

Financial Statements of

**COLLINGWOOD SCHOOL
SOCIETY**

Year ended June 30, 2017



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Collingwood School Society

Report on the Financial Statements

We have audited the accompanying financial statements of the Collingwood School Society, which comprise the statement of financial position as at June 30, 2017, the statements of operations, 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 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 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 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 Collingwood School Society 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, resembling a signature flourish or a checkmark.

Chartered Professional Accountants

October 18, 2017
Burnaby, Canada

COLLINGWOOD SCHOOL SOCIETY

Statement of Financial Position

June 30, 2017, with comparative information for 2016

| | 2017 | 2016 |
|--------------------------------------|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 20,958,751 | \$ 14,853,234 |
| Accounts receivable (notes 3 and 18) | 287,443 | 310,348 |
| Prepaid expenses | 499,108 | 304,061 |
| | <u>21,745,302</u> | <u>15,467,643</u> |
| Capital assets (note 4) | 69,776,413 | 70,695,738 |
| Investments (note 5) | 9,938,835 | - |
| Long-term prepaid lease (note 6) | 111,158 | 120,421 |
| Other assets (note 7) | 90,000 | 175,500 |
| | <u>\$ 101,661,708</u> | <u>\$ 86,459,302</u> |

Liabilities and Net Assets

| | | |
|--|-----------------------|----------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 10) | \$ 919,527 | \$ 1,092,499 |
| Accrued salaries and benefits (note 8) | 3,308,452 | 2,996,997 |
| Tuition and other fees received in advance | 23,286,497 | 5,531,612 |
| Current portion of long-term debt (note 9) | 1,050,000 | 16,623,615 |
| | <u>28,564,476</u> | <u>26,244,723</u> |
| Long-term debt (note 9) | 11,350,000 | - |
| Net assets: | | |
| Unrestricted | 4,272,775 | 6,121,630 |
| Internally restricted | 51,695 | 20,826 |
| Externally restricted | 46,349 | - |
| Invested in capital assets (note 12) | 57,376,413 | 54,072,123 |
| | <u>61,747,232</u> | <u>60,214,579</u> |
| Commitments (note 15) | | |
| | <u>\$ 101,661,708</u> | <u>\$ 86,459,302</u> |

See accompanying notes to financial statements.

Approved on behalf of the Board:



Brent Wolverton, Governor



Patti Daum, Governor

COLLINGWOOD SCHOOL SOCIETY

Statement of Operations

Year ended June 30, 2017, with comparative information for 2016

| | Operating | Internally restricted | Externally restricted | Capital assets | 2017 Total | 2016 Total |
|--|---------------------|--------------------------|--------------------------|-----------------------|---------------------|---------------------|
| Revenue: | | | | | | |
| Tuition fees | \$26,513,905 | - | - | - | 26,513,905 | 25,832,346 |
| Less: Bursaries granted | (766,236) | - | - | - | (766,236) | (758,983) |
| | 25,747,669 | - | - | - | 25,747,669 | 25,073,363 |
| Government grants (note 11) | 3,496,853 | - | - | - | 3,496,853 | 3,270,978 |
| New student admission fees | 539,415 | - | - | - | 539,415 | 537,001 |
| Contributions received from | | | | | | |
| Parents' Council Fundraising (note 13) | - | 188,518 | - | - | 188,518 | 88,640 |
| Transportation revenue | 130,133 | - | - | - | 130,133 | 110,835 |
| Other (note 14) | 366,366 | - | - | - | 366,366 | 264,903 |
| | 30,280,436 | 188,518 | - | - | 30,468,954 | 29,345,720 |
| Expenses: | | | | | | |
| Salaries and benefits | 21,520,287 | - | - | - | 21,520,287 | 20,258,069 |
| Professional development | 387,856 | - | - | - | 387,856 | 429,399 |
| Curricular expense | 1,223,477 | - | - | - | 1,223,477 | 1,257,350 |
| Buildings and grounds maintenance | 1,336,753 | - | - | - | 1,336,753 | 1,306,018 |
| Transportation expense | 531,011 | - | - | - | 531,011 | 512,635 |
| Information technology | 411,555 | - | - | - | 411,555 | 383,432 |
| Parent, alumni and community relations | 470,470 | - | - | - | 470,470 | 467,531 |
| General and administrative | 1,421,817 | - | - | - | 1,421,817 | 1,283,139 |
| Amortization | - | - | - | 2,655,691 | 2,655,691 | 2,657,118 |
| Interest | 203,075 | - | - | - | 203,075 | 502,029 |
| | 27,506,301 | - | - | 2,655,691 | 30,161,992 | 29,056,720 |
| Excess (deficiency) of revenue over expenses before other items | | | | | | |
| | 2,774,135 | 188,518 | - | (2,655,691) | 306,962 | 289,000 |
| Other: | | | | | | |
| Fundraising (note 19) | 472,184 | - | 835,803 | - | 1,307,987 | 2,104,494 |
| Fair value adjustment on investments | (125,540) | - | - | - | (125,540) | - |
| Fair value adjustment of interest rate swap (note 10) | 43,244 | - | - | - | 43,244 | (117,543) |
| | 389,888 | - | 835,803 | - | 1,225,691 | 1,986,951 |
| Net excess (deficiency) of revenue over expenses | \$ 3,164,023 | \$ 188,518 | \$ 835,803 | \$ (2,655,691) | \$ 1,532,653 | \$ 2,275,951 |

