

Retzlaff & Wong

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**AIRDRIE KOINONIA CHRISTIAN SCHOOL SOCIETY
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL**

FINANCIAL STATEMENTS

AUGUST 31, 2017

Retzlaff & Wong

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1.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Airdrie Koinonia Christian School Society

We have audited the accompanying financial statements of Airdrie Koinonia Christian School Society o/a Airdrie Koinonia Christian School which comprise of the statement of financial position as at AUGUST 31, 2017, statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, 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.

Emphasis of Matter

The School Society's ability to continue as a going concern is dependent upon its ability to realizing assets and discharging liabilities. The School Society has significant working capital shortfall as at AUGUST 31, 2017. It may encounter cash flow problem if they are not able to raise additional funds from operations and generate positive cash flows to cover working capital deficiency and future debt repayment obligations. Our opinion is not qualified in respect of this matter.

CALGARY, ALBERTA
November 30, 2017


CHARTERED ACCOUNTANTS

**AIRDRIE KOINONIA CHRISTIAN SCHOOL SOCIETY
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2017**

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT		
Cash	\$ 218,753	\$ 432,169
Accounts receivable	12,096	6,187
Goods and services tax recoverable	6,566	7,224
Inventory	-	576
Prepaid expenses and deposits	<u>8,765</u>	<u>18,747</u>
	246,180	464,903
Capital assets (Note 3)	<u>15,157,333</u>	<u>15,498,557</u>
	<u>\$ 15,403,513</u>	<u>\$ 15,963,460</u>
<u>LIABILITIES</u>		
CURRENT		
Line of credit (Note 4)	\$ 480,000	\$ 480,000
Accounts payable and accrued liabilities	39,085	53,954
Payroll remittance payable	31,856	29,220
Deferred revenue	281,789	281,679
Undisbursed designated contributions (Note 5)	62,868	124,423
Bow Valley Credit Union mortgage (Note 6)	7,000,000	7,000,000
Capital lease obligation due within one year (Note 7)	7,755	6,966
Notes payable due on demand (Note 8)	<u>2,205,520</u>	<u>2,215,657</u>
	10,108,873	10,191,899
Deferred contributions related to capital assets (Note 9)	2,055,713	2,069,172
Capital lease obligation (Note 7)	<u>6,387</u>	<u>14,143</u>
	<u>12,170,973</u>	<u>12,275,214</u>
Economic dependence (Note 10)		
Going concern (Note 11)		
Contingencies (Note 12)		
<u>NET ASSETS</u>		
Invested in capital assets	3,401,958	3,712,619
Internally restricted (Note 13)	2,563	2,563
Endowment funds	25,000	20,000
Unrestricted	<u>(196,981)</u>	<u>(46,936)</u>
	<u>3,232,540</u>	<u>3,688,246</u>
	<u>\$ 15,403,513</u>	<u>\$ 15,963,460</u>

APPROVED BY THE BOARD

_____ Director

_____ Director

**AIRDRIE KOINONIA CHRISTIAN SCHOOL SOCIETY
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2017**

	<u>2017</u>	(Note 15) <u>2016</u>
REVENUE		
Administrative and sundry	\$ 129,856	\$ 156,286
Amortization of deferred contributions	67,809	58,301
Designated donations (Note 5)	70,676	76,129
Donations	160,598	604,942
Fundraising (Note 14)	134,322	351,187
Government grants	1,262,192	1,225,271
School generated funds	21,133	8,582
Tuition and registration fees	<u>929,913</u>	<u>952,465</u>
	<u>2,776,499</u>	<u>3,433,163</u>
 EXPENSES		
Academic and programs	67,365	82,345
Administrative	36,943	32,524
Advertising	47,923	29,517
Amortization	380,394	372,698
Benevolence	3,000	2,150
Designated funds disbursed (Note 5)	70,676	76,129
Facility cost	170,988	147,455
Fundraising (Note 14)	88,009	103,688
Grants forwarded	10,980	11,529
Insurance	26,857	23,307
Interest on long term debts	344,758	351,018
Membership and dues	51,573	49,370
Office	16,559	11,917
Options and activities	85,186	52,332
Professional development	13,660	5,577
School generated funds	7,720	26,461
Wages, benefits, and subcontracts	<u>1,788,866</u>	<u>1,574,498</u>
	<u>3,211,457</u>	<u>2,952,515</u>
(Deficit) income from operations	(434,958)	480,648
Capital assets not capitalized (Note 2)	<u>25,748</u>	<u>5,673</u>
(Deficiency) excess of revenue over expenses	<u>\$(460,706)</u>	<u>\$ 474,975</u>

