

Rockway Mennonite Collegiate Inc.
Financial Statements
For the year ended July 31, 2020

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Financial Statements
For the year ended July 31, 2020

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Tel: 519 576 5220
Fax: 519 576 5471
www.bdo.ca

BDO Canada LLP
The Bauer Buildings
150 Caroline St S Suite 201
Waterloo ON N2L 0A5 Canada

Independent Auditor's Report

To the Members of Rockway Mennonite Collegiate Inc.

Opinion

We have audited the financial statements of Rockway Mennonite Collegiate Inc. ("The Collegiate") that comprise the statement of financial position as at July 31, 2020, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Collegiate as at July 31, 2020, and its results of operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Collegiate in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charge with Governance 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.

In preparing the financial statements, management is responsible for assessing the Collegiate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Collegiate or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Collegiate's internal control.
- Evaluate the appropriateness of accounting policies used and the accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Collegiate's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Collegiate to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Other Matters

The financial statements of the Collegiate for the year ended July 31, 2019 were not audited and, as such, the comparative figures have been marked as unaudited.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
October 26, 2020

Rockway Mennonite Collegiate Inc.
Statement of Financial Position

July 31						2020	2019	
	Operating Fund	Facilities Fund	Estate Fund	Scholarship Fund	Property Fund	Total	(unaudited) Total	
Current								
Cash (Note 2)	\$ 331,652	\$ 199,632	\$ -	\$ 421,932	\$ -	\$ 953,216	\$	313,352
Investments (Note 3)	1,791,249	320,883	701,955	366,793	-	3,180,880	-	3,018,459
Accounts receivable (Note 4)	202,925	15,961	795	438	-	220,119	-	144,370
Inventory of books	12,726	-	-	-	-	12,726	-	8,626
Prepaid expenses	37,820	-	-	-	-	37,820	-	49,493
Interfund balances (Note 5)	(1,739)	(1,261)	-	3,000	-	-	-	-
	2,374,633	535,215	702,750	792,163	-	4,404,761	-	3,534,300
Tangible capital assets (Note 6)	1,092,344	-	-	-	1	1,092,345	-	999,139
	\$ 3,466,977	\$ 535,215	\$ 702,750	\$ 792,163	\$ 1	\$ 5,497,106	\$	4,533,439
Liabilities and Fund Balances								
Current								
Accounts payable and accrued liabilities	\$ 225,210	\$ 20,928	\$ -	\$ -	\$ -	\$ 246,138	\$	431,158
Deferred revenue	2,403,193	-	-	-	-	2,403,193	-	2,525,645
Loans payable (Note 7)	20,000	-	-	-	-	20,000	-	20,000
Funds committed for specific purpose (Note 8)	36,114	-	-	-	-	36,114	-	79,765
	2,684,517	20,928	-	-	-	2,705,445	-	3,056,568
Accrued sick day gratuity (Note 9)	379,783	-	-	-	-	379,783	-	475,715
	3,064,300	20,928	-	-	-	3,085,228	-	3,532,283
Fund balances								
Unrestricted	(197,323)	472,287	-	172,894	1	447,859	-	(438,507)
Externally restricted (Note 10)	-	42,000	-	619,269	-	661,269	-	975,153
Internally restricted (Note 11)	600,000	-	702,750	-	-	1,302,750	-	464,510
	402,677	514,287	702,750	792,163	1	2,411,878	-	1,001,156
	\$ 3,466,977	\$ 535,215	\$ 702,750	\$ 792,163	\$ 1	\$ 5,497,106	\$	4,533,439

On behalf of the Board: _____

Rockway Mennonite Collegiate Inc. Statement of Changes in Fund Balances

For the year ended July 31

2020

2019

	Operating Fund		Facilities Fund	Estate Fund	Scholarship Fund	Property Fund	Total	(unaudited)	
	Budget (Note 18)	Actual						Total	Total
Fund balances, beginning of year	\$ (707,877)	\$ (668,680)	\$ 510,643	\$ 694,682	\$ 464,510	\$ 1	\$ 1,001,156	\$ 858,849	
Excess (deficiency) of revenue over expenses for the year	176,428	1,333,687	56,314	8,068	12,653	-	1,410,722	142,307	
Transfer to Operating Fund from Facilities Fund (Note 13)	81,785	52,670	(52,670)	-	-	-	-	-	
Transfer to Scholarship Fund from Operating Fund (Note 13)	(215,000)	(315,000)	-	-	315,000	-	-	-	
	43,213	1,071,357	3,644	8,068	327,653	-	1,410,722	142,307	
Fund balances, end of year	\$ (664,664)	\$ 402,677	\$ 514,287	\$ 702,750	\$ 792,163	\$ 1	\$ 2,411,878	\$ 1,001,156	

The accompanying notes are an integral part of these financial statements.

