

Retzlaff & Wong

Chartered Accountants

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

Bus: (403) 250-7996
Fax: (403) 250-7290
Email: retzlaffandwong@shaw.ca

KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY

FINANCIAL STATEMENTS

AUGUST 31, 2016

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, 2016, 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, 2016 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 8, 2016


CHARTERED ACCOUNTANTS

KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2016

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT		
Cash (Note 3)	\$ 135,162	\$ 403,272
Accounts receivable	43,950	74,672
Notes receivable (Note 4)	37,000	37,000
Government remittance receivable	680	685
Prepaid expenses and deposits	<u>55,926</u>	<u>64,772</u>
	272,718	580,401
Capital assets (Note 5)	<u>1,214,199</u>	<u>250,502</u>
	<u>\$ 1,486,917</u>	<u>\$ 830,903</u>
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accrued liabilities	\$ 31,221	\$ 19,395
Deferred revenue	82,368	101,955
Undisbursed designated contributions (Note 6)	44,750	46,660
Current portion of long term debts (Note 7)	22,806	-
Capital lease obligations due within one year (Note 8)	<u>10,722</u>	<u>7,226</u>
	191,867	175,236
Deferred contributions related to capital assets	61,547	78,635
Callable long term debts (Note 7)	200,000	-
Long term debts (Note 7)	477,194	-
Capital lease obligations (Note 8)	<u>33,179</u>	<u>10,776</u>
	<u>963,787</u>	<u>264,647</u>
Economic dependence (Note 9)		
Financial Instruments (Note 10)		
<u>NET ASSETS</u>		
Invested in capital assets	408,751	153,865
Internally restricted (Note 11)	2,120	2,120
Unrestricted	<u>112,259</u>	<u>410,271</u>
	<u>523,130</u>	<u>566,256</u>
	<u>\$ 1,486,917</u>	<u>\$ 830,903</u>

APPROVED BY THE BOARD

_____ Director

_____ Director

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2016**

	2016 <u>Actual</u>	(Note 14) 2016 <u>Budget</u>	2015 <u>Actual</u>
REVENUE			
Academic activities	\$ 72,261	\$ 55,500	\$ 58,323
Administrative and sundry	44,354	32,000	51,507
Amortization of deferred contributions	17,088	14,088	14,088
Designated funds	72,592	-	450
Donations	67,013	100,000	63,776
Fundraising (Note 12)	175,404	220,000	211,512
Government grants	1,714,362	1,706,613	1,599,847
Transportation	14,839	15,425	12,555
Tuition and registration fees	<u>384,107</u>	<u>394,870</u>	<u>356,716</u>
	<u>2,562,020</u>	<u>2,538,496</u>	<u>2,368,774</u>
 EXPENSES			
Academic	186,583	109,500	132,548
Administrative	104,027	208,569	106,512
Amortization	72,631	71,556	57,468
Building	123,891	128,500	118,345
Designated funds	72,592	-	450
Employee wages and benefits	1,753,963	1,666,318	1,622,620
Fundraising (Note 12)	152,318	240,000	169,185
Grants forwarded	7,137	8,784	7,511
Levy and memberships	55,761	53,700	56,402
Special needs	8,462	25,000	23,980
Transportation costs	<u>29,284</u>	<u>25,100</u>	<u>26,058</u>
	<u>2,566,649</u>	<u>2,537,027</u>	<u>2,321,079</u>
(Loss) income from operations	(4,629)	1,469	47,695
Loss on disposal of capital assets	5,435	-	-
Capital assets not capitalized (Note 13)	<u>33,062</u>	<u>-</u>	<u>43,787</u>
(Deficiency) excess of revenue over expenses	<u>\$(43,126)</u>	<u>\$ 1,469</u>	<u>\$ 3,908</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2016**

	Invested in Capital Assets	(Note 11) Internally Restricted	Unrestricted	Net Assets	
				2016	2015
Net assets, beginning of year	\$ 153,865	\$ 2,120	\$ 410,271	\$ 566,256	\$ 562,348
(Deficiency) excess of revenue over expenses	(60,978) ¹	-	17,852	(43,126)	3,908
Investment in capital assets	<u>315,864</u> ²	<u>-</u>	<u>(315,864)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 408,751</u>	<u>\$ 2,120</u>	<u>\$ 112,259</u>	<u>\$ 523,130</u>	<u>\$ 566,256</u>

¹Consists of:

Amortization	\$(72,631)
Loss on disposal of capital assets	(5,435)
Amortization of deferred contributions	<u>17,088</u>
	<u>\$(60,978)</u>

²Consists of:

Proceed from capital lease obligation	\$(50,540)
Principal repayment of capital lease obligation	12,256
Proceeds from long-term debts	(700,000)
Purchase of capital assets with unrestricted funds	<u>1,054,148</u>
	<u>\$ 315,864</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2016**

