

ANNUAL REPORT

2016-2017 | Book 2 of 2

Sherwood Park Alliance Church Society

Financial Statements

August 31, 2017



SHERWOOD PARK
ALLIANCE CHURCH

INDEPENDENT AUDITOR'S REPORT

To the Members of Sherwood Park Alliance Society

Qualified Opinion

I have audited the accompanying financial statements of Sherwood Park Alliance Church Society, which comprise the statement of financial position as at August 31, 2017 and the statement of operations and changes in net assets, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the possible effects of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the fundraising revenues referred to in the following paragraph, the financial statements present fairly, in all material respects, the financial position of Sherwood Park Alliance Church Society as at August 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am independent of the Church in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

In common with many charitable organizations, the Church derives expenditure recoveries from ministerial fundraising activities within the Ministry Fund, all of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Church and I was not able to determine whether any adjustments might be necessary to excess of revenues over expenditures, cash flow from operations, current assets and net assets.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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 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 the financial statements, management is responsible for assessing the Church'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 Church or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Church'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 Church's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Church 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.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



W. J. (Bill) Lineker
Chartered Professional Accountant

Edmonton, Alberta
November 7, 2017

Sherwood Park Alliance Church Society

Statement of Financial Position

As at August 31, 2017

	Note	TOTAL ALL FUNDS		MINISTRY FUND	CAPITAL FUND
		2017	2016	2017	2017
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and short-term investments		3,257,933	2,150,056	527,198	1,513,930
Accounts receivable	8	16,154	35,074	10,085	3,579
Goods and services tax recoverable		31,387	15,117	31,387	-
Prepaid expenses		63,062	49,769	61,264	-
		3,368,536	2,250,016	629,934	1,517,509
PROPERTY AND EQUIPMENT	2	1,266,748	754,396	-	1,266,748
INTERFUND BALANCES		-	-	818,993	(961,597)
		4,635,284	3,004,412	1,448,927	1,822,660
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	8	475,079	446,019	341,454	87,012
Source deductions payable		44,339	27,405	44,339	-
Deferred revenue		97,114	84,040	21,512	-
Loan investment program	3, 8	111,480	124,647	-	111,480
		728,012	682,111	407,305	198,492
DUE TO SPAC PROPERTY COMPANY	4	575,083	538,000	575,083	-
		1,303,095	1,220,111	982,388	198,492
CONTINGENCIES AND COMMITMENTS	10				
NET ASSETS	5	3,332,189	1,784,301	466,539	1,624,168
		4,635,284	3,004,412	1,448,927	1,822,660

APPROVED BY THE BOARD OF ELDERS

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(Continues)

MISSIONS FUND	MAINTENANCE RESERVE FUND	BENEVOLENT FUND
2017	2017	2017
\$	\$	\$
140,012	787,835	288,958
-	1,537	953
-	-	-
1,798	-	-
141,810	789,372	289,911
-	-	-
(43,520)	168,609	17,515
98,290	957,981	307,426
22,492	22,168	1,953
-	-	-
75,602	-	-
-	-	-
98,094	22,168	1,953
-	-	-
98,094	22,168	1,953
196	935,813	305,473
98,290	957,981	307,426

Sherwood Park Alliance Church Society

Statement of Operations and Changes in Net Assets

Year Ended August 31, 2017

	Note	TOTAL ALL FUNDS		MINISTRY FUND	CAPITAL FUND
		2017	2016	2017	2017
		\$	\$	\$	\$
OFFERINGS					
Ministry		3,207,537	3,081,857	3,207,537	-
Capital	8	1,068,362	1,176,183	-	1,068,362
Missions		468,471	541,173	-	-
Benevolent		166,237	163,046	-	-
		4,910,607	4,962,259	3,207,537	1,068,362
OTHER REVENUES					
Operating contribution	8	1,421,754	1,300,060	1,421,754	-
Recovery for school facilities		1,304,475	1,161,888	1,304,475	-
Facility capital contribution	8	678,660	711,820	678,660	-
Administration fees	8	60,000	11,127	60,000	-
Other revenue		39,905	31,467	26,800	8,277
Gain on disposal of equipment		5,080	-	-	5,080
Missions fundraising		-	10,165	-	-
		8,420,481	8,188,786	6,699,226	1,081,719
EXPENDITURES					
Salaries and benefits (Schedule 1)		2,504,826	3,077,643	2,504,826	-
Facility rental	8	1,304,475	1,161,888	1,304,475	-
Facility operating (Schedule 2)		834,256	664,302	834,256	-
Capital contributions	8	678,660	711,820	678,660	-
Missions (Schedule 3)		468,471	551,338	-	-
Administrative (Schedule 4)		359,526	314,519	337,846	21,680
Benevolent costs		223,738	147,747	-	-
Depreciation		166,876	172,189	-	166,876
Ministerial - net of recoveries (Schedule 5)		198,491	209,116	198,491	-
Renew campaign costs		69,636	-	-	69,636
MRF - repairs and maintenance		61,682	63,659	-	-
Interest on debt	3, 8	1,956	1,935	-	1,956
Fundraising		-	74,039	-	-
		6,872,593	7,150,195	5,858,554	260,148
INCREASE (DECREASE) IN NET ASSETS		1,547,888	1,038,591	840,672	821,571
INTERFUND TRANSFERS	7	-	-	(433,715)	-
INCREASE (DECREASE) IN NET ASSETS		1,547,888	1,038,591	406,957	821,571
NET ASSETS, BEGINNING OF YEAR		1,784,301	745,710	59,582	802,597
NET ASSETS, END OF YEAR		3,332,189	1,784,301	466,539	1,624,168

