


**LUTHER COLLEGE, REGINA
UNIVERSITY and HIGH SCHOOL
Regina, Saskatchewan**

**Independent Auditors' Report and
Financial Statements
June 30, 2017**

APPROVED ON BEHALF OF THE BOARD OF REGENTS:






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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Board of Regents of Luther College
Regina, Saskatchewan

Management has responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records maintained.

The Board of Regents is responsible for overseeing the business affairs of Luther College and also has the responsibility for approving the financial statements. The Board of Regents has delegated certain of these responsibilities to its Audit Committee, including the responsibility for reviewing the annual financial statements and meeting with management and auditors on matters relating to the financial process.

External auditors appointed by the Board of Regents audit the financial statements and report directly to the members. Their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.



Dr. Bryan Hillis
President



Mark Duke, CPA, CMA
Director of Finance



INDEPENDENT AUDITORS' REPORT

To the Board of Regents of Luther College

We have audited the accompanying financial statements of Luther College which comprise the statement of financial position as at June 30, 2017 and the statements of fund balances, revenues and expenses 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.

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 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 auditors' 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 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 Luther College as at June 30, 2017 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

September 25, 2017

Regina, Saskatchewan


Chartered Professional Accountants

**LUTHER COLLEGE, REGINA
UNIVERSITY and HIGH SCHOOL
Regina, Saskatchewan**

**Statement of Financial Position
At June 30, 2017, 2016**

		2017				2016
	Notes	Operating	Restricted	Trust	Total	Total
Current assets:						
Cash, short term investments		\$ 2,153,790	\$ 1,251,332	\$ -	\$ 3,405,122	\$ 5,335,189
Accounts receivable		409,246	1,171	-	410,417	434,979
Prepaid expenses		143,985	-	-	143,985	87,256
Total current assets		2,707,021	1,252,503	-	3,959,524	5,857,424
Accrued pension benefit asset	8	223,000	-	-	223,000	305,000
Accrued market value of loan derivatives	6	-	(1,006,231)	-	(1,006,231)	(1,912,025)
Investments		1,611,752	4,783,613	5,065,043	11,460,408	9,128,527
Tangible capital assets	3	-	28,058,660	-	28,058,660	25,857,452
Due from (to) other funds		(83,908)	136,177	(52,269)	-	-
Total long term assets		1,750,844	31,972,219	5,012,774	38,735,837	33,378,954
Total assets		\$ 4,457,865	\$ 33,224,722	\$ 5,012,774	\$ 42,695,361	\$ 39,236,378
Current liabilities:						
Deposits		\$ 834,397	\$ -	\$ -	\$ 834,397	\$ 1,131,724
Accounts payable	4, 5	2,241,648	41,415	-	2,283,063	2,188,046
Deferred revenue		803,936	-	-	803,936	482,897
Residence project loan - current portion	6	-	76,067	-	76,067	-
Construction project loan - current portion	6	-	555,102	-	555,102	538,264
Total current liabilities		3,879,981	672,584	-	4,552,565	4,340,931
Long term debt	6	-	12,835,773	-	12,835,773	11,946,284
Total liabilities		3,879,981	13,508,357	-	17,388,338	16,287,215
Fund balances:						
Restricted	2	-	5,124,644	5,012,774	10,137,418	9,029,010
Tangible capital assets		-	14,591,721	-	14,591,721	13,372,906
Unrestricted		577,884	-	-	577,884	547,247
Total fund balances		577,884	19,716,365	5,012,774	25,307,023	22,949,163
Total liabilities and fund balances		\$ 4,457,865	\$ 33,224,722	\$ 5,012,774	\$ 42,695,361	\$ 39,236,378

"See Accompanying Notes"

**LUTHER COLLEGE, REGINA
UNIVERSITY and HIGH SCHOOL
Regina, Saskatchewan**

**Statement of Fund Balances
For the Years Ended June 30, 2017, 2016**

	2017					2016
	<u>Operating</u>	<u>Tangible Capital Assets</u>	<u>Restricted</u>	<u>Trust</u>	<u>Total</u>	<u>Total</u>
Fund balance - beginning	\$ 547,247	\$ 13,372,906	\$ 4,636,845	\$ 4,392,165	\$ 22,949,163	\$ 21,332,642
Excess revenue during year	1,075,887	-	661,364	620,609	2,357,860	1,616,521
Transfer of fund balance	637,650	-	(637,650)	-	-	-
Tangible capital assets	(3,204,244)	3,204,244	-	-	-	-
Depreciation	-	(1,003,036)	1,003,036	-	-	-
Repayment of debt	-	538,951	(538,951)	-	-	-
Receipt of loan	1,521,344	(1,521,344)	-	-	-	-
Fund balance - ending	\$ 577,884	\$ 14,591,721	\$ 5,124,644	\$ 5,012,774	\$ 25,307,023	\$ 22,949,163

