# CANADIAN REFORMED SCHOOL SOCIETY OF CALGARY

## Financial Statements

## For the Year Ended August 31, 2023

METRIX GROUP LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Reformed School Society of Calgary

*Opinion*

We have audited the financial statements of Canadian Reformed School Society of Calgary (the Organization), which comprise the statement of financial position as at August 31, 2023, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. Hereinafter referred to as the "financial statements".

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2023, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

*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 Organization in accordance with 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 and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

*Auditor's Responsibilities 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 auditor's 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.

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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 Organization'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 Organization'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 Organization 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.

Chartered Professional Accountants

Edmonton, Alberta

**CANADIAN REFORMED SCHOOL SOCIETY OF CALGARY**

**Statement of Financial Position**

**As at August 31, 2023**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| CURRENT | | |
| Cash and cash equivalents | **$ 343,137** | $ 120,678 |
| Accounts receivable | **11,439** | 1,990 |
| Goods and services tax recoverable | **27,303** | 35,370 |
| Prepaid expenses | **25,869** | 25,982 |
| | **407,748** | 184,020 |
| TANGIBLE CAPITAL ASSETS *(Note 2)* | **2,325,207** | 1,636,511 |
| | **$ 2,732,955** | $ 1,820,531 |
| **LIABILITIES** | | |
| CURRENT | | |
| Accounts payable and accrued liabilities *(Note 3)* | **$ 56,229** | $ 38,599 |
| Deferred revenue | **7,195** | - |
| Current portion of mortgage payable *(Note 4)* | **12,340** | - |
| | **75,764** | 38,599 |
| MORTGAGE PAYABLE *(Note 4)* | **462,660** | - |
| DEFERRED CAPITAL CONTRIBUTIONS *(Note 5)* | **1,534,770** | 1,170,408 |
| | **2,073,194** | 1,209,007 |
| NET ASSETS | | |
| Invested in TCA | **311,788** | 466,103 |
| Unrestricted fund | **347,429** | 144,877 |
| Internally restricted | **544** | 544 |
| | **659,761** | 611,524 |
| | **$ 2,732,955** | $ 1,820,531 |

**ON BEHALF OF THE BOARD**

_________________________________ *Director*

_________________________________ *Director*

The accompanying notes are an integral part of these financial statements

**CANADIAN REFORMED SCHOOL SOCIETY OF CALGARY**

**Statement of Revenues and Expenditures**

**For the Year Ended August 31, 2023**

| | **2023** | 2022 |
|---|---|---|
| **REVENUE** | | |
| Government grants | **$ 542,315** | $ 497,610 |
| Tuition and membership fees | **395,900** | 294,500 |
| Donations | **99,225** | 34,365 |
| Amortization of deferred capital contributions | **12,919** | 12,919 |
| Interest and other | **1,485** | 1,766 |
| | **1,051,844** | 841,160 |
| **EXPENSES** | | |
| Salaries and benefits | **787,688** | 681,524 |
| Services and supplies | **50,318** | 52,820 |
| Utilities | **32,426** | 19,604 |
| Repairs and maintenance | **30,826** | 47,269 |
| Amortization | **30,152** | 30,152 |
| Insurance | **22,223** | 19,203 |
| Audit fees | **11,645** | 12,159 |
| Office supplies | **11,107** | 13,599 |
| Furniture and equipment | **9,408** | 2,630 |
| Courses and workshops | **7,734** | 12,471 |
| Miscellaneous | **5,276** | 6,467 |
| Memberships | **2,290** | 1,560 |
| Telephone | **1,534** | 1,479 |
| Bad debts | **850** | - |
| Interest and bank charges | **130** | 147 |
| | **1,003,607** | 901,084 |
| **EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES** | **$ 48,237** | $ (59,924) |

