | 2019 \$ |
|--|----------------|------------|
| Capital lease obligations repayable to Davlyn Corporation at rates of 2.70%, repayable in monthly installments of \$1,862, maturing in August 2021. | 33,604 | 55,470 |
| Capital lease obligations repayable to Davlyn Corporation at rates of 3.45%, repayable in monthly installments of \$2,136, maturing in September 2022. | 65,403 | 89,605 |
| Capital lease obligations repayable to Toyota Credit Canada Inc. at rates of 3.45 %, repayable in monthly installments of \$351, maturing in September 2022. | 16,633 | 20,457 |
| Capital lease obligations repayable to Hyundai Capital Lease Inc. at rates of 1.49 %, repayable in monthly installments of \$324, maturing in July 2024. | 15,343 | - |
| | 130,983 | 165,532 |
| Less: current portion | 54,789 | 49,893 |
| | 76,194 | 115,639 |

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

| | \$ |
|------|---------------|
| 2021 | 54,789 |
| 2022 | 41,898 |
| 2023 | 29,714 |
| 2024 | 4,276 |
| 2025 | 306 |

11. 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 \$6,230 (\$6,230 - 2019) of annuity payments were made. No external actuarial estimate of the annuity liability has been made.

12. INTEREST ON AMOUNTS HELD IN THE ENDOWMENT FUND

Interest for the year on amounts held in the Endowment Fund of \$20,140 (2019: \$106,646) was allocated to the Educational Projects Fund.

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2020

13. INTERFUND TRANSACTIONS

During the year, the Board of Directors authorized the transfer of \$3,965 from the Endowment Fund and \$693 from the Educational Projects Fund to the Operating Fund to cover costs associated with educational programs.

The Endowment Fund transferred \$3,700 to the Educational Projects Fund to finance the provision of scholarships.

The Educational Projects Fund transferred \$194 to the Endowment Fund to be preserved and applied towards financing future provision of scholarships.

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

| | 2020 \$ | 2019 \$ |
|--------------------------------------|------------------|----------------|
| (INCREASE) DECREASE IN | | |
| Accounts receivable | (369,484) | (31,693) |
| Inventory | 22,781 | (37,979) |
| Prepaid expenses and supplies | (84,357) | (5,908) |
| (DECREASE) INCREASE IN | | |
| Accounts payable and accrued charges | (460,774) | 209,805 |
| Deferred revenue and deposits | (4,620) | 79,115 |
| | (896,454) | 213,340 |

15. LEASE COMMITMENTS

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

| | \$ |
|------|--------|
| 2021 | 30,789 |
| 2022 | 28,453 |
| 2023 | 28,265 |
| 2024 | - |
| 2025 | - |

16. COMPARATIVE FIGURES

Certain figures for 2019 have been reclassified to conform to the presentation adopted in 2020.

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2020

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Organization, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments. The following analysis provides a measurement of risk at June 30, 2020.

Credit Risk

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

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

Interest Rate Risk

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

Other Price Risk

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

Liquidity Risk

The Organization's objective is to have sufficient liquidity to meet its liabilities when due. The Organization monitors its cash balance and cash flows generated from operations to meet its requirements. As at June 30, 2020, the most significant financial liabilities are: accounts payable and accrued charges, capital lease obligations and demand loans.

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. These public health and emergency measures resulted in an economic slowdown, restrictions on public gatherings and activities. As of the date these financial statements were issued, the Briercrest Christian Academy, College and Seminary's campuses and most of the Organization's various ancillary businesses are open to the public. The duration and impact of COVID-19 is unknown. Potential impacts include loss of revenue, supply chain disruption, challenges associated with a remote or unavailable workforce, and potential asset impairment.

BRIERCREST COLLEGE AND SEMINARY

Notes to Financial Statements

Year Ended June 30, 2020

18. DISCONTINUED OPERATIONS

On November 20, 2019, the Organization resolved to dispose of its land and building for the Pilgrim Centre. The planned disposal was affected in order to obtain excess cash flow. As the fair value less cost to sell exceeds the carrying value, no impairment loss was recorded at June 30, 2020.

On May 25, 2020, the Organization accepted a conditional offer to sell its land and building for the Pilgrim Centre. The conditional offer is subject to certain terms and conditions. The conditions of the offer were lifted on September 1, 2020.

The results of the discontinued operations, which have been included in the statement of operations and changes in fund balances were as follows:

| | 2020 \$ | 2019 \$ |
|--|------------------|------------------|
| Revenues | 2,002,171 | 2,609,842 |
| Operating expenses | 171,173 | 193,736 |
| Salaries and benefits | 348,591 | 340,010 |
| Ancillary cost of goods sold | 1,548,206 | 2,113,383 |
| Amortization | 75,536 | 58,019 |
| | 2,143,506 | 2,705,148 |
| Deficiency of revenues over expenses from discontinued operations | (141,335) | (95,306) |
| Assets and liabilities held for sale | \$ | \$ |
| Current assets | | |
| Accounts receivable | 10,904 | - |
| Inventory | 25,361 | - |
| | 36,265 | - |
| Capital assets | 250,225 | - |
| Assets held for sale | 286,490 | - |
| Current liabilities | | |
| Accounts payable | 122,461 | - |
| Forgivable loan [note 9] | 192,208 | - |
| Liabilities held for sale | 314,669 | - |