

KING'S CHRISTIAN COLLEGIATE
Financial Statements
Year Ended August 31, 2016

KING'S CHRISTIAN COLLEGIATE
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Year Ended August 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of King's Christian Collegiate

We have audited the accompanying financial statements of King's Christian Collegiate, which comprise the statement of financial position as at August 31, 2016 and the statements of receipts and disbursements, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 qualified audit opinion.

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Independent Auditor's Report to the Members of King's Christian Collegiate *(continued)*

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of King's Christian Collegiate as at August 31, 2016 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.

Cooperman Chapman

St. Catharines, Ontario
December 22, 2016

CPA Professional Corporation
Authorized to practise public accounting by The Chartered
Professional Accountants of Ontario

KING'S CHRISTIAN COLLEGIATE
Statement of Financial Position
August 31, 2016

	Operating Fund	Capital Asset Fund	2016	2015
ASSETS				
CURRENT				
Cash	\$ 87,521	\$ -	\$ 87,521	\$ 641,147
Investments (Note 4)	3,280,781	-	3,280,781	3,264,557
Accounts receivable	78,118	-	78,118	76,644
Prepaid expenses	194,539	7,130	201,669	127,359
HST recoverable	343,400	-	343,400	166,993
	3,984,359	7,130	3,991,489	4,276,700
PROPERTY AND EQUIPMENT (Notes 3, 5)	-	23,501,883	23,501,883	16,784,307
LONG TERM INVESTMENTS (Note 4)	250,000	-	250,000	-
DUE FROM CAPITAL ASSET FUND	452,542	-	452,542	1,317,786
	\$ 4,686,901	\$ 23,509,013	\$ 28,195,914	\$ 22,378,793
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable	\$ 1,240,221	\$ -	\$ 1,240,221	\$ 540,484
Callable debt (Note 6)	-	6,912,000	6,912,000	3,200,000
Current portion of long term debt (Note 7)	-	100,000	100,000	70,000
Government remittances payable	1,292	-	1,292	-
Deferred income	4,871,439	-	4,871,439	4,750,407
	6,112,952	7,012,000	13,124,952	8,560,891
LONG TERM DEBT (Note 7)	-	720,000	720,000	800,900
DUE TO OPERATING FUND	-	452,542	452,542	1,317,786
	6,112,952	8,184,542	14,297,494	10,679,577
NET ASSETS	(1,426,051)	15,324,471	13,898,420	11,699,216
	\$ 4,686,901	\$ 23,509,013	\$ 28,195,914	\$ 22,378,793

ON BEHALF OF THE BOARD

Director

Director

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

KING'S CHRISTIAN COLLEGIATE
Statement of Changes in Net Assets
Year Ended August 31, 2016

	Operating Fund	Capital Asset Fund	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 296,622	\$ 11,402,594	\$ 11,699,216	\$ 10,044,743
Excess of receipts over disbursements	2,117,864	81,340	2,199,204	1,654,473
Interfund allocations (Note 9)	(3,840,537)	3,840,537	-	-
NET ASSETS - END OF YEAR	(1,426,051)	15,324,471	13,898,420	11,699,216

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

KING'S CHRISTIAN COLLEGIATE
Statement of Receipts and Disbursements
For the Year Ended August 31, 2016

	Operating Fund	Capital Asset Fund	2016 Total	2015 Total
RECEIPTS				
Tuition and transportation	\$ 10,200,332	\$ -	\$ 10,200,332	\$ 9,316,002
Capital levy	-	721,050	721,050	667,602
Rental income	264,701	-	264,701	226,560
Membership fees	227,859	-	227,859	186,764
Donations (Note 12)	37,178	203,800	240,978	102,047
Interest	42,466	-	42,466	49,230
Food services	33,431	-	33,431	36,961
Sundry revenue	25,161	-	25,161	8,256
	10,831,128	924,850	11,755,978	10,593,422
DISBURSEMENTS				
Advertising and recruitment	101,945	-	101,945	89,815
Amortization	-	645,116	645,116	659,100
Awards and bursaries	523,561	-	523,561	341,864
Board and committee expenses	350	-	350	2,037
Donations	15,000	-	15,000	-
Education supplies	815,998	-	815,998	704,895
Equipment rentals	12,218	-	12,218	12,128
Food services	26,136	-	26,136	41,890
Information technology	143,732	-	143,732	144,087
Insurance	46,728	-	46,728	44,079
Interest and bank charges	12,518	-	12,518	9,580
Interest on callable and long term debt	-	198,394	198,394	158,763
International students	859,386	-	859,386	927,938
Memberships	18,049	-	18,049	17,071
Office	57,069	-	57,069	60,611
Professional development	54,192	-	54,192	54,986
Professional fees	8,530	-	8,530	10,986
Repairs and maintenance	209,229	-	209,229	216,046
Salaries and wages	5,102,442	-	5,102,442	4,731,025
Transportation contract	432,372	-	432,372	444,708
Utilities	273,809	-	273,809	267,340
	8,713,264	843,510	9,556,774	8,938,949
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ 2,117,864	\$ 81,340	\$ 2,199,204	\$ 1,654,473

