

MILLWOOD'S CHRISTIAN SCHOOL SOCIETY
Financial Statements
Year Ended June 30, 2022

MILLWOOD'S CHRISTIAN SCHOOL SOCIETY

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Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of Millwood's Christian School Society

Opinion

We have audited the financial statements of Millwood's Christian School Society (the organization), which comprise the statements of financial position as at June 30, 2022 and 2021, and the statements of operations, changes in net assets and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2022 and 2021, and the results of its operations and cash flows for the years 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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Independent Auditor's Report to the Members of Millwood's Christian School Society (*continued*)

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.

Edmonton, Alberta
October 18, 2022

Givens LLP.

Givens LLP
Chartered Professional Accountants

MILLWOOD'S CHRISTIAN SCHOOL SOCIETY**Statement of Operations****Year Ended June 30, 2022**

	2022	2021
REVENUES		
School fees	\$ 1,285,127	\$ 1,353,403
Out of school care	414,261	184,014
Other income	85,193	39,816
School activities	8,813	22,221
	<u>1,793,394</u>	<u>1,599,454</u>
EXPENSES		
General and administrative	1,043,199	1,290,577
Human resources <i>(Note 8)</i>	804,616	693,639
Program delivery	357,146	353,852
Amortization	141,291	177,661
Interest and bank charges	30,290	23,781
	<u>2,376,542</u>	<u>2,539,510</u>
DEFICIENCY OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>(583,148)</u>	<u>(940,056)</u>
OTHER INCOME		
Rental revenue	444,024	444,024
Interest from other sources	1,031	5,178
	<u>445,055</u>	<u>449,202</u>
DEFICIENCY OF REVENUES OVER EXPENSES	<u>\$ (138,093)</u>	<u>\$ (490,854)</u>

MILLWOOD'S CHRISTIAN SCHOOL SOCIETY**Statement of Financial Position****June 30, 2022**

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 344,892	\$ 375,369
Accounts receivable	14,188	4,409
Government remittances recoverable	21,897	28,666
Prepaid expenses	28,448	25,464
	<u>409,425</u>	<u>433,908</u>
ADVANCES TO RELATED PARTIES (Note 2)	47,988	-
CAPITAL ASSETS (Note 3)	<u>407,062</u>	<u>495,732</u>
	<u>\$ 864,475</u>	<u>\$ 929,640</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued charges (Note 5)	\$ 52,123	\$ 48,553
Deferred income (Note 6)	<u>326,587</u>	<u>228,738</u>
	378,710	277,291
ADVANCES FROM RELATED PARTIES (Note 2)	-	<u>28,491</u>
	<u>378,710</u>	<u>305,782</u>
LEASE COMMITMENTS (Note 9)		
GUARANTEE (Note 10)		
NET ASSETS		
Unrestricted fund	78,703	126,326
Invested in capital assets	<u>407,062</u>	<u>497,532</u>
	<u>485,765</u>	<u>623,858</u>
	<u>\$ 864,475</u>	<u>\$ 929,640</u>

APPROVED BY THE DIRECTORS



Director



Director

4 The accompanying notes form an integral part of the financial statements

MILLWOOD'S CHRISTIAN SCHOOL SOCIETY**Statement of Changes in Net Assets****Year Ended June 30, 2022**

	Unrestricted Fund	Invested in Capital Assets	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 126,326	\$ 497,532	\$ 623,858	\$ 1,114,712
DEFICIENCY OF REVENUES OVER EXPENSES	(138,093)	-	(138,093)	(490,854)
INTERFUND TRANSFERS	90,470	(90,470)	-	-
NET ASSETS - END OF YEAR	\$ 78,703	\$ 407,062	\$ 485,765	\$ 623,858

MILLWOOD'S CHRISTIAN SCHOOL SOCIETY**Statement of Cash Flows****Year Ended June 30, 2022**