Rockway Mennonite Collegiate Inc.
Statement of Operations

For the year ended July 31

2020

2019

	Operating Fund		Facilities Fund	Estate Fund	Scholarship Fund	Property Fund	Total	(unaudited)	
	Budget (Note 7)	Actual						Total	Total
Revenue									
Tuition and student fees	\$ 4,435,941	\$ 4,460,444	\$ -	\$ -	\$ -	\$ -	\$ 4,460,444	\$ 3,975,043	
Annual fund	400,000	438,565	-	-	250,000	-	688,565	383,578	
Donations	-	-	197,805	-	19,250	-	217,055	275,605	
Miscellaneous income	55,000	144,011	-	-	-	-	144,011	57,408	
Funds from MCEC	68,457	70,215	-	-	-	-	70,215	72,063	
Rental income	60,000	64,084	-	-	-	-	64,084	62,301	
Estate gifts	-	-	-	18,099	-	-	18,099	40,298	
Investment income (losses)	22,000	25,743	5,667	(9,873)	(18,502)	-	3,035	67,707	
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	1,695	
	5,041,398	5,203,062	203,472	8,226	250,748	-	5,665,508	4,935,698	
Expenses									
Salaries and benefits (Note 9)	3,747,830	3,632,989	-	-	-	-	3,632,989	3,651,397	
Amortization - Operating Program	171,281	128,458	-	-	-	-	128,458	94,398	
Administrative	141,991	111,042	-	-	-	-	111,042	53,735	
Facilities	439,649	367,493	3,966	158	210	-	371,827	294,640	
Student council (net)	366,219	321,023	-	-	-	-	321,023	312,179	
Tuition assistance (Note 14)	(2,000)	(3,266)	-	-	-	-	(3,266)	1,939	
Revitalization projects	-	-	-	-	237,885	-	237,885	239,750	
	-	-	143,192	-	-	-	143,192	145,353	
	4,864,970	4,557,739	147,158	158	238,095	-	4,943,150	4,793,391	
Excess (deficiency) of revenue over expenses for the year before other item	176,428	645,323	56,314	8,068	12,653	-	722,358	142,307	
Other item									
Canada Emergency Wage Subsidy	-	688,364	-	-	-	-	688,364	-	
Excess (deficiency) of revenue over expenses for the year	\$ 176,428	\$ 1,333,687	\$ 56,314	\$ 8,068	\$ 12,653	\$ -	\$ 1,410,722	\$ 142,307	

The accompanying notes are an integral part of these financial statements.

Rockway Mennonite Collegiate Inc.
Statement of Cash Flows

For the year ended July 31	2020	2019
		(unaudited)
Cash flows from operating activities		
Excess of revenues over expenses for the year	\$ 1,410,722	\$ 142,307
Items not involving cash		
Amortization - operating	128,458	94,398
Amortization - student council	517	2,669
Gain on disposal of tangible capital assets	-	(1,695)
Change in accrued sick day gratuity	56,623	81,588
Unrealized losses (gains) on investments	18,902	(12,261)
	1,615,222	307,006
Changes in non-cash working capital balances		
Accounts receivable	(75,749)	(98,885)
Inventory of books	(4,100)	4,478
Prepaid expenses	11,673	(431)
Accounts payable and accrued liabilities	(185,020)	188,832
Deferred revenue	(122,452)	535,927
Accrued sick day gratuity	(152,555)	(129,965)
Funds committed for a specific purpose	(43,651)	9,301
	1,043,368	816,263
Cash flows from investing activities		
Purchase of tangible capital assets	(222,182)	(504,024)
Proceeds on disposal of tangible capital assets	-	1,695
Purchase of investments	(2,374,904)	(3,958,079)
Disposal of investments	2,193,582	2,946,954
	(403,504)	(1,513,454)
Cash flows from financing activities		
Repayment of loans payable	-	(3,000)
Increase (decrease) in cash during the year	639,864	(700,191)
Cash, beginning of year	313,352	1,013,543
Cash, end of year	\$ 953,216	\$ 313,352

The accompanying notes are an integral part of these financial statements.

Rockway Mennonite Collegiate Inc.