See accompanying notes to financial statements.

COLLINGWOOD SCHOOL SOCIETY

Statement of Changes in Net Assets

Year ended June 30, 2017, with comparative information for 2016

| | Unrestricted | Internally restricted | Externally restricted | Invested in capital assets | 2017 Total | 2016 Total |
|--|--------------|--------------------------|--------------------------|-------------------------------|---------------|---------------|
| Net assets, beginning of year | \$ 6,121,630 | \$ 20,826 | \$ - | \$ 54,072,123 | \$ 60,214,579 | \$ 57,938,628 |
| Net excess (deficiency) of revenue over expenses | 3,164,023 | 188,518 | 835,803 | (2,655,691) | 1,532,653 | 2,275,951 |
| Net change in invested in capital assets (note 12(b)) | (5,012,878) | (157,649) | (789,454) | 5,959,981 | - | - |
| Net assets, end of year | \$ 4,272,775 | \$ 51,695 | \$ 46,349 | \$ 57,376,413 | \$ 61,747,232 | \$ 60,214,579 |

See accompanying notes to financial statements.

COLLINGWOOD SCHOOL SOCIETY

Statement of Cash Flows

Year ended June 30, 2017, with comparative information for 2016

| | 2017 | 2016 |
|--|----------------------|----------------------|
| Cash provided by (used in): | | |
| Operating: | | |
| Net excess of revenue over expenses | \$ 1,532,653 | \$ 2,275,951 |
| Items not involving cash: | | |
| Amortization | 2,655,691 | 2,657,118 |
| Amortization of prepaid lease | 9,263 | 9,264 |
| Fair value adjustment of stamp and coin collection | 85,500 | 94,500 |
| Fair value adjustment on investments | 125,540 | - |
| Change in non-cash operating working capital: | | |
| Accounts receivable | 22,905 | 81,966 |
| Prepaid expenses | (195,047) | 10,080 |
| Accounts payable and accrued liabilities | (172,972) | (221,888) |
| Accrued salaries and benefits | 311,455 | 86,759 |
| Tuition and other fees received in advance | 17,754,885 | 437,394 |
| | <u>22,129,873</u> | <u>5,431,144</u> |
| Investments: | | |
| Purchase of investments | (10,064,375) | - |
| Additions to capital assets | (1,736,366) | (2,506,297) |
| | <u>(11,800,741)</u> | <u>(2,506,297)</u> |
| Financing: | | |
| Increase in long-term debt | - | 1,649,000 |
| Repayment of long-term debt | (4,223,615) | (426,330) |
| | <u>(4,223,615)</u> | <u>1,222,670</u> |
| Increase in cash and cash equivalents | 6,105,517 | 4,147,517 |
| Cash and cash equivalents, beginning of year | 14,853,234 | 10,705,717 |
| Cash and cash equivalents, end of year | <u>\$ 20,958,751</u> | <u>\$ 14,853,234</u> |

See accompanying notes to financial statements.

