

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2014**

# Retzlaff & Wong

Chartered Accountants

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors:  
Koinonia Christian School - Red Deer Society

We have audited the accompanying financial statements of Koinonia Christian School - Red Deer Society which comprise of the statement of financial position, statement of operations, statement of changes in net assets and statement of cash flows for the year ended AUGUST 31, 2014, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Society'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 purposes of expressing an opinion on the effectiveness of the School Society'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.

### Basis for Opinion

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

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the School Society as at AUGUST 31, 2014 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

CALGARY, ALBERTA  
November 3, 2014

  
CHARTERED ACCOUNTANTS

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2014**

	2014	2013
<b><u>ASSETS</u></b>		
<b>CURRENT</b>		
Cash (Note 3)	\$ 407,438	\$ 413,948
Accounts receivable	20,180	26,049
Notes receivable (Note 4)	37,000	-
Government remittance receivable	5	-
Prepaid expenses and deposits	80,446	64,062
	545,069	504,059
Capital assets (Note 5)	268,357	308,545
	<b>\$ 813,426</b>	<b>\$ 812,604</b>

<b><u>LIABILITIES</u></b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 30,096	\$ 22,967
Government remittance payable	-	30
Deferred revenue	89,187	84,985
Undisbursed designated contributions (Note 6)	36,373	36,328
Capital lease obligation due within one year (Note 7)	5,313	4,801
	160,969	149,111
Deferred contributions related to capital assets	77,723	91,811
Capital lease obligation (Note 7)	12,386	17,700
	<b>251,078</b>	<b>258,622</b>

Commitment (Note 8)  
Economic dependence (Note 9)  
Financial Instruments (Note 10)  
Significant Events (Note 11)

<b><u>NET ASSETS</u></b>		
Invested in capital assets	172,935	194,233
Internally restricted (Note 12)	2,120	2,120
Unrestricted	387,293	357,629
	562,348	553,982
	<b>\$ 813,426</b>	<b>\$ 812,604</b>

APPROVED BY THE BOARD

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED AUGUST 31, 2014**

	2014 <u>Actual</u>	( Note 15 ) 2014 <u>Budget</u>	2013 <u>Actual</u>
<b>REVENUE</b>			
Academic activities	\$ 38,924	\$ 53,500	\$ 57,001
Administrative and sundry	53,628	29,352	58,421
Amortization of deferred contributions	14,088	10,713	14,088
Designated funds	107,539	-	1,425
Donations and fundraising (Note 13)	251,164	116,000	203,470
Government grants	1,432,668	1,266,064	1,467,713
Transportation	8,800	10,000	12,656
Tuition and registration fees	<u>289,109</u>	<u>367,100</u>	<u>342,937</u>
	<u>2,195,920</u>	<u>1,852,729</u>	<u>2,157,711</u>
<b>EXPENSES</b>			
Academic	117,948	80,000	169,345
Administrative	108,485	109,200	91,655
Amortization	54,588	41,117	44,322
Building	114,805	123,836	133,559
Designated funds	107,539	-	1,425
Employee wages and benefits	1,424,157	1,348,469	1,470,881
Fundraising (Note 13)	121,459	40,500	111,049
Grants forwarded	15,040	-	7,578
Levy and memberships	53,976	52,600	49,282
Special needs	14,649	30,431	31,955
Transportation costs	<u>30,769</u>	<u>24,100</u>	<u>28,049</u>
	<u>2,163,415</u>	<u>1,850,253</u>	<u>2,139,100</u>
Income from operations	32,505	2,476	18,611
(Gain) on disposal of capital assets	-	-	( 372)
Capital assets not capitalized (Note 14)	<u>24,139</u>	<u>-</u>	<u>19,355</u>
Excess (deficiency) of revenue over expenses	<u>\$ 8,366</u>	<u>\$ 2,476</u>	<u>\$ ( 372)</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2014**

	<u>Invested in Capital Assets</u>	<u>(Note 12) Internally Restricted</u>	<u>Unrestricted</u>	<u>Net Assets</u>	
				<u>2014</u>	<u>2013</u>
Net assets, beginning of year	\$ 194,233	\$ 2,120	\$ 357,629	\$ 553,982	\$ 554,354
(Deficiency) excess of revenue over expenses	( 40,500) <sup>1</sup>	-	48,866	8,366	( 372)
Investment in capital assets	<u>19,202</u> <sup>2</sup>	<u>-</u>	<u>( 19,202)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 172,935</u>	<u>\$ 2,120</u>	<u>\$ 387,293</u>	<u>\$ 562,348</u>	<u>\$ 553,982</u>

