

DEVON CHRISTIAN SCHOOL SOCIETY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Education of the Devon Christian School Society

We have audited the accompanying financial statements of the Devon Christian School Society, which comprise the statement of financial position as at August 31, 2017, and the statements of operations, changes in fund balances and cash flows for the years 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.

Auditors' 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 auditors' 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 entity'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 purpose of expressing an opinion on the effectiveness of the entity'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.

We believe that 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 Devon Christian School Society as at August 31, 2017 and the results of its operations, change in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Alberta
November 16, 2017


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**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

To the Board of Education of the Devon Christian School Society:

Management has the responsibility for preparing the accompanying financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgements and estimates in accordance with Canadian generally accepted accounting principles and the requirements of Alberta Learning.

In discharging its responsibility for the integrity and fairness of the financial statements, as well as for the accounting systems from which they are derived, management maintains the necessary systems of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The ultimate responsibility for the financial statements lies with the Board. The Board should review the financial statements with management in detail prior to their approval to publish the financial statements.

The Board appoints external auditors to audit the financial statements and to meet separately with management to review their findings. The external auditors report directly to the Board. The external auditors have full and free access to management to discuss their audit as well as their findings concerning the integrity of the Devon Christian School Society's financial reporting and the adequacy of its systems of internal controls.

Armyn Pederson
Board Chair
November 16, 2017

DEVON CHRISTIAN SCHOOL
STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2017

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Investment in Capital Assets Fund</u>	<u>2017</u>	<u>2016</u>
ASSETS					
CURRENT					
Cash	\$ 101,233	\$ -	\$ -	\$ 101,233	\$ 69,596
Investments (Note 2)	-	529,169	-	529,169	504,356
Accounts receivable (Note 3)	1,388	-	-	1,388	37,812
Goods and Services Tax recoverable	9,083	-	-	9,083	4,582
Prepaid expenses	<u>5,784</u>	<u>-</u>	<u>-</u>	<u>5,784</u>	<u>6,860</u>
	117,488	529,169	-	646,657	623,206
CAPITAL ASSETS (Note 4)	<u>-</u>	<u>-</u>	<u>220,592</u>	<u>220,592</u>	<u>192,265</u>
	<u>\$ 117,488</u>	<u>\$ 529,169</u>	<u>\$ 220,592</u>	<u>\$ 867,249</u>	<u>\$ 815,471</u>
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities (Note 5)	\$ 27,760	\$ -	\$ -	\$ 27,760	\$ 29,793
Deferred registration fees	<u>12,675</u>	<u>-</u>	<u>-</u>	<u>12,675</u>	<u>7,650</u>
	40,435	-	-	40,435	37,443
UNAMORTIZED CAPITAL ALLOCATIONS (Note 6)	<u>-</u>	<u>-</u>	<u>106,968</u>	<u>106,968</u>	<u>89,256</u>
	<u>40,435</u>	<u>-</u>	<u>106,968</u>	<u>147,403</u>	<u>126,699</u>
FUND BALANCES					
General	77,053	-	-	77,053	81,407
Capital reserve	-	529,169	-	529,169	504,356
Investment in capital assets	<u>-</u>	<u>-</u>	<u>113,624</u>	<u>113,624</u>	<u>103,009</u>
	<u>77,053</u>	<u>529,169</u>	<u>113,624</u>	<u>719,846</u>	<u>688,772</u>
	<u>\$ 117,488</u>	<u>\$ 529,169</u>	<u>\$ 220,592</u>	<u>\$ 867,249</u>	<u>\$ 815,471</u>

ON BEHALF OF THE BOARD:

_____ Director

_____ Director

DEVON CHRISTIAN SCHOOL

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 2017

	<u>General Fund</u>		<u>Capital Reserve Fund</u>		<u>Investment in Capital Asset Fund</u>			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
REVENUE								
Government grants	\$ 558,041	\$ 526,873	\$ -	\$ -	\$ -	\$ -	\$ 558,041	\$ 526,873
Donations	99,899	65,749	-	-	-	-	99,899	65,749
Investment income	-	-	40,816	37,025	-	-	40,816	37,025
Fundraising - Board, net (<i>Note 7</i>)	31,235	25,189	-	-	-	-	31,235	25,189
Registration fees	28,696	38,235	-	-	-	-	28,696	38,235
School generated funds	23,694	16,894	-	-	-	-	23,694	16,894
Bussing	13,792	13,815	-	-	-	-	13,792	13,815
Fundraising commitment	11,312	24,205	-	-	-	-	11,312	24,205
Amortization of capital allocations (<i>Note 6</i>)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,120</u>	<u>2,120</u>	<u>2,120</u>	<u>2,120</u>
	<u>766,669</u>	<u>710,960</u>	<u>40,816</u>	<u>37,025</u>	<u>2,120</u>	<u>2,120</u>	<u>809,605</u>	<u>750,105</u>
EXPENSES								
Salaries, wages and benefits	564,262	568,878	-	-	-	-	564,262	568,878
Professional fees	38,712	27,243	-	-	-	-	38,712	27,243
Supplies	38,202	28,941	-	-	-	-	38,202	28,941
Repairs and maintenance	23,043	18,521	-	-	-	-	23,043	18,521
Utilities	30,067	28,740	-	-	-	-	30,067	28,740
Bussing	24,486	18,432	-	-	-	-	24,486	18,432
School generated funds	23,694	16,894	-	-	-	-	23,694	16,894
Amortization	-	-	-	-	10,914	10,914	10,914	10,914
Office	9,540	9,935	-	-	-	-	9,540	9,935
Advisory fees	-	-	6,003	5,898	-	-	6,003	5,898
Insurance	5,399	5,412	-	-	-	-	5,399	5,412
Dues and memberships	2,160	3,577	-	-	-	-	2,160	3,577
Advertising and promotion	2,049	1,480	-	-	-	-	2,049	1,480
Bad debts	<u>-</u>	<u>11,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,762</u>
	<u>761,614</u>	<u>739,815</u>	<u>6,003</u>	<u>5,898</u>	<u>10,914</u>	<u>10,914</u>	<u>778,531</u>	<u>756,627</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ <u>5,055</u>	\$ <u>(28,855)</u>	\$ <u>34,813</u>	\$ <u>31,127</u>	\$ <u>(8,794)</u>	\$ <u>(8,794)</u>	\$ <u>31,074</u>	\$ <u>(6,522)</u>

The accompanying notes are an integral part of these financial statements.

DEVON CHRISTIAN SCHOOL
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED AUGUST 31, 2017

	General Fund	Capital Reserve Fund	Investment in Capital Assets	<u>2017</u>
BALANCE, BEGINNING OF YEAR	\$ 81,407	\$ 504,356	\$ 103,009	\$ 688,772
Excess (deficiency) of revenue over expenses	5,055	34,813	(8,794)	31,074
Purchase of capital assets	(29,241)	(10,000)	39,241	-
Unamortized capital allocations (<i>Note 6</i>)	<u>19,832</u>	<u>-</u>	<u>(19,832)</u>	<u>-</u>
BALANCE, END OF YEAR	\$ <u>77,053</u>	\$ <u>529,169</u>	\$ <u>113,624</u>	\$ <u>719,846</u>

FOR THE YEAR ENDED AUGUST 31, 2016

	General Fund	Capital Reserve Fund	Investment in Capital Assets	<u>2016</u>
BALANCE, BEGINNING OF YEAR	\$ 65,990	\$ 513,229	\$ 116,075	\$ 695,294
Excess (deficiency) of revenue over expenses	(28,855)	31,127	(8,794)	(6,522)
Purchase of capital assets	(22,564)	(40,000)	62,564	-
Unamortized capital allocations (<i>Note 6</i>)	<u>66,836</u>	<u>-</u>	<u>(66,836)</u>	<u>-</u>
BALANCE, END OF YEAR	\$ <u>81,407</u>	\$ <u>504,356</u>	\$ <u>103,009</u>	\$ <u>688,772</u>