"See Accompanying Notes"

**LUTHER COLLEGE, REGINA
UNIVERSITY and HIGH SCHOOL
Regina, Saskatchewan**

**Statement of Revenues and Expenses
For the Years Ended June 30, 2017, 2016**

	2017				2016
	<u>Operating</u>	<u>Restricted</u>	<u>Trust</u>	<u>Total</u>	<u>Total</u>
Revenues:					
Tuition fees	\$ 5,399,568	\$ -	\$ -	\$ 5,399,568	\$ 4,885,402
Grants					
Government of Saskatchewan	7,004,434	-	-	7,004,434	7,310,573
Other	60,565	-	-	60,565	91,955
Ancillaries	2,863,947	-	-	2,863,947	2,608,988
Other revenues	1,891,130	750,422	504,841	3,146,393	2,101,636
Donations	209,449	743,007	497,655	1,450,111	2,898,451
	<u>17,429,093</u>	<u>1,493,429</u>	<u>1,002,496</u>	<u>19,925,018</u>	<u>19,897,005</u>
Expenses:					
Academic and library	8,320,885	-	191,617	8,512,502	7,810,976
Administration	2,301,920	859	1,060	2,303,839	2,229,968
Student services	1,264,097	-	-	1,264,097	1,250,725
Physical plant	1,990,494	(12,821)	-	1,977,673	2,082,372
Food services	1,757,230	-	-	1,757,230	1,635,076
Advancement and communications	455,893	-	-	455,893	438,097
Interest on debt	4,622	524,349	-	528,971	544,398
Depreciation	-	1,003,036	-	1,003,036	1,020,945
	<u>16,095,141</u>	<u>1,515,423</u>	<u>192,677</u>	<u>17,803,241</u>	<u>17,012,557</u>
Excess (deficiency) of revenues over expenses from operations before the following:	<u>1,333,952</u>	<u>(21,994)</u>	<u>809,819</u>	<u>2,121,777</u>	<u>2,884,448</u>
Non-operating items:					
Net change in unrealized gain on investments	(176,065)	(222,436)	(189,210)	(587,711)	(370,587)
Net change in unrealized loss on loan derivatives	-	905,794	-	905,794	(915,339)
Net change in accrued benefit plan asset	(82,000)	-	-	(82,000)	18,000
	<u>(258,065)</u>	<u>683,358</u>	<u>(189,210)</u>	<u>236,083</u>	<u>(1,267,926)</u>
Excess of revenues over expenses	<u>\$ 1,075,887</u>	<u>\$ 661,364</u>	<u>\$ 620,609</u>	<u>\$ 2,357,860</u>	<u>\$ 1,616,522</u>

"See Accompanying Notes"

**LUTHER COLLEGE, REGINA
UNIVERSITY and HIGH SCHOOL
Regina, Saskatchewan**

**Statement of Cash Flows
For the Years Ended June 30, 2017, 2016**

	<u>2017</u>	<u>2016</u>
Operating activities:		
Excess of revenues over expenses	\$ 2,357,860	\$ 1,616,522
Non cash items in the above:		
Depreciation	1,003,036	1,020,945
Net change in unrealized gain on investments	587,711	370,587
Net change in unrealized loss on loan derivatives	(905,794)	915,339
Net change in accrued pension benefit asset	82,000	(18,000)
Change in working capital balances	<u>86,562</u>	<u>564,946</u>
Cash provided by operating activities	<u>3,211,375</u>	<u>4,470,339</u>
Financing activities:		
Repayment of long term debt	(538,951)	(536,205)
Receipt of Loan	<u>1,521,344</u>	<u>-</u>
Cash provided by (used for) financing activities	<u>982,393</u>	<u>(536,205)</u>
Investing activities:		
Purchase of tangible capital assets	(3,204,244)	(3,821,992)
(Purchase) / disposition of investments	<u>(2,919,591)</u>	<u>311,223</u>
Cash used for investing activities	<u>(6,123,835)</u>	<u>(3,510,769)</u>
(Decrease) increase in cash, short term investments	(1,930,067)	423,365
Cash, short term investments, beginning of year	<u>5,335,189</u>	<u>4,911,824</u>
Cash, short term investments, end of year	<u><u>\$ 3,405,122</u></u>	<u><u>\$ 5,335,189</u></u>
Cash, short term investments consist of:		
Cash	\$ 2,300,971	\$ 3,368,164
Short term investments	<u>1,104,151</u>	<u>1,967,025</u>
	<u><u>\$ 3,405,122</u></u>	<u><u>\$ 5,335,189</u></u>