	2022	2021
OPERATING ACTIVITIES		
Cash receipts from donors and fundraising	\$ 2,325,489	\$ 1,844,463
Cash paid to suppliers and employees	(2,204,375)	(2,350,634)
Interest received	1,031	5,178
Interest paid	(30,290)	(23,781)
Government remittances	6,769	(20,811)
	<hr/>	<hr/>
Cash flow from (used by) operating activities	98,624	(545,585)
INVESTING ACTIVITY		
Purchase of capital assets	(52,622)	(12,263)
	<hr/>	<hr/>
FINANCING ACTIVITY		
Advances from (to) related parties	(76,479)	31,950
	<hr/>	<hr/>
DECREASE IN CASH FLOW	(30,477)	(525,898)
Cash - beginning of year	375,369	901,267
	<hr/>	<hr/>
CASH - END OF YEAR	\$ 344,892	\$ 375,369

MILLWOOD'S CHRISTIAN SCHOOL SOCIETY

Notes to Financial Statements

Year Ended June 30, 2022

PURPOSE OF THE ORGANIZATION

Millwood's Christian School Society (the "Society") is a not-for-profit organization incorporated provincially under the *Societies Act* of Alberta. As a registered charity, the Society is exempt from the payment of income tax under Section 149(1) of the *Income Tax Act*.

The Society operates to provide an Alternative Christian Education Program to the community.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

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. Significant estimates are:

1. Collectability of accounts receivable: The Society is required to estimate amounts that are uncollectable within the accounts receivable balance. Management uses specific identification to determine amounts that are uncollectable.
2. Useful lives of assets for amortization: The Society is required to estimate the useful life of its capital assets in order to determine the amortization method and rates. Amortization reflects the cost of these assets over their useful life. The useful life of an asset can change from year to year. The Board reviews these policies annually.
3. Impairment of long-lived assets: The Society reviews the carrying value of each asset annually to determine if there is any indications of impairment using internal sources. If assets carrying values are less than their cash-generating potential, the asset is reduced to its recoverable amount.

Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. These estimates are subject to change at any time based on experience and new information. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results could differ from these estimates.

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MILLWOOD'S CHRISTIAN SCHOOL SOCIETY

Notes to Financial Statements

Year Ended June 30, 2022

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

Measurement of financial instruments

The Society initially measures its financial assets and liabilities at fair value when acquired or issued, except for certain non-arm's length transactions.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost and are tested for impairment at each reporting date. Investments in equity instruments that are quoted in an active market are measured at fair value. Changes in fair value are recognized in revenue over expenditures.

Financial assets measured at amortized cost include cash, accounts receivable and advances to related parties.

Financial liabilities measured at amortized cost include accounts payable, accrued charges and advances from related parties.

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in revenue over expenditures in the period incurred. Transaction costs related to financial instruments subsequently measured at cost or amortized cost are included in the original cost of the financial asset or liability and recognized in revenue over expenditures over the life of the instrument using the straight-line method.

Impairment

For financial assets measured at cost or amortized cost, the Society determines whether there are indications of possible impairment. When there is an indication of impairment, and the Society determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in revenue over expenditures. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss shall be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 revenue over expenditures.

Cash and cash equivalents

The Society's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn, term deposits with a maturity period of three months or less from the date of acquisition and term deposits that are redeemable. Term deposits that the Society cannot use for current transactions because they are pledged as security are excluded from cash and cash equivalents.

Goods and services tax

Contributed materials and services are recoverable at 68 percent as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

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MILLWOOD'S CHRISTIAN SCHOOL SOCIETY

Notes to Financial Statements

Year Ended June 30, 2022

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

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates:

Buildings	5-20%
Equipment	10%
Leasehold improvements	10-20%
Motor vehicles	10%

The Society regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

All additions made during the year are amortized at 50 percent of the above rates and no amortization is taken in the year of disposition.

Impairment of long lived assets

The Society tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Donated services

The operations of the Society depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Government assistance

Government assistance has been received in the form of the Canada Summer Jobs. The subsidy has been recorded to offset employee wages and benefits. The Society also received a COVID-19 Relief Support Grant which has been recorded to offset janitorial services and employee wages and benefits.

