

Retzlaff & Wong

CHARTERED ACCOUNTANTS

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KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY

FINANCIAL STATEMENTS

AUGUST 31, 2019

#101, 5621 - 11 Street NE
Calgary, Alberta T2E 6Z7 Canada

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INDEPENDENT AUDITORS' REPORT

Email: retzlaffandwong@shaw.ca

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

Opinion

We have audited the financial statements of Koinonia Christian School - Red Deer Society, which comprise of the statement of financial position as at AUGUST 31, 2019, statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Koinonia Christian School - Red Deer Society as at AUGUST 31, 2019 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the School Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management's and Those Charged with Governance 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.

In preparing these financial statements, management is responsible for assessing the School Society's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the School Society or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the School Society's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the School Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the School Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


Calgary, Alberta
November 23, 2019



CHARTERED ACCOUNTANTS

KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019

	<u>2019</u>	<u>(Note 15)</u> <u>2018</u>
<u>ASSETS</u>		
CURRENT		
Cash	\$ 295,473	\$ 263,634
Restricted cash (Note 3)	65,805	60,609
Accounts receivables	57,649	57,048
Notes receivables (Note 4)	31,250	33,750
Prepaid expenses	<u>91,532</u>	<u>55,478</u>
	541,709	470,519
Property, plant and equipment (Note 5)	<u>1,073,551</u>	<u>1,103,344</u>
	<u>\$ 1,615,260</u>	<u>\$ 1,573,863</u>
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accrued liabilities		
Trade	\$ 74,543	\$ 67,404
Payroll remittances	-	898
Unearned revenue	133,481	91,578
Undisbursed designated contributions (Note 6)	63,685	58,489
Long term debts payable within one year (Note 7)	27,968	26,884
Capital lease obligation due within one year (Note 8)	9,200	11,557
Notes payable due on demand (Note 7)	<u>200,000</u>	<u>200,000</u>
	508,877	456,810
Deferred contributions related to property, plant and equipment	15,383	30,771
Long term debts (Note 7)	396,470	424,437
Capital lease obligation (Note 8)	<u>35,417</u>	<u>10,492</u>
	<u>956,147</u>	<u>922,510</u>
Economic dependence (Note 9)		
Related party transactions (Note 10)		
<u>NET ASSETS</u>		
Investment in property, plant and equipment	389,113	399,203
Internally restricted (Note 11)	2,120	2,120
Unrestricted	<u>267,880</u>	<u>250,030</u>
	<u>659,113</u>	<u>651,353</u>
	<u>\$ 1,615,260</u>	<u>\$ 1,573,863</u>

APPROVED BY THE BOARD:


 _____ Director


 _____ Director

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF OPERATIONS
YEAR ENDED AUGUST 31, 2019**

	<u>2019 Budget</u>	<u>2019 Actual</u>	<u>(Note 15) 2018 Actual</u>
REVENUE			
Donations	\$ 145,780	\$ 90,490	\$ 90,515
Designated funds	-	4,334	56,095
Academic activities	-	32,317	44,473
Administrative and sundry	300	46,962	30,593
Amortization of deferred contributions	15,388	15,387	15,388
Fundraising (Note 12)	205,200	182,063	195,001
Government grants	2,421,835	2,482,758	2,494,650
Transportation	19,000	13,828	15,387
Tuition and registration fees	<u>453,658</u>	<u>498,149</u>	<u>544,649</u>
	<u>3,261,161</u>	<u>3,366,288</u>	<u>3,486,751</u>
EXPENSES			
Academic	338,853	142,112	193,804
Administrative	179,000	129,114	131,715
Amortization	66,340	56,239	65,812
Building	111,510	147,445	124,296
Designated funds	-	4,334	56,095
Employee wages and benefits	2,330,580	2,370,543	2,361,264
Fundraising (Note 12)	-	166,809	167,269
Grants disbursement	82,590	141,573	95,907
Levy and memberships	-	63,241	64,140
Mortgage interest	19,500	17,388	18,431
Special needs	101,700	28,194	21,691
Transportation costs	<u>30,990</u>	<u>35,117</u>	<u>28,580</u>
	<u>3,261,063</u>	<u>3,302,109</u>	<u>3,329,004</u>
Excess of operating revenue over expenses	98	64,179	157,747
Property, plant and equipment not capitalized (Note 13)	-	45,297	42,763
(Loss) on disposal of property, plant and equipment	<u>-</u>	<u>(11,122)</u>	<u>-</u>
Excess of revenue of expenses	<u>\$ 98</u>	<u>\$ 7,760</u>	<u>\$ 114,984</u>

KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED AUGUST 31, 2019

	Invested in property, plant and equipment	Internally Restricted	Unrestricted	Net Assets	
				2019	2018
Net assets, beginning of year	\$ 399,203	\$ 2,120	\$ 250,030	\$ 651,353	\$ 536,369
Excess of revenue over expenses	<u>(10,090)¹</u>	<u>-</u>	<u>17,850</u>	<u>7,760</u>	<u>114,984</u>
Net assets, end of year	<u>\$ 389,113</u>	<u>\$ 2,120</u>	<u>\$ 267,880</u>	<u>\$ 659,113</u>	<u>\$ 651,353</u>

¹Consists of:

Amortization	\$(56,239)
Amortization of deferred contributions	15,387
Principal repayment of lease obligation	15,000
Principal repayment of long term debt	26,883
Capital lease obligation proceed	(59,617)
Loss on disposal of capital assets	(11,121)
Purchase of property, plant and equipment with unrestricted funds	<u>59,617</u>
	<u>\$(10,090)</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2019**

	<u>2019</u>	<u>(Note 15) 2018</u>
CASH FLOWS PROVIDED FROM (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 7,760	\$ 114,984
Items not affecting cash		
Amortization	56,239	65,812
Amortization of deferred contributions	(15,387)	(15,388)
Loss on disposal of property and equipment	11,122	-
Change in non-cash working capital accounts		
Accounts receivable	(281)	(5,643)
Notes receivable	2,500	3,250
Prepaid expenses	(36,054)	8,971
Accounts payable and accrued liabilities	7,139	5,047
Payroll remittances	(1,219)	1,589
Deferred revenue	<u>41,903</u>	<u>(7,447)</u>
	<u>73,722</u>	<u>171,175</u>
FINANCING ACTIVITIES		
Long term debt repayment	<u>(41,883)</u>	<u>(36,971)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>-</u>	<u>(23,097)</u>
Change in cash	31,839	111,107
Cash, beginning of year	<u>263,634</u>	<u>152,527</u>
Cash, end of year	<u>\$ 295,473</u>	<u>\$ 263,634</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

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

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO) applied on a going basis.

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.

Financial instruments

Financial instruments are recorded at exchanged rate 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. The exchanged rate of these financial instruments approximate their carrying value, unless otherwise noted

Cash and cash equivalents

Cash consists of a combination of business chequing accounts and business saving accounts with a commerical bank.

Interest rate risk

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.

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are recorded at cost. Property, plant and equipment with a cost less than \$5,000 are expensed in the year of acquisition. Amortization on property, plant and equipment is recorded on the straight line basis 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 property, plant and equipment to eliminate obsolete items and determine any impairment. Government grants are treated as a reduction of property, plant and equipment costs.

Revenue recognition

Donations received towards general operations, fundraising income, government grants, transportation grants, tuition and registration fee are recognized in the year to which they relate.

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.

Academic activity fees for services related to courses and programs are recognized as revenue when such courses and programs are delivered.

Administrative income received for the purpose of school administration is recognized in the year to which they relate.

Deferred contributions related to property, plant and equipment are recorded as deferred contribution liabilities and recognized into income on the same basis as amortization related to the property, plant and equipment recognized.

Contributed services

As with most charitable organizations, significant donations of time and services are received during each year. Due to the difficulties in establishing dollar values for these services, no attempt has been made to include a value for the services in the records of the School Society.

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

3. RESTRICTED CASH

Cash of \$65,805 (2018 - \$60,609) have been set aside to meet certain externally restricted obligations. Refer to note 6 and note 11.

4. NOTES RECEIVABLE

The amount of \$31,250 due from Airdrie Koinonia Christian School, is non-interest bearing, unsecured and is repayable within the next twelve months.