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

KING'S CHRISTIAN COLLEGIATE
Statement of Cash Flows
Year Ended August 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of receipts over disbursements	\$ 2,199,204	\$ 1,654,473
Item not affecting cash:		
Amortization of property and equipment	645,116	659,100
	<u>2,844,320</u>	<u>2,313,573</u>
Changes in non-cash working capital:		
Accounts receivable	(1,474)	(14,620)
Prepaid expenses	(74,311)	20,416
HST recoverable	(176,407)	(52,137)
Accounts payable	699,737	335,010
Government remittances payable	1,292	(25,668)
Deferred income	121,032	667,615
	<u>569,869</u>	<u>930,616</u>
Cash flow from operating activities	<u>3,414,189</u>	<u>3,244,189</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(7,362,691)	(2,525,452)
Purchase of investment	(250,000)	-
Cash flow used by investing activities	<u>(7,612,691)</u>	<u>(2,525,452)</u>
FINANCING ACTIVITIES		
Proceeds from callable debt financing	4,000,000	100,000
Proceeds from long term financing	365,000	3,300
Repayment of callable debt	(288,000)	(415,500)
Repayment of long term debt	(415,900)	(25,000)
Cash flow from financing activities	<u>3,661,100</u>	<u>(337,200)</u>
INCREASE (DECREASE) IN CASH FLOW	(537,402)	381,537
Cash - beginning of year	<u>3,905,704</u>	<u>3,524,167</u>
CASH - END OF YEAR	\$ 3,368,302	\$ 3,905,704
CASH CONSISTS OF:		
Cash	\$ 87,521	\$ 641,147
Investments	3,280,781	3,264,557
	<u>\$ 3,368,302</u>	<u>\$ 3,905,704</u>

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

KING'S CHRISTIAN COLLEGIATE
Notes to Financial Statements
Year Ended August 31, 2016

1. PURPOSE OF THE ORGANIZATION

The Halton Region Christian Education Association was constituted on April 27, 1999 and incorporated as a corporation without share capital on June 28, 1999. Following a membership vote, the Association changed its name to King's Christian Collegiate by supplementary letters patent dated November 23, 1999. The corporation has been granted registered charity status by Canada Revenue Agency under registration number 86612 0629 RR0001.

The purpose of the organization is to provide secondary education in a Christian environment that encourages self-discipline, creative thinking, and strong character development, and that equips students academically, socially, physically and spiritually, employing all talents to the honour of God.

2. BASIS OF PRESENTATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

King's Christian Collegiate follows the deferral method of accounting for contributions.

Revenues and expenses related to education and administrative activities are reported in the Operating Fund.

The Capital Fund reports the assets, liabilities, revenues, and expenses related to King's Christian Collegiate's capital assets and building improvements campaign.

Revenue recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received.

Tuition and transportation revenue is recognized as revenue in the Operating Fund when the payments are received. Unpaid tuition fees for the current school year are not recorded as a receivable due to the unlikelihood of full collectibility.

Tuition fees and other amounts received for services to be provided in future fiscal years are recognized as revenue when the related expenditures are incurred. The deferred portion is recorded as a current liability.

Food services and rental income are recognized as revenue in the Operating Fund at the time of invoicing.

Membership income is recognized as revenue in the Operating Fund when received.

Interest income is recognized as revenue in the Operating Fund when earned.

Capital levy income is recognized as revenue in the Capital Asset Fund when received.

