

Financial Statements of

COLUMBIA BIBLE COLLEGE

Year ended April 30, 2014



KPMG LLP
Chartered Accountants
32575 Simon Avenue
Abbotsford BC V2T 4W6
Canada

Telephone (604) 854-2200
Fax (604) 853-2756
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Columbia Bible College

Report on the Financial statements

We have audited the accompanying financial statements of Columbia Bible College (the "College") which comprise the statement of financial position as at April 30, 2014, the statements of operations and changes in net assets and cash flows for the year then ended, and notes comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 our 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, we consider internal control relevant to the College'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 College'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 the College as at April 30, 2014, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the College taken as a whole. The supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

August 25, 2014

Abbotsford, British Columbia

COLUMBIA BIBLE COLLEGE

Statement of Financial Position

April 30, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash	\$ 482,725	\$ 415,575
Investments and marketable securities	29,716	21,371
Accounts receivable	13,671	23,377
Inventory	31,358	43,448
Prepaid expenses and deposits	90,074	137,665
	<u>647,544</u>	<u>641,436</u>
Restricted assets (note 2):		
Cash and short-term deposits	2,270,707	2,764,995
Marketable securities	525,431	332,083
	<u>2,796,138</u>	<u>3,097,078</u>
Life insurance cash surrender value	25,745	24,770
Capital assets (note 3)	11,478,593	11,596,129
	<u>\$ 14,948,020</u>	<u>\$ 15,359,413</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 168,322	\$ 195,204
Accrued holiday pay	165,428	152,107
Scholarships payable	46,660	44,760
Refundable deposits and unearned revenue	294,253	330,419
Deferred revenue (note 4)	224,175	162,857
	<u>898,838</u>	<u>885,347</u>
Deferred operating contributions (note 5)	1,537,820	1,937,833
Deferred capital contributions (note 6):		
Unspent capital contributions - residence (note 6(b))	-	39,140
Capital assets (note 6(a))	10,102,895	10,130,563
	<u>10,102,895</u>	<u>10,169,703</u>
Net assets (deficiency):		
Invested in capital assets (note 7(a))	1,375,698	1,465,566
Scholarship endowment principal	786,518	779,910
Internally restricted - capital reserve (note 9)	247,625	177,338
Unrestricted	(1,374)	(56,284)
	<u>2,408,467</u>	<u>2,366,530</u>
Commitments (note 10)		
Contingencies (note 11)		
	<u>\$ 14,948,020</u>	<u>\$ 15,359,413</u>

See accompanying notes to financial statements.

On behalf of the Board

Director

Director

R. Hildebrand Chair C.B.C.

Terry Kaehler
Audit Committee Chair

COLUMBIA BIBLE COLLEGE

Statement of Operations

Year ended April 30, 2014, with comparative information for 2013

	2014	2013
Student revenue:		
Course Fees	\$ 3,429,138	\$ 3,355,041
Other student revenue	224,352	234,553
	<u>3,653,490</u>	<u>3,589,594</u>
Constituency support:		
Conference support (note 8)	469,198	518,768
Donations	570,055	609,005
Programs assisting students (note 4)	84,325	165,413
	<u>1,123,578</u>	<u>1,293,186</u>
Other income:		
Lease, investment and miscellaneous income	132,971	168,657
Ancillary services (Schedule)	1,364,066	1,152,933
	<u>1,497,037</u>	<u>1,321,590</u>
	<u>6,274,105</u>	<u>6,204,370</u>
Expenses:		
Academic programs	2,219,586	2,062,917
Administration	1,220,624	1,286,387
Ancillary services (Schedule)	1,123,895	1,006,355
Development and advancement	903,033	933,558
Student development	510,993	463,291
Programs assisting students (note 4)	84,325	165,413
	<u>6,062,456</u>	<u>5,917,921</u>
Excess revenues over expenses before the undernoted	211,649	286,449
Amortization of deferred operating contributions (note 5)	-	215,315
Amortization of capital assets	(506,696)	(527,503)
Amortization of deferred capital contributions	330,376	330,559
	<u>(176,320)</u>	<u>(196,944)</u>
Excess revenues over expenses	<u>35,329</u>	<u>\$ 304,820</u>

See accompanying notes to financial statements.