COLLINGWOOD SCHOOL SOCIETY

Notes to Financial Statements

Year ended June 30, 2017

1. Operations:

Collingwood School Society (the "Society") was incorporated on December 8, 1983 under the authority of the Society Act of British Columbia. The Society has until November 28, 2018, to transition to the new Societies Act (British Columbia), which became effective November 28, 2016. The Society is a registered charity under the Income Tax Act and is therefore exempt from the payment of income tax.

The Society operates Collingwood School (the "School") at the Morven Campus (600 students, grades 8 - 12) and the Wentworth Campus (650 students, junior kindergarten - grade 7), both in West Vancouver. The School is classified as a Group 2 independent school under the Independent School Act.

The School is non-denominational and co-educational. It aims to graduate students whose achievements are excellent, who are inspired by learning, who appreciate the contribution made to a fulfilling life by scholarship, the arts, athletics and service, and who understand the rights, obligations and responsibilities of living in a free democratic society.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations and include the following significant accounting policies:

(a) Fund accounting:

The resources and operations of the Society have been segregated for accounting purposes into the following funds:

(i) Operating fund:

The operating fund accounts for the Society's program delivery, support and administrative activities. Amortization charges relating to these activities are accounted for in the capital assets fund.

(ii) Restricted funds:

The externally restricted fund accounts for funds derived from donations and fundraising efforts which the purposes have been specifically designated by donors.

The internally restricted fund represents contributions received from the Parents' Council fundraising to be used for the benefit of the School.

(iii) Capital assets fund:

The capital assets fund accounts for the amortization of capital assets used in operations of the Society as well as the Society's investment in capital assets and related long-term debt.

Interfund transfers to fund capital asset acquisitions and long-term debt repayments related to capital assets are presented in the statement of changes in net assets.

COLLINGWOOD SCHOOL SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2017

2. Significant accounting policies (continued):

(b) Revenue recognition:

The Society follows the restricted fund method of accounting for contributions.

(i) Unrestricted contributions:

Unrestricted contributions, including government grants, are recognized as revenue of the Operating Fund in the period in which the entitlement is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(ii) Restricted contributions:

Restricted contributions, including capital fundraising, received for future capital acquisitions are recorded in the restricted fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(iii) Parents' Council contributions that are for specific purposes are internally restricted.

(iv) Asset and service contributions:

Donations and contributions in kind are recorded at fair value at the time of receipt when and if such a value can be reasonably determined.

Volunteers contribute a significant amount of time each year to assist the Society in fundraising and carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services of volunteers are not recognized in these financial statements.

(v) Tuition fees received prior to June 30 for the upcoming year are deferred as tuition fees received in advance and recognized as revenue in the period to which the fees relate. New student admission fees are recognized as fully earned when the applicant is accepted for admission to the school. The school grants bursaries for students of the faculty and other students who apply for financial aid. These bursaries are recorded as a reduction of revenues when granted.

(vi) Other fees are recorded as revenue when the related services are provided.

COLLINGWOOD SCHOOL SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2017

2. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost and are amortized over the estimated useful lives of the assets using the following methods and annual rates:

| Assets | Basis | Rates |
|-------------------------------|---------------|---------------|
| Morven Campus: | | |
| Building | Straight-line | 50 years |
| Turf Field | Straight-line | 15 years |
| Wentworth Campus: | | |
| Buildings | Straight-line | 20 - 50 years |
| Turf Field | Straight-line | 15 years |
| Furniture, fixtures and other | Straight-line | 3 -10 years |

School development costs are not amortized until the assets are in use.

School development costs are capitalized as capital assets once there is certainty as to the future benefit being realized on the project. Once projects are complete, they are transferred to the appropriate capital asset category for amortization.

(d) Impairment of capital assets:

The Society reviews its capital assets for impairment which are held and in use whenever events or changes in circumstances indicate that the assets no longer have long-service potential to the Society. If such conditions exist, an impairment loss is measured at the amount by which the carrying amount of the asset exceeds its residual value.

(e) Prepaid lease:

The components of the prepaid lease are amortized on a straight-line basis over the term of the arrangement.