Notes to the Financial Statements

July 31, 2020

1. Summary of Significant Accounting Policies

Nature of Business	<p>Rockway Mennonite Collegiate Inc. ("the Collegiate"), is a Christian educational community within the Anabaptist/Mennonite faith linked to the congregations of the Mennonite Church Eastern Canada ("MCEC"). The Collegiate is incorporated under the Ontario Corporations Act as a not-for-profit organization, is a registered charity under the Income Tax Act and therefore is not subject to income taxes.</p> <p>The Collegiate is located in Kitchener, Ontario.</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).</p>
Fund Accounting	<p>The accounts of the Collegiate are maintained in accordance with the principles of fund accounting whereby resources are classified for accounting and reporting purposes into funds associated with specified activities or objectives.</p> <p>The financial statements of the Collegiate include the following funds:</p> <ul style="list-style-type: none">a) The Operating Fund accounts for the costs of academic, administrative and other operating expenditures of the Collegiate funded by fees, donations and other general income.b) The Facilities Fund accounts for monies received and expended for the specific purpose of exploration and development of facility expansion and improvement. These gifts may be restricted (designated for a specific project) or unrestricted (to be used at the discretion of the Collegiate).c) The Estate Fund accounts for monies received from estate gifts that are to be used for the long-term growth and sustainability of the Collegiate. These gifts may be restricted (designated for a specific purpose), unrestricted (to be used at the discretion of the Collegiate) or internally restricted (to be used at the discretion of the Collegiate for specific purposes). The Estate fund policies set by the board require a balance of \$250,000 to be maintained in the fund at all times and include restrictions on the value of funds that can be used each fiscal year.d) The Scholarship Fund accounts for monies received for scholarships and tuition assistance. These gifts may be restricted (designated for a specific purpose) or unrestricted (to be used at the discretion of the Collegiate). The unrestricted funds are occasionally internally restricted by the board for specific purposes.

Rockway Mennonite Collegiate Inc.
Notes to the Financial Statements

July 31, 2020

1. Summary of Significant Accounting Policies (continued)

Fund Accounting (continued) e) The Property Fund accounts for the property located at 110 Doon Road, Kitchener, Ontario transferred from MCEC on December 22, 2005.

Inventory of Books Inventory is stated at the lower of cost and net realizable value. Cost is determined on an average cost basis.

Tangible Capital Assets Tangible capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate	Rate
Furnishings and equipment	Straight-line		3 - 10 years
Buildings	Straight-line		5 - 30 years
Computer equipment	Straight-line		3 - 5 years
Musical instruments	Straight-line		5 - 8 years

The assets contributed by student council are amortized on the same basis as those purchased by the Collegiate.

When a tangible capital asset no longer has any long-term service potential to the Collegiate, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Revenue Recognition The Collegiate follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund, with the exception of endowment contributions, which are recognized as a direct contribution to net assets.

Tuition and student fees are recorded in the accounts on a straight line basis over the school year with the unearned portion shown as deferred revenue.

Unrestricted investment income is recognized as revenue of the Operating Fund. Restricted investment income is recognized as revenue of the appropriate restricted fund.

Rockway Mennonite Collegiate Inc.
Notes to the Financial Statements

July 31, 2020

1. Summary of Significant Accounting Policies (continued)

Employee Future Benefits	The Collegiate provides certain non-pension retirement benefits. The cost of providing the benefits is recognized in the statement of operations in the year incurred, based upon management's best assumptions. The accumulated cost of providing the benefit is presented as a liability on the statement of financial position.
Financial Instruments	Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in sale or circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.
Contributed Goods and Services	Volunteers contribute many hours per year to assist the Collegiate in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed volunteer services are not recognized in the financial statements. Contributed materials are not recognized in the financial statements unless they would normally be purchased by the Collegiate and their fair market value can be ascertained.
Use of Estimates	The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates are required in calculating the useful lives of property, plant and equipment and the accrued sick day gratuity.
Government Assistance	Government assistance received during the year for current expenses is included in the determination of net income for the year.

Rockway Mennonite Collegiate Inc.
Notes to Financial Statements

July 31, 2020

2. Cash

The Collegiate's bank accounts are held at one credit union. The bank accounts earn nominal interest.

3. Investments

	<u>2020</u>	<u>2019</u>
		(Unaudited)
Term deposits	\$ 1,999,498	\$ 1,821,240
Pooled funds	245,739	242,286
Balanced funds	<u>935,642</u>	<u>954,933</u>
	<u>\$ 3,180,879</u>	<u>\$ 3,018,459</u>

The term deposit interest rates vary between 1.15% - 2.35% on these investments. The term deposits mature between August 2020 and November 2022.