COLUMBIA BIBLE COLLEGE

Statement of Changes in Net Assets

Year ended April 30, 2014, with comparative information for 2013

	Invested in capital assets (note 7)	Scholarship endowment restricted	Internally restricted (note 9)	Unrestricted	2014 Total	2013 Total
Balance, beginning of year	\$ 1,465,566	\$ 779,910	\$ 177,338	\$ (56,284)	\$ 2,366,530	\$ 2,040,480
Excess revenues over expenses (note 7(b))	(176,320)	-	-	211,649	35,329	304,820
Endowment contributions	-	6,608	-	-	6,608	21,230
Net change in invested in capital assets (note 7(b))	86,452	-	-	(86,452)	-	-
Interfund transfers (note 9)	-	-	70,287	(70,287)	-	-
Net assets, end of year	\$ 1,375,698	\$ 786,518	\$ 247,625	\$ (1,374)	\$ 2,408,467	\$ 2,366,530

See accompanying notes to financial statements.

COLUMBIA BIBLE COLLEGE

Statement of Cash Flows

Year ended April 30, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 35,329	\$ 304,820
Items not involving cash:		
Amortization of capital assets	506,696	527,503
Amortization of deferred capital contributions	(330,376)	(330,559)
Amortization of deferred operating contributions	-	(215,315)
Revenue recognized on programs assisting students (note 4)	(84,325)	(165,413)
Increase in life insurance cash surrender value	(975)	(383)
Increase in unrealized gain in investments and marketable securities	(8,345)	(1,863)
Amortization of deferred operating contributions included in ancillary income	(97,305)	-
Changes in non-cash operating working capital:		
Accounts receivable	9,706	5,921
Inventory	12,090	9,646
Prepaid expenses and deposits	47,591	(48,493)
Accounts payable and accrued liabilities	(26,882)	(16,644)
Accrued holiday pay	13,321	(78,640)
Scholarship payable	1,900	(940)
Refundable deposits	(36,166)	7,108
Net increase in deferred revenue	145,643	172,663
	187,902	169,411
Financing:		
Receipts of deferred operating contributions	-	2,153,148
Use of deferred capital contributions	(39,140)	-
Endowment contributions	6,608	21,230
	(32,532)	2,174,378
Investments:		
Purchase of capital assets	(389,160)	(70,364)
Decrease (increase) in restricted assets	300,940	(2,090,607)
	(88,220)	(2,160,971)
Increase in cash position	67,150	182,818
Cash position, beginning of year	415,575	232,757
Cash position, end of year	\$ 482,725	\$ 415,575

For non-cash transaction see note 5

See accompanying notes to financial statements.

COLUMBIA BIBLE COLLEGE

Notes to Financial Statements

Year ended April 30, 2014

General:

Columbia Bible College (the "College") is incorporated as a corporation without share capital under the Corporations Act of British Columbia. The College provides post-secondary education, including Bachelor of Arts degrees, Diplomas, and Certificates to students drawn from Canada and other parts of the world.

The College is a registered charity under the Income Tax Act and accordingly is exempt from income taxes under Paragraph 149(1)(l) of the Income Tax Act.

1. Significant accounting policies:

Basis of presentation:

The financial statements have been prepared by management in accordance with the Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) Revenue recognition:

The College follows the deferral method of accounting for revenue recognition. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Pledges are recognized as revenue when cash is received.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is deferred and recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Operating subsidies are recognized as revenue when received.

Course fees and ancillary revenues are recognized as revenue when earned.

(b) Inventory:

Inventory, consisting of food, bookstore merchandise, office and general supplies, is recorded at the lower of actual cost and net realizable value.