(Continues)

Sherwood Park Alliance Church Society
 Statement of Operations and Changes in Net Assets
 Year Ended August 31, 2017

AR 2017

MISSIONS FUND	MAINTENANCE RESERVE FUND	BENEVOLENT FUND
2017	2017	2017
\$	\$	\$
-	-	-
-	-	-
468,471	-	-
-	-	166,237
<hr/>		
468,471	-	166,237
-	-	-
-	-	-
-	-	-
196	2,840	1,792
-	-	-
-	-	-
<hr/>		
468,667	2,840	168,029
<hr/>		
-	-	-
-	-	-
-	-	-
-	-	-
468,471	-	-
-	-	-
-	-	223,738
-	-	-
-	-	-
-	61,682	-
-	-	-
-	-	-
<hr/>		
468,471	61,682	223,738
<hr/>		
196	(58,842)	(55,709)
-	433,715	-
<hr/>		
196	374,873	(55,709)
-	560,940	361,182
<hr/>		
196	935,813	305,473
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See notes to financial statements

	2017 \$	2016 \$
CASH INFLOW (OUTFLOW) RELATING TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Increase in net assets	1,547,888	1,038,591
Depreciation	166,876	172,189
Gain on disposal of equipment	(5,080)	-
Net change in non-cash working capital (Note 6)	48,425	110,314
	1,758,109	1,321,094
INVESTING		
Purchase of property and equipment	(681,648)	(196,217)
Proceeds on disposal of equipment	7,500	-
	(674,148)	(196,217)
FINANCING		
Repayments from (to) SPAC Property Company	37,083	(35,333)
Increase (decrease) in loan investment program	(13,167)	997
	23,916	(34,336)
NET INFLOW OF CASH	1,107,877	1,090,541
CASH, BEGINNING OF YEAR	2,150,056	1,059,515
CASH, END OF YEAR	3,257,933	2,150,056
CASH CONSISTS OF:		
Cash	1,388,632	754,527
Short term investments	1,869,301	1,395,529
	3,257,933	2,150,056

See notes to financial statements

Operating Status

Sherwood Park Alliance Church Society (SPACS) is incorporated under the Societies Act of Alberta and operates as a not-for-profit entity. As a registered charity, SPACS is exempt from Canadian income tax.

1. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Fund accounting

These financial statements have been prepared on an accrual basis using the restricted fund method of accounting for offerings. Fund accounting is the procedure whereby resources received and the subsequent use of those resources are classified for accounting and reporting purposes into funds which are in accordance with the activities or objectives specified by the source of the resource. The following funds are maintained:

The **ministry fund** accounts for the Church's ministerial and operational activities, and reports all offerings not designated to any other fund.

The **capital fund** reports the assets, liabilities, offerings and expenditures relating to the Church's property and equipment and related liabilities.

The **missions fund** accounts for offerings and other revenue designated for missions.

The **maintenance reserve fund** was established to set aside amounts for major maintenance requirements.

The **benevolent fund** provides for special assistance to individuals in need.

Cash and short-term investments

Cash (bank balances) and short-term investments (term deposits less than one year) are amounts on deposit and invested according to the Church's investment policy.

(Continues)

1. Summary of Significant Accounting Policies (Continued)

Property and equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of acquisition if received by donation. Depreciation has been provided annually on a straight-line basis at the following rates:

Leasehold improvements	10%
Furniture and equipment	10 to 20%
Playground equipment and rink	10%
Computer equipment	25%
Digital signage	20%
Computer software	20%

Depreciation is recorded in the year the asset is put in use, through to the date of disposal. One half of annual depreciation is taken in the year of acquisition.

Assets under construction are not depreciated until put in use.

The Church regularly reviews its property and equipment to eliminate obsolete items.

Revenue recognition

Offerings are recognized as revenue of the particular fund in the year in which the contribution is received, with a receipt issued for the donor's tax deductible contribution. Offerings received in excess of expenditures related to specific missions are deferred and recorded as a recovery towards the next mission, or are used for future outreach initiatives.

Recovery for school facilities and capital contributions are recognized as revenue as they accrue during the year.

Fundraising receipts are recorded as revenue when received.

Pledges are not recognized as revenue until the funds are received.

Contributed services

Volunteers contribute numerous hours to assist SPACS in carrying out its ministerial and administrative activities. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements, nor are receipts issued.

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 amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Financial instruments

Financial instruments are recorded at fair value 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. If events or circumstances reverse in a future period, an impairment loss will be reversed to the extent of the impairment, not exceeding the initial carrying value.

2. Property and Equipment

	Cost \$	Accumulated Depreciation \$	2017 Net Book Value \$	2016 Net Book Value \$
Leasehold improvements	614,861	309,139	305,722	367,209
Furniture and equipment	593,369	438,532	154,837	215,139
Computer equipment	117,064	74,870	42,194	31,042
Playground equipment and rink	92,367	89,049	3,318	11,181
Digital signage	58,243	34,227	24,016	30,954
Computer software	28,804	25,462	3,342	1,627
Leaseholds under construction	733,319	-	733,319	97,244
	2,238,027	971,279	1,266,748	754,396

3. Loan Investment Program

	2017 \$	2016 \$
The Loan Investment Program represents loans from individuals in the congregation and the Strathcona Christian Academy Society. These loans are repayable on demand, incur interest at bank's rate of prime less 1%, and are unsecured.	111,480	124,647

Interest paid during the year was \$1,956 (2016 - \$1,935).

