

Aperture
CHARTERED PROFESSIONAL ACCOUNTANTS

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KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY

FINANCIAL STATEMENTS

AUGUST 31, 2020

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

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INDEPENDENT AUDITORS' REPORT

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, 2020, 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, 2020 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.

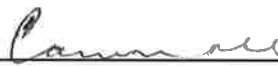

Calgary, Alberta
November 27, 2020


CHARTERED PROFESSIONAL ACCOUNTANTS

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2020**

	<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
CURRENT			
Cash		\$ 386,494	\$ 295,473
Accounts receivables		18,712	50,777
Goods and services tax		6,531	6,872
Notes receivables (Note 4)		27,750	31,250
Prepaid expenses		<u>34,455</u>	<u>91,532</u>
		473,942	475,904
Restricted cash (Note 3)		69,604	65,805
Property, plant and equipment (Note 5)		<u>1,032,462</u>	<u>1,073,551</u>
		<u>\$ 1,576,008</u>	<u>\$ 1,615,260</u>
	<u>LIABILITIES</u>		
CURRENT			
Accounts payable and accrued liabilities		\$ 104,248	\$ 74,543
Unearned revenue		60,991	133,481
Undisbursed designated contributions (Note 6)		69,604	63,685
Long term debts payable within one year (Note 7)		30,450	27,968
Capital lease obligation due within one year (Note 8)		10,396	9,200
Notes payable due on demand (Note 7)		<u>200,000</u>	<u>200,000</u>
		475,689	508,877
Deferred contributions related to property, plant and equipment		17,077	15,383
Long term debts (Note 7)		366,067	396,470
Capital lease obligation (Note 8)		<u>25,021</u>	<u>35,417</u>
		<u>883,854</u>	<u>956,147</u>
Economic dependence (Note 9)			
Related party transactions (Note 10)			
Subsequent events (Note 15)			
	<u>NET ASSETS</u>		
Investment in property, plant and equipment		383,451	389,113
Internally restricted (Note 11)		-	2,120
Unrestricted		<u>308,703</u>	<u>267,880</u>
		<u>692,154</u>	<u>659,113</u>
		<u>\$ 1,576,008</u>	<u>\$ 1,615,260</u>

APPROVED BY THE BOARD:

 Director
 Director

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF OPERATIONS
YEAR ENDED AUGUST 31, 2020**

	<u>2020 Budget</u>	<u>2020 Actual</u>	<u>2019 Actual</u>
REVENUE			
Donations	\$ 108,000	\$ 64,904	\$ 90,490
Designated funds	-	88,618	4,334
Academic activities	58,500	7,362	32,317
Administrative and sundry	13,088	7,470	46,962
Amortization of deferred contributions	15,388	15,383	15,387
Fundraising (Note 12)	140,000	151,322	182,063
Government grants	2,201,806	2,507,650	2,482,758
Transportation	12,000	9,969	13,828
Tuition and registration fees	<u>483,688</u>	<u>416,192</u>	<u>498,149</u>
	<u>3,032,470</u>	<u>3,268,870</u>	<u>3,366,288</u>
EXPENSES			
Academic	112,500	110,542	142,112
Administrative	129,250	148,452	129,114
Amortization	65,812	65,278	56,239
Building	141,200	155,923	147,445
Designated funds	-	88,618	4,334
Employee wages and benefits	2,157,248	2,214,599	2,370,543
Fundraising (Note 12)	158,000	125,521	166,809
Grants disbursement	144,534	163,492	141,573
Levy and memberships	61,600	56,785	63,241
Mortgage interest	-	16,350	17,388
Special needs	30,000	50,370	28,194
Transportation costs	<u>32,100</u>	<u>25,420</u>	<u>35,117</u>
	<u>3,032,244</u>	<u>3,221,350</u>	<u>3,302,109</u>
Excess of operating revenue over expenses	226	47,520	64,179
Property, plant and equipment not capitalized (Note 13)	-	14,479	45,297
(Loss) on disposal of property, plant and equipment	<u>-</u>	<u>-</u>	<u>(11,122)</u>
Excess of revenue of expenses	<u>\$ 226</u>	<u>\$ 33,041</u>	<u>\$ 7,760</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED AUGUST 31, 2020**

	Invested in property, plant and equipment	Internally Restricted	Unrestricted	Net Assets	
				<u>2020</u>	<u>2019</u>
Net assets, beginning of year	\$ 389,113	\$ 2,120	\$ 267,880	\$ 659,113	\$ 651,353
Excess of revenue over expenses	(5,662) ¹	-	38,703	33,041	7,760
Interfund transfers	<u>-</u>	<u>(2,120)²</u>	<u>2,120</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 383,451</u>	<u>\$ -</u>	<u>\$ 308,703</u>	<u>\$ 692,154</u>	<u>\$ 659,113</u>

¹Consists of:

Amortization	\$(65,278)
Amortization of deferred contributions	15,383
Principal repayment of lease obligation	9,200
Principal repayment of long term debt	27,921
Increase in deferred contribution relating to capital assets	17,077
Purchase of property, plant and equipment with restricted funds	(17,077)
Purchase of property, plant and equipment with unrestricted funds	<u>7,112</u>
	<u>\$(5,662)</u>

²Consists of:

Unrestrict internally restricted fund relating to scholarships	<u>\$ 2,120</u>
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**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2020**