"See Accompanying Notes"

LUTHER COLLEGE, REGINA
UNIVERSITY AND HIGH SCHOOL
Notes to the Financial Statements
June 30, 2017

1. GENERAL

Luther College officially opened on January 5, 1914 and was incorporated by the Saskatchewan Legislature through *An Act to Incorporate Luther College, Regina* assented March 31, 1969 with a subsequent amendment through Bill No. 04 of 1996. Luther College is a school affiliated with the Evangelical Lutheran Church in Canada and is governed by a Board of Regents.

The College operates separate high school and university campuses for the purpose of providing a liberal arts education to high school and university students within the context of the Christian values and traditions of the Lutheran Church. Various aspects of financing and operations are subject to control by the Saskatchewan Provincial Government through the Ministries of Education and Advanced Education.

The high school campus is an associate member of the Saskatchewan School Boards Association and the university campus is a federated college of the University of Regina and member of Universities Canada. As of June 30, 2017, the high school campus is in the application process to become a member of the Canadian Accredited Independent Schools organization.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which required management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The financial statements have been prepared using the following policies:

a) Fund accounting

The accounts of the College are reported on a fund basis. A fund is defined as a self-balancing accounting entity set up to show the assets held against the capital of the fund or trust monies received for certain specific designated purpose(s). The Funds used by the College are the Operating, Restricted and Trust Funds. The Restricted Fund accounts for the activities described below. The Trust Fund accounts for contributions that are endowment funds or contributions designated by the contributor for scholarships. The Operating Fund accounts for all of the other financial activities of the College.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Restricted fund

During the year, there were net transfers of \$1,009,184 to the Restricted General Fund primarily to provide for the future costs of facility renewal. Net interest earned on the restricted investments for the year was \$429,735. The restricted fund balance at June 30 consists of the following:

	<u>2017</u>	<u>2016</u>
High School capital campaign	\$ 1,271,915	\$ 1,250,856
Market value of loan derivative	(1,006,231)	(1,912,025)
Strategic initiatives fund	51,495	48,860
Provision for renewal of facilities not funded by government*	3,828,087	4,411,508
Faculty development	979,381	837,646
	<u>\$ 5,124,647</u>	<u>\$ 4,636,845</u>

* Includes residence, cafeteria and other ancillary facilities and equipment.

c) Revenue recognition

Tuition fees, ancillary service income and grants are recognized as revenue in the year to which they relate. General donations are recorded as revenue in the year they are received. Restricted contributions (i.e. restrictions placed on the use of the funds by the contributor) to the general fund are recognized as revenue the year the expenses they relate to are incurred. Donations and other revenues of the Trust Fund are recognized in the year they are received or receivable if the amounts can be reasonably determined and there is reasonable expectation of collection.

d) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated depreciation. Depreciation is on a straight-line basis based on the following estimated useful lives:

Buildings	40 years
Equipment	3 to 10 years

Works of art are not depreciated.

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Notes to the Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments - recognition and measurement

Financial assets and financial liabilities are recorded on the statement of financial position when the College becomes party to the contractual provisions of the financial instrument. All financial instruments are required to be recognized at fair value upon initial recognition, except for certain related party transactions. Measurement in subsequent periods of equity instruments is at fair value. All other financial assets and financial liabilities are subsequently measured at amortized cost adjusted by transaction costs, which are amortized over the expected life of the instrument.

Fair value is the amount at which a financial instrument could be exchanged at arm's length between willing, unrelated parties in an open market. Changes in fair values of financial assets and financial liabilities measured at fair value are recognized in the statement of operations.

When there is an indication of impairment and such impairment is determined to have occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted cash flows expected or the proceeds that could be realized from sale of the financial asset. Such impairments can be subsequently reversed if the value improves.

3. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following at June 30:

	High School	University	Total Cost	Accumulated Depreciation	Net Book Value 2017	Net Book Value 2016
Land	\$ 27,979	\$ -	\$ 27,979	\$ -	\$ 27,979	\$ 27,979
Buildings	22,058,975	6,076,119	28,135,094	7,462,933	20,672,161	21,244,177
Expansion/Renovation	-	6,342,943	6,342,943	-	6,342,943	3,408,543
Equipment	1,120,102	1,237,633	2,357,735	1,342,158	1,015,577	1,176,753
Total	\$ 23,207,056	\$ 13,656,695	\$ 36,863,751	\$ 8,805,091	\$ 28,058,660	\$ 25,857,452

At June 30, 2017 artwork included in equipment is \$58,462 (2016 - \$58,462).

LUTHER COLLEGE, REGINA
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June 30, 2017

3. TANGIBLE CAPITAL ASSETS (continued)

At June 30, 2017, the College has in place a plan for a \$6,482,300 revitalization of its university campus residence scheduled for completion in August 2017. Total costs incurred as of June 30, 2017 are \$6,155,367.

The buildings of the university campus are built upon property owned by the University of Regina. The College has leased this property for a 20-year period which ends April 30, 2020. At the end of the term, but with 6 months prior notice, the College has the option to extend the lease for a further term of 30 years at a rent of \$10.00.

The College is a joint beneficiary to the mineral rights on 1,118 titled mineral acres in the Province of Saskatchewan. As each of the two owners of the properties passes away, that donor's share of the mineral rights will be transferred to Luther College. There is no exploration or development of these properties underway or planned in the near future and so it is not possible to assign a value to this gift. It is not recorded in the financial records of the College.

4. ACCOUNTS PAYABLE

Accounts payable includes amounts owing to the University of Regina as follows:

	<u>2017</u>	<u>2016</u>
Infrastructure services payable	\$ 46,797	\$ 68,765
Fees payable	<u>103,352</u>	<u>24,612</u>
Total	<u>\$ 150,149</u>	<u>\$ 93,377</u>

5. VACATION PAY, DISABILITY AND ACADEMIC LEAVE
ACCRUALS

The College provides for employee vacation pay entitlements, and other faculty academic leave benefits. These benefits are accrued at their present value as follows and are included in accounts payable on the Statement of Financial Position:

	Vacation Pay	Academic Leave	Short-term Disability	Total
Balance, June 30, 2016	\$ 293,646	\$ 645,153	\$ 84,834	\$ 1,023,633
Increase (decrease) during the year	18,532	15,633	(38,484)	(4,319)
Balance, June 30, 2017	<u>\$ 312,178</u>	<u>\$ 660,786</u>	<u>\$ 46,350</u>	<u>\$ 1,019,314</u>

**LUTHER COLLEGE, REGINA
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Notes to the Financial Statements
June 30, 2017

6. LOANS PAYABLE

a) Line of credit

The High School has an authorized revolving line of credit of \$200,000 at the Canadian Imperial Bank of Commerce. The interest rate for this line of credit is prime plus 0%. At June 30, 2017, the line of credit was not used (2016 - nil).

The University has an authorized revolving line of credit of \$200,000 at the Canadian Imperial Bank of Commerce. The interest rate for this line of credit is prime plus 0%. At June 30, 2017, the line of credit was not used (2016 - nil).

b) Credit cards

The College has an authorized credit limit of \$150,000 (2016 - \$150,000) on Corporate Classic Visa cards to be used for the purchase and payment of goods and services. The annual interest rate for this credit is 18.5%. At June 30, 2017 the outstanding balance was \$24,049 (2016 - \$32,623).

c) CIBC Demand Instalment Take-out Loan

The purpose of this loan is to provide long-term financing of the High School campus expansion/renovation. It was executed on April 30, 2014.

The loan is structured as follows:

1. Canadian dollar loan – interest at prime; and
2. Banker's Acceptances – 1 month BA rate + stamping fee of 125 basis points, floating.

The required payments are as follows:

1. Banker's Acceptances are repayable at each maturity (maximum six months) and are rolled over at maturity; and
2. The loan is repayable in monthly blended payments of principal and interest amortized over 20 years.