The accompanying notes are an integral part of these financial statements

## CANADIAN REFORMED SCHOOL SOCIETY OF CALGARY
### Statement of Changes in Net Assets
### For the Year Ended August 31, 2023

| | Invested in TCA | Unrestricted Fund | Internally Restricted | **2023** | 2022 |
|---|---|---|---|---|---|
| **NET ASSETS - BEGINNING OF YEAR** | $ 466,103 | $ 144,877 | $ 544 | **$ 611,524** | $ 671,448 |
| EXCESS OF REVENUE OVER EXPENSES | - | 48,237 | - | **48,237** | (59,924) |
| Purchase of tangible capital assets | 715,199 | (715,199) | - | **-** | - |
| Amortization of tangible capital assets | (30,152) | 30,152 | - | **-** | - |
| Proceeds of deferred capital contributions | (377,281) | 377,281 | - | **-** | - |
| Proceeds of long term debt | (475,000) | 475,000 | - | **-** | - |
| Amortization of deferred capital contributions | 12,919 | (12,919) | - | **-** | - |
| **NET ASSETS - END OF YEAR** | $ 311,788 | $ 347,429 | $ 544 | **$ 659,761** | $ 611,524 |

The accompanying notes are an integral part of these financial statements

## CANADIAN REFORMED SCHOOL SOCIETY OF CALGARY
### Statement of Cash Flows
### For the Year Ended August 31, 2023

| | 2023 | 2022 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Excess (deficiency) of revenue over expenses | **$ 48,237** | $ (59,924) |
| Items not affecting cash: | | |
| Amortization | **30,152** | 30,152 |
| Amortization of deferred capital contributions | **(12,919)** | (12,919) |
| | **65,470** | (42,691) |
| Changes in non-cash working capital: | | |
| Accounts receivable | **(9,449)** | (640) |
| Accounts payable and accrued liabilities | **17,631** | 1,753 |
| Deferred revenue | **7,195** | (8,858) |
| Prepaid expenses | **113** | (9,430) |
| Goods and services tax payable | **8,067** | (31,103) |
| | **23,557** | (48,278) |
| Cash flow from (used by) operating activities | **89,027** | (90,969) |
| **INVESTING ACTIVITY** | | |
| Purchase of tangible capital assets | **(718,849)** | (943,373) |
| **FINANCING ACTIVITIES** | | |
| Capital contributions received | **377,281** | 421,421 |
| Proceeds from long term financing | **475,000** | - |
| Cash flow from financing activities | **852,281** | 421,421 |
| **INCREASE (DECREASE) IN CASH FLOW** | **222,459** | (612,921) |
| Cash - beginning of year | **120,678** | 733,599 |
| **CASH - END OF YEAR** | **$ 343,137** | $ 120,678 |

The accompanying notes are an integral part of these financial statements

## AUTHORITY AND PURPOSE

The Canadian Reformed School Society of Calgary (the "Society") is a not-for-profit Society incorporated under the Society Act of Alberta. The Society operates the Tyndale Christian School, which delivers education programs from kindergarten to grade 12 and is a registered private school under the Alberta Education Act. As a registered charity, since February 1, 1992, the Society is exempt from the payment of income tax under Section 149(1) of the Income Tax Act (Canada).

## 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

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 Education 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.

Fees for services related to courses and programs are recognized as revenue when such courses and programs are delivered.

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

Capital allocations received for tangible capital asset additions are amortized into revenue over the same period as the amortization expense.

Interest income is recognized in the period in which it is earned.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with a maturity of three months or less from the date of acquisition.

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

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution. Tangible capital assets are amortized over their estimated useful lives on a straight-line basis at the following rates:

| | |
|---|---|
| Land | non-amortizable |
| Buildings | 25 - 50 years |
| Playground | 30 years |
| Equipment | 10 years |
| Ice rink | 30 years |

Amortization is not recognized in the year of acquisition. Tangible capital asset additions are only capitalized if the cost is greater than $5,000.

Cost of internally constructed tangible capital assets include interest costs, loan application fees, and other costs incurred during the construction process.

Internally restricted - Building Repairs

Internally restricted - building repairs has been established to fund future building and equipment repairs.

Net assets invested in tangible capital assets

Net assets invested in capital assets comprises the net book value of capital assets and deferred capital contributions.

School Generated Funds

School generated funds are funds raised within the community for activities under the control and responsibility of school administration. These funds are usually collected and retained at the school for expenditures paid at the school level.

Contributed Services

Volunteers contribute a considerable number of hours per year to the school to ensure that certain programs are delivered, such as kindergarten, lunch services and the raising of school generated funds. Because of the difficulty of compiling these hours and the fact that these services are not otherwise purchased, contributed services are not recognized in the financial statements.

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1. **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 cash equivalents and accounts receivable.