The pooled funds have an average rate of return for the year of 2.50% and the balanced funds have an average rate of return for the year of 3.23%.

Included in Investment Income are unrealized gains (losses) on investments of \$(18,902) (2019 - \$12,261) which are realized when the investments mature or the investments are sold.

Rockway Mennonite Collegiate Inc.
Notes to Financial Statements

July 31, 2020

4. Accounts Receivable

	2020	2019
		(Unaudited)
Operating Fund		
Tuition	\$ 3,652	\$ 3,722
Commitments	300	3,300
HST	95,067	115,884
Canada Emergency Wage Subsidy Receivable	103,906	-
	202,925	122,906
Facilities Fund		
HST	15,961	21,464
Estate Fund		
HST	795	-
Scholarship Fund		
HST	438	-
	\$ 220,119	\$ 144,370

5. Interfund Loans

The interfund loans are non-interest bearing with no specific terms of repayment.

Rockway Mennonite Collegiate Inc.
Notes to Financial Statements

July 31, 2020

6. Tangible Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furnishings and equipment	\$ 308,315	\$ 252,057	\$ 56,258	\$ 64,071
Buildings	1,673,760	650,301	1,023,459	913,454
Computer equipment	237,522	226,195	11,327	18,868
Musical instruments	108,691	107,871	820	1,750
Student council	219,167	218,687	480	996
	\$ 2,547,455	\$ 1,455,111	\$ 1,092,344	\$ 999,139

On December 22, 2005, MCEC conveyed the property title for the land and building located at 110 Doon Road in Kitchener, Ontario, to the Collegiate. The agreement stipulated the land and building would be conveyed for the sum of \$1. The agreement contained a restrictive covenant that in the event that:

- (i) the Collegiate should cease to exist; or
- (ii) in the reasonable opinion of MCEC, the Collegiate's use of the Lands is not consistent with the undertaking set out in the agreement; or
- (iii) the Collegiate's activities are no longer in fellowship and doctrinal unity with MCEC,

then the land and building, including all improvements and fixtures, shall be reconveyed to MCEC for the sum of \$1. Due to nature of the property, a fair value was not practicable to determine at the date of the transfer and therefore the property was transferred at a nominal amount.

7. Loans Payable - Operating Fund

These non-interest bearing, unsecured loans payable have been advanced to the Collegiate with the intention that the interest earned on the invested funds will be used in the operations of the School. These loans are initially for a term of one year, and then are repayable six months after demand. The fair market value of the loans are not determinable.

Rockway Mennonite Collegiate Inc.
Notes to Financial Statements

July 31, 2020

8. Funds Committed for Specific Purposes

	2020	2019
		(Unaudited)
Student Council	\$ 478	\$ 995
Other	35,636	78,770
	\$ 36,114	\$ 79,765
Student Council		
Balance, beginning of year	\$ 995	\$ 3,664
Transfer to Operating Fund	(517)	(2,669)
	\$ 478	\$ 995
Other		
Balance, beginning of year	\$ 78,770	\$ 66,800
Receipts, during the year	833,149	798,613
Disbursements, during the year	(876,283)	(784,215)
Transfer to Facility Fund	-	(2,428)
	\$ 35,636	\$ 78,770

Rockway Mennonite Collegiate Inc. Notes to Financial Statements

July 31, 2020

9. Accrued Sick Day Gratuity

The Collegiate provides unused sick day gratuity to teachers, which entitles a teacher to receive a payment equal to 1/2 of his or her annual salary in the two semesters preceding retirement, upon meeting certain criteria. The liability is calculated on an individual teacher basis, using the current salary at the time of the accrual, and is expensed over a 10-year period starting from the first eligible year. The change in accrued sick day gratuity is included in salaries and benefits expense on the statement of operations. The total accrued sick day gratuity liability is \$379,783 (2019 - \$475,715) and the related expense is \$56,623 (2019 - \$81,588).

The following significant assumptions were used in determining the amount of accrued gratuity:

- A period of 10 years is required to accumulate the number of unused sick days that entitles a teacher to receive the gratuity payment upon retirement.
- All teachers who remain with the Collegiate past 10 years will stay until retirement.
- All teachers who remain with the Collegiate past 10 years will have sufficient number of unused sick days accumulated to receive the gratuity payment upon retirement.

The sick leave retirement gratuity applies only to teachers hired prior to December 31, 2017.

10. Scholarship Fund

Included in the externally restricted funds of the Scholarship Fund is \$345,162 (2019 - \$383,281) that have been designated by the donors to be held in investments. Under various restriction policies, a limited amount of funds are available for scholarship purposes on an annual basis. All income earned from these investments is re-invested to be used for future scholarships.