	<u>2016</u>	<u>2015</u>
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenses	\$(43,126)	\$ 3,908
Add back items not affecting cash		
Amortization	72,631	57,468
Amortization of deferred contributions	(17,088)	(14,088)
Loss on disposal of capital assets	5,435	-
Net change in non-cash working capital balances related to operations		
Accounts receivable	30,727	(55,172)
Prepaid expenses and deposits	8,846	15,674
Accounts payable and accrued liabilities	11,826	(10,701)
Deferred revenue	(19,587)	12,768
Undisbursed designated contributions	<u>(1,910)</u>	<u>10,287</u>
	<u>47,754</u>	<u>20,144</u>
FINANCING ACTIVITIES		
Proceeds from long term debts	700,000	-
Deferred contributions related to capital assets	-	15,000
Proceeds from capital lease obligation	50,540	7,116
Repayment of capital lease obligation	<u>(12,256)</u>	<u>(6,813)</u>
	<u>738,284</u>	<u>15,303</u>
INVESTING ACTIVITIES		
Purchase of capital assets with designated contributions	-	(15,000)
Purchase of capital assets with unrestricted funds	<u>(1,054,148)</u>	<u>(24,613)</u>
	<u>(1,054,148)</u>	<u>(39,613)</u>
Change in cash	(268,110)	(4,166)
Cash, beginning of year	<u>403,272</u>	<u>407,438</u>
Cash, end of year	<u>\$ 135,162</u>	<u>\$ 403,272</u>
Cash consists of:		
Cash	\$ 135,162	\$ 183,272
Term deposits	<u>-</u>	<u>220,000</u>
	<u>\$ 135,162</u>	<u>\$ 403,272</u>
Supplementary cash flow information:		
Cash interest paid	<u>\$ 315</u>	<u>\$ 1,287</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

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
Buildings	15 years
Equipment	5 years
Furniture and equipment	5 years
Automotive equipment	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, 2016**

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 \$44,750 (2015 - \$46,660) 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>2016 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Portable buildings	\$ 332,722	\$ 200,332	\$ 132,390
Building	983,290	-	983,290
Equipment	72,607	39,471	33,136
Furniture and equipment	77,626	68,476	9,150
Automotive equipment	81,233	81,233	-
Leasehold improvements	<u>116,620</u>	<u>116,620</u>	<u>-</u>
	1,664,098	506,132	1,157,966
Equipment under capital lease	<u>57,656</u>	<u>1,423</u>	<u>56,233</u>
	<u>\$ 1,721,754</u>	<u>\$ 507,555</u>	<u>\$ 1,214,199</u>

	<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>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

6. UNDISBURSED DESIGNATED CONTRIBUTIONS

	<u>2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>2016</u>
Missions fund	\$ 28,064	\$ 70,183	\$ 72,593	\$ 25,654
Marie Collier fund	1,398	-	-	1,398
Donna Stanley Memorial Fund	714	-	-	714
Scholarships fund	<u>16,484</u>	<u>500</u>	<u>-</u>	<u>16,984</u>
	<u>\$ 46,660</u>	<u>\$ 70,683</u>	<u>\$ 72,593</u>	<u>\$ 44,750</u>

7. LONG TERM DEBTS

	<u>2016</u>	<u>2015</u>
Servus Credit Union Mortgage with interest at 3.96% per annum payable in monthly blended installment of \$3,689 . Mortgage is secured by a first fixed charge on certain land and buildings with a carrying value of \$1,115,680 , general assignments of rents and environmental indemnity agreement.	\$ 500,000	\$ -
Red Deer Public School District interest free callable Promissory Note expires in August 2021. Promissory Note is secured by certain land and buildings with a carrying value of \$1,115,680 , and a general security agreement.	<u>200,000</u>	<u>-</u>
	700,000	-
Amount due within one year	<u>22,806</u>	<u>-</u>
	<u>\$ 677,194</u>	<u>\$ -</u>

Estimated principal amounts due within the next five years:

2016	\$ 22,806
2017	25,840
2018	26,882
2019	27,967
2020 and thereafter	596,505

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

8. CAPITAL LEASE OBLIGATIONS

	2016	2015
Photocopier lease with Roynat Lease Finance requires annual installments of \$1,500 including interest at 2.7% expires in December 1, 2018.	\$ 4,269	\$ 5,616
Photocopier lease with Roynat Lease Finance paid in full during the year.	-	12,386
Photocopier lease with Roynat Lease Finance requires annual installments of \$10,908 including interest at 4% expires in December 1, 2020.	39,632	-
	43,901	18,002
Amount due within one year	10,722	7,226
	\$ 33,179	\$ 10,776

Estimated principal amounts due within the next four years:

2016	\$ 10,722
2017	11,129
2018	11,553
2019	10,497

9. ECONOMIC DEPENDENCE

During the year, the School Society received \$1,714,362 (2015 - \$1,599,847) of Alberta Government grants, representing 66.9% (2015 - 67.5%) 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, long term debts 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. INTERNALLY RESTRICTED

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

	2016	2015
Alice Sorial Memorial scholarship fund	\$ 2,120	\$ 2,120

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

12. FUNDRAISING

In order to raise \$175,404 (2015 - \$211,512) of fundraising revenue, the School Society spent \$152,318 (2015 - \$169,185) 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.

13. 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.

	2016	2015
Equipment	\$ 8,017	\$ 26,180
Computer equipment and software	25,045	17,607
	\$ 33,062	\$ 43,787

14. BUDGET AMOUNTS

The budget was prepared by the School Society jurisdiction management with Board of Directors' approval given on June 29, 2015. It is presented for information purposes only and has not been audited.