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KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY

FINANCIAL STATEMENTS

AUGUST 31, 2017

CLIENT'S COPY

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1.

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, 2017, 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, 2017 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 20, 2017


CHARTERED ACCOUNTANTS

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2017**

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT		
Cash (Note 3)	\$ 193,070	\$ 135,162
Accounts receivable	51,405	43,950
Notes receivable (Note 4)	37,000	37,000
Government remittance receivable	690	680
Prepaid expenses and deposits	<u>64,450</u>	<u>55,926</u>
	346,615	272,718
Capital assets (Note 5)	<u>1,146,060</u>	<u>1,214,199</u>
	<u>\$ 1,492,675</u>	<u>\$ 1,486,917</u>
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accrued liabilities	\$ 62,358	\$ 31,221
Deferred revenue	99,024	82,368
Undisbursed designated contributions (Note 6)	38,423	44,750
Current portion of long term debts (Note 7)	25,841	22,806
Capital lease obligations due within one year (Note 8)	<u>11,130</u>	<u>11,129</u>
	236,776	192,274
Callable long term debts (Note 7)	200,000	200,000
Deferred contributions related to capital assets	46,159	61,547
Long term debts (Note 7)	451,321	477,194
Capital lease obligations (Note 8)	<u>22,050</u>	<u>32,772</u>
	<u>956,306</u>	<u>963,787</u>
Economic dependence (Note 9)		
<u>NET ASSETS</u>		
Invested in capital assets	389,559	408,751
Internally restricted (Note 10)	2,120	2,120
Unrestricted	<u>144,690</u>	<u>112,259</u>
	<u>536,369</u>	<u>523,130</u>
	<u>\$ 1,492,675</u>	<u>\$ 1,486,917</u>
APPROVED BY THE BOARD		
_____	Director	
_____	Director	

KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2017

	2017 <u>Actual</u>	(Note 13) 2017 <u>Budget</u>	(Note 14) 2016 <u>Actual</u>
REVENUE			
Donations			
General	\$ 95,197	\$ 105,000	\$ 67,013
Building	44,420	-	-
Designated funds	8,327	-	72,592
Academic activities	75,026	73,250	72,261
Administrative and sundry	43,858	28,000	44,354
Amortization of deferred contributions	15,388	14,088	17,088
Fundraising (Note 11)	158,122	115,000	175,404
Government grants	2,153,424	1,915,453	1,714,362
Transportation	13,505	12,000	14,839
Tuition and registration fees	<u>434,374</u>	<u>408,572</u>	<u>384,107</u>
	<u>3,041,641</u>	<u>2,671,363</u>	<u>2,562,020</u>
EXPENSES			
Academic	183,635	126,000	164,995
Administrative	126,582	182,049	104,027
Amortization	68,140	71,556	72,631
Building	133,759	148,450	123,891
Designated funds	8,327	-	72,592
Employee wages and benefits	2,096,869	1,913,747	1,753,963
Fundraising (Note 11)	137,196	130,000	152,318
Grants disbursement	89,928	9,882	28,725
Levy and memberships	62,021	53,700	55,761
Mortgage interest	19,588	-	-
Special needs	27,003	10,000	8,462
Transportation costs	<u>28,604</u>	<u>25,100</u>	<u>29,284</u>
	<u>2,981,652</u>	<u>2,670,484</u>	<u>2,566,649</u>
Income (loss) from operations	59,989	879	(4,629)
Loss on disposal of capital assets	-	-	5,435
Capital assets not capitalized (Note 12)	<u>46,750</u>	<u>-</u>	<u>33,062</u>
Excess (deficiency) of revenue over expenses	\$ <u>13,239</u>	\$ <u>879</u>	\$(<u>43,126</u>)

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2017**

	Invested in <u>Capital Assets</u>	(Note 10) Internally <u>Restricted</u>	<u>Unrestricted</u>	<u>Net Assets</u>	
				<u>2017</u>	<u>2016</u>
Net assets, beginning of year	\$ 408,751	\$ 2,120	\$ 112,259	\$ 523,130	\$ 566,256
(Deficiency) excess of revenue over expenses	<u>(19,192)¹</u>	<u>-</u>	<u>32,431</u>	<u>13,239</u>	<u>(43,126)</u>
Net assets, end of year	<u>\$ 389,559</u>	<u>\$ 2,120</u>	<u>\$ 144,690</u>	<u>\$ 536,369</u>	<u>\$ 523,130</u>

¹Consists of:

Amortization	\$(68,140)
Amortization of deferred contributions	15,388
Principal repayment of capital lease obligation	10,722
Principal repayment of long term debts	<u>22,838</u>
	<u>\$(19,192)</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2017**

