

Retzlaff & Wong

CHARTERED ACCOUNTANTS

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KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY

FINANCIAL STATEMENTS

AUGUST 31, 2018

Retzlaff & Wong

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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, 2018, 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, 2018 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 22, 2018



CHARTERED ACCOUNTANTS

KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2018

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT		
Cash (Note 3)	\$ 324,243	\$ 193,070
Accounts receivable	57,048	51,405
Notes receivable (Note 4)	33,750	37,000
Government remittance receivable	-	690
Prepaid expenses and deposits	<u>55,478</u>	<u>64,450</u>
	470,519	346,615
Capital assets (Note 5)	<u>1,103,344</u>	<u>1,146,060</u>
	<u>\$ 1,573,863</u>	<u>\$ 1,492,675</u>
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accrued liabilities	\$ 67,404	\$ 62,358
Government remittance payable	898	-
Deferred revenue	91,578	99,024
Undisbursed designated contributions (Note 6)	58,489	38,423
Current portion of long term debts (Note 7)	26,884	25,841
Capital lease obligations due within one year (Note 8)	<u>11,557</u>	<u>11,130</u>
	256,810	236,776
Callable long term debts (Note 7)	200,000	200,000
Deferred contributions related to capital assets	30,771	46,159
Long term debts (Note 7)	424,437	451,321
Capital lease obligations (Note 8)	<u>10,492</u>	<u>22,050</u>
	<u>922,510</u>	<u>956,306</u>
Economic dependence (Note 9)		
Significant events (Note 10)		
Subsequent events (Note 11)		
<u>NET ASSETS</u>		
Invested in capital assets	399,203	389,559
Internally restricted (Note 12)	2,120	2,120
Unrestricted	<u>250,030</u>	<u>144,690</u>
	<u>651,353</u>	<u>536,369</u>
	<u>\$ 1,573,863</u>	<u>\$ 1,492,675</u>

APPROVED BY THE BOARD


 _____ Director


 _____ Director

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2018**

	2018 <u>Actual</u>	(Note 15) 2018 <u>Budget</u>	2017 <u>Actual</u>
REVENUE			
Donations			
General	\$ 90,515	\$ 75,000	\$ 95,197
Building	-	-	44,420
Designated funds	56,095	-	8,327
Academic activities	44,473	51,900	75,026
Administrative and sundry	30,593	32,000	43,858
Amortization of deferred contributions	15,388	17,088	15,388
Fundraising (Note 13)	195,001	220,005	158,122
Government grants	2,494,650	1,893,716	2,153,424
Transportation	15,387	10,000	13,505
Tuition and registration fees	<u>544,649</u>	<u>415,200</u>	<u>434,374</u>
	<u>3,486,751</u>	<u>2,714,909</u>	<u>3,041,641</u>
EXPENSES			
Academic	193,804	110,000	183,635
Administrative	131,715	266,669	126,582
Amortization	65,812	55,544	68,140
Building	124,296	125,500	133,759
Designated funds	56,095	17,088	8,327
Employee wages and benefits	2,361,264	1,824,810	2,096,869
Fundraising (Note 13)	167,269	128,000	137,196
Grants disbursement	95,907	12,480	89,928
Levy and memberships	64,140	61,700	62,021
Mortgage interest	18,431	36,777	19,588
Special needs	21,691	25,000	27,003
Transportation costs	<u>28,580</u>	<u>35,100</u>	<u>28,604</u>
	<u>3,329,004</u>	<u>2,698,668</u>	<u>2,981,652</u>
Income from operations	157,747	16,241	59,989
Capital assets not capitalized (Note 14)	<u>42,763</u>	<u>5,435</u>	<u>46,750</u>
Excess of revenue over expenses	<u>\$ 114,984</u>	<u>\$ 10,806</u>	<u>\$ 13,239</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>Invested in Capital Assets</u>	<u>(Note 12) Internally Restricted</u>	<u>Unrestricted</u>	<u>Net Assets</u>	
				<u>2018</u>	<u>2017</u>
Net assets, beginning of year	\$ 389,559	\$ 2,120	\$ 144,690	\$ 536,369	\$ 523,130
(Deficiency) excess of revenue over expenses	(13,453) ¹	-	128,437	114,984	13,239
Investment in capital assets	<u>23,097</u> ²	<u>-</u>	<u>(23,097)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 399,203</u>	<u>\$ 2,120</u>	<u>\$ 250,030</u>	<u>\$ 651,353</u>	<u>\$ 536,369</u>

¹Consists of:

Amortization	\$(65,812)
Amortization of deferred contributions	15,388
Principal repayment of capital lease obligation	11,130
Principal repayment of long term debts	<u>25,841</u>
	<u>\$(13,453)</u>

²Consists of:

Purchase of capital assets with unrestricted funds	<u>\$ 23,097</u>
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KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 114,984	\$ 13,239
Add back items not affecting cash		
Amortization	65,812	68,140
Amortization of deferred contributions	(15,388)	(15,388)
Net change in non-cash working capital balances related to operations		
Accounts receivable	(4,953)	(7,465)
Notes receivable	3,250	-
Prepaid expenses and deposits	8,972	(8,564)
Accounts payable and accrued liabilities	5,944	31,137
Deferred revenue	(7,446)	16,696
Undisbursed designated contributions	<u>20,066</u>	<u>(6,327)</u>
	<u>191,241</u>	<u>91,468</u>
FINANCING ACTIVITIES		
Repayment of long term debts	(25,841)	(22,838)
Repayment of capital lease obligation	<u>(11,130)</u>	<u>(10,722)</u>
	<u>(36,971)</u>	<u>(33,560)</u>
INVESTING ACTIVITIES		
Purchase of capital assets with unrestricted funds	<u>(23,097)</u>	<u>-</u>
Change in cash	131,173	57,908
Cash, beginning of year	<u>193,070</u>	<u>135,162</u>
Cash, end of year	<u>\$ 324,243</u>	<u>\$ 193,070</u>
Supplementary cash flow information:		
Cash interest paid	<u>\$ 19,393</u>	<u>\$ 21,591</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018**

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, 2018**

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.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Fluctuation in market rates of interest on Servus Credit Union Mortgage will have a significant impact on the School Society's results of operations.

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 \$58,489 (2017 - \$38,423) have been set aside to meet certain externally restricted obligations. Refer to note 6.

4. NOTES RECEIVABLE

The notes receivable of \$33,750 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, 2018**

5. CAPITAL ASSETS

	<u>2018 Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Land	\$ 760,000	\$ -	\$ 760,000
Portable buildings	332,722	255,038	77,684
Building	223,290	29,774	193,516
Equipment	95,703	61,304	34,399
Furniture and equipment	77,626	73,052	4,574
Automotive equipment	81,233	81,233	-
Leasehold improvements	<u>116,620</u>	<u>116,620</u>	<u>-</u>
	1,687,194	617,021	1,070,173
Equipment under capital lease	<u>57,656</u>	<u>24,485</u>	<u>33,171</u>
	<u>\$ 1,744,850</u>	<u>\$ 641,506</u>	<u>\$ 1,103,344</u>

	<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
School bus	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>

6. UNDISBURSED DESIGNATED CONTRIBUTIONS

	<u>2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>2018</u>
Missions fund	\$ 19,735	\$ 66,011	\$ 55,095	\$ 30,651
Marie Collier fund	1,398	-	-	1,398
Building fund	-	8,150	-	8,150
Donna Stanley Memorial fund	714	-	-	714
Scholarships fund	<u>16,576</u>	<u>2,000</u>	<u>1,000</u>	<u>17,576</u>
	<u>\$ 38,423</u>	<u>\$ 76,161</u>	<u>\$ 56,095</u>	<u>\$ 58,489</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018**

7. LONG TERM DEBTS

	2018	2017
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 \$1,031,200, general assignments of rents and environmental indemnity agreement, maturing September 1, 2021.	\$ 451,321	\$ 477,162
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 \$1,031,200, and a general security agreement.	200,000	200,000
	651,321	677,162
Amount due within one year	26,884	25,841
	\$ 624,437	\$ 651,321

Estimated principal amounts due within the next three years:

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

8. CAPITAL LEASE OBLIGATIONS

	2018	2017
Photocopier lease with Roynat Lease Finance requires annual installments of \$1,500 including interest at 2.7% expires in December 1, 2018.	\$ 1,464	\$ 2,886
Photocopier lease with Roynat Lease Finance requires annual installments of \$10,908 including interest at 4% expires in December 1, 2020.	20,585	30,294
	22,049	33,180
Amount due within one year	11,557	11,130
	\$ 10,492	\$ 22,050

Estimated principal amounts due within the next two years:

2019	\$ 11,557
2020	10,492

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018**

9. ECONOMIC DEPENDENCE

During the year, the School Society received \$2,494,650 (2017 - \$2,153,424) of Alberta Government grants, representing 71.5% (2017 - 70.8%) 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. SIGNIFICANT EVENTS

During the year, the Government of Alberta has changed the School Act through the passing of Bill 24. School Authorities had until June 30, 2018 to be in compliance with this interlocutory mandate. Currently the school is not in compliance with this mandate and have filed an injunction on June 20, 2018. The outcome of this injunction is not determinable as at August 31, 2018. Due to the school's non-compliance, there is a risk of the school losing its Government funding in future years.

11. SUBSEQUENT EVENTS

Subsequent to the year end, the School Society have agreed to a new 60 month photocopier lease requiring annual payments of \$15,000.

12. INTERNALLY RESTRICTED

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

	<u>2018</u>	<u>2017</u>
Alice Sorial Memorial scholarship fund	\$ <u>2,120</u>	\$ <u>2,120</u>

13. FUNDRAISING

In order to raise \$195,001 (2017 - \$158,122) of fundraising revenue, the School Society spent \$167,269 (2017 - \$137,196) 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>2018</u>	<u>2017</u>
Equipment	\$ 10,819	\$ 23,712
Computer equipment and software	<u>31,944</u>	<u>23,038</u>
	<u>\$ 42,763</u>	<u>\$ 46,750</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018**

15. BUDGET AMOUNTS

The budget was prepared by the School Society jurisdiction management with Board of Directors' approval given on May 2, 2017. It is presented for information purposes only and has not been audited.