Rockway Mennonite Collegiate Inc.
Notes to Financial Statements

July 31, 2020

11. Internally Restricted Fund Balances

Included in Internally restricted fund balances is \$600,000 designated by the Board to be used in future periods for extraordinary expenditures required as a result of COVID-19 and for other one-time Board approved projects. Further comments as to management and the Board of Directors plan relating to COVID-19 can be found in Note 18.

12. Endowment Funds

Under the terms of two separate agreements, all donations relating to the General Endowment (1976) and the A.J. Shantz Memorial Fund Endowment (1989) belong to Abundance Canada. Only earnings on these funds are forwarded to the Collegiate for use in the operations of the school. The balance on deposit in the fund at July 31, 2020 was \$643,199 (2019 - \$648,505) and investment income earned during the year amounted to \$Nil (2019 - \$15,261). This balance consists of two separate endowments, the General Endowment (\$483,489) and the A. J. Shantz Memorial Fund Endowment (\$159,710).

Under the terms of an agreement dated September 30, 2008, all donations to the Rella Woolner Music Award Endowment belong to Abundance Canada. Only investment income earned during the year is forwarded to the Collegiate to fund scholarships for music students at the school. The balance on deposit in the Rella Woolner Music Award Endowment at July 31, 2020 was \$104,734 (2019 - \$104,738) and investment income earned during the year amounted to \$Nil (2019 - \$2,422).

13. Interfund Transfers

During the year, funds were transferred from the Estate Fund to the Operating Fund totaling \$Nil (2019 - \$65,000). The interfund transfer was made up of the following items:

	2020	2019
		(Unaudited)
Operational support	\$ -	\$ 65,000

In order to fund the tuition assistance program, the board approved a transfer of \$315,000 (2019 - \$240,000) from the Operating Fund to the Scholarship Fund.

In order to fund the amortization costs of the Revitalization Campaign capital items, \$52,670 (2019 - \$46,973) was transferred from the Facilities Fund to the Operating Fund.

Rockway Mennonite Collegiate Inc.
Notes to Financial Statements

July 31, 2020

14. Tuition Assistance

	2020	2019
		(Unaudited)
Tuition assistance	\$ 235,935	\$ 236,400
Scholarships	1,950	3,350
	\$ 237,885	\$ 239,750

15. Commitments

The Collegiate has leased photocopiers under an operating lease with an expiry date of June 2021.

The Collegiate has leased a mail machine under an operating lease with an expiry date of January 2025.

The minimum annual lease payments for the next five years are as follows:

2021	\$ 16,797
2022	683
2023	683
2024	683
2025	342
	\$ 19,188

Rockway Mennonite Collegiate Inc. Notes to Financial Statements

July 31, 2020

16. Financial Instrument Risks

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments which potentially subject the Collegiate to concentrations of credit risk consist of cash, short term investments and accounts receivable. The Collegiate has deposited the cash and investments with a reputable financial institution, from which management believes the risk of loss to be remote. The Collegiate's accounts receivable consists primarily of tuition fees from its students. The Collegiate provides credit to its students in the normal course of its operations. There have been no changes in exposure to credit risk from the prior year.

Liquidity Risk

Liquidity risk is the risk that the Collegiate encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Collegiate will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities and loans payable. There have been no changes in exposure to liquidity risk from the prior year.

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. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Collegiate is mainly exposed to interest rate risk and other price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Collegiate is exposed to this risk through its short-term investments. The Collegiate holds investments which involves risk of price changes due to, without limitation, such factors as interest rates and general economic conditions. There have been no changes in exposure to interest rate risk from the prior year.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Collegiate is exposed to other price risk through its investments in funds. The Collegiate manages other price risk through asset allocation and maintaining a portfolio that is well diversified on both a geographic and industry sector basis.

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Notes to Financial Statements

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17. Budget Amounts

The budget amounts were approved by the Board of Directors and are provided for information purposes only. These figures are unaudited.

18. Uncertainty due to COVID-19

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

Management has developed an academic plan and health protocols to guide the re-opening of the school. Modifications to operations include smaller class sizes (cohorts), online course delivery, increased staffing, additional equipment and supplies, and enhanced cleaning procedures. The Board of Directors has approved the 2020-2021 budget which includes additional expenditures to implement operational changes in response to the COVID-19 outbreak.

19. Comparative Amounts

The comparative amounts presented in the financial statements have been reclassified to conform to the current year's presentation.
