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CHARTERED PROFESSIONAL ACCOUNTANTS

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**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2021**

#101, 5621 - 11 Street NE  
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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, 2021, 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, 2021 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 30, 2021



CHARTERED PROFESSIONAL ACCOUNTANTS

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2021**

	<u>2021</u>	<u>(Note 2)</u> <u>2020</u>
<b><u>ASSETS</u></b>		
<b>CURRENT</b>		
Cash	\$ 1,580,433	\$ 386,494
Accounts receivables (Note 2)	22,312	265,720
Goods and services tax	7,117	6,531
Notes receivables (Note 4)	23,879	27,750
Prepaid expenses	<u>30,130</u>	<u>34,455</u>
	1,663,871	720,950
Restricted cash (Note 5)	68,846	69,604
Property, plant and equipment (Note 6)	<u>1,012,551</u>	<u>1,032,462</u>
	<u>\$ 2,745,268</u>	<u>\$ 1,823,016</u>
<b><u>LIABILITIES</u></b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 177,079	\$ 104,248
Payroll remittances	35,612	-
Unearned revenue	82,629	60,991
Undisbursed designated contributions (Note 7)	68,846	69,604
Long term debts payable within one year (Note 8)	-	30,450
Capital lease obligation due within one year (Note 9)	11,747	10,396
Notes payable due on demand (Note 8)	<u>-</u>	<u>200,000</u>
	375,913	475,689
Deferred contributions related to property, plant and equipment	24,980	17,077
Long term debts (Note 8)	-	366,067
Capital lease obligation (Note 9)	<u>13,275</u>	<u>25,021</u>
	<u>414,168</u>	<u>883,854</u>
Economic dependence (Note 10)		
Related party transactions (Note 11)		
Subsequent events (Note 12)		
<b><u>NET ASSETS</u></b>		
Investment in property, plant and equipment	962,549	383,451
Unrestricted	<u>1,368,551</u>	<u>555,711</u>
	<u>2,331,100</u>	<u>939,162</u>
	<u>\$ 2,745,268</u>	<u>\$ 1,823,016</u>

APPROVED BY THE BOARD:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
STATEMENT OF OPERATIONS  
YEAR ENDED AUGUST 31, 2021**

	(Note 15) 2021 <u>Budget</u>	2021 <u>Actual</u>	(Note 2) 2020 <u>Actual</u>
<b>REVENUE</b>			
Academic activities	\$ 46,306	\$ 15,909	\$ 7,362
Administrative and sundry	19,525	17,191	828
Amortization of deferred contributions	15,388	8,788	15,383
Designated funds	-	14,974	88,618
Donations	65,000	62,455	64,904
Federal and other grants (Note 2)	-	351,706	253,650
Fundraising (Note 13)	221,500	227,529	151,322
Provincial grants	2,775,635	3,473,911	2,507,650
Transportation	-	8,563	9,969
Tuition and registration fees	<u>398,070</u>	<u>464,787</u>	<u>416,192</u>
	<u>3,541,424</u>	<u>4,645,813</u>	<u>3,515,878</u>
<b>EXPENSES</b>			
Academic	230,799	85,872	110,542
Administrative	66,545	136,121	148,452
Amortization	56,239	44,781	65,278
Building	149,384	199,441	155,923
Designated funds	-	14,974	88,618
Employee wages and benefits	2,374,688	2,239,279	2,214,599
Fundraising (Note 13)	216,056	90,544	125,521
Grants disbursement	325,315	311,517	163,492
Levy and memberships	-	47,933	56,785
Mortgage interest	17,000	16,376	16,350
Special needs	80,000	38,670	50,370
Transportation costs	<u>23,600</u>	<u>21,544</u>	<u>25,420</u>
	<u>3,539,626</u>	<u>3,247,052</u>	<u>3,221,350</u>
Excess of operating revenue over expenses	1,798	1,398,761	294,528
Property, plant and equipment not capitalized (Note 14)	-	485	14,479
(Loss) on disposal of property, plant and equipment	<u>-</u>	<u>( 6,338)</u>	<u>-</u>
<b>Excess of revenue of expenses</b>	<b>\$ <u>1,798</u></b>	<b>\$ <u>1,391,938</u></b>	<b>\$ <u>280,049</u></b>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED AUGUST 31, 2021**