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KING'S CHRISTIAN COLLEGIATE
Notes to Financial Statements
Year Ended August 31, 2016

3. 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.

Property and equipment

Property and equipment are stated at cost or deemed cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Athletic field - artificial turf	15 years	straight-line method
Athletic field	4%	declining balance method
Buildings	4%	declining balance method
Athletic equipment	20%	declining balance method
Furniture and fixtures	20%	declining balance method
Musical instruments	20%	declining balance method
Computer equipment	30%	declining balance method

In the year of acquisition, amortization is taken at one-half the normal rates.

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

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

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. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Income taxes

The organization is a registered charity within the meaning of the Income Tax Act and is exempt from income taxes.

KING'S CHRISTIAN COLLEGIATE
Notes to Financial Statements
Year Ended August 31, 2016

4. INVESTMENTS

	<u>2016</u>	<u>2015</u>
Current		
Canadian fixed income	\$ 2,754,027	\$ 2,254,034
Investment savings mutual funds	<u>526,753</u>	<u>1,010,523</u>
	<u>3,280,780</u>	<u>3,264,557</u>
 Long Term		
Canadian fixed income	<u>250,000</u>	<u>-</u>
	<u>\$ 3,530,780</u>	<u>\$ 3,264,557</u>

Fixed income investments maturing within 12 months from the year end date are classified as current.

Current fixed income investments have effective interest rates ranging from 0.7% to 1.78%.

Long term fixed income investment has an effective interest rate of 1.9%, due June 8, 2018.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 962,637	\$ -	\$ 962,637	\$ 962,637
Buildings	25,606,931	5,403,454	20,203,477	13,428,052
Computers	619,921	515,290	104,631	99,286
Furniture & Fixtures	1,215,966	831,883	384,083	338,906
Musical Instruments	130,674	93,740	36,934	46,168
Sports Field	1,959,509	316,914	1,642,595	1,730,203
Sports Field Equipment	255,278	87,752	167,526	179,055
	<u>\$ 30,750,916</u>	<u>\$ 7,249,033</u>	<u>\$ 23,501,883</u>	<u>\$ 16,784,307</u>

KING'S CHRISTIAN COLLEGIATE
Notes to Financial Statements
Year Ended August 31, 2016

6. CALLABLE DEBT

	<u>2016</u>	<u>2015</u>
CIBC demand loan bearing interest at prime plus 0.50% per annum, repayable in monthly principal payments of \$24,000. The organization has the option to utilize an interest rate swap to effectively fix the interest rate on any amount outstanding for up to five years. An interest rate swap on \$2,000,000 of the liability, with an effective fixed rate of 3.995% matures May 15, 2017.	\$ 2,912,000	\$ 3,200,000
CIBC construction loan bearing interest at prime, with interest only payments required until construction is complete. This loan is to be converted to a \$2,500,000 reducing revolving facility, and a demand installment loan for the balance. Repayment over 20 year amortization	<u>4,000,000</u>	-
	\$ 6,912,000	\$ 3,200,000

The above loans are secured by a first priority security interest in all present and future personal property of the organization including a charge in the amount of \$10,500,000 over real property at 528 Burnhamthorpe Road West, Oakville, Ontario.

The combined net book value of land and building at 528 Burnhamthorpe Road West, Oakville, Ontario as of the balance sheet date was \$22,808,709.

The principal payments due in the next five years based on the current terms without demand by CIBC are \$288,000 per year.

The agreement covering the callable debt contains a number of covenants. The covenants require the organization to maintain a ratio of total liabilities to total receipts not exceeding 3.0 to 1.0 at any time. Fundraising revenues are excluded from the total receipts. There also must be 35% equity in any capital projects based upon the net depreciated book values of existing assets.

A revolving demand credit line is made available by the CIBC for general business purposes. Total credit facility available is \$1,500,000, to be fully liquidated annually, at least once, in any of the months of July, August or September of each year. Interest is calculated at prime.