4. Due to SPAC Property Company

The amount due to Sherwood Park Alliance Church Property Company is non-interest bearing and is secured by a subrogation of advances. It is not management's intention to repay advances in the upcoming year, and therefore, the amounts have been classified as long term.

5. Net Assets

	2017 \$	2016 \$
Restricted funds		
Capital (deficit)	1,624,168	802,597
Maintenance Reserve	935,813	560,940
Benevolent	305,473	361,182
Missions	196	-
	2,865,650	1,724,719
Unrestricted funds		
Ministry	466,539	59,582
	3,332,189	1,784,301

Included in cash of the Mission Fund is \$42,000 (2016 - \$42,000) which has been internally restricted for missions.

6. Net Change In Non-Cash Working Capital

	2017 \$	2016 \$
(Increase) decrease in:		
Accounts receivable	18,920	(22,832)
Goods and services tax recoverable	(16,270)	10,564
Prepaid expenses	(13,293)	59,105
Increase (decrease) in:		
Accounts payable and accrued liabilities	29,060	5,090
Source deductions payable	16,934	(2,022)
Deferred revenue	13,074	60,409
	48,425	110,314

7. Interfund Transfers

Funds of \$433,715 (2016 - \$363,830) were transferred from the Ministry Fund to the Maintenance Reserve Fund to provide funds for current and future major maintenance requirements.

8. Related Party Transactions

During the year, SPACS had the following transactions with Sherwood Park Alliance Church Property Company (SPACPC):

	2017 \$	2016 \$
Operating contribution revenue	858,555	721,984
Facility rental expense	1,304,475	1,161,888
Capital contributions expense	678,660	711,820
Administration fee revenue	20,000	3,600

(Continues)

8. Related Party Transactions (Continued)

During the year, SPACS had the following transactions with Strathcona Christian Academy Society (SCA):

	2017 \$	2016 \$
Facility capital contribution revenue	678,660	711,820
Operating contribution revenue	563,199	578,076
Salaries and benefits recovery	82,017	77,344
Salaries and benefits expense	(82,017)	(77,344)
Administration fee revenue	20,000	7,500
Computer services	2,300	2,300
Interest expense on loan investment program	(836)	(825)

The shareholders of SPACPC are members of SPACS.

During the year, the Ministry Fund charged the Capital Fund \$20,000 for administration fees.

The SCA Society is responsible for the Christian component of the public school alternative program. The SCA Society is related by its membership which consists of the SPACS's Board of Elders.

Accounts receivable includes \$nil (2016 - \$3,083) due from SCA Society and \$nil (2016 - \$28,615) due from SPACPC.

Accounts payable includes \$40,601 (2016 - \$32,884) due to SCA Society.

Loan investment program includes \$49,508 (2016 - \$48,677) due to SCA Society.

These transactions have been recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Financial Instruments

SPACS is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about SPACS exposure and concentration as of August 31, 2017. Risk exposure has not changed from the previous year.

The Board of Elders has overall responsibility for the establishment and oversight of SPACS risk management framework.

Credit risk

SPACS is exposed to credit risks on facility recovery and capital contributions revenues, these revenues being from two entities. SPACS has not incurred any significant bad debts in the past three years.

Liquidity risk

Liquidity risk is the risk that SPACS will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of SPACS not being able to liquidate assets in a timely manner.

SPACS meets its liquidity requirements by preparing and monitoring cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Interest Rate risk

The risk that the fair value of financial instruments will fluctuate due to changes in market interest rates is managed through compliance with the Church's investment policy.

Fluctuations in interest rates do not have a significant effect on cash, short-term investments or the loan investment program of the Church.

(Continues)

10. Contingencies and Commitments

SPACS has signed a Corporate guarantee in the amount of \$18,000,000 in favour of the Bank of Montreal for debt in Sherwood Park Alliance Church Property Company. This guarantee relates to the construction for the Campus expansion as recorded by Sherwood Park Alliance Church Property Company. The loan balance at August 31, 2017 was \$9,039,447.

SPACS has a line of credit authorized up to \$250,000 with interest at the bank's prime plus 0.25%. At August 31, 2017, the balance was \$nil (2016 - \$nil). The Church has a Settlement Risk line of credit for \$400,000 to facilitate the direct electronic funds transfer of payroll. This line of credit cannot be drawn upon.

Security consists of the following:

- a) General Security Agreement providing first charge over assets;
- b) Subrogation of advances signed by Sherwood Park Alliance Church Property Company, acknowledged by SPACS;
- c) Collateral Mortgage in the amount of \$3,200,000 over property located at 1011 Clover Bar Road and at Plan 9623653: Lot 2 Range Road 231; (Church property, Secondary school and Elementary school).

SPACS is liable up to a maximum of \$103,500 for Corporate Mastercards.

On October 4, 2006 SPACS signed a 25-year lease agreement with, Sherwood Park Alliance Church Property Company with respect to existing and new property. The annual base rent for the year ending August 31, 2018 is approximately \$651,746 plus estimated operating costs of \$537,735, the capital portion of student fees charged by Strathcona Christian Academy Society and a small amount to reimburse SPACPC for administrative costs. The capital portion of student fees will be adjusted annually. SPACS is responsible for all operating costs. SPACS has a sub-lease with Elk Island Public School District on similar terms.