DEVON CHRISTIAN SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 31,074	\$ (6,522)
Items not affecting cash:		
Unrealized gain/loss on investments	(19,074)	(13,424)
Amortization of capital assets	10,914	10,914
Amortization of capital allocations	<u>(2,120)</u>	<u>(2,120)</u>
	20,794	(11,152)
Change in non-cash working capital:		
Accounts receivable	36,424	(33,236)
Goods and Services Tax recoverable	(4,501)	(2,251)
Prepaid expenses	1,076	2,503
Accounts payable and accrued liabilities	(2,034)	12,045
Unamortized capital allocations	19,832	66,836
Deferred registration fees	<u>5,025</u>	<u>300</u>
Cash flow from (used by) operating activities	<u>76,616</u>	<u>35,045</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(39,241)	(62,564)
Disposal of investments	50,000	40,000
Purchase of investments	<u>(55,738)</u>	<u>(17,703)</u>
	<u>(44,979)</u>	<u>(40,267)</u>
INCREASE (DECREASE) IN CASH FLOW	31,637	(5,222)
CASH - BEGINNING OF YEAR	<u>69,596</u>	<u>74,818</u>
CASH - END OF YEAR	<u>\$ 101,233</u>	<u>\$ 69,596</u>

The accompanying notes are an integral part of these financial statements.

DEVON CHRISTIAN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

AUTHORITY AND PURPOSE

Devon Christian School Society (the "Society") was incorporated under the laws of the province of Alberta and commenced its operations on July 9, 1991. The purpose of the Society is to provide and manage a private Christian-based educational environment.

The Society receives allocations for instruction purposes under the Private Schools Regulation (Alberta Regulation 39/89).

The Society is a registered charity under the *Income Tax Act (Canada)* and, as such, is exempt from income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund Accounting

Revenues and expenses for education, fundraising and administrative activities are reported in the Society's General Fund.

Revenues and expenses for fundraising activities specified for the acquisition of new school facilities are reported in the Society's Capital Reserve Fund.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to capital assets.

Revenue Recognition

The Society follows the deferral method of accounting for contributions, which include donations and government grants. Restricted contributions are recognized as revenue during 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.

The Society receives funding for operations every year from Alberta Learning in the form of grants based on an approved budget and the number of actual students enrolled in the school. The grants are recognized as revenue of the school year to which they relate.

Donations in kind are recorded at fair market value when reasonably determinable.

Investment income includes interest, dividends and realized and unrealized gains and losses on investments, and is recognized when earned and collection is reasonably assured.

DEVON CHRISTIAN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Society's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.

Capital assets are amortized over their estimated useful lives on a straight-line basis, at the following rates:

Buildings	4%
Playground equipment	5%
School equipment	10%
Vehicles	10%

Capital assets with costs in excess of \$5,000 are capitalized. Any capital allocations received for asset additions are amortized into revenue over the same period as the amortization expense.

School Generated Funds

School generated funds are funds raised within the community for activities under the control and responsibility of school management.

Employee Future Benefits

Contributions to a defined contribution pension plan are expensed when due.

Investments

Investments consist of a Portfolio Fund made up of fixed income and equity products. Due to the inherent nature of pooled dividend and high yield income funds, it is not possible to determine the weighted average yield or maturity dates.

Contributed Services

The Society relies on volunteers to assist it in carrying out certain activities. Because of the difficulty of determining their fair value and because such assistance is generally not otherwise purchased, contributed services are not recognized in the financial statements.

The Society operates within buildings located on land owned by the Devon Alliance Church on a rent-free basis. Because of the difficulty of determining the fair value, contributed land use is not recognized in the financial statements. The Society pays the Church \$18,000 annually to cover operational costs.

DEVON CHRISTIAN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Financial Instruments

Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instruments.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include the Society's investments.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The Society recognizes its transaction costs in net income in the period incurred. However, the carrying amount of the financial instruments that will not be subsequently measured at fair value is reflected in the transaction costs that are directly attributable to their organization, issuance or assumption.