(f) Other assets:

The Society received a donation of a stamp and coin collection that was originally recorded at its estimated fair market value. The amount is assessed annually for impairment based on the current estimated fair market value.

(g) Employee future benefits:

The Society provides extended health benefits to retired employees with a combination of 85 points based on age and service at the time of retirement. There are currently 23 (2016 - 20) retired employees receiving extended health benefits. These amounts are recorded as a liability on an unfunded basis based on the estimated present value of expected future payments to existing retired employees and management's estimate of current employees who are expected to meet the eligibility criteria upon retirement.

COLLINGWOOD SCHOOL SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2017

2. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of 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 areas requiring management estimates include the recoverability of accounts receivable and the useful lives of capital assets, accrued liabilities, and provisions for employee future benefits. Actual results could differ from these estimates.

(i) 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 Society has elected to carry its 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 Society 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 Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

3. Accounts receivable:

| | 2017 | 2016 |
|---------------------------------------|------------|------------|
| Trade and other receivables (note 18) | \$ 211,429 | \$ 225,642 |
| Commodity sales tax | 84,014 | 97,499 |
| | 295,443 | 323,141 |
| Allowance for doubtful accounts | (8,000) | (12,793) |
| | \$ 287,443 | \$ 310,348 |

COLLINGWOOD SCHOOL SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2017

4. Capital assets:

| | | | 2017 | 2016 |
|-------------------------------|---------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Morven Campus: | | | | |
| Land | \$ 682,971 | \$ - | \$ 682,971 | \$ 682,971 |
| Building | 48,916,755 | 6,421,918 | 42,494,837 | 43,245,322 |
| Turf Field | 1,112,571 | 148,342 | 964,229 | 1,038,400 |
| Wentworth Campus: | | | | |
| Land | 4,404,621 | - | 4,404,621 | 4,404,621 |
| Buildings | 23,550,422 | 5,677,764 | 17,872,658 | 17,550,888 |
| Turf Field | 544,453 | 217,782 | 326,671 | 362,968 |
| Furniture, fixtures and other | 8,408,457 | 5,378,031 | 3,030,426 | 3,410,568 |
| | \$ 87,620,250 | \$ 17,843,837 | \$ 69,776,413 | \$ 70,695,738 |

5. Investments:

Investments held at fair value consist of equity and fixed income pooled funds invested with Leith Wheeler in accordance with the School's approved investment policy as follows:

| | 2017 | 2016 |
|----------------------|--------------|------|
| Equities | \$ 5,189,794 | \$ - |
| Fixed income | 4,670,025 | - |
| Cash and equivalents | 79,016 | - |
| | \$ 9,938,835 | \$ - |

6. Prepaid lease:

On December 18, 2008, the Society entered into an agreement with the Capilano Rugby Club (the "Club") for the use of the Club's field and facilities until December 31, 2031 for consideration of \$200,000. The lease is amortized on a straight-line basis over the usage term.

7. Other assets:

Other assets consist of a stamp and coin collection donated to the Society in 2013. During the year, the Society recorded a fair value adjustment of \$85,500 (2016 - \$94,500) to reduce the value of the stamp and coin collection.

COLLINGWOOD SCHOOL SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2017

8. Post-retirement benefits:

Included in accrued salaries and benefits is the Society's post-retirement health benefit plan liability as follows:

| | 2017 | 2016 |
|--------------------|-------------------|-------------------|
| Retired employees | \$ 321,882 | \$ 240,929 |
| Eligible employees | 200,863 | 190,307 |
| | <u>\$ 522,745</u> | <u>\$ 431,236</u> |

The significant assumptions adopted in measuring the post-retirement benefits include using a discount rate of 3.50% (2016 - 3.50%) and the estimated life expectancy from Statistics Canada for 65 year olds in British Columbia.