	Invested in property, plant and equipment	Unrestricted	(Note 2) Net Assets 2021	2020
Net assets, beginning of year	\$ 383,451	\$ 555,711	\$ 939,162	\$ 659,113
Excess of revenue over expenses	( 42,331) <sup>1</sup>	1,434,269	1,391,938	280,049
Interfund transfers	<u>621,429</u> <sup>2</sup>	( 621,429)	-	-
Net assets, end of year	<u>\$ 962,549</u>	<u>\$ 1,368,551</u>	<u>\$ 2,331,100</u>	<u>\$ 939,162</u>

<sup>1</sup>Consists of:

Amortization	\$( 44,781)
Amortization of deferred contributions	8,788
Increase in deferred contribution relating to capital assets	( 16,691)
Impairment of property, plant and equipment	( 6,338)
Purchase of property, plant and equipment with restricted funds	<u>16,691</u>
	<u>\$( 42,331)</u>

<sup>2</sup>Consists of:

Principal repayment of capital lease obligation	\$ 10,395
Principal repayment of long term debt	396,517
Principal repayment of notes payable	200,000
Purchase of capital assets with unrestricted funds	<u>14,517</u>
	<u>\$ 621,429</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
STATEMENT OF CASH FLOWS  
YEAR ENDED AUGUST 31, 2021**

	<u>2021</u>	<u>(Note 2) 2020</u>
<b>CASH FLOWS PROVIDED FROM (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 1,391,938	\$ 280,049
Items not affecting cash		
Amortization	44,781	65,278
Amortization of deferred contributions	( 8,788)	( 15,383)
Loss on disposal of property and equipment	6,338	-
Change in non-cash working capital accounts		
Accounts receivable	243,408	( 215,263)
Notes receivable	3,871	3,500
Goods and services tax	( 586)	341
Prepaid expenses	4,325	57,077
Accounts payable and accrued liabilities	108,443	30,025
Deferred revenue	<u>21,638</u>	<u>( 72,490)</u>
	<u>1,815,368</u>	<u>133,134</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of long term debt	( 396,517)	( 27,922)
Repayment of capital lease obligation	( 10,395)	( 9,199)
Repayment of notes payable	<u>( 200,000)</u>	<u>-</u>
	<u>( 606,912)</u>	<u>( 37,121)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<u>( 14,517)</u>	<u>( 7,112)</u>
<b>Change in cash</b>	<b>1,193,939</b>	<b>88,901</b>
Cash, beginning of year	<u>386,494</u>	<u>297,593</u>
Cash, end of year	<u><b>\$ 1,580,433</b></u>	<u><b>\$ 386,494</b></u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

**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. RESTATEMENT OF PRIOR YEAR FIGURES**

In the prior year, the School Society qualified for the Canada Emergency Wage Subsidy (CEWS) grant but did not apply for the grant. During the current year, the School Society applied for and received CEWS grant for fiscal year 2020 totaling \$247,008. A receivable of \$247,008 was required to be recorded in the prior year. To correct the errors, Accounts receivables should be increased by \$247,008, from \$18,712 to \$265,720; and Federal and other grants should be increased by \$247,008, from \$6,642 to \$253,650.

Certain comparative figures have been reclassified for comparative purposes to conform with current year's financial statement presentation and restated to correct prior year's error.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) 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.



**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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. 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 commercial 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.

**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
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.

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition**

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.

**4. NOTES RECEIVABLE**

The amount of \$23,879 (2020 - \$27,750) due from Airdrie Koinonia Christian School, is non-interest bearing, unsecured and is repayable within the next twelve months.