<sup>1</sup>Consists of:

Amortization	\$( 54,588)
Amortization of deferred contributions	<u>14,088</u>
	<u>\$( 40,500)</u>

<sup>2</sup>Consists of:

Principal repayment of capital lease obligation	4,802
Purchase of capital assets with unrestricted funds	<u>14,400</u>
	<u>\$ 19,202</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2014**

	2014	2013
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ 8,366	\$( 372)
Add back items not affecting cash		
Amortization	54,588	44,322
Amortization of deferred contributions	( 14,088)	( 14,088)
Gain on disposal of capital assets	-	( 372)
Net change in non-cash working capital balances related to operations		
Accounts receivable	5,869	( 10,131)
Notes receivable	( 37,000)	-
Prepaid expenses and deposits	( 16,384)	( 7,675)
Accounts payable and accrued liabilities	7,094	291
Deferred revenue	4,202	5,793
Undisbursed designated contributions	<u>45</u>	<u>10,071</u>
	<u>12,692</u>	<u>27,839</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from capital lease obligation	-	29,700
Repayment of capital lease obligation	<u>( 4,802)</u>	<u>( 19,655)</u>
	<u>( 4,802)</u>	<u>10,045</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets with unrestricted funds	( 14,400)	( 59,671)
Proceeds from disposal of capital assets	<u>-</u>	<u>12,456</u>
	<u>( 14,400)</u>	<u>( 47,215)</u>
<b>Change in cash</b>	<b>( 6,510)</b>	<b>( 9,331)</b>
Cash, beginning of year	<u>413,948</u>	<u>423,279</u>
Cash, end of year	<u>\$ 407,438</u>	<u>\$ 413,948</u>
 Cash consists of:		
Cash	\$ 187,438	\$ 193,948
Term deposits	<u>220,000</u>	<u>220,000</u>
	<u>\$ 407,438</u>	<u>\$ 413,948</u>
 Supplementary cash flow information:		
Cash interest paid	<u>\$ 2,015</u>	<u>\$ 1,287</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014**

**1. PURPOSE OF THE ORGANIZATION**

The Koinonia Christian School - Red Deer Society is a local organization which is set up to run an elementary and secondary christian school, under the guidelines of Alberta Education. It allows students to pursue academic excellence as well as to develop spiritually and mentally. The Koinonia Christian School - Red Deer Society is incorporated under the Societies Act of Alberta as a not-for-profit organization, and is a registered charity under the Income Tax Act.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

**Measurement uncertainty**

The preparation of the financial statements of the School Society are in conformity with Canadian accounting standards for not-for-profit organizations that requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**Revenue recognition**

Instruction and support allocations are recognized in the year to which they relate.

Fees for services related to courses and programs are recognized as revenue when such courses and programs are delivered.

Designated funds are recorded as designated contribution liabilities until spent. Once spent, they are transferred to revenue on the same basis as the assets or expenditures acquired by the funds.

**Capital assets**

Capital assets are recorded at cost. Assets with a per unit cost of \$5,000 and over are capitalized in the year of acquisition. The assets are amortized, starting in the year after acquisition, on the straight line basis starting in the year after acquisition at the following annual rates:

Portable buildings	10 years
Equipment	5 years
Furniture and equipment	5 years
School bus	10 years
Leasehold improvements	15 years
Equipment under capital lease	5 years

**Contributed services**

Volunteers assist the School Society in carrying out certain activities. Because of the difficulty of determining their fair value and of the fact that such assistance is generally not otherwise purchased, contributed services are not recognized in the financial statements.

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments**

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

**3. RESTRICTED CASH**

Cash of \$36,373 (2013 - \$36,328) have been set aside to meet certain externally restricted obligations. Refer to note 6.

**4. NOTES RECEIVABLE**

The notes receivable of \$37,000 from Airdrie Koinonia Christian School is unsecured, non-interest bearing and is repayable within the next twelve months.