SPACS will recover a portion of the costs through commitments from Strathcona Christian Academy Society totalling approximately \$1,251,000 in the upcoming year.

SPACS has an operating lease related to office equipment. The lease payments are approximately \$1,600 per month expiring April 2018.

The Church has obligations relating to the estimated construction costs to complete the leaseholds under construction (Renew campaign) of approximately \$1,900,000 plus applicable GST. It is expected that these costs will be paid by the Capital Fund (\$1,600,000) and the Maintenance Reserve Fund (\$300,000), plus applicable GST.

Sherwood Park Alliance Church Society
Salaries and Benefits Expenditures | Schedule 1
 Year Ended August 31, 2017

	2017 \$	2016 \$
Salaries and Benefits		
Salaries and wages		
Pastors and ministerial assistants	1,314,370	1,547,340
Facility and operations	479,910	675,976
Office	327,774	351,751
SCA Society and Tree House (Note 8)	127,596	143,227
	2,249,650	2,718,294
Employee benefits (Note 8)	261,351	327,581
Alliance retirement fund	89,951	114,303
	2,600,952	3,160,178
Recoveries (Note 8)	(96,126)	(82,535)
Salaries and Benefits Expenditures	2,504,826	3,077,643

Sherwood Park Alliance Church Society
Facility Operating Expenditures | Schedule 2
 Year Ended August 31, 2017

	2017 \$	2016 \$
Facility Operating - Ministry Fund		
Car expense reimbursement	1,170	735
Communications	5,385	5,462
Facility use	2,885	769
Heat	73,847	58,568
Insurance	57,402	60,245
Janitorial	169,240	39,435
Light and power	189,453	177,063
Repairs and maintenance - building	22,336	20,320
Repairs and maintenance - electrical	2,967	12,392
Repairs and maintenance - equipment	3,682	9,075
Repairs and maintenance - fire and elevator	22,980	11,648
Repairs and maintenance - grounds	42,863	37,341
Repairs and maintenance - mechanical	162,952	162,632
Supplies	26,060	28,706
Waste removal	17,780	11,113
Water	33,254	28,798
Facility Operating Expenditures	834,256	664,302

Sherwood Park Alliance Church Society

Missions Fund Disbursements | Schedule 3

Year Ended August 31, 2017

AR 2017

	2017 \$	2016 \$
Christian and Missionary Alliance		
Global Advance Fund	257,991	230,782
Specialized Ministries	44,010	127,934
Canadian Ministries	88,770	94,519
	390,771	453,235
Other foreign missions	4,040	52,570
Other home missions	73,660	45,533
Missions Fund Disbursements	468,471	551,338

Sherwood Park Alliance Church Society

Administrative Expenditures | Schedule 4

Year Ended August 31, 2017

AR 2017

	2017 \$	2016 \$
Administrative - Ministry Fund		
Bank charges	32,386	38,283
Computer services	21,953	18,457
Contract and consulting	57,277	39,767
District operating fee – C and MA	95,545	90,443
Miscellaneous	146	553
Office	19,681	27,115
Photocopier lease and printing (Note 10)	28,940	29,054
Professional fees	34,236	26,947
Recruitment and moving	15,492	14,124
Repairs and maintenance – audio visual	6,026	7,594
Scholarships	6,000	2,000
Telephone	20,164	19,102
	337,846	313,439
Administrative - Capital Fund		
Management fees (Note 8)	20,000	-
Bank charges	1,680	1,080
	21,680	1,080
Administrative Expenditures - Total	359,526	314,519

	2017 \$	2016 \$
Ministerial		
Activities	6,957	11,393
Advertising	3,691	3,853
Car expense reimbursement	3,692	4,355
Communications	9,366	11,216
Conference and retreats - staff	17,033	18,739
Curriculum and literature	24,379	9,594
Donations	300	-
Dues and fees	32,695	22,124
Expense allowance	14,193	14,917
Gifts	5,212	6,591
Honorariums	11,008	9,711
Kitchen supplies	-	1,099
Lay leader training	14,307	10,689
Meetings	4,021	3,032
Miscellaneous	5,842	4,769
Mission trips and fact finding	-	33,416
Outreach	4,053	-
Printing	37,429	41,159
Professional development	17,167	11,228
Receptions and dinners	48,193	58,704
Retreats - lay	3,373	22,857
Special events	88,604	84,599
Special projects	9,299	5,246
Supplies and materials	56,531	59,432
Transportation	2,827	3,830
Ministerial - Subtotal	420,172	452,553
Fundraising recoveries	(141,291)	(158,487)
Tree House registration fee	(80,390)	(84,950)
Ministerial Expenditures - Net of Recoveries	198,491	209,116

Sherwood Park Alliance Church Property Company

Financial Statements

August 31, 2017

For Information Purposes Only

INDEPENDENT AUDITOR'S REPORT

To the Members of Sherwood Park Alliance Church Property Company

Opinion

I have audited the accompanying financial statements of Sherwood Park Alliance Church Property Company, which comprise the statement of financial position as at August 31, 2017 and the statement of revenue and expenditures and changes in net assets, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Sherwood Park Alliance Church Property Company as at August 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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 Canadian accounting standards for notforprofit 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 the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Company's internal control. This sentence would be modified, as appropriate, in circumstances when the auditor also has a responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.
- 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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company 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.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