	<u>2020</u>	<u>2019</u>
CASH FLOWS PROVIDED FROM (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 33,041	\$ 7,760
Items not affecting cash		
Amortization	65,278	56,239
Amortization of deferred contributions	(15,383)	(15,387)
Loss on disposal of property and equipment	-	11,122
Change in non-cash working capital accounts		
Accounts receivable	31,744	387
Notes receivable	3,500	2,500
Goods and services tax	341	(668)
Prepaid expenses	57,077	(36,054)
Accounts payable and accrued liabilities	30,025	5,920
Deferred revenue	(72,489)	41,903
Undisbursed designated contributions	<u>5,919</u>	<u>5,197</u>
	<u>139,053</u>	<u>78,919</u>
FINANCING ACTIVITIES		
Long term debt repayment	<u>(37,121)</u>	<u>(41,883)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,112)	-
Increase in deferred contributions relating to property, plant and equipment	17,077	-
Purchase of property, plant and equipment - restricted funds	<u>(17,077)</u>	<u>-</u>
	<u>(7,112)</u>	<u>-</u>
Change in cash	94,820	37,036
Cash, beginning of year	<u>361,278</u>	<u>324,242</u>
Cash, end of year	<u>\$ 456,098</u>	<u>\$ 361,278</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020**

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 (ASNFP) 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, 2020**

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, 2020**

3. RESTRICTED CASH

Cash of \$69,604 (2019 - \$65,805) have been set aside to meet certain externally restricted obligations. Refer to note 6 and note 11.

4. NOTES RECEIVABLE

The amount of \$27,750 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>2020 Cost</u>	<u>Accumulated Amortization</u>	<u>Net book value</u>
Land	\$ 760,000	\$ -	\$ 760,000
Portable buildings	332,722	309,744	22,978
Building	223,290	59,548	163,742
Equipment	103,129	81,845	21,284
Furniture and equipment	84,738	77,626	7,112
Automotive equipment	<u>9,652</u>	<u>-</u>	<u>9,652</u>
	1,513,531	528,763	984,768
Equipment under capital lease	<u>59,617</u>	<u>11,923</u>	<u>47,694</u>
	<u>\$ 1,573,148</u>	<u>\$ 540,686</u>	<u>\$ 1,032,462</u>
	<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	81,233	81,233	-
	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>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020**

6. UNDISBURSED DESIGNATED CONTRIBUTIONS

	<u>2019</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>2020</u>
Missions fund	\$ 34,621	\$ 71,397	\$ 52,542	\$ 53,476
Marie Collier fund	1,398	-	1,140	258
Building fund	11,710	1,410	13,120	-
Christmas wishlist	-	10,115	10,115	-
Scholarship fund	15,956	-	1,086	14,870
Special needs	-	1,000	-	1,000
Bus purchase	-	10,615	10,615	-
	<u>\$ 63,685</u>	<u>\$ 94,537</u>	<u>\$ 88,618</u>	<u>\$ 69,604</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.

Special needs fund is to be used for specialized special needs acquisitions.

7. LONG TERM DEBTS

	<u>2020</u>	<u>2019</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 \$946,720, general assignments of rents and environmental indemnity agreement, maturing September 1, 2021.	\$ 396,517	\$ 424,438
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 \$946,720, and a general security agreement.	<u>200,000</u>	<u>200,000</u>
	596,517	624,438
Amount payable within one year	<u>30,450</u>	<u>27,968</u>
	<u>\$ 566,067</u>	<u>\$ 596,470</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020**

7. LONG TERM DEBTS (Continued)

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

2021	\$ 30,450
2022	30,322
2023	31,544
2024	32,816
2025 and thereafter	271,385

8. CAPITAL LEASE OBLIGATIONS

	<u>2020</u>	<u>2019</u>
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>35,417</u>	<u>44,617</u>
Amount payable within one year	<u>10,396</u>	<u>9,200</u>
	<u>\$ 25,021</u>	<u>\$ 35,417</u>

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

2022	\$ 10,396
2023	11,747
2024	13,274

9. ECONOMIC DEPENDENCE

During the year, the School Society received \$2,507,650 (2019 - \$2,482,758) Alberta Government grants, representing 76.7% (2019 - 73.8%) 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. RELATED PARTY TRANSACTIONS

The School Society paid \$88,636 (2019 - \$78,367) to various staff members and collected \$28,083 (2019 - \$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, 2020**

11. INTERNALLY RESTRICTED

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

	<u>2020</u>	<u>2019</u>
Alice Sorial Memorial scholarship fund	\$ <u>-</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 \$151,322 (2019 - \$182,063) of fundraising revenue, the School Society spent \$125,521 (2019 - \$166,809) 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>2020</u>	<u>2019</u>
Equipment	\$ 2,402	\$ 4,182
Computer equipment and softwares	<u>12,077</u>	<u>41,115</u>
	<u>\$ 14,479</u>	<u>\$ 45,297</u>

14. BUDGET AMOUNTS

The budget was prepared by the School Society jurisdiction management with Board of Directors' approval given on May 24, 2019. It is presented for information purposes only and has not been audited.

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2020**

15. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world.

As at August 31, 2020, the School had made changes in its operation in response to the COVID-19 crisis. Changes in operation included:

- Reduction in staffing levels;
- Program cost reductions;
- Stoppage of third-party facility usage; and
- Shift to virtual service delivery.

Management believes that some aspects of the disruption to operations may be temporary; however, there is uncertainty about the length and potential long term impact of the disruption.