The floating interest rate on the Demand Construction Take-out Loan was fixed by way of a Swap Agreement documented under an ISDA Master Agreement ("the Swap Agreement") satisfactory to CIBC with mutual puts every 5 years.

On November 29, 2012 a Swap Agreement in the amount of \$7,000,000 was executed. The interest rate is 4.06% per annum and the monthly payment of principal and interest is \$42,640 with the first payment due May 30, 2014.

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Notes to the Financial Statements
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6. LOANS PAYABLE (continued)

On June 28, 2013 a Swap Agreement in the amount of \$5,500,000 was executed. The interest rate is 4.84% per annum and the monthly payment of principal and interest is \$35,813 with the first payment due May 30, 2014.

The effective date of each Swap Agreement is April 30, 2014. The balance on the Demand Construction Take-out Loan at June 30, 2017 is \$11,210,755 (June 30, 2016 was \$11,648,566). The balance under the Swap Agreements at June 30, 2017 is \$11,210,755 (June 30, 2016 was \$11,648,566).

- d) In accordance with generally accepted account principles, Luther College has recorded a net unrealized loss, in the amount of \$1,006,231, on the derivative instruments implicit in the Swap Agreements described in note 6(d). These losses are derived from decrease in markets interest rates that occurred since the Swap Agreements were executed. Should market interest rates rise, these losses will be reduced and could ultimately become gains. In signing the Swap Agreements, it was the intention of the College to minimize exposure to fluctuations in market interest rates over the 20 year life of the construction loan, not to speculate in the derivatives market. Accordingly, it is not the intention of the College to realize either these losses or potential future gains in the derivatives market.

e) CIBC Demand Instalment Term loan – High School Campus

The purpose of this loan is to provide long-term financing for costs associated with the High School campus expansion and renovation.

The loan is a Canadian dollar non-revolving Instalment Loan at prime interest rate. The \$990,799 loan is amortized over 10 years. Monthly principal payments of \$8,257 plus interest began on November 1, 2014. The College has the option to repay any principal outstanding under this facility at any time without penalty.

At June 30, 2017 the balance outstanding was \$734,842 (2016-\$833,923).

f) CIBC Demand Instalment Term loan – University Campus

The purpose of this loan is to provide long-term financing for costs associated with the University residence renovation.

LUTHER COLLEGE, REGINA
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Notes to the Financial Statements
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6. LOANS PAYABLE (continued)

Multiple advances are permitted at the request of Luther College in support of paid invoices up to the authorized loan amount of \$2,700,000.

The loan is a Canadian dollar non-revolving Instalment Loan at prime interest rate, amortized over 15 years. Interest only payments are required until October 1, 2017 when monthly principal plus interest payments will begin. The College has the option to repay any principal outstanding under this facility at any time without penalty.

At June 30, 2017 the balance outstanding was \$1,521,345 (2016 – nil).

7. OPERATING LEASES

The College has operating lease obligations for photocopying equipment at the high school campus. The payments for the next year of the lease is:

	<u>Amount</u>
2017/18	\$ 8,511

8. PENSION PLANS

Employees of the University campus are eligible to participate in the University of Regina's Non-Academic Pension Plan or the Academic and Administrative Pension Plan. These plans are administered by the University of Regina. Employees hired before January 1, 2000 participate in defined benefit final average pension plans. Employees hired after January 1, 2000 participate in defined contribution plans. The cost of the defined contribution plans is expensed as earned by employees.

The College and employee each contribute 7.5% and 8.75% of the employee's gross salary to the Academic and Administrative plan or Non-Academic pension plan respectively. The College records its contributions to the pension plans as an expense. The expense recorded in 2017 was \$367,935 (2016 - \$363,877).

Actuarial valuations are completed at least every 3 years as prescribed by statute. The most recent actuarial valuation report was December 31, 2015 for the Non-Academic plan and December 31, 2014 for the Academic and Administrative plan. Extrapolation reports to April 30, 2017 for each plan have also been provided. The College funds the plans based on the amounts recommended by the actuary, with minimum amounts specified in accordance with the plans and in the collective

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Notes to the Financial Statements
June 30, 2017

8. PENSION PLANS (continued)

bargaining agreements. The assets, including any potential surplus in the plan, are for the benefit of the members and their beneficiaries. There is no provision that allows for the withdrawal of surplus by the College.

