

Retzlaff & Wong

CHARTERED ACCOUNTANTS

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

FINANCIAL STATEMENTS

AUGUST 31, 2018

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, 2018, 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, 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.

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, 2018. 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 29, 2018


CHARTERED ACCOUNTANTS

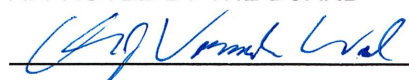
**AIRDRIE KOINONIA CHRISTIAN SCHOOL SOCIETY
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2018**

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT		
Cash	\$ 80,984	\$ 218,753
Accounts receivable	25,527	12,096
Goods and services tax recoverable	7,165	6,566
Prepaid expenses and deposits	<u>6,227</u>	<u>8,765</u>
	119,903	246,180
Capital assets (Note 3)	<u>14,777,794</u>	<u>15,157,333</u>
	<u>\$ 14,897,697</u>	<u>\$ 15,403,513</u>

	<u>LIABILITIES</u>		
CURRENT			
Line of credit (Note 4)	\$ 455,333	\$ 480,000	
Accounts payable and accrued liabilities	51,151	39,084	
Payroll remittance payable	32,718	31,856	
Deferred revenue	322,522	281,789	
Undisbursed designated contributions (Note 5)	28,636	62,868	
Bow Valley Credit Union mortgage (Note 6)	7,000,000	7,000,000	
Capital lease obligation due within one year (Note 7)	6,387	7,755	
Notes payable due on demand (Note 8)	<u>2,129,270</u>	<u>2,205,520</u>	
	10,026,017	10,108,872	
Deferred contributions related to capital assets (Note 9)	2,011,215	2,055,713	
Capital lease obligation (Note 7)	<u>-</u>	<u>6,387</u>	
	<u>12,037,232</u>	<u>12,170,972</u>	
Economic dependence (Note 10)			
Going concern (Note 11)			
Contingencies (Note 12)			
Subsequent events (Note 13)			

	<u>NET ASSETS</u>		
Invested in capital assets	3,175,589	3,401,958	
Internally restricted (Note 14)	2,563	2,563	
Endowment funds	25,000	25,000	
Unrestricted	<u>(342,687)</u>	<u>(196,980)</u>	
	<u>2,860,465</u>	<u>3,232,541</u>	
	<u>\$ 14,897,697</u>	<u>\$ 15,403,513</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, 2018**

	2018	(Note 16) 2017
REVENUE		
Administrative and sundry	\$ 129,051	\$ 129,856
Amortization of deferred contributions	69,168	67,809
Designated donations (Note 5)	123,383	70,446
Donations	192,731	160,598
 Fundraising (Note 15)	 134,015	 134,322
Government grants	1,295,253	1,262,192
School generated funds	33,436	21,363
Tuition and registration fees	<u>1,008,147</u>	<u>929,913</u>
	<u>2,985,184</u>	<u>2,776,499</u>
 EXPENSES		
Academic and programs	49,899	67,364
Administrative	42,214	36,943
Advertising	56,571	47,923
Amortization	387,778	380,394
Benevolence	3,350	3,000
 Designated funds disbursed (Note 5)	 123,383	 70,446
Facility cost	214,857	170,988
Fundraising (Note 15)	99,378	88,009
Grants forwarded	11,529	10,980
Insurance	22,144	26,857
Interest on long term debts	398,522	344,758
 Membership and dues	 52,240	 51,573
Office	11,419	16,559
Options and activities	71,724	85,416
Professional development	9,932	13,660
School generated funds	17,326	7,720
Wages, benefits, and subcontracts	<u>1,767,715</u>	<u>1,788,866</u>
	<u>3,339,981</u>	<u>3,211,456</u>
 (Deficit) from operations	 (354,797)	 (434,957)
Capital assets not capitalized (Note 2)	<u>17,279</u>	<u>25,748</u>
 (Deficiency) of revenue over expenses	 <u>\$ (372,076)</u>	 <u>\$ (460,705)</u>

**AIRDRIE KOINONIA CHRISTIAN SCHOOL SOCIETY
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2018**

	Invested in Capital Assets	Endowments	(Note 14) Internally Restricted	Unrestricted	Net Assets	
					2018	2017
Net assets, beginning of year	\$ 3,401,958	\$ 25,000	\$ 2,563	\$(196,980)	\$ 3,232,541	\$ 3,688,246
(Deficiency) of revenue over expenses	(335,041) ¹	-	-	(37,035)	(372,076)	(460,705)
Interfund transfers	108,672 ²	-	-	(108,672)	-	-
Direct increase in net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Net assets, end of year	<u>\$ 3,175,589</u>	<u>\$ 25,000</u>	<u>\$ 2,563</u>	<u>\$(342,687)</u>	<u>\$ 2,860,465</u>	<u>\$ 3,232,541</u>

¹Consists of:

Amortization	\$ 387,778
Amortization of deferred contributions	(69,168)
Deferred contributions related to capital assets received	24,670
Purchase of capital assets with restricted funds	(8,239)
	<u>\$ 335,041</u>

²Consists of:

Principal repayment of capital lease obligation	\$ 7,755
Repayment of demand loans	<u>100,917</u>
	<u>\$ 108,672</u>