**AIRDRIE KOINONIA CHRISTIAN SCHOOL SOCIETY
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2017**

	Invested in Capital Assets	Endowments	(Note 13) Internally Restricted	Unrestricted	Net Assets	
					2017	2016
Net assets, beginning of year	\$ 3,712,619	\$ 20,000	\$ 2,563	\$(46,936)	\$ 3,688,246	\$ 3,213,271
(Deficiency) excess of revenue over expenses	(327,765) ¹	-	-	(132,941)	(460,706)	474,975
Interfund transfers	17,104 ²	-	-	(17,104)	-	-
Direct increase in net assets	<u>-</u>	<u>5,000</u> ³	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Net assets, end of year	<u>\$ 3,401,958</u>	<u>\$ 25,000</u>	<u>\$ 2,563</u>	<u>\$(196,981)</u>	<u>\$ 3,232,540</u>	<u>\$ 3,688,246</u>

¹Consists of:

Amortization	\$ 380,394
Amortization of deferred contributions	(67,810)
Deferred contributions related to capital assets received	54,350
Purchase of capital assets with restricted funds	(39,169)
	<u>\$ 327,765</u>

²Consists of:

Principal repayment of capital lease obligation	\$ 6,967
Repayment of demand loans	<u>10,137</u>
	<u>\$ 17,104</u>

³Consists of:

Endowment contribution	<u>\$ 5,000</u>
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**AIRDRIE KOINONIA CHRISTIAN SCHOOL SOCIETY
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2017**

	2017	2016
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenses	\$(460,706)	\$ 474,975
Add back items not affecting cash		
Amortization	380,394	372,698
Amortization of deferred contributions	(67,809)	(58,301)
Net change in non-cash working capital balances related to operations		
Accounts receivable	(5,909)	5,577
Goods and services tax recoverable	657	5,515
Prepaid expenses and deposits	9,982	15,582
Inventory	576	178
Accounts payable and accrued liabilities	(14,869)	(77,066)
Payroll remittance payable	2,636	148
Deferred revenue	110	(44,824)
Undisbursed designated contributions	(61,555)	105,919
	(216,493)	800,401
FINANCING ACTIVITIES		
(Repayment of) loan due on demand	(10,137)	(263,240)
Proceeds from endowment	5,000	-
Repayment of capital lease obligation	(6,967)	(6,257)
	(12,104)	(269,497)
INVESTING ACTIVITIES		
Deferred contributions related to capital assets	54,350	73,565
Purchase of capital assets using restricted funds	(39,169)	(73,565)
Purchase of capital assets using unrestricted funds	-	(103,745)
	15,181	(103,745)
Change in cash	(213,416)	427,159
Cash, beginning of year	432,169	5,010
Cash, end of year	\$ 218,753	\$ 432,169
Supplementary cash flow information:		
Cash interest paid	\$ 344,758	\$ 351,018

**AIRDRIE KOINONIA CHRISTIAN SCHOOL SOCIETY
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

1. PURPOSE OF THE ORGANIZATION

Airdrie Koinonia Christian School Society is a Christian day school committed to a Biblical standard of spiritual and academic excellence. The School Society provides children with an education which enable them to grow spiritually, academically, socially and physically so that they are equipped for service to God. The School Society is registered as a charitable organization under the Income Tax Act and as such is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The School Society follows the deferral method of accounting for contributions. Revenue and expenses are recorded on the accrual basis.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rental income and tuition and registration fees are recognized as revenue as related services are provided and the amount to be received can be reasonably estimated and collection is reasonably assured.

Government grants and membership fees are recognized as revenue in the year to which they relate and the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital assets

Capital assets are recorded at cost. Capital assets with a cost less than \$5,000 are expensed in the year of acquisition. Amortization on capital assets is recorded on the straight line basis the year after acquisition at the following annual rates:

Buildings	40 Years
Equipment and furniture	5 Years
Vehicle	10 Years
Equipment under capital lease	5 Years

The Society regularly reviews its capital assets to eliminate obsolete items and determine any impairment.

**AIRDRIE KOINONIA CHRISTIAN SCHOOL SOCIETY
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Financial instruments

The School Society's financial instruments consists of cash, accounts receivable, accounts payable and accrued liabilities, line of credit, Bow Valley Credit Union mortgage and notes payable due on demand. 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 fair value of these financial instruments approximate their carrying value, unless otherwise noted.

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 Bow Valley Credit Union construction loan and line of credit 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, amortization of contributions related to capital assets and ability to collect on accounts receivable.

3. CAPITAL ASSETS

	<u>2017 Cost</u>	<u>Accumulated Amortization</u>	<u>Net book value</u>
Land	\$ 2,021,756	\$ -	\$ 2,021,756
Buildings	14,017,156	1,008,413	13,008,743
Equipment and furniture	195,882	82,891	112,991
Vehicle	<u>55,000</u>	<u>55,000</u>	<u>-</u>
	16,289,794	1,146,304	15,143,490
Equipment under capital lease	<u>34,608</u>	<u>20,765</u>	<u>13,843</u>
	<u>\$ 16,324,402</u>	<u>\$ 1,167,069</u>	<u>\$ 15,157,333</u>

