EMMANUEL BIBLE COLLEGE>

financial statements

>YEAR ENDED APRIL 30, 2018

MAC LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

EMMANUEL BIBLE COLLEGE>

financial statements

>YEAR ENDED APRIL 30, 2018

index

Independent auditor's report .... 1 - 2
Statement of financial position 3
Statement of operations and changes in fund balances 4
Statement of cash flows 5
Notes to financial statements .... 6 - 11

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Emmanuel Bible College:

Report on the Financial Statements

We have audited the accompanying financial statements of Emmanuel Bible College, which comprise the statement of financial position as at April 30, 2018, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Emmanuel Bible College as at April 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

MAC LLP.

Waterloo, Ontario
September 22, 2018

LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANTS

statement of financial position

>YEAR ENDED APRIL 30, 2018

	operating	restricted capital	restricted endowment	restricted scholarship	2018 total	2017 total
assets						
current						
Cash	$ -	$ 8,820	$ -	$ -	$ 8,820	$ 958
Other investments (Note 3)	50,000	-	206,104	-	256,104	256,104
Accounts receivable (Note 4)	76,407	-	-	-	76,407	49,772
Prepaid expenses	7,207	-	-	-	7,207	9,499
Government remittances recoverable	6,360	-	-	-	6,360	6,347
Inter fund loans	-	402	30,068	211,235	241,705	248,574
	139,974	9,222	236,172	211,235	596,603	571,254
capital assets (Note 5)	-	3,919,489	-	-	3,919,489	3,992,560
	$ 139,974	$ 3,928,711	$ 236,172	$ 211,235	$ 4,516,092	$ 4,563,814
liabilities						
current						
Bank indebtedness (Note 6)	$ 270,018	$ -	$ -	$ -	$ 270,018	$ 234,803
Bank loans (Note 7)	580,000	-	-	-	580,000	100,000
Accounts payable and accrued liabilities	131,755	1,360	-	-	133,115	174,227
Deferred revenue	37,862	-	-	-	37,862	46,045
Inter fund loans	241,705	-	-	-	241,705	248,574
Current portion of long term debt	58,504	1,125,751	-	-	1,184,255	1,341,317
	1,319,844	1,127,111	-	-	2,446,955	2,144,966
long term debt (Note 8)	207,416	65,000	-	-	272,416	240,257
	1,527,260	1,192,111	-	-	2,719,371	2,385,223
commitments (Note 9)						
funds						
Unrestricted	(1,387,286)	-	-	-	(1,387,286)	(1,020,205)
Externally restricted	-	7,862	236,172	211,235	455,269	454,276
Invested in capital assets	-	2,728,738	-	-	2,728,738	2,744,520
	(1,387,286)	2,736,600	236,172	211,235	1,796,721	2,178,591
	$ 139,974	$ 3,928,711	$ 236,172	$ 211,235	$ 4,516,092	$ 4,563,814

Approved on behalf of the board:

Director

Director

statement of operations and changes in fund balances

>YEAR ENDED APRIL 30, 2018

	operating	restricted capital	restricted endowment	restricted scholarship	2018 total	2017 total
revenue						
Academic fees	$ 842,676	$ -	$ -	$ -	$ 842,676	$ 816,120
Donations	301,688	4,137	-	4,350	310,175	308,523
Facility services	375,044	-	-	-	375,044	500,012
Legacies and annuities	-	207,969	-	-	207,969	18,555
Interest and other income	9,201	-	-	2,256	11,457	18,493
	1,528,609	212,106	-	6,606	1,747,321	1,661,703
expenses						
Administration salaries and benefits	321,819	-	-	-	321,819	286,880
Amortization	-	79,967	-	-	79,967	83,242
Bad debts	-	-	-	-	-	4,891
Bank charges and interest	17,406	-	-	-	17,406	17,528
Development and recruitment	207,388	-	-	-	207,388	319,768
Faculty salaries and benefits	284,962	-	-	-	284,962	506,043
Food services	132,904	-	-	-	132,904	132,184
Interest and long term debt	5,568	35,059	-	-	40,627	43,500
Library operations	51,833	-	-	-	51,833	80,302
Office supplies	105,466	-	-	-	105,466	106,888
Occupancy	284,171	227	-	-	284,398	311,751
Professional fees	21,153	-	-	-	21,153	33,975
Program costs	41,159	-	-	-	41,159	18,320
Student life	113,200	-	-	13,475	126,675	164,091
Non-recurring expenses	413,433	-	-	-	413,433	-
	2,000,462	115,253	-	13,475	2,129,190	2,109,363
deficiency of revenue over expenses for year	(471,853)	96,853	-	(6,869)	(381,869)	(447,660)
fund balance, beginning of year	(1,020,206)	2,744,520	236,172	218,104	2,178,591	2,626,251
Interfund transfers (Note 10)	104,773	(104,773)	-	-	-	-
fund balance, end of year	$(1,387,286)	$ 2,736,600	$ 236,172	$ 211,235	$ 1,796,722	$ 2,178,591