**AIRDRIE KOINONIA CHRISTIAN SCHOOL SOCIETY
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL
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		
(Deficiency) of revenue over expenses	\$(372,076)	\$(460,705)
Add back items not affecting cash		
Amortization	387,778	380,394
Amortization of deferred contributions	(69,168)	(67,809)
Net change in non-cash working capital balances related to operations		
Accounts receivable	(13,431)	(5,909)
Goods and services tax recoverable	(599)	657
Prepaid expenses and deposits	2,538	9,982
Inventory	-	576
Accounts payable and accrued liabilities	12,067	(14,869)
Payroll remittance payable	862	2,636
Deferred revenue	40,733	110
Undisbursed designated contributions	<u>(34,232)</u>	<u>(61,556)</u>
	<u>(45,528)</u>	<u>(216,493)</u>
FINANCING ACTIVITIES		
Repayment of loan due on demand	(100,917)	(10,137)
Proceeds from endowment	-	5,000
Repayment of capital lease obligation	<u>(7,755)</u>	<u>(6,967)</u>
	<u>(108,672)</u>	<u>(12,104)</u>
INVESTING ACTIVITIES		
Deferred contributions related to capital assets	24,670	54,350
Purchase of capital assets using restricted funds	<u>(8,239)</u>	<u>(39,169)</u>
	<u>16,431</u>	<u>15,181</u>
Change in cash	(137,769)	(213,416)
Cash, beginning of year	<u>218,753</u>	<u>432,169</u>
Cash, end of year	<u>\$ 80,984</u>	<u>\$ 218,753</u>
Supplementary cash flow information:		
Cash interest paid	<u>\$ 398,522</u>	<u>\$ 344,758</u>

**AIRDRIE KOINONIA CHRISTIAN SCHOOL SOCIETY
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018**

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, 2018**

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 cash flows and 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>2018 Cost</u>	<u>Accumulated Amortization</u>	<u>Net book value</u>
Land	\$ 2,021,756	\$ -	\$ 2,021,756
Buildings	14,017,156	1,358,842	12,658,314
Equipment and furniture	204,121	113,318	90,803
Vehicle	<u>55,000</u>	<u>55,000</u>	<u>-</u>
	16,298,033	1,527,160	14,770,873
Equipment under capital lease	<u>34,608</u>	<u>27,687</u>	<u>6,921</u>
	<u>\$ 16,332,641</u>	<u>\$ 1,554,847</u>	<u>\$ 14,777,794</u>

**AIRDRIE KOINONIA CHRISTIAN SCHOOL SOCIETY
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018**

3. CAPITAL ASSETS (continued)

	<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
Furniture and equipment	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>

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, 2018, the outstanding balance of the line of credit is \$455,333.

5. UNDISBURSED DESIGNATED CONTRIBUTIONS

	<u>2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>2018</u>
Missions	\$ 10,176	\$ 67,329	\$ 67,237	\$ 10,268
Bursary Fund	48,404	-	48,404	-
Scholarship funds	2,625	500	1,900	1,225
Other	<u>1,663</u>	<u>21,322</u>	<u>5,842</u>	<u>17,143</u>
	<u>\$ 62,868</u>	<u>\$ 89,151</u>	<u>\$ 123,383</u>	<u>\$ 28,636</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, 2019, 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, 2018**

7. CAPITAL LEASE OBLIGATION

	<u>2018</u>	<u>2017</u>
Photocopier lease with Meridian OneCap which requires annual installments of \$8,904 including interest at 10.78%, lease expires in May 2019.	\$ 6,387	\$ 14,142
Amount due within one year	<u>6,387</u>	<u>7,755</u>
	<u>\$ -</u>	<u>\$ 6,387</u>
Estimated principal amounts due within the next year:		
2019	\$ 6,387	

8. NOTES PAYABLE DUE ON DEMAND

The School Society has received \$2,129,270 (2017 - \$2,205,520) 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 are 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 \$1,295,253 (2017 - \$1,262,192) Alberta Government grants, representing 43.4% (2017 - 45%) 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, 2018. 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
O/A AIRDRIE KOINONIA CHRISTIAN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018**

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, 2018.

13. SUBSEQUENT EVENTS

Subsequent to year end, the School Society has entered into a new lease agreement with Meridian OneCap to lease new photocopiers. The lease is for 66 months with monthly payments of \$742 before taxes.

14. INTERNALLY RESTRICTED

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

	<u>2018</u>	<u>2017</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>

15. FUNDRAISING

	<u>2018</u>	<u>2017</u>
REVENUE		
Banquet	\$ 15,110	\$ 19,597
Others	<u>118,905</u>	<u>114,725</u>
	<u>\$ 134,015</u>	<u>\$ 134,322</u>
EXPENSES		
Banquet	\$ 8,605	\$ 3,985
Others	<u>90,773</u>	<u>84,024</u>
	<u>\$ 99,378</u>	<u>\$ 88,009</u>

In order to raise the \$134,015 (2017 - \$134,322) in community support, the Society spent \$99,378 (2017 - \$88,009) on expenses incurred for the purposes of soliciting contributions.

16. COMPARATIVE FIGURES

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