**AIRDRIE KOINONIA CHRISTIAN SCHOOL SOCIETY
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

3. CAPITAL ASSETS (continued)

	<u>2016 Cost</u>	<u>Accumulated Amortization</u>	<u>Net book value</u>
Land	\$ 2,021,756	\$ -	\$ 2,021,756
Buildings	14,014,582	658,049	13,356,533
Furniture and equipment	159,286	59,783	99,503
Vehicle	<u>55,000</u>	<u>55,000</u>	<u>-</u>
	16,250,624	772,832	15,477,792
Equipment under capital lease	<u>34,608</u>	<u>13,843</u>	<u>20,765</u>
	<u>\$ 16,285,232</u>	<u>\$ 786,675</u>	<u>\$ 15,498,557</u>

4. LINE OF CREDIT

The School Society has obtained a \$480,000 line of credit from Bow Valley Credit Union with interest at prime plus 1% per annum. The Credit Union also issued a \$90,000 letter of credit to the City of Airdrie on behalf of the School Society. The loan and the letter of credit are secured by \$930,000 collateral mortgage on certain land, assignment of rents registered by way of caveat over the property, and a general security agreement covering all School Society assets. As at August 31, 2017, the outstanding balance of the line of credit is \$480,000.

5. UNDISBURSED DESIGNATED CONTRIBUTIONS

	<u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>2017</u>
Missions	\$ 11,055	\$ 2,520	\$ 3,400	\$ 10,175
Bursary Fund	108,435	-	60,031	48,404
Scholarship funds	2,125	500	-	2,625
Drama fund	30	-	30	-
Other	<u>2,778</u>	<u>6,100</u>	<u>7,214</u>	<u>1,664</u>
	<u>\$ 124,423</u>	<u>\$ 9,120</u>	<u>\$ 70,675</u>	<u>\$ 62,868</u>

6. BOW VALLEY CREDIT UNION MORTGAGE

The School Society has obtained a \$7,000,000 mortgage from Bow Valley Credit Union with interest only payments at prime plus 1% per annum. Upon the next annual account review on January 1, 2018, the Credit union will offer a repayment schedule comprised of terms ranging from one to five year and an amortization not to exceed twenty five years. The mortgage is secured by a collateral mortgage on the building, assignment of rents registered at land titles, a general security agreement covering all School Society assets and assignment of builders all risk insurance with first loss payable to Bow Valley Credit Union.

**AIRDRIE KOINONIA CHRISTIAN SCHOOL SOCIETY
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

7. CAPITAL LEASE OBLIGATION

	2017	2016
Photocopier lease with Roynat Lease Finance which requires annual installments of \$8,904 including interest at 10.78%, lease expires in May 2019.	\$ 14,142	\$ 21,109
Amount due within one year	7,755	6,966
	\$ 6,387	\$ 14,143

Estimated principal amounts due within the next two years:

2018		\$ 7,755
2019		6,387

8. NOTES PAYABLE DUE ON DEMAND

The School Society has received \$2,205,520 (2016 - \$2,215,657) from third parties of the School Society. The loans carries interest at 0% to 4% per annum. There is no fixed terms for repayment on the loan principal. However, either party can terminate the contract with a 21 calendar days notice to the other party, during which time the full loan principal shall be due for repayment.

9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the funds contributed to the School Society by funders for building a new school. These deferred contributions will be recognized as revenue on the same basis as the amortization expense related to the new school building.

10. ECONOMIC DEPENDENCE

During the year, the School Society received \$1,262,192 (2016 - \$1,225,271) Alberta Government grants, representing 45.5% (2016 - 36%) 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.

11. GOING CONCERN

The School Society's ability to continue as a going concern is dependent upon its ability to realizing assets and discharging liabilities. The School Society has significant working capital shortfall as at August 31, 2017. It may encounter cash flow problem if they are not able to raise additional funds from operations and generate positive cash flows to cover working capital deficiency and future debt repayment obligations.

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

12. CONTINGENCIES

The School Society is defending legal actions brought by the former general construction contractor and various sub-trades in connection with the construction of the new school building. Based on information provided by the School Society's legal council, the maximum possible amount if ruling goes against the School Society could be approximately \$4 million. The outcome of this litigation is not determinable as at August 31, 2017.

13. INTERNALLY RESTRICTED

The Board of Directors has internally restricted funds for the following purposes:

	<u>2017</u>	<u>2016</u>
Professional development fund	\$ 13	\$ 13
Missions fund	2,000	2,000
Drama fund	<u>550</u>	<u>550</u>
	<u>\$ 2,563</u>	<u>\$ 2,563</u>

14. FUNDRAISING

	<u>2017</u>	<u>2016</u>
REVENUE		
Banquet	\$ 19,597	\$ 218,660
Others	<u>114,725</u>	<u>132,527</u>
	<u>\$ 134,322</u>	<u>\$ 351,187</u>
EXPENSES		
Banquet	\$ 3,985	\$ 3,121
Raise the Roof	12	-
Others	<u>84,012</u>	<u>100,567</u>
	<u>\$ 88,009</u>	<u>\$ 103,688</u>

In order to raise the \$134,322 (2016 - \$351,187) in community support, of which included donations in kind of \$nil (2016 - \$5), the Society spent \$88,009 (2016 - \$103,688) on expenses incurred for the purposes of soliciting contributions.

15. COMPARATIVE FIGURES

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