

KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
FINANCIAL STATEMENTS
AUGUST 31, 2015

Retzlaff & Wong

Chartered Accountants

#102, 1112 - 40 Avenue N.E.
Calgary, Alberta T2E 5T8 Canada

Bus: (403) 250-7996

Fax: (403) 250-7290

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, 2015, 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, 2015 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 5, 2015


CHARTERED ACCOUNTANTS

KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2015

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT		
Cash (Note 3)	\$ 403,272	\$ 407,438
Accounts receivable	74,672	20,180
Notes receivable (Note 4)	37,000	37,000
Government remittance receivable	685	5
Prepaid expenses and deposits	<u>64,772</u>	<u>80,446</u>
	580,401	545,069
Capital assets (Note 5)	<u>250,502</u>	<u>268,357</u>
	<u>\$ 830,903</u>	<u>\$ 813,426</u>
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accrued liabilities	\$ 19,395	\$ 30,096
Deferred revenue	101,955	89,187
Undisbursed designated contributions (Note 6)	46,660	36,373
Capital lease obligation due within one year (Note 7)	<u>7,226</u>	<u>5,313</u>
	175,236	160,969
Deferred contributions related to capital assets	78,635	77,723
Capital lease obligation (Note 7)	<u>10,776</u>	<u>12,386</u>
	<u>264,647</u>	<u>251,078</u>
Commitment (Note 8)		
Economic dependence (Note 9)		
Financial Instruments (Note 10)		
Significant Events (Note 11)		
<u>NET ASSETS</u>		
Invested in capital assets	153,865	172,935
Internally restricted (Note 12)	2,120	2,120
Unrestricted	<u>410,271</u>	<u>387,293</u>
	<u>566,256</u>	<u>562,348</u>
	<u>\$ 830,903</u>	<u>\$ 813,426</u>

APPROVED BY THE BOARD

 Director

 Director

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2015**

	2015 <u>Actual</u>	(Note 15) 2015 <u>Budget</u>	2014 <u>Actual</u>
REVENUE			
Academic activities	\$ 58,323	\$ 45,500	\$ 38,924
Administrative and sundry	51,507	30,000	53,628
Amortization of deferred contributions	14,088	14,088	14,088
Designated funds	450	-	107,539
Donations and fundraising (Note 13)	275,288	120,000	251,164
Government grants	1,599,847	1,381,224	1,432,668
Transportation	12,555	12,500	8,800
Tuition and registration fees	<u>356,716</u>	<u>307,090</u>	<u>289,109</u>
	<u>2,368,774</u>	<u>1,910,402</u>	<u>2,195,920</u>
EXPENSES			
Academic	132,548	77,000	117,948
Administrative	106,512	104,299	108,485
Amortization	57,468	44,322	54,588
Building	118,345	114,436	114,805
Designated funds	450	-	107,539
Employee wages and benefits	1,622,620	1,423,507	1,424,157
Fundraising (Note 13)	169,185	40,000	121,459
Grants forwarded	7,511	8,235	15,040
Levy and memberships	56,402	54,200	53,976
Special needs	23,980	20,000	14,649
Transportation costs	<u>26,058</u>	<u>24,100</u>	<u>30,769</u>
	<u>2,321,079</u>	<u>1,910,099</u>	<u>2,163,415</u>
Income from operations	47,695	303	32,505
Capital assets not capitalized (Note 14)	<u>43,787</u>	<u>-</u>	<u>24,139</u>
Excess of revenue over expenses	<u>\$ 3,908</u>	<u>\$ 303</u>	<u>\$ 8,366</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2015**

	<u>Invested in Capital Assets</u>	(Note 12) <u>Internally Restricted</u>	<u>Unrestricted</u>	<u>Net Assets</u>	
				<u>2015</u>	<u>2014</u>
Net assets, beginning of year	\$ 172,935	\$ 2,120	\$ 387,293	\$ 562,348	\$ 553,982
(Deficiency) excess of revenue over expenses	(43,380) ¹	-	47,288	3,908	8,366
Investment in capital assets	<u>24,310</u> ²	<u>-</u>	<u>(24,310)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 153,865</u>	<u>\$ 2,120</u>	<u>\$ 410,271</u>	<u>\$ 566,256</u>	<u>\$ 562,348</u>

¹Consists of:

Amortization	\$(57,468)
Increase in deferred contributions related to capital assets	(15,000)
Amortization of deferred contributions	14,088
Purchase of capital assets with designated contributions	<u>15,000</u>
	<u>\$(43,380)</u>

²Consists of:

Proceed from capital lease obligation	\$(7,116)
Principal repayment of capital lease obligation	6,813
Purchase of capital assets with unrestricted funds	<u>24,613</u>
	<u>\$ 24,310</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2015**