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MILLWOOD'S CHRISTIAN SCHOOL SOCIETY

Notes to Financial Statements

Year Ended June 30, 2022

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

Revenue recognition

The Society follows the deferred method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

1. School fees and out of school care: Revenues are recognized in the restricted fund when received or receivable if the amount to be received can be estimated and collection is reasonably assured. School fees may be deferred as collection is not reasonably ensured until the school year begins and the student starts attending classes.
 2. Facility rent: Revenues from facility rent are recognized as revenue in the unrestricted fund when received or receivable if the amount to be received can be estimated and collection is reasonably assured.
 3. School activities: contributions that are specified for a project are recognized as revenue in the restricted fund when received or receivable if the amount to be received can be estimated and collection is reasonably assured. Undesignated contributions are recognized as revenue in the unrestricted fund when received or receivable if the amount to be received can be estimated and collection is reasonably assured.
 4. Other income: receipts are recognized as revenue in the unrestricted fund when received or receivable if the amount to be received can be estimated and collection is reasonably assured.
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2. ADVANCES TO RELATED PARTIES

Advances from related parties are unsecured, non-interest bearing, and have no set repayment terms.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Buildings	\$ 1,460,882	\$ 1,206,311	\$ 254,571	\$ 331,038
Equipment	28,491	14,796	13,695	17,580
Leasehold improvements	240,150	135,089	105,061	99,564
Motor vehicles	138,150	104,415	33,735	47,550
	<u>\$ 1,867,673</u>	<u>\$ 1,460,611</u>	<u>\$ 407,062</u>	<u>\$ 495,732</u>

4. BANK INDEBTEDNESS

The Society has access to a revolving loan with a limit of \$100,000 (2021 - \$100,000). The total balance outstanding at year end is \$66,086 (2021 - \$NIL). Interest is payable at prime plus 1.15 percent. The loan is due on demand and is secured by the Society's properties with a carrying value of \$254,571 (2021 - \$331,037).

MILLWOOD'S CHRISTIAN SCHOOL SOCIETY**Notes to Financial Statements****Year Ended June 30, 2022**

5. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2022</u>		<u>2021</u>
Trades payables	\$ 25,104	\$	27,720
Payroll liabilities	27,019		20,833
	<u>\$ 52,123</u>	\$	<u>48,553</u>

6. DEFERRED INCOME

	<u>2022</u>		<u>2021</u>
<u>Deferred Registration Fees</u>			
Balance, beginning of the year	\$ 228,738	\$	426,709
Less: amounts recognized as revenue	(228,738)		(426,709)
Plus: amounts received restricted for use	326,587		228,738
	<u>\$ 326,587</u>	\$	<u>228,738</u>

7. RELATED PARTY TRANSACTIONS

The following is a summary of the Society's related party transactions:

	<u>2022</u>		<u>2021</u>
<i>Commonly controlled organization</i>			
Occupancy costs	\$ 331,458	\$	385,428
Management and administration fees	63,984		62,112
<i>Board members</i>			
Lunchroom supervision	\$ 1,786	\$	1,590

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

8. GOVERNMENT ASSISTANCE

Canada Summer Jobs grant was received in the year and allocated as follows:

Human resource costs \$ 36,679

COVID-19 Relief Grant was received in the year and allocated as follows:

Operating activities \$ 8,045

MILLWOOD'S CHRISTIAN SCHOOL SOCIETY

Notes to Financial Statements

Year Ended June 30, 2022

9. COMMITMENTS

The Society has entered into a contractual agreement to rent the facilities for its use with a related Church. This contract is for a 15 year period with an option to renew every 5 years.

The Society also pays the church a management fee monthly for its use of the office personnel.

The annual amounts to be paid are determined by the annual budget and are usually subject to a 3.00 percent increase annually.

Contractual obligation repayment schedule:

2023	\$	314,325
2024		323,755
2025		333,468
2026		343,472

10. GUARANTEE

The Society has guaranteed the mortgage of a related Church. The original amount guaranteed is \$3,351,039 and the current balance owing on the mortgage is \$1,473,656 (2021 - \$1,598,409). The maximum potential amount of future repayments that the Society could be required to make is \$1,473,656.

11. FINANCIAL INSTRUMENTS

The organization 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 organization's risk exposure and concentration as of June 30, 2022.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk from families. In order to reduce its credit risk, the Society reviews a new families's credit history before extending credit. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Society has a significant number of students which minimizes concentration of credit 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 Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Liquidity risk

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

There are no significant changes in the risk profile for the financial statements of the Society from that of the previous period.