Measurement Uncertainty

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 recorded amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management's estimates include the useful lives of capital assets and the corresponding rates of amortization, the recoverability of accounts receivable and the amount of accrued liabilities. All estimates are reviewed periodically and adjustments are made to the statements of operations as appropriate in the year they become known.

DEVON CHRISTIAN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

2. INVESTMENTS

	<u>2017</u>	<u>2016</u>
Equity	\$ 227,543	\$ 297,570
Fixed income	<u>301,626</u>	<u>206,786</u>
	<u>\$ 529,169</u>	<u>\$ 504,356</u>

3. RECEIVABLES

	<u>2017</u>	<u>2016</u>
Government of Alberta - capital grant	\$ -	\$ 37,000
Trade and other	<u>1,388</u>	<u>812</u>
	<u>\$ 1,388</u>	<u>\$ 37,812</u>

4. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2016 Net Book Value</u>	<u>2016 Net Book Value</u>
Buildings	\$ 249,655	\$ 170,736	\$ 78,919	\$ 84,517
Playground equipment	81,698	2,245	79,453	-
School equipment	21,516	21,516	-	-
Vehicles	75,510	13,290	62,220	45,184
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,564</u>
	<u>\$ 428,379</u>	<u>\$ 207,787</u>	<u>\$ 220,592</u>	<u>\$ 192,265</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2017</u>	<u>2016</u>
Government remittances	\$ 18,108	\$ 10,278
Trade	<u>9,652</u>	<u>19,515</u>
	<u>\$ 27,760</u>	<u>\$ 29,793</u>

DEVON CHRISTIAN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

6. UNAMORTIZED CAPITAL ALLOCATIONS

Unamortized capital allocations relates to an unamortized portion of a donation for a portable building, school bus and playground. Recognition of this amount as revenue is deferred to periods when the related capital assets are amortized.

Details of the changes to the account are as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 89,256	\$ 24,540
Addition: donations for capital assets	19,832	66,836
Deduction: capital allocation revenue	<u>(2,120)</u>	<u>(2,120)</u>
Balance, end of year	<u>\$ 106,968</u>	<u>\$ 89,256</u>

7. FUNDRAISING - BOARD

	<u>2017</u>	<u>2016</u>
Fundraising activities	\$ 80,915	\$ 75,212
Less: cost of fundraising activities	<u>(49,680)</u>	<u>(50,023)</u>
	<u>\$ 31,235</u>	<u>\$ 25,189</u>

8. ECONOMIC DEPENDENCE

During the year, the Society received \$558,041 (2016 - \$526,873) in government grants from Alberta Learning. The Society's ability to continue viable operations is dependent upon maintaining its status as a private school and continuing to receive funding from Alberta Learning. As at the date of these financial statements, the Society believes that it is in compliance with the guidelines.

9. PENSION PLAN

The Society offers a defined contribution pension plan to its employees. During the year, contributions of \$26,315 (2016 - \$22,273) were expensed in the statement of operations.

DEVON CHRISTIAN SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

10. FINANCIAL INSTRUMENTS

The Society is not exposed to significant credit, market, interest and currency risk through its financial instruments. The following analysis provides information about the Society's risk exposure and concentration as of August 31, 2017.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its receipt of funds from the Government of Alberta and other related sources, and accounts payable and accrued liabilities.

The Society mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

Other price risk

Other price risk is associated with investments in equities held by the Society. The equities contain inherent risk that their fair value will fluctuate because of changes in market prices. To manage this risk, the Society has established a target mix of investment types designated to achieve the optimum return with reasonable risk tolerance.

In order to earn optimal financial returns at an acceptable level of risk, the Society has established an asset mix policy of 5% to 100% for cash and money market securities, 25% to 100% fixed income instruments and 0% to 50% for equity instruments. Risk is reduced through asset class diversification, diversification within each asset class and quality constraints.

11. RELATED PARTY TRANSACTIONS

Board of Directors and management donated \$19,109 (2016 - \$10,907) to the Society in the year.

12. LEASE

The Society is committed to rent office space from the Devon Alliance Church for \$18,000 per annum until August 31, 2017.