EMMANUEL BIBLE COLLEGE>

statement of cash flows

>YEAR ENDED APRIL 30, 2018

	2018	2017
operating activities		
Deficiency of revenue over expenses for year	$ (381,869)	$ (447,660)
Adjustments for:		
Amortization	79,967	83,242
	(301,902)	(364,418)
Changes in non-cash working capital:		
Increase in accounts receivable	(26,635)	76,266
Decrease in prepaid expenses	2,292	1,826
Increase in government remittances recoverable	(13)	3,938
Decrease in accounts payable and accrued liabilities	(41,112)	7,431
Decrease in deferred revenue	(8,184)	14,436
	(375,554)	(260,521)
financing activities		
Repayment of long term debt	(174,903)	(62,413)
Advancement of long term debt	50,000	150,000
Increase in bank loans	480,000	100,000
	355,097	187,587
investing activities		
Net increase in other investments	-	(35,000)
Purchase of capital assets	(6,896)	(1,608)
	(6,896)	(36,608)
Decrease in cash	(27,353)	(109,542)
Cash balance, beginning of year	(233,845)	(124,303)
cash balance, end of year	$ (261,198)	$ (233,845)
Cash balance, is represented by:		
Cash	$ 8,820	$ 958
Bank indebtedness	(270,018)	(234,803)
	$ (261,198)	$ (233,845)

1. organization

Emmanuel Bible College, the "College", provides Bible-based post-secondary education equipping women and men to think, live, serve and lead as mature Christians in the church and in the world. During the year the College operated under the authority of Bill Pr 38, an Act to incorporate Emmanuel Bible College of 1981. On May 7, 2018 a new bill, Pr 80, received Royal Assent and this repeals and replaces the Emmanuel Bible College Act, 1981. The College is a charitable organization for income tax purposes and operates in Kitchener, Ontario.

2. significant accounting policies

Basis of Accounting - These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund Accounting - The College follows the restricted fund method of accounting for contributions through the use of four principal funds:

The Operating Fund accounts for the costs of academic, administrative and other operating expenditures of the College funded by fees, donations, grants and other general income.

The Capital Fund accounts for the cost of capital assets owned by the College.

The Endowment Fund accounts for monies received specifically for scholarships, bursaries and student aid that are restricted for endowment purposes.

The Scholarship Fund accounts for monies received specifically for scholarships, bursaries and student aid that have no restrictions on the retention of the contributed capital.

Recognition of Income - Restricted contributions related to the general operations of the College 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 in the appropriate restricted fund when received.

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

Academic fees and facility services are recognized as revenue on a monthly basis as the programs and courses progress over the year. Unearned fees received are recorded as "deferred revenue" on the accompanying statement of financial position.

Endowment contributions are recognized as revenue in the Endowment Fund.

Investment income earned on the Endowment Fund resources that must be spent on scholarships, bursaries and student aid are recognized as revenue of the Scholarship Fund.

Financial Instruments

Measurement - The College initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The College subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in excess of revenue over expenses.

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

Financial liabilities measured at amortized cost include bank indebtedness, bank loans, accounts payable and accrued liabilities and long term debt.

The College has not designated any financial asset or liability to be measured at fair value.

Impairment - Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized as operating cost. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not 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 as income from operations.

Transaction costs - The College recognizes its transaction costs in excess of revenue over expenses in the period 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.

Capital Assets and Amortization - Capital assets are recorded at historical cost. Amortization is provided in the accounts using the following methods and annual rates:

Asset	Method	Rate
Buildings	Straight line	2 %
Parking lot and sports pad	Declining balance	10 %
Library books	Declining balance	5 %
Furniture and equipment	Declining balance	20 %
Computer equipment	Declining balance	30 %
Computer software	Declining balance	50 %

Contributed Services and Materials - The College is dependent upon many hours contributed by volunteers. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

The College receives contribution of materials, the fair value of which may or may not be reasonably determinable. Contributed materials are recognized as donations when fair values can be determined.

Disclosure and Use of Estimates - The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in the statement of operations in the period in which they become known.

Estimates are used when accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets and asset impairments.

3. other investments

The major categories of other investments are as follows:

	2018	2017
Term deposit earning interest at 0.75%, maturing July 2018	$ 50,000	$ 50,000
Term deposit earning interest at 1.65% (2017 - 1.65%)	133,797	133,797
Abundance Canada pooled investment, 6 months notification of redemption required	72,307	72,307
	$ 256,104	$ 256,104

4. accounts receivable

Accounts receivable is comprised of the following:

	2018	2017
Tuition accounts receivable	$ 120,162	$ 88,953
Allowance for doubtful accounts	(47,244)	(47,244)
Contribution receivable	-	39
Other	3,489	8,024
	$ 76,407	$ 49,772

During the year, the College recognized $Nil (2016 - $39) of the contribution receivable as donations.