9. Long-term debt:

| | 2017 | 2016 |
|---|----------------------|-------------------|
| Term loan: | | |
| Royal Bank mortgage loan, repayable in monthly instalments of \$4,506, including interest at 5.14%, and due February 2017 | \$ - | \$ 523,615 |
| Term loan: | | |
| Royal Bank term loan bearing interest of prime plus 0.30% repayable quarterly in equal installments over 20 years | 12,400,000 | 16,100,000 |
| | <u>12,400,000</u> | <u>16,623,615</u> |
| Less current portion of long-term debt | 1,050,000 | 16,623,615 |
| | <u>\$ 11,350,000</u> | <u>\$ -</u> |

COLLINGWOOD SCHOOL SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2017

9. Long-term debt (continued):

The Society has entered into a Credit Agreement with the Royal Bank of Canada to finance the operations of the School. The facility permits total borrowing of \$19,700,000 (2016 - \$20,450,000). The facility includes a revolving loan of up to \$3,500,000; a non-revolving 20 year term facility of \$15,900,000, and a Visa credit limit of \$300,000.

The Society has financed construction of the Morven Campus under the non-revolving term facility consisting of Bankers' Acceptances bearing acceptance fees of 1.50% per annum. The non-revolving term facility is amortized over 20 years, is secured by a general security agreement covering all property of the Society, a first charge of \$7,500,000 on the Morven Campus land and buildings, a first charge of \$8,200,000 on the Wentworth Campus land and buildings and a certificate of insurance over buildings and equipment with a loss payable to the Royal Bank. As of June 30, 2017, \$12,400,000 (2016 - \$16,100,000) was remaining on this facility. The facility matures July 31, 2018 pursuant to an amended agreement entered into with Royal Bank of Canada subsequent to year-end. The annual principal repayments on long-term debt required for the next five years and thereafter are as follows:

| | |
|------------|---------------------------|
| 2018 | \$ 1,050,000 |
| 2019 | 1,150,000 |
| 2020 | 1,400,000 |
| 2021 | 1,550,000 |
| 2022 | 1,650,000 |
| Thereafter | 5,600,000 |
| | <hr/> \$ 12,400,000 <hr/> |

10. Interest rate swap liability:

The Society has one outstanding interest rate swap contract currently totaling \$12,400,000. The balance of the swap amortizes in parallel with the expected debt amortization. The agreement swaps floating interest rates to a fixed rate of 2.86%, which includes Bankers' Acceptance fees of 1.50%, and expires on July 31, 2025. Quarterly, the Society uses excess cash to reduce the obligation and therefore the interest cost to the Society. The amount of excess cash available to apply varies from quarter to quarter.

The swap contract was recorded at fair value and included in accrued liabilities of \$74,299 (2016 - \$117,543) at June 30, 2017 on the statement of financial position. This fair value adjustment has been reflected in the statement of operations as a \$43,244 gain in the current year (2016 - loss of \$117,543). The quarterly payments under the agreement are recorded as interest expense.

COLLINGWOOD SCHOOL SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2017

11. Government grants:

The Society receives an Independent School Act grant based on the number of eligible students. In order for students to be eligible, the following conditions must hold:

- (a) the student must be enrolled in an independent school for at least 600 hours between July 1 and May 15 in a school year;
- (b) the student must be five years or older; and
- (c) the student's parent or guardian must be a citizen of Canada or a landed immigrant and they must reside in British Columbia.

The School receives 35% of the amount the government funds the West Vancouver School Board for operating costs per eligible student. During 2017, there were 1,194 (2016 - 1,190) eligible students.

12. Invested in capital assets:

- (a) Invested in capital assets is comprised of the following:

| | 2017 | 2016 |
|------------------------------------|---------------|---------------|
| Capital assets | \$ 69,776,413 | \$ 70,695,738 |
| Amounts financed by long-term debt | (12,400,000) | (16,623,615) |
| | \$ 57,376,413 | \$ 54,072,123 |

- (b) Change in net assets invested in capital assets is comprised of the following:

| | 2017 | 2016 |
|---|----------------|----------------|
| Excess of revenue over expense: | | |
| Amortization of capital assets | \$ (2,655,691) | \$ (2,657,118) |
| Net change in invested in capital assets: | | |
| Additions to capital assets | 1,736,366 | 2,506,297 |
| Addition to long-term debt | - | (1,649,000) |
| Repayment of long-term debt | 4,223,615 | 426,330 |
| | 5,959,981 | 1,283,627 |
| | \$ 3,304,290 | \$ (1,373,491) |

13. Parents' Council Fundraising:

The Parents' Council generates revenues through their fundraising activities to support the School's activities and programs. The amount fluctuates from year to year based on fundraising activities.