**5. CAPITAL ASSETS**

	<u>2014</u> <u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net Book Value</u>
Portable buildings	\$ 312,402	\$ 149,690	\$ 162,712
Equipment	51,548	14,641	36,907
Furniture and equipment	66,188	66,188	-
School bus	81,233	64,986	16,247
Leasehold improvements	<u>116,620</u>	<u>87,890</u>	<u>28,730</u>
	627,991	383,395	244,596
Equipment under capital lease	<u>29,701</u>	<u>5,940</u>	<u>23,761</u>
	<u>\$ 657,692</u>	<u>\$ 389,335</u>	<u>\$ 268,357</u>
	<u>2013</u> <u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net Book Value</u>
Portable buildings	\$ 312,402	\$ 124,369	\$ 188,033
Equipment	37,148	7,211	29,937
Furniture and equipment	66,188	66,188	-
School bus	81,233	56,863	24,370
Leasehold improvements	<u>116,620</u>	<u>80,116</u>	<u>36,504</u>
	613,591	334,747	278,844
Equipment under capital lease	<u>29,701</u>	<u>-</u>	<u>29,701</u>
	<u>\$ 643,292</u>	<u>\$ 334,747</u>	<u>\$ 308,545</u>



**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014**

**6. UNDISBURSED DESIGNATED CONTRIBUTIONS**

	<u>2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>2014</u>
Missions fund	\$ 19,006	\$ 106,347	\$ 106,839	\$ 18,514
Maria Collier fund	1,398	-	-	1,398
Donna Stanley Memorial Fund	714	-	-	714
Scholarships fund	<u>15,210</u>	<u>1,237</u>	<u>700</u>	<u>15,747</u>
	<u>\$ 36,328</u>	<u>\$ 107,584</u>	<u>\$ 107,539</u>	<u>\$ 36,373</u>

**7. CAPITAL LEASE OBLIGATION**

	<u>2014</u>	<u>2013</u>
Photocopier lease with Roynat Lease Finance requires annual installments of \$7,200 including interest at 10.66% expires in December 2017.	\$ 17,699	\$ 22,501
Amount due within one year	<u>5,313</u>	<u>4,801</u>
	<u>\$ 12,386</u>	<u>\$ 17,700</u>

Estimated principal amounts due within the next three years:

2015	\$ 5,313
2016	5,880
2017	6,506

**8. COMMITMENT**

The School Society has entered into a fifteen year lease agreement for the premises, commencing September 2000, requiring annual payments of \$1,200 for year one and \$15,000 annually for the subsequent years. The lease expires on September, 2015.

**9. ECONOMIC DEPENDENCE**

During the year, the School Society received \$1,432,668 (2013 - \$1,467,713) of Alberta Government grants, representing 65.2% (2013 - 68.0%) of the School Society's total revenue. As such, the School Society's future economic viability is dependent on its continuance to receive such funding.

**10. FINANCIAL INSTRUMENTS**

The School Society's financial instruments consists of cash, accounts receivable, note receivable, accounts payable and accrued liabilities and capital lease obligation. Unless otherwise indicated, it is management's opinion that the School Society is not exposed to significant interest or credit risks rising from these financial instruments.

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014**

**11. SIGNIFICANT EVENTS**

The School Society is currently in negotiations with the Red Deer Public School District #29 regarding the purchase of the leased facility by the School Society. An estimate of the purchase price cannot be made at this time.

**12. INTERNALLY RESTRICTED**

The Board of Directors has internally restricted unrestricted net assets to the following funds:

	2014	2013
Alice Sorial Memorial scholarship fund	\$ <u>2,120</u>	\$ <u>2,120</u>

**13. FUNDRAISING**

In order to raise \$141,014 (2013 - \$133,679 ) of fundraising revenue, the School Society spent \$121,459 (2013 - \$111,049 ) on expenses incurred for the purposes of obtaining such revenue. All fundraising activities were organized and ran by volunteers. The School Society has no employees whose principal duties involve fundraising.

**14. CAPITAL ASSETS NOT CAPITALIZED**

With reference to Note 2, assets with a per unit cost of \$5,000 and under are not capitalized to conform with the School Society's capitalization policy.

	2014	2013
Equipment	\$ 7,109	\$ 8,376
Computer equipment and software	<u>17,030</u>	<u>10,979</u>
	<u>\$ 24,139</u>	<u>\$ 19,355</u>

**15. BUDGET AMOUNTS**

The budget was prepared by the School Society jurisdiction management with Board of Directors' approval given on May 28, 2013. It is presented for information purposes only and has not been audited.