W. J. (Bill) Lineker
Chartered Professional Accountant

Edmonton, Alberta
November 7, 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT			
Cash		560,503	414,759
LAND AND BUILDINGS	2	16,752,652	17,484,470
DUE FROM SHERWOOD PARK ALLIANCE CHURCH SOCIETY	3	575,083	538,000
		17,888,238	18,437,229
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable and accrued liabilities	6	9,399	37,514
Interest payable		37,342	38,837
Callable debt due in one year	4	42,500	42,500
Current portion of long term debt	5	390,149	371,937
		479,390	490,788
Callable debt due thereafter	4	114,792	157,292
		594,182	648,080
LONG TERM DEBT	5	8,492,006	8,882,155
		9,086,188	9,530,235
CONTINGENCIES AND COMMITMENTS	9		
NET ASSETS			
Share capital	7	5	5
Net assets		8,802,045	8,906,989
		8,802,050	8,906,994
		17,888,238	18,437,229

Subject to Approval of SPAC Property Company Members

Sherwood Park Alliance Church Property Company
Statement of Revenue and Expenditures and Changes in Net Assets
Year Ended August 31, 2017

AR 2017

	Note	2017 \$	2016 \$
REVENUES			
Base and operating rent	6	1,304,475	1,161,888
Capital contributions	6	678,660	711,820
Donations		2,750	-
Interest income		450	-
		1,986,335	1,873,708
EXPENDITURES			
Contribution for operating costs	6	858,555	721,984
Depreciation		731,818	731,817
Interest on callable and long-term debt	4, 5	461,222	487,463
Administration fees	6	20,000	3,600
Professional fees		11,529	19,539
Insurance		7,525	7,525
Interest and bank charges		630	1,480
		2,091,279	1,973,408
EXCESS EXPENDITURES FOR THE YEAR		(104,944)	(99,700)
NET ASSETS - BEGINNING OF YEAR		8,906,989	9,006,689
NET ASSETS - END OF YEAR		8,802,045	8,906,989

See notes to financial statements

	2017 \$	2016 \$
OPERATING ACTIVITIES		
Excess expenditures for the year	(104,944)	(99,700)
Item not affecting cash:		
Depreciation	731,817	731,818
	626,873	632,118
Changes in noncash working capital:		
Accounts payable and accrued liabilities	(28,118)	25,414
Interest Payable	(1,495)	(1,361)
	(29,613)	24,053
Cash flow from operating activities	597,260	656,171
FINANCING ACTIVITIES		
Advances from Sherwood Park Alliance Church Society	(37,083)	35,333
Repayment of callable debt	(42,500)	(292,499)
Repayment of longterm debt	(371,937)	(354,575)
Cash flow used by financing activities	(451,520)	(611,741)
INCREASE IN CASH FLOW	145,740	44,431
CASH - Beginning of Year	414,759	370,330
CASH - End of Year	560,499	414,761
CASH CONSISTS OF:		
Cash	110,503	89,759
Term deposits	450,000	325,000
	560,503	414,759

OPERATING STATUS

The Company was incorporated under the Alberta Companies Act as a Not for Profit company on September 28, 2006. The Company owns land and buildings, these being primarily a church and school, which it leases to a related entity. The Company has registered charity status, and as such, is exempt from Canadian income tax.

1. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for Not-for-Profit organizations in Part III of the CPA Canada Handbook. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Cash and cash equivalents

The Company's policy is to present bank balances and cashable term deposits under cash.

Land and buildings

Land and buildings are stated at cost if purchased, or at net book value at the date of acquisition if received from a related entity. Buildings, parking lot and landscaping are depreciated over their estimated useful lives on a straight-line basis at the following rates:

Buildings	2.5%
Parking lot and landscaping	8%

Depreciation is recorded in the year the asset is put in use, through to the date of disposal.

Callable debt

The Company's demand loans are classified as current liabilities because the lender has the right to demand repayment.

Revenue recognition

- (a) Base and operating rent revenue for school facilities is recognized as revenue as it accrues during the year.
- (b) Capital contributions revenue represents the capital portion of student fees levied by Strathcona Christian Academy Society and is recorded over the school term, commencing September 1.
- (c) Donations are recorded as revenue when received. Pledges are not recorded as revenue.

Financial instruments policy

Financial instruments are recorded at fair value 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. If events or circumstances reverse in a future period, an impairment loss will be reversed to the extent of the impairment, not exceeding the initial carrying value.

Contributed services

Volunteers contribute numerous hours to assist the Company in carrying out its administrative activities. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements nor are receipts issued.

(Continues)

1. Summary of Significant Accounting Policies (Continued)

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. Land and Buildings

	Cost	Accumulated depreciation	2017 Net book value	2016 Net book value
Land	\$860,644	\$ -	\$860,644	\$860,644
Buildings	19,793,384	4,894,476	14,898,908	15,393,744
Parking lot and landscaping	2,962,281	1,969,181	993,100	1,230,082
	<u>\$23,616,309</u>	<u>\$6,863,657</u>	<u>\$16,752,652</u>	<u>\$17,484,470</u>

3. Due from Sherwood Park Alliance Church Society

The amount due from Sherwood Park Alliance Church Society is non interest bearing and is secured by a subrogation of advances by Sherwood Park Alliance Church Society. Management does not expect these advances to be repaid in the upcoming year, and therefore, the amounts have been classified as long term.