	2017	2016
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 13,239	\$(43,126)
Add back items not affecting cash		
Amortization	68,140	72,631
Amortization of deferred contributions	(15,388)	(17,088)
Loss on disposal of capital assets	-	5,435
Net change in non-cash working capital balances related to operations		
Accounts receivable	(7,465)	30,726
Prepaid expenses and deposits	(8,524)	8,847
Accounts payable and accrued liabilities	31,137	11,826
Deferred revenue	16,656	(19,587)
Undisbursed designated contributions	<u>(6,327)</u>	<u>(1,910)</u>
	<u>91,468</u>	<u>47,754</u>
FINANCING ACTIVITIES		
Proceeds from long term debts	-	700,000
Repayment of long term debts	(22,838)	-
Proceeds from capital lease obligation	-	50,540
Repayment of capital lease obligation	<u>(10,722)</u>	<u>(12,256)</u>
	<u>(33,560)</u>	<u>738,284</u>
INVESTING ACTIVITIES		
Purchase of capital assets with unrestricted funds	<u>-</u>	<u>(1,054,148)</u>
Change in cash	57,908	(268,110)
Cash, beginning of year	<u>135,162</u>	<u>403,272</u>
Cash, end of year	<u>\$ 193,070</u>	<u>\$ 135,162</u>
 Supplementary cash flow information:		
Cash interest paid	<u>\$ 21,591</u>	<u>\$ 1,287</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

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.

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

The School Society regularly reviews its capital assets to eliminate obsolete items and determine any impairment. Government grants are treated as a reduction of capital assets costs.

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they became known.

Significant estimates included in these financial statements include amortization of capital assets and ability to collect on accounts receivable.

3. RESTRICTED CASH

Cash of \$38,423 (2016 - \$44,750) 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.

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

5. CAPITAL ASSETS

	<u>2017 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Land	\$ 760,000	\$ -	\$ 760,000
Portable buildings	332,722	227,685	105,037
Building	223,290	14,887	208,403
Equipment	72,607	51,551	21,056
Furniture and equipment	77,626	70,764	6,862
Automotive equipment	81,233	81,233	-
Leasehold improvements	<u>116,620</u>	<u>116,620</u>	<u>-</u>
	1,664,098	562,740	1,101,358
Equipment under capital lease	<u>57,656</u>	<u>12,954</u>	<u>44,702</u>
	<u>\$ 1,721,754</u>	<u>\$ 575,694</u>	<u>\$ 1,146,060</u>

	<u>2016 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Land	\$ 760,000	\$ -	\$ 760,000
Portable buildings	332,722	200,332	132,390
Building	223,290	-	223,290
Equipment	72,607	39,471	33,136
Furniture and equipment	77,626	68,476	9,150
School bus	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>

6. UNDISBURSED DESIGNATED CONTRIBUTIONS

	<u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>2017</u>
Missions fund	\$ 25,654	\$ -	\$ 5,919	\$ 19,735
Marie Collier fund	1,398	-	-	1,398
Building fund	-	44,420	44,420	-
Donna Stanley Memorial fund	714	-	-	714
Scholarships fund	<u>16,984</u>	<u>2,000</u>	<u>2,408</u>	<u>16,576</u>
	<u>\$ 44,750</u>	<u>\$ 46,420</u>	<u>\$ 52,747</u>	<u>\$ 38,423</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

7. LONG TERM DEBTS

	2017	2016
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 \$1,073,440, general assignments of rents and environmental indemnity agreement maturing September 1, 2021.	\$ 477,162	\$ 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 \$1,073,440, and a general security agreement.	200,000	200,000
	677,162	700,000
Amount due within one year	25,841	22,806
	\$ 651,321	\$ 677,194

Estimated principal amounts due within the next four years:

2018	\$ 25,841
2019	26,884
2020	27,968
2021	596,469

8. CAPITAL LEASE OBLIGATIONS

	2017	2016
Photocopier lease with Roynat Lease Finance requires annual installments of \$1,500 including interest at 2.7% expires in December 1, 2018.	\$ 2,886	\$ 4,269
Photocopier lease with Roynat Lease Finance requires annual installments of \$10,908 including interest at 4% expires in December 1, 2020.	30,294	39,632
	33,180	43,901
Amount due within one year	11,130	11,129
	\$ 22,050	\$ 32,772

Estimated principal amounts due within the next three years:

2018	\$ 11,130
2019	11,557
2020	10,493

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

9. ECONOMIC DEPENDENCE

During the year, the School Society received \$2,153,424 (2016 - \$1,714,362) of Alberta Government grants, representing 70.8% (2016 - 66.9%) 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. INTERNALLY RESTRICTED

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

	<u>2017</u>	<u>2016</u>
Alice Sorial Memorial scholarship fund	\$ <u>2,120</u>	\$ <u>2,120</u>

11. FUNDRAISING

In order to raise \$158,122 (2016 - \$175,404) of fundraising revenue, the School Society spent \$137,196 (2016 - \$152,318) 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.

12. 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>2017</u>	<u>2016</u>
Equipment	\$ 23,712	\$ 8,017
Computer equipment and software	<u>23,038</u>	<u>25,045</u>
	<u>\$ 46,750</u>	<u>\$ 33,062</u>

13. BUDGET AMOUNTS

The budget was prepared by the School Society jurisdiction management with Board of Directors' approval given on June 29, 2016. It is presented for information purposes only and has not been audited.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.