COLLINGWOOD SCHOOL SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2017

14. Other revenue:

Other revenue consists of the following:

| | 2017 | 2016 |
|--------------------------------|-------------------|-------------------|
| Investment income | \$ 192,733 | \$ 87,674 |
| Wentworth lunch program, net | 31,470 | 27,255 |
| Uniform shop commissions | 25,558 | 24,621 |
| Cafeteria | 19,277 | 17,703 |
| Vancouver Foundation (note 17) | 14,328 | 13,599 |
| Camp, net | (31,254) | 6,283 |
| Summer Institute, net | 85,021 | 50,307 |
| Miscellaneous | 29,233 | 37,461 |
| | <u>\$ 366,366</u> | <u>\$ 264,903</u> |

15. Commitments:

The Society has commitments under various operating leases for equipment. Future payments under such lease obligations are due as follows:

| | |
|------|------------------|
| 2018 | \$ 63,879 |
| 2019 | 19,965 |
| 2020 | 6,866 |
| | <u>\$ 90,710</u> |

The Society has outstanding construction commitments of nil (2016 - \$179,267) related to the Morven Campus project.

16. Financial risks:

(a) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements and obtaining appropriate financing as required. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

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

COLLINGWOOD SCHOOL SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2017

16. Financial risks (continued):

(c) Interest rate risk:

The Society is exposed to interest rate risk on its long-term debt and has entered into an interest rate swap arrangement to manage the interest rate risk (notes 9 and 10).

(d) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Investments in bond and equity funds are subject to risks arising from changes in market conditions. Investments are managed by Leith Wheeler in accordance with the Society's approved investment policy.

17. Collingwood School Scholarship Fund:

The Society has established the Collingwood School Scholarship Fund (the "Fund") with the Vancouver Foundation to provide scholarship awards and bursaries to students of Collingwood School. The assets in the fund of \$418,400 (2016 - \$394,036) are administered by and remain with the Vancouver Foundation in perpetuity. As such, the Scholarship Fund is not recorded in these financial statements. The interest and return of capital received on this Fund during the year of \$14,328 (2016 - \$13,599) has been included in other revenue (note 14).

18. Collingwood School Foundation:

The Collingwood School Foundation (the "Foundation") was incorporated under the Society Act of British Columbia in 1997 and received charitable status on January 1, 1998. The Foundation is designated as a public foundation, is a registered charity under the Income Tax Act and is therefore exempt from the payment of income tax.

The Society is the sole beneficiary of funds raised by the Foundation. These financial statements do not reflect the accounts of the Foundation.

Included in accounts receivable is \$43,095 (2016 - \$31,534) due from the Foundation for both reimbursement of administration expenses paid on the Foundation's behalf and \$8,200 (2016 - \$5,800) of donations not yet transferred to the Society.

During the year, the Society received \$2,400 (2016 - \$1,600) from the endowment fund of the Foundation towards School Awards.

The net assets of the Foundation consist of a general fund of \$169,165 (2016 - \$99,600) and endowment funds of \$949,195 (2016 - \$893,165) as at June 30, 2017.

Pursuant to a board resolution, the Society will transfer \$10,000,000 to the Foundation as an endowment contribution restricted for purposes of financial aid, as defined by the Society. The Foundation will invest the funds under its investment policy and annually disburse amounts in accordance with their endowment policy to support financial aid at the Society. The contribution and related fund transfer is expected to occur in fiscal 2018.

COLLINGWOOD SCHOOL SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2017

19. Fundraising:

During the year, donations and fundraising were received related to the Tartan Fund and to the Master Campus Plan.

There are pledges of support for the Master Campus Plan totaling \$12,512,969 (2016 - \$12,439,400), of which \$11,555,412 (2016 - \$10,702,459) has been received and \$957,557 (2016 - \$1,736,941) in the form of pledges which have not yet been recognized in the financial statements.

20. Employee and contractor remuneration:

For the year ended June 30, 2017, the Society paid total remuneration of \$2,138,872 to the top ten employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.

No remuneration was paid to any member of board of directors.

21. Comparative information:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.