**5. RESTRICTED CASH**

Cash of \$68,846 (2020 - \$69,604) has been set aside to meet certain externally restricted obligations.

**6. PROPERTY, PLANT AND EQUIPMENT**

	<u>2021 Cost</u>	<u>Accumulated Amortization</u>	<u>Net book value</u>
Land	\$ 760,000	\$ -	\$ 760,000
Portable buildings	332,722	319,225	13,497
Building	223,290	74,435	148,855
Equipment	128,000	87,949	40,051
Furniture and equipment	84,738	79,048	5,690
Automotive equipment	<u>9,652</u>	<u>965</u>	<u>8,687</u>
	1,538,402	561,622	976,780
Equipment under capital lease	<u>59,617</u>	<u>23,846</u>	<u>35,771</u>
	<u>\$ 1,598,019</u>	<u>\$ 585,468</u>	<u>\$ 1,012,551</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

	<u>2020</u> <u>Cost</u>	<u>Accumulated</u> <u>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>

**7. UNDISBURSED DESIGNATED CONTRIBUTIONS**

	<u>2020</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>2021</u>
Missions fund	\$ 53,476	\$ -	\$ -	\$ 53,476
Marie Collier fund	258	-	258	-
Christmas wishlist	-	13,715	13,715	-
Scholarship fund	14,870	500	-	15,370
Special needs	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
	<u>\$ 69,604</u>	<u>\$ 14,215</u>	<u>\$ 14,973</u>	<u>\$ 68,846</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.

Christmas wishlist is used for the purpose of acquiring academic related supplies, materials and capital assets.

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.

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

**8. LONG TERM DEBTS**

	<u>2021</u>	<u>2020</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 \$922,352, general assignments of rents and environmental indemnity agreement. Balance paid out during the year.	\$ -	\$ 396,517
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 \$922,352, and a general security agreement. Balance paid out during the year.	<u>-</u>	<u>200,000</u>
	-	596,517
Amount payable within one year	<u>-</u>	<u>30,450</u>
	<u>\$ -</u>	<u>\$ 566,067</u>

**9. CAPITAL LEASE OBLIGATIONS**

	<u>2021</u>	<u>2020</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>25,022</u>	\$ <u>35,417</u>
Amount payable within one year	<u>11,747</u>	<u>10,396</u>
	<u>\$ 13,275</u>	<u>\$ 25,021</u>

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

2022	\$ 11,747
2023	13,275

**10. ECONOMIC DEPENDENCE**

During the year, the School Society received \$3,473,911 (2020 - \$2,507,650) Alberta Government grants, representing 74.8% (2020 - 71.3%) 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.

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

**11. RELATED PARTY TRANSACTIONS**

The School Society paid \$89,554 (2020 - \$88,636) to various staff members and collected \$26,382 (2020 - \$28,083) 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.

**12. 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, 2021, 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.

Subsequent to the year end, the School took out a \$400,000 authorized overdraft facility with Servus Credit Union at the Credit Union's prime lending rate plus 0.70%.

**13. FUNDRAISING**

In order to raise \$227,529 (2020 - \$151,322) of fundraising revenue, the School Society spent \$90,544 (2020 - \$125,521 ) 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 3, assets with a per unit cost of \$5,000 and under are not capitalized to conform with the School Society's capitalization policy.

	<u>2021</u>	<u>2020</u>
Equipment	\$ 148	\$ 2,402
Computer equipment and softwares	<u>337</u>	<u>12,077</u>
	<u>\$ 485</u>	<u>\$ 14,479</u>

**KOINONIA CHRISTIAN SCHOOL - RED DEER SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2021**

**15. BUDGET AMOUNTS**

The budget was prepared by the School Society jurisdiction management with Board of Directors' approval given on May 28, 2020. It is presented for information purposes only and has not been audited.