5. PROPERTY, PLANT AND EQUIPMENT

	<u>2019 Cost</u>	<u>Accumulated Amortization</u>	<u>Net book value</u>
Land	\$ 760,000	\$ -	\$ 760,000
Portable buildings	332,722	282,391	50,331
Building	223,290	44,661	178,629
Equipment	95,703	73,015	22,688
Furniture and equipment	77,626	75,340	2,286
Automotive equipment	<u>81,233</u>	<u>81,233</u>	<u>-</u>
	1,570,574	556,640	1,013,934
Equipment under capital lease	<u>59,617</u>	<u>-</u>	<u>59,617</u>
	<u>\$ 1,630,191</u>	<u>\$ 556,640</u>	<u>\$ 1,073,551</u>
	<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>\$ 1,630,191</u>	<u>\$ 556,640</u>	<u>\$ 1,103,344</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

6. UNDISBURSED DESIGNATED CONTRIBUTIONS

	<u>2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>2019</u>
Missions fund	\$ 30,651	\$ 3,970	\$ -	\$ 34,621
Marie Collier fund	1,398	-	-	1,398
Building Fund	8,150	3,560	-	11,710
Donna Stanley Memorial fund fund	714	-	714	-
Scholarship fund	<u>17,576</u>	<u>2,000</u>	<u>3,620</u>	<u>15,956</u>
	<u>\$ 58,489</u>	<u>\$ 9,530</u>	<u>\$ 4,334</u>	<u>\$ 63,685</u>

Mission fund is used for the purpose of trips for students and staff to perform ministry projects outside of the local area.

Marie Collier fund is used for the purpose of kitchen and banquet needs.

Building fund is used for the purpose of building a new school.

Scholarship fund is used for the purpose of helping needy families attending the school with cost of tuition fees.

7. LONG TERM DEBTS

	<u>2019</u>	<u>2018</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 \$988,960, general assignments of rents and environmental indemnity agreement, maturing September 1, 2021.	\$ 424,438	\$ 451,321
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 \$988,960, and a general security agreement.	<u>200,000</u>	<u>200,000</u>
Amount payable within one year	624,438 <u>27,968</u>	651,321 <u>26,884</u>
	<u>\$ 596,470</u>	<u>\$ 624,437</u>

Principal repayments due in the next two year are estimated to be as follows:

2021	\$ 27,968
2022	596,470

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

8. CAPITAL LEASE OBLIGATIONS

	<u>2019</u>	<u>2018</u>
Photocopier lease with Roynat Lease Finance requires annual installments of \$1,500 including interest at 2% expires in December 1, 2018. There are no assets pledged as security.	\$ -	\$ 1,464
Photocopier lease with Roynat Lease Finance requires annual installments of \$10,908 including interest at 4% expired during the year. There are no assets pledged as security.	-	20,585
Photocopier lease with Meridan Lease Finance requires annual installments of \$15,000 including interest at 13% expires in September 1, 2023. There are no assets pledged as security.	<u>44,617</u>	<u>-</u>
	44,617	22,049
Amount payable within one year	<u>9,200</u>	<u>11,557</u>
	<u>\$ 35,417</u>	<u>\$ 10,492</u>

Principal repayments due in the next four years are estimated to be as follows:

2020	\$ 9,200
2021	10,396
2022	11,747
2023	13,275

9. ECONOMIC DEPENDENCE

During the year, the School Society received \$2,482,758 (2018 - \$2,494,650) Alberta Government grants, representing 73.8% (2018 - 71.5%) 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. RELATED PARTY TRANSACTIONS

The School Society paid \$78,367 to various staff members and collected \$33,200 in tuition fees from students who are related to members on the Board of Directors. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

11. INTERNALLY RESTRICTED

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

	<u>2019</u>	<u>2018</u>
Alice Sorial Memorial scholarship fund	\$ <u>2,120</u>	\$ <u>2,120</u>

Alice Sorial Memorial scholarship fund is used for the purpose of helping needy families attending the school with cost of tuition fees.

12. FUNDRAISING

In order to raise \$182,063 (2018 - \$195,001) of fundraising revenue, the School Society spent \$166,809 (2018 - \$167,269) 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.

	<u>2019</u>	<u>2018</u>
Equipment	\$ 4,182	\$ 10,819
Computer equipment and softwares	<u>41,115</u>	<u>31,944</u>
	<u>\$ 45,297</u>	<u>\$ 42,763</u>

14. BUDGET AMOUNTS

The budget was prepared by the School Society jurisdiction management with Board of Directors' approval given on May 22, 2018. It is presented for information purposes only and has not been audited.

15. COMPARATIVE FIGURES

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