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

The Society has no financial assets or liabilities measured at fair value.

*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 conformity 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 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 periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known.

## 2. TANGIBLE CAPITAL ASSETS

| | Cost | Accumulated amortization | **2023 Net book value** | 2022 Net book value |
|---|---|---|---|---|
| Land | $ 47,318 | $ - | **$ 47,318** | $ 47,318 |
| Work in Progress | 1,662,223 | - | **1,662,223** | 943,374 |
| Building | 1,025,619 | 455,786 | **569,833** | 595,265 |
| Equipment | 43,420 | 36,844 | **6,576** | 8,768 |
| Playground Asset | 64,424 | 30,731 | **33,693** | 35,841 |
| Ice Rink | 11,407 | 5,843 | **5,564** | 5,945 |
| | $ 2,854,411 | $ 529,204 | **$ 2,325,207** | $ 1,636,511 |

## 3. ACCOUNTS PAYABLE

| | **2023** | 2022 |
|---|---|---|
| Accounts payable and accrued liabilities | **$ (55,079)** | $ (20,943) |
| Wages payable | **(1,152)** | (17,656) |
| | **-** | - |
| | **$ (56,231)** | $ (38,599) |

As at August 31, 2023, government remittance in the amount of $18,199 (2022 - $17,656) was included in accounts payable and accrued liabilities.

## 4. MORTGAGE PAYABLE

| | **2023** | 2022 |
|---|---|---|
| Christian Credit Union Ltd. loan bearing interest at 6.24% per annum. Matures on August 1, 2043, repayable in monthly blended payments of $3,470. Guaranteed by the Canadian Reformed Church of Calgary (the 'Guarantor") and secured with a general security agreement by the Guarantor. | **$ 475,000** | $ - |
| Amounts payable within one year | **(12,340)** | - |
| | **$ 462,660** | $ - |

Principal repayment terms are approximately:

| | |
|---|---|
| 2024 | $ 12,340 |
| 2025 | 13,175 |
| 2026 | 13,987 |
| 2027 | 14,885 |
| 2028 | 15,810 |
| Thereafter | 404,803 |
| | $ 475,000 |

*(continues)*

4. **MORTGAGE PAYABLE** *(continued)*

As part of the loan agreement with Christian Credit Union (the "Lender"), the Society is required to maintain the following financial covenants:

- Debt to equity ratio not exceeding 3:1; and
- Debt service coverage ratio of at least 1.15:1.

As at August 31, 2023 the Society was in breach of the debt to equity ratio covenant. The Lender was made aware of this breach and waived their rights to demand repayment of the loan. The Lender also confirmed that the loan will not be called within the next 12 months.

5. **DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent the unamortized and unspent amounts of contributions received for the purchase of capital assets. Amortization of deferred capital contributions is recorded as revenue at the same rate as the respective capital assets are being amortized by the Society.

| | **2023** | 2022 |
|---|---|---|
| Deferred capital contributions, beginning of period | **$ 1,170,409** | $ 761,907 |
| Capital contributions received | **377,281** | 421,421 |
| Amount amortized to revenue | **(12,919)** | (12,919) |
| Deferred capital contributions, end of period | **$ 1,534,771** | $ 1,170,409 |

6. **BUDGET FIGURES**

The budget was prepared by the School Board and approved by the Society. It is presented for information purposes only and has not been audited.

7. **ECONOMIC DEPENDENCE**

During the year, the Society received $547,310 (2022 - $497,610) in government grants from the Alberta Government. The Society's ability to continue operations, should this funding be reduced, would be dependant on increasing funding from its supporters and by managing expenses.

## 8. FINANCIAL INSTRUMENTS

The Society is not exposed to significant market and currency risk through its financial instruments. Unless otherwise noted, the Society's risk exposure has not changed from the prior year. The following analysis provides information about the Organization's risk exposure and concentration as of August 31, 2023.

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The financial instruments that potentially subject the Society to a significant concentration of credit risk consist primarily of cash, investments as well as accounts receivable. The Society mitigates its exposure to credit loss by placing its cash and investments with a major financial institution and mitigates its exposure to credit loss on accounts receivable by regularly reviewing and monitoring collections.

### Liquidity risk

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

### 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. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. The Organization is exposed to interest rate risk primarily through its fixed interest rate with the credit facility.