5. capital assets

	cost	accumulated amortization	net 2018	net 2017
Land	$ 2,683	$ -	$ 2,683	$ 127,154
Buildings	2,899,422	427,665	2,471,757	3,614,556
Parking lot and sports pad	-	-	-	5,738
Library books	467,074	276,360	190,714	197,606
Furniture and equipment	477,890	448,094	29,796	33,494
Computer equipment	121,004	111,196	9,808	14,012
Computer software	37,446	37,446	-	-
Assets held for sale	1,397,011	182,280	1,214,731	-
	$ 5,402,530	$ 1,483,041	$ 3,919,489	$ 3,992,560

6. bank indebtedness

The College has available a $300,000 demand operating line of credit bearing interest at prime. The facility is secured by a general security agreement and an all purpose collateral charge over the properties owned by the College. The credit agreement includes certain financial and non-financial restrictive covenants. At year end, the College was not in compliance with certain of these covenants. The Bank has indicated that no action would be taken as a result of this non compliance.

7. bank loans

The College has a term loan of $340,000, bearing interest at prime plus 1% to finance operations until the property is sold. The loan is repayable in interest only payments and is due May 2018.

The College has another term loan of $240,000, bearing interest at prime plus 2% to finance operations until the property is sold. The loan is repayable in interest only payments and is due December 2018.

The term loans are secured by a general security agreement, an all purpose collateral charge over the properties owned by the College and a corporate guarantee from Evangelical Missionary Church of Canada. The credit agreement includes certain financial and non-financial restrictive covenants. At year end, the College was not in compliance with certain of these covenants. The Bank has indicated that no action would be taken as a result of this non compliance.

8. long term debt

	2018	2017
Mortgage repayable in monthly principal instalments of $7,495 including interest at 3.15%, secured by real property with a carrying value of $1,431,820, maturing November 2018.	**$ 1,057,751**	$ 1,115,040
Term loan with variable interest rate of prime plus 0.5%, due July 2018, unsecured.	**50,000**	-
Mortgage repayable in blended monthly instalments of $1,094 including interest at the Kindred Credit Union posted church rate, secured by a general security agreement and an all purpose collateral charge over the properties owned by the College with a carrying value of $3,689,172, due March 2020.	**175,920**	183,534
3.7% loan with no specific terms of repayment, unsecured.	**-**	150,000
3.5% loan with no specific terms of repayment, unsecured, redeemable prior to maturity with 6 months notification, maturing September 2020.	**65,000**	65,000

Term loan with variable interest rate of prime plus 0.5%, due May 2018, unsecured.	40,000	-
Loan with no specific terms of repayment, unsecured, bears interest at the lesser of bank prime rate and current annual rate of inflation on date of payment, redeemable with 6 months notification.	68,000	68,000
	1,456,671	1,581,574
Less portion due within one year	1,184,255	1,341,317
	$ 272,416	$ 240,257

The aggregate amount of principal payments required on the long term debt in each of the next three years are as follows:

2019	$ 1,184,255
2020	$ 72,999
2021	$ 159,417

The Kindred Credit Union credit agreement includes certain financial and non-financial restrictive covenants. At year end, the College was not in compliance with certain of these covenants. The Bank has indicated that no action would be taken as a result of this non compliance and accordingly, the portion of debt not due within the next year has been presented as long term debt.

9. commitments

The College is obligated under leasing contracts for equipment which it operates. The future minimum lease payments are as follows:

2019	$ 13,199
2020	4,968
2021	4,968
2022	2,070
	$ 25,205

10. interfund transfers

The Governing Board approved the transfer of $104,773 from the capital fund to the operating fund (2017 - $73,028 from the operating fund to the capital fund).

11. related party transaction

The College has an investment with an entity that has a right to appoint the majority of the board members. At the year end the amount held by the related party on behalf of the College was $133,796.96, interest of $1,904.75 was paid to the College in the year.

The College has received loans from a board member and from an employee who is a member of the management team. The total advanced from the related parties was $126,000 and $36,000 was repaid. At the year end the amount owed to the related parties was $50,000 and $40,000 respectively. The loans are interest only and repayable on demand.

12. financial instruments

Risk Management - The significant risks to which the College is exposed are credit risk, interest rate risk and liquidity risk. There has been no change to the risk exposures from the prior year.

Credit Risk - The College's exposure to credit risk is indicated by the value of its financial assets. The College does not have a significant exposure to any individual customer or student. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of customers, historical trends and other information.

Interest Rate Risk - The College's interest-bearing assets and liabilities include other investments, revolving demand operating facility and long term debt.

The College manages its portfolio of investments based on its cash flow needs and with a view of optimizing its interest income.

From time to time the College may enter into floating rate debt that is exposed to general rate fluctuations. The College does not mitigate the risk through interest rate contracts or other hedging contracts.

The College has fixed interest rates on most long term debt. Consequently, the long term debt risk exposure is minimal.

Liquidity Risk - Liquidity risk is the risk that the College will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the College's cash requirements. Additional cash requirements are met with the use of the available revolving demand operating facility and bank borrowings under long term credit arrangements. The available revolving demand operating facility provides flexibility in the short term to meet operational needs and bridge long term financing.

13. subsequent event

Subsequent to the year end, the College expects to close on an unconditional offer to purchase real estate owned by the College. The sale is estimated to generate a gain on disposal between $2,150,000 and $2,250,000. The assets to be sold are disclosed as "held for sale" within capital assets.