4. Callable Debt

	2017	2016
Bank of Montreal, demand non revolving loan bearing interest at prime per annum, repayable in monthly payments of \$3,542 plus interest, due April 2021, callable on demand. See Note 5 for security.	\$157,292	\$199,792
Principal due in one year	(42,500)	(42,500)
	<u>\$114,792</u>	<u>\$157,292</u>

Principal repayment terms are approximately:

2018	\$42,500
2019	42,500
2020	42,500
2021	29,792
	<u>\$157,292</u>

5. Long Term Debt

	2017	2016
Bank of Montreal, interest rate swap contract bearing interest at 5.04% per annum, repayable in monthly blended payments of approximately \$70,000, due April 2033. The net book value of property secured is \$16,752,652.	\$8,882,155	\$9,254,092
Amounts payable within one year	<u>(390,149)</u>	<u>(371,937)</u>
	\$8,492,006	\$8,882,155
Principal repayment terms are approximately:		
2018	\$390,149	
2019	409,253	
2020	429,292	
2021	452,110	
2022	472,363	
<u>Thereafter</u>	<u>6,728,988</u>	
	<u>\$8,882,155</u>	

Security on the callable and long-term debt consists of the following:

- (a) General security agreement providing first charge over all assets;
- (b) Collateral Mortgage in the amount of \$3,200,000 over property located at 1011 Clover Bar Road and at Plan 9623653: Lot 2 Range Road 231; (Church property, Secondary school and Elementary school);
- (c) General and specific assignments of rents and leases;
- (d) First collateral mortgage in the amount of \$16,000,000 over property located at Plan 9623653: Lot 2 Range Road 231; (Elementary school)
- (e) Corporate guarantee from Sherwood Park Alliance Church Society in the amount of \$18,000,000;
- (f) Subrogation of advances signed by Sherwood Park Alliance Church Society and Strathcona Christian Academy Society, acknowledged by the Company;
- (g) Corporate guarantee from Strathcona Christian Academy Society in the amount of \$16,000,000.

Bank of Montreal debt is subject to financial covenants including maintaining cash flow from operations that exceeds debt service requirements by 1.00 times at all times. The Company has complied with this covenant.

The Company has a Settlement Risk line of credit for \$100,000 to facilitate the direct electronic funds transfer of payroll. This line of credit cannot be drawn upon.

6. Related Party Transactions

During the year, the Company had the following transactions with Sherwood Park Alliance Church Society (SPACS):

	<u>2017</u>	<u>2016</u>
Base and operating rental income	\$1,304,475	\$1,161,888
Capital contributions rental income	\$678,660	\$711,820
Contribution for operating costs expense	\$858,555	\$721,984
Administration fees	\$20,000	\$3,600

These transactions are in the normal course of business and are recorded at their exchange amount.

Accounts payable and accrued liabilities includes \$nil (2016 \$28,615) owing to SPACS.

The shareholders of the Company are members of Sherwood Park Alliance Church Society.

7. Share Capital

Authorized:		
Unlimited Common shares	<u>2017</u>	<u>2016</u>
Issued:		
50 Common shares	<u>\$5</u>	<u>\$5</u>

8. Financial Instruments

The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration as of August 31, 2017. Risk exposure has not changed from the previous year.

Credit risk

The Company is exposed to credit risks on rent revenues and operating recoveries, being from one entity. The Company has not incurred any bad debts in the past three years.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its receipt of funds from its one customer and other related sources, callable and long-term debt, and accounts payable.

The Company meets its liquidity requirements by preparing and monitoring cash flows from operations, anticipating investing and financing activities and holding cash assets.

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 Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate risk primarily through its floating interest rate on the callable debt credit facility. A 1% change in interest rates would change income by approximately \$2,000.

9. Contingencies and Commitments

The Company is contingently liable for credit facilities totaling \$353,500 issued by the Bank of Montreal for debt in Sherwood Park Alliance Church Society (SPACS). As at year end, the line of credit in SPACS was \$nil (2016 \$nil).

The Company is contingently liable under a letter of credit for \$10,000 issued by the Bank of Montreal in favour of the County of Strathcona.

10. Economic Dependence

The Company entered into a 25 year lease agreement on October 4, 2006 with Sherwood Park Alliance Church Society (SPACS) with respect to its property. The annual base rent revenue for the year ended August 31, 2017 was \$766,740 plus operating costs of \$537,735, the capital portion of student fees charged by Strathcona Christian Academy Society, (which flows through SPACS) and an amount to reimburse the Company for administrative costs.

The Company's sole source of income is derived from SPACS, and is therefore economically dependent on SPACS to honour the lease. Elk Island Public School District has signed a sub lease with SPACS on similar terms, therefore management is of the opinion that continued operations are viable.

The Company anticipates receiving base and operating rent of approximately \$1,202,000 during the upcoming year, as well as capital contribution revenue of \$669,600.

Strathcona Christian Academy Society

Financial Statements

August 31, 2017

For Information Purposes Only

INDEPENDENT AUDITOR'S REPORT

To the Members of STRATHCONA CHRISTIAN ACADEMY SOCIETY

Qualified Opinion

I have audited the accompanying financial statements of Strathcona Christian Academy Society, which comprise the statement of financial position as at August 31, 2017 and the statement of operations and changes in net assets, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the possible effects of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the fundraising revenues referred to in the following paragraph, the financial statements present fairly, in all material respects, the financial position of Strathcona Christian Academy Society as at August 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am independent of the Society in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

In common with many charitable organizations, the Society derives revenues from fundraising activities within the Operating Fund, all of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Society and I was not able to determine whether any adjustments might be necessary to excess of revenues over expenditures, cash flow from operations, current assets and net assets.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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 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 the financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a

(Continues)

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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Society's 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 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 Society's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the 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.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