COLUMBIA BIBLE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value, if any.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings and improvements	40 years
Furniture, equipment and vehicles	5 years

(d) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 such estimates and assumptions include the valuation of accounts receivable and inventory, the carrying amount of capital assets, accrued liabilities, and accrued holiday pay. Actual results could differ from those estimates.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The College has elected to carry investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the College determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the College expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

COLUMBIA BIBLE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

2. Restricted assets:

	2014	2013
Deferred operating contributions	\$ 1,537,820	\$ 1,937,833
Scholarship endowment principal	786,518	779,910
Deferred revenue (note 4)	224,175	162,857
Internally restricted - capital reserve	247,625	177,338
Unspent capital contributions - residence	-	39,140
	\$ 2,796,138	\$ 3,097,078
Represented by:		
Cash and term deposits	\$ 2,270,707	\$ 2,764,995
Marketable securities	525,431	332,083
	\$ 2,796,138	\$ 3,097,078

The original cost of the restricted marketable securities is \$424,824 (2013 - \$264,824).

The College has a credit facility with the HSBC Bank of Canada for \$375,000 bearing interest at prime plus 0.5%. As at April 30, 2014 (2013 - \$nil) there was no amount drawn on this facility.

3. Capital assets:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,494,291	\$ -	\$ 1,494,291	\$ 1,494,291
Buildings and improvements	14,294,024	4,873,226	9,420,798	9,778,165
Furniture, equipment and vehicles	1,647,466	1,386,670	260,796	323,673
Construction in progress	302,708	-	302,708	-
	\$ 17,738,489	\$ 6,259,896	\$ 11,478,593	\$ 11,596,129

With the exception of Redekop Hall residence, with a net book value of \$3,274,717, title to land and buildings is held in escrow with Columbia Campus Development Society ("CCDS") for a period of 50 years, ending on January 1, 2050, at which time title shall be returned to the College.

COLUMBIA BIBLE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

4. Deferred revenue:

Deferred revenue represents externally restricted donations and restricted investment income received for the purpose of programs assisting students. Specifically, the distribution of student scholarships and bursaries.

	2014	2013
Balance, beginning of year	\$ 162,857	\$ 155,606
Add amounts received:		
Donations	79,152	117,837
Investment income	66,491	54,827
	308,500	328,270
Less amounts recognized as revenue in the year, used for:		
Bursaries and scholarships awarded	(84,325)	(165,413)
	\$ 224,175	\$ 162,857

5. Deferred operating contributions:

Deferred operating contributions are funds received for the purposes of maintaining a museum collection for a minimum term of 10 years.

	2014	2013
Balance, beginning of year	\$ 1,937,833	\$ -
Funds received in the year	-	2,153,148
Amounts amortized during the year	-	(215,315)
Amounts transferred to deferred capital contributions	(302,708)	-
Amounts utilized for museum operating costs (Schedule)	(97,305)	-
	\$ 1,537,820	\$ 1,937,833

The College transferred \$302,708 of deferred operating funds related to the Metzger fund museum project to deferred capital contributions for construction of the museum.

COLUMBIA BIBLE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

6. Deferred capital contributions:

(a) Capital assets:

Deferred capital contributions represent the unamortized amount of donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2014	2013
Balance, beginning of year	\$ 10,130,563	\$ 10,459,780
Transfer from deferred operating contributions	302,708	-
Transfer from unspent capital contributions	-	1,342
	10,433,271	10,461,122
Less:		
Amounts amortized to revenue	(330,376)	(330,559)
Balance, end of year	\$ 10,102,895	\$ 10,130,563

(b) Unspent capital contributions - residence:

The balance of unspent capital contributions relate to the new residence capital campaign:

	2014	2013
Balance, beginning of year	\$ 39,140	\$ 40,482
Recognized as donations in the year	(39,140)	-
Amounts spent on capital assets	-	(1,342)
	\$ -	\$ 39,140