The cost of defined benefit pensions is determined using the projected benefit method prorated on services, management's best estimate of expected long-term rate of return on plan assets, salary escalation and inflation. The discount rate is determined by reference to market interest rates on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

This cost is expensed as employees provide services. Past service costs arising from plan amendments and changes in assumptions are amortized on a straight-line basis over the estimated average remaining service lifetime of the employee group (Academic Plan – 5.8 years, Non-Academic Plan – 13.0 years). Experience gains and losses and gains or losses arising from plan curtailments and settlements are recognized in the year in which they occur. For purposes of calculating the expected return on plan assets, pension assets are valued at fair value at April 30, 2017 for the Academic Plan and Non-Academic Plans.

Information on the defined benefit plan is as follows:

Academic and Administrative	<u>2017</u>	<u>2016</u>
Plan assets at fair value	\$ 9,072,000	\$ 9,066,000
Benefit obligation	(7,962,000)	(7,937,000)
Valuation allowance	<u>(717,000)</u>	<u>(729,000)</u>
Net pension surplus	<u>\$ 393,000</u>	<u>\$ 400,000</u>
 Non-Academic	 <u>2017</u>	 <u>2016</u>
Plan assets at fair value	\$ 3,236,000	\$ 3,112,000
Benefit obligation	<u>(3,406,000)</u>	<u>(3,207,000)</u>
Net pension surplus (deficiency)	<u>(\$170,000)</u>	<u>(\$95,000)</u>
 Accrued pension benefit asset	 <u>\$ 223,000</u>	 <u>\$ 305,000</u>

Significant actuarial assumptions adopted:

	<u>2017</u>	<u>2016</u>
Discount rate	5.80% - 5.95%	5.85% - 6.00%
Expected long-term rate of return on plan assets	5.80% - 5.95%	5.35% - 5.50%
Rate of compensation increase	2.75%	2.75%
Inflation	2.25%	2.25%

**LUTHER COLLEGE, REGINA
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Notes to the Financial Statements
June 30, 2017

8. PENSION PLANS (continued)

Support staff at the high school participate in a group registered retirement savings plan (RRSP). The College and employee each contribute amounts equal to 4% of the employee's gross salary to the RRSP. The College's contributions to the RRSP become the property of the employee and the College is not liable for any future benefits. The College's contributions to this plan in 2017 were \$54,854 (2016 - \$45,941).

High School faculty are members of the Saskatchewan Teachers' Retirement Plan, a defined benefit plan administered by the Province of Saskatchewan. The College does not contribute to, nor have any liabilities related to this plan.

9. FINANCIAL RISK MANAGEMENT

The College has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant financial risks to which the College is exposed are:

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The College's exposure to interest rate risk is limited to the long-term debt. The interest rate on this debt is variable; therefore, the College may face increasing interest costs in an increasing interest rate market. The College mitigated its risk on the demand construction take-out loan by entering into an Interest Rate Swap Agreement with the Canadian Imperial Bank of Commerce (CIBC). The demand installment term loans (High School campus, \$734,842, University campus, \$1,521,345) are not hedged and therefore are exposed to interest rate risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The College's exposure to liquidity risk is dependent on the receipt of funds from its operations, external borrowings and other related sources. Funds from these sources are primarily used to finance working capital and capital expenditure requirements, and are considered adequate to meet the College's financial obligations.

10. INCOME TAX STATUS

Luther College is an incorporated non-profit organization and registered charity within the meaning of section 149(1)(f) of the *Income Tax Act (Canada)* and is exempt from income taxes.

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11. OTHER FUNDING

The Community Initiatives Fund has approved continued funding support of \$222,200 for the Voluntary Sector Studies Network at Luther College's university campus. The funding will be provided for a two-year period starting July 1, 2017 and ending June 30, 2019. The initial payment of \$88,880 will be released July 2017, the second payment of \$88,800 will be released July 2018, a third payment of \$22,220 will be paid September 2018, and the final payment of \$22,220 will be released based on a final report due September 30, 2019.

12. INSURANCE CLAIM OUTSTANDING

The College has filed a statement of claim in a legal action in which damages have been sought. The outcome of this action is not determinable as at the date of reporting and accordingly, no provision has been made in these financial statements for any liability or gain that may result. The College's share of settlement, if any, will be charged or credited to operations in the year in which the amount is determinable.

13. COMPARATIVE FIGURES

Certain prior year's comparative figures have been reclassified or adjusted to conform to the current year's basis of presentation.