W. J. (Bill) Lineker
Chartered Professional Accountant

Edmonton, Alberta
November 7, 2017

	TOTAL ALL FUNDS		OPERATING FUND		ENDOWMENT FUND	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
CURRENT ASSETS						
Cash and short term investments (Note 4)	979,568	975,664	979,568	975,664	-	-
Loan investment program (Note 2)	49,792	48,956	-	-	49,792	48,956
Accounts receivable (Note 6)	40,663	38,180	40,663	38,180	-	-
Goods and services tax recoverable	1,713	1,286	1,713	1,286	-	-
Due from endowment fund	10,171	5,571	10,171	5,571	-	-
Prepaid expenses	32,248	29,689	32,248	29,689	-	-
	1,114,155	1,099,346	1,064,363	1,050,390	49,792	48,956
CURRENT LIABILITIES						
Accounts payable and accrued liabilities (Note 6)	25,052	27,225	20,052	19,725	5,000	7,500
Due to operating fund	10,171	5,571	-	-	10,171	5,571
Deferred revenue (Note 3)	517,621	553,700	517,621	553,700	-	-
	552,844	586,496	537,673	573,425	15,171	13,071
COMMITMENTS AND CONTINGENCY (Note 7)						
NET ASSETS						
UNRESTRICTED	495,558	449,133	495,558	449,133	-	-
RESTRICTED (Legacy Fund) (Note 4)	31,132	27,832	31,132	27,832	-	-
RESTRICTED ENDOWMENT	34,621	35,885	-	-	34,621	35,885
	561,311	512,850	526,690	476,965	34,621	35,885
	1,114,155	1,099,346	1,064,363	1,050,390	49,792	48,956

Strathcona Christian Academy Society
 Statement of Operations and Changes in Net Assets
 Year Ended August 31, 2017

	TOTAL ALL FUNDS		OPERATING FUND		ENDOWMENT FUND	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
REVENUES						
Society fees and registration	1,696,484	1,711,532	1,696,484	1,711,532	-	-
Missions (Note 5)	398,122	364,992	398,122	364,992	-	-
Donations - general	10,419	20,138	5,669	15,138	4,750	5,000
Interest (Note 6)	4,551	7,744	3,715	6,919	836	825
Donations - legacy fund (Note 4)	3,300	3,600	3,300	3,600	-	-
	2,112,876	2,108,006	2,107,290	2,102,181	5,586	5,825
EXPENDITURES						
Facility contribution (Note 6)	1,241,859	1,289,896	1,241,859	1,289,896	-	-
Missions	393,067	362,349	393,067	362,349	-	-
Christian component (Schedule 1)	224,043	203,931	224,043	203,931	-	-
Administrative (Schedule 2)	194,924	147,839	194,924	147,839	-	-
Scholarships	6,850	7,550	-	-	6,850	7,550
Fee assistance	3,672	1,176	3,672	1,176	-	-
Legacy fund (Note 4)	-	864	-	864	-	-
	2,064,415	2,013,605	2,057,565	2,006,055	6,850	7,550
INCREASE (DECREASE) IN NET ASSETS	48,461	94,401	49,725	96,126	(1,264)	(1,725)
NET ASSETS, BEGINNING OF YEAR	512,850	418,449	476,965	380,839	35,885	37,610
NET ASSETS, END OF YEAR	561,311	512,850	526,690	476,965	34,621	35,885

	2017 \$	2016 \$
CASH INFLOW (OUTFLOW) RELATING TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Increase in net assets	48,461	94,401
Changes in non-cash working capital		
Accounts receivable	(2,483)	(2,610)
Goods and services tax recoverable	(427)	(97)
Prepaid expenses	(2,559)	(3,689)
Accounts payable and accrued liabilities	(2,173)	(1,874)
Deferred revenue	(36,079)	93,222
	(43,721)	84,952
Cash flow provided by operating activities	4,740	179,353
INVESTING		
Increase in loan investment program	(836)	(825)
NET INFLOW OF CASH	3,904	178,528
CASH, BEGINNING OF YEAR	975,664	797,136
CASH, END OF YEAR	979,568	975,664
CASH CONSISTS OF:		
Cash – General	404,414	324,777
Cash – Legacy	33,116	29,809
Short term investments	542,038	621,078
	979,568	975,664

OPERATING STATUS

Strathcona Christian Academy Society (SCA) was incorporated under the Societies Act as a Not-For-Profit Organization and operates an Alternative Program of Elk Island Public Schools. SCA is responsible for the Christian Component of the School. Fees and registration include an amount to be used by the Sherwood Park Alliance Church Society (SPACS) for existing and future capital projects for the mutual benefit of SPACS and SCA. SCA has registered charity status, and as such, is exempt from Canadian income tax.

1. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Fund accounting

These financial statements have been prepared on an accrual basis using the restricted fund method of accounting. Fund accounting is the procedure whereby resources received and the subsequent use of those resources are classified for accounting and reporting purposes into funds which are in accordance with the activities or objectives specified by the source of the resource. The following funds are maintained:

The **operating fund** accounts for the Society's program delivery and administrative activities.

The **endowment fund** was established to provide scholarships to selected individuals.

The **legacy fund** records internally restricted amounts which are used by the Society to increase resources that enable the Society to fulfill its purpose of advancing education and advancing the Christian religion by operating a Christian school, open to and for the benefit of the public. This fund is accounted for as a component of the operating fund.