COLUMBIA BIBLE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

7. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2014	2013
Capital assets - net book value	\$ 11,478,593	\$ 11,596,129
Amounts financed by:		
Deferred capital contributions	(10,102,895)	(10,130,563)
	\$ 1,375,698	\$ 1,465,566

(b) Change in invested in capital assets is calculated as follows:

	2014	2013
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 330,376	\$ 330,559
Amortization of capital assets	(506,696)	(527,503)
	\$ (176,320)	\$ (196,944)

	2014	2013
Net change in invested in capital assets:		
Purchase of capital assets	\$ 389,160	\$ 70,364
Amounts funded by deferred capital contributions	(302,708)	(1,342)
	\$ 86,452	\$ 69,022

COLUMBIA BIBLE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

8. Economic dependence:

The College received subsidies from the Mennonite Church BC (MCBC) and the B.C. Conference of Mennonite Brethren Churches (BCMBC) as follows:

	MCBC	BCMBC	2014 Total	MCBC	BCMBC	2013 Total
Operating subsidies	\$ 120,000	\$ 349,198	\$ 469,198	\$ 120,000	\$ 398,768	\$ 518,768

Future operations of the College depend upon the continued subsidy support of the MCBC and BCMBC.

9. Internally restricted:

On an annual basis, the Board of Directors will internally restrict up to 2.5% of operating revenues as a capital reserve. These internally restricted funds are not available for other purposes without the approval of the Board of Directors.

	2014	2013
Balance, beginning of the year	\$ 177,338	\$ 51,703
Annual allocation	70,287	125,635
Balance, end of year	\$ 247,625	\$ 177,338

10. Commitments:

The College is committed to minimum annual lease payments under various photocopier leases as follows:

2015	\$ 12,112
------	-----------

11. Contingencies:

The College has two bank guarantees totalling \$6,398 (2013 - \$7,796) issued to the City of Abbotsford for development purposes.

COLUMBIA BIBLE COLLEGE

Notes to Financial Statements (continued)

Year ended April 30, 2014

12. Financial risks and concentration of risk:

(a) Liquidity risk:

Liquidity risk is the risk that the College will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The College manages its liquidity risk by monitoring its operating requirements. The College prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2013.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The College is exposed to credit risk with respect to the accounts receivable. The College assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(c) Investment risk:

The College manages its investment portfolio to earn investment income and invests according to an Investment Policy Statement approved by the Board. The College is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The College manages interest-rate risk, market, credit and cash flow risk from its investments by investing in a diversified portfolio.

Additionally, the College believes it is not exposed to significant liquidity risk as all investments are held in pooled fund instruments that are highly liquid.

COLUMBIA BIBLE COLLEGE

Schedule of Ancillary Services

Year ended April 30, 2014, with comparative information for 2013

	Residence	Food Services	Hospitality	Catering	Bookstore	Globe Quest	Biblical Museum	2014 Total	2013 Total
Revenues	\$ 377,570	\$ 435,459	\$ 147,538	\$ 151,906	\$ 93,774	\$ 60,514	\$ 97,305	\$ 1,364,066	\$ 1,152,933
Expenses	(253,149)	(408,504)	(113,410)	(106,739)	(87,292)	(57,496)	(97,305)	(1,123,895)	(1,006,355)
	\$ 124,421	\$ 26,955	\$ 34,128	\$ 45,167	\$ 6,482	\$ 3,018	\$ -	\$ 240,171	\$ 146,578

COLUMBIA BIBLE COLLEGE

Schedule of PCTIA tuition

Year ended April 30, 2014, with comparative information for 2013

		2014	2013
PCTIA tuition earned	\$	1,476,844	\$ 1,578,896
PCTIA tuition accounts receivable	\$	-	\$ -
PCTIA deferred tuition revenue	\$	15,736	\$ 35,257