7. LONG TERM DEBT

	<u>2016</u>	<u>2015</u>
Promissory notes bearing interest at various fixed rates ranging from 3.25% to 4.50% per annum. The notes are unsecured to various individuals and mature at various dates ranging from July 1, 2017 to August 25, 2022.	\$ 820,000	\$ 870,900
Amounts payable within one year	<u>(100,000)</u>	(70,000)
	\$ 720,000	\$ 800,900

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KING'S CHRISTIAN COLLEGIATE
Notes to Financial Statements
Year Ended August 31, 2016

7. LONG TERM DEBT *(continued)*

Principal repayment terms are approximately:

2017	\$	100,000
2018		355,000
2019		45,000
2021		160,000
Thereafter		160,000
		<u>820,000</u>

8. CREDIT FACILITY

An irrevocable letter of credit has been arranged with CIBC for \$388,366. It names the Town of Oakville as beneficiary should King's Christian Collegiate not perform its obligations with respect to the Phase V site plan agreement. The date of maturity is June 30, 2017.

9. INTERFUND ALLOCATIONS

Transfers were made from the Operating Fund to the Capital Fund in order to fund the cash outlays for mortgage and promissory note principal and interest payments and for the financing of an expansion to the school facilities. The approved Phase V expansion of the building is being funded through a combination of operating surpluses, fundraising and a credit facility. All amounts paid from the Operating Fund towards the Phase V expansion have been reallocated to the Capital Fund accordingly.

	<u>2016</u>	<u>2015</u>
Loan principal and interest repayments	\$ 450,775	\$ 537,463
Loan proceeds	(4,000,000)	(100,000)
Promissory note principal and interest repayments	451,519	61,800
Promissory note proceeds	(365,000)	(3,300)
Phase V expansion costs paid from operating fund	<u>7,303,243</u>	<u>2,242,302</u>
	<u>\$ 3,840,537</u>	<u>\$ 2,738,265</u>

10. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of August 31, 2016.

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KING'S CHRISTIAN COLLEGIATE
Notes to Financial Statements
Year Ended August 31, 2016

10. FINANCIAL INSTRUMENTS *(continued)*

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 callable debt and long-term debt.

Market risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk.

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 floating interest rate bank indebtedness and callable debt and through its fixed interest rate long-term debt. The organization has minimized the interest rate risk on its callable debt to an acceptable level by entering into an interest rate swap to hedge against rising interest rates.

11. COMMITMENT

The organization is nearing the end of its commitment under a building contract with Maple Reinders Constructors Ltd for a significant expansion to the school facilities which included additional classrooms, fitness area and gymnasium. The total estimated cost of the expansion is \$13,500,000. The total costs incurred to August 31, 2016 were \$10,499,508. The expansion will be completed in the next fiscal year.

12. KING'S CHRISTIAN COLLEGIATE FOUNDATION

Included in donations are amounts received from King's Christian Collegiate Foundation in the amount of \$200,000 (2015 - \$75,000)

King's Christian Collegiate Foundation (the "Foundation") was established to raise, accumulate and invest funds for King's Christian Collegiate. The Foundation is operated independently of King's Christian Collegiate and is a registered charity under the Income Tax Act.

As at December 31, 2015, the Foundation had total assets of \$1,830,832 (2014 - \$1,478,527) and total liabilities of \$5,433 (2014 - \$2,934). For the year ended December 31, 2015, the Foundation received gross receipts of \$703,360 (2014 - \$417,534) and paid out disbursements of \$353,554 (2014 - \$285,482).

KING'S CHRISTIAN COLLEGIATE
Notes to Financial Statements
Year Ended August 31, 2016

13. PENSION PLAN

King's Christian Collegiate contributes to the Canadian Christian School Pension Plan (the "Plan"), a cost-sharing multi-employer defined benefit pension plan administered by Christian Schools International. The Plan provides retirement and death benefits for members or their beneficiaries. All full time employees of King's Christian Collegiate are members of the Plan.

King's Christian Collegiate is required to make fixed contributions to the Plan and has no obligation to make additional contributions in respect of the benefits obligation, even if there is a funding shortfall. Under the terms of the Plan, the Trustees can reduce future or accrued benefits in an equitable manner so that the Plan liabilities do not exceed Plan assets.

The actuarial valuation report is for the Plan and not for each individual employer. As a result, there is insufficient information available for King's Christian Collegiate to use defined benefit plan accounting, rather King's Christian Collegiate contributions to the Plan are included in the Salaries and Benefits line on the Statement of Operations. The amount contributed in the year was \$281,913 (2015 - \$265,359).