Cash and short-term investments

Cash (bank balances) and short-term investments (term deposits less than one year) are amounts on deposit and invested according to the Society's investment policy.

Revenue recognition

Society fees and registration are recorded as revenue over the school term commencing September. Funds received prior to the commencement of the school term are recorded as deferred revenue. The Society's refund policy for society fees is based on the number of months left in the school year after the effective date of withdrawal.

The Society follows the restricted fund method of accounting for donations. Donations are recognized as revenue in the year in which the funds are received. Donations externally restricted are disclosed as restricted net assets. Pledges are not recognized as revenue until the funds are received.

Fundraising receipts are recorded as revenue when received.

Interest is recorded as revenue as it accrues.

(Continues)

1. Summary of Significant Accounting Policies (Continued)

Contributed services

Volunteers contribute many hours to assist the Society in carrying out its delivery of activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements, nor are receipts issued.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments

Financial instruments are recorded at fair value 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. If events or circumstances reverse in a future period, an impairment loss will be reversed to the extent of the impairment, not exceeding the initial carrying value.

2. Loan Investment Program

The loan investment program consists of funds lent to Sherwood Park Alliance Church Society. Interest is received biannually at 1% less than the bank's prime rate.

3. Deferred Revenue

Deferred revenue represents funds received up to August 31, 2017 for fees, registration and missions for the 2017 – 2018 school term.

4. Restricted Net Assets - Legacy Fund

	2017	2016
	\$	\$
Opening, net assets	27,832	25,096
Donations received	3,300	3,600
Expenditures	-	(864)
	31,132	27,832

Included in cash and short-term investments is \$33,116 (2016 - \$29,809) which has been internally restricted to facilitate the expenditures of the Legacy Fund.

5. Fundraising Revenue

Fundraising revenue of \$331,422 (2016 - \$310,092) is recorded as a component of missions revenue.

6. Related Party Transactions

The Society had the following transactions with Sherwood Park Alliance Church Society (SPACS):

	2017 \$	2016 \$
Facility capital contribution	678,660	711,820
Facility operating contribution	563,199	578,076
Salaries and benefits expense - administration	82,017	77,344
Administration fee	20,000	7,500
Computer services	2,300	2,300
Interest earned on loan investment program	(836)	(825)

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Accounts receivable includes \$40,601 (2016 - \$32,884) receivable from SPACS and accounts payable includes \$nil (2016 - \$3,083) owing to SPACS.

The SCA Society membership consists of the Church's Board of Elders.

7. Commitments and Contingency

The Society has agreed to pay the following estimated amounts to the Sherwood Park Alliance Church Society during the upcoming year:

Facility capital contribution	\$669,600
Facility operating contribution	\$581,353
Administration fee	\$ 20,000

The Society has signed a guarantee in the amount of \$16,000,000 issued by the Bank of Montreal for debt in a related party, Sherwood Park Alliance Church Property Company. This debt relates to the construction for the campus expansion as recorded by Sherwood Park Alliance Church Property Company. At year-end the balance of the debt was \$9,039,447.

8. Financial Instruments

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's exposure and concentration as of August 31, 2017. Risk exposure has not changed from the previous year.

The Society's Board has overall responsibility for the establishment and oversight of the Society's risk management framework.

Credit risk

The Society is exposed to credit risks on fees and registration revenues. In order to reduce its risk, management has adopted credit policies that include review of the applicant's credit. The Society does not have significant exposure to any individual entity. The Society has not incurred any significant bad debts in the past three years, although the Society does provide fee assistance.

Accounts receivable includes an allowance for doubtful accounts in the amount of \$nil (2016 - \$nil).

Liquidity risk

Liquidity risk is the risk that SCA will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of SCA not being able to liquidate assets in a timely manner.

SCA meets its liquidity requirements by preparing and monitoring cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Interest Rate risk

The risk that the fair value of financial instruments will fluctuate due to changes in market interest rates is managed through compliance with the Society's investment policy. The Society has no interest-bearing liabilities.

Fluctuations in interest rates do not have a significant effect on cash and short-term investments of the Society.

9. Receipting

During the 2015 fiscal year, the Society agreed to participate in sharing the legal costs associated with proceedings challenging Canada Revenue Agency's (CRA) interpretation of the guidelines for issuing donation receipts for tuition paid for the Alternative Christian Program. The Society has agreed not to issue donation receipts for the program fees paid until there is further clarification or resolution from CRA on their policies and opinion relating to the characterization of tuition payments.

Strathcona Christian Academy Society

Christian Component Expenditures | Schedule 1

Year Ended August 31, 2017

	2017 \$	2016 \$
Spiritual leadership	125,875	101,000
Bible curriculum	24,780	20,965
Spiritual emphasis	15,356	14,479
Memberships	15,245	13,972
Staff and Board (ACSI)	14,065	28,535
Chapel program	12,520	12,908
Staff and professional development	9,775	11,061
Missions	6,427	1,011
	224,043	203,931

Strathcona Christian Academy Society

Administrative Expenditures | Schedule 2

Year Ended August 31, 2017

	2017 \$	2016 \$
Salaries and benefits (Note 6)	83,604	77,344
Professional services	39,999	18,276
Computer services (Note 6)	33,779	29,690
Administration fee (Note 6)	20,000	7,500
Society costs	6,605	4,338
Bank charges	4,777	5,068
Insurance	2,630	2,710
Supplies and office	1,165	59
Bad debt	952	-
Telephone	900	825
Photocopies and printing	513	1,329
Scholarships	-	700
	194,924	147,839