	2015	2014
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 3,908	\$ 8,366
Add back items not affecting cash		
Amortization	57,468	54,588
Amortization of deferred contributions	(14,088)	(14,088)
Net change in non-cash working capital balances related to operations		
Accounts receivable	(55,172)	(68,129)
Notes receivable	-	37,000
Prepaid expenses and deposits	15,674	(16,384)
Accounts payable and accrued liabilities	(10,701)	7,093
Deferred revenue	12,768	4,203
Undisbursed designated contributions	<u>10,287</u>	<u>42</u>
	<u>20,144</u>	<u>12,691</u>
FINANCING ACTIVITIES		
Deferred contributions related to capital assets	15,000	-
Proceeds from capital lease obligation	7,116	-
Repayment of capital lease obligation	<u>(6,813)</u>	<u>(4,801)</u>
	<u>15,303</u>	<u>(4,801)</u>
INVESTING ACTIVITIES		
Purchase of capital assets with designated contributions	(15,000)	-
Purchase of capital assets with unrestricted funds	<u>(24,613)</u>	<u>(14,400)</u>
	<u>(39,613)</u>	<u>(14,400)</u>
Change in cash	(4,166)	(6,510)
Cash, beginning of year	<u>407,438</u>	<u>413,948</u>
Cash, end of year	<u>\$ 403,272</u>	<u>\$ 407,438</u>
 Cash consists of:		
Cash	\$ 183,272	\$ 187,438
Term deposits	<u>220,000</u>	<u>220,000</u>
	<u>\$ 403,272</u>	<u>\$ 407,438</u>
 Supplementary cash flow information:		
Cash interest paid	<u>\$ 1,569</u>	<u>\$ 1,287</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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, 2015**

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 \$46,660 (2014 - \$36,373) 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>2015 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Portable buildings	\$ 312,402	\$ 175,011	\$ 137,391
Equipment	72,607	24,951	47,656
Furniture and equipment	77,626	66,188	11,438
School bus	81,233	73,109	8,124
Leasehold improvements	<u>116,620</u>	<u>95,664</u>	<u>20,956</u>
	660,488	434,923	225,565
Equipment under capital lease	<u>36,817</u>	<u>11,880</u>	<u>24,937</u>
	<u>\$ 697,305</u>	<u>\$ 446,803</u>	<u>\$ 250,502</u>

	<u>2014 Cost</u>	<u>Accumulated 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>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

6. UNDISBURSED DESIGNATED CONTRIBUTIONS

	<u>2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>2015</u>
Missions fund	\$ 18,514	\$ 10,000	\$ 450	\$ 28,064
Maria Collier fund	1,398	-	-	1,398
Donna Stanley Memorial Fund	714	-	-	714
Scholarships fund	<u>15,747</u>	<u>737</u>	<u>-</u>	<u>16,484</u>
	<u>\$ 36,373</u>	<u>\$ 10,737</u>	<u>\$ 450</u>	<u>\$ 46,660</u>

7. CAPITAL LEASE OBLIGATION

	<u>2015</u>	<u>2014</u>
Photocopier lease with Roynat Lease Finance requires annual installments of \$1,500 including interest at 2.7% expires on December 2018.	\$ 5,616	\$ -
Photocopier lease with Roynat Lease Finance requires annual installments of \$7,200 including interest at 10.66% expires on December 2017.	<u>12,386</u>	<u>17,699</u>
	18,002	17,699
Amount due within one year	<u>7,226</u>	<u>5,313</u>
	<u>\$ 10,776</u>	<u>\$ 12,386</u>

Estimated principal amounts due within the next four years:

2015	\$ 7,226
2016	7,890
2017	1,421
2018	1,465

8. COMMITMENT

The School Society has entered into an annual lease agreement for the premises, commencing September 2015, requiring annual payments of \$30,000. The lease expires on September, 2016.

9. ECONOMIC DEPENDENCE

During the year, the School Society received \$1,599,847 (2014 - \$1,432,668) of Alberta Government grants, representing 67.5% (2014 - 65.2%) 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.

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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.

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 is not available at this time.

12. INTERNALLY RESTRICTED

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

	<u>2015</u>	<u>2014</u>
Alice Sorial Memorial scholarship fund	\$ <u>2,120</u>	\$ <u>2,120</u>

13. FUNDRAISING

In order to raise \$211,512 (2014 - \$141,014) of fundraising revenue, the School Society spent \$169,185 (2014 - \$121,459) 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.

	<u>2015</u>	<u>2014</u>
Equipment	\$ 26,180	\$ 7,109
Computer equipment and software	<u>17,607</u>	<u>17,030</u>
	\$ <u>43,787</u>	\$ <u>24,139</u>

15. BUDGET AMOUNTS

The budget was prepared by the School Society jurisdiction management with Board of Directors' approval given on May 15, 2014. It is presented for information purposes only and has not been audited.