

Financial Statements of

THE CALGARY JEWISH ACADEMY

Year ended August 31, 2018



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Calgary Jewish Academy

We have audited the accompanying financial statements of the Calgary Jewish Academy, which comprise the statement of financial position as at August 31, 2018, the statements of operations, changes in net assets (deficit), and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Calgary Jewish Academy as at August 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

November 20, 2018

THE CALGARY JEWISH ACADEMY

Statement of Financial Position

August 31, 2018, with comparative figures for 2017

	2018	2017
Assets		
Current assets:		
Cash (note 3)	\$ –	\$ 138,731
Investments (note 5)	548,809	543,453
Due from the Friends of The Calgary Jewish Academy Trust	160,678	117,328
Accounts receivable	2,394	11,518
Government remittances recoverable	14,436	15,056
Prepaid expenses and supplies	60,837	88,143
	<u>787,154</u>	<u>914,229</u>
Cash reserve (note 3)	183,940	173,490
Capital assets (note 6)	1,692,617	1,605,422
Long-term investments (note 5)	14,535	13,876
	<u>\$ 2,678,246</u>	<u>\$ 2,707,017</u>
Liabilities and Net Assets		
Current liabilities:		
Cheques issued in excess of cash (note 3)	\$ 2,852	\$ –
Accounts payable and accrued liabilities	156,736	254,741
Deferred revenue (notes 7 and 11)	701,401	648,307
Credit facilities (note 4)	874,682	923,095
	<u>1,735,671</u>	<u>1,826,143</u>
Unamortized capital contributions (note 8)	301,943	261,747
	<u>2,037,614</u>	<u>2,087,890</u>
Net assets (deficit):		
Invested in capital assets	1,390,674	1,343,675
Unrestricted	(935,322)	(913,521)
Internally restricted	185,280	188,973
	<u>640,632</u>	<u>619,127</u>
Commitments (note 9)		
Economic dependence (note 12)		
	<u>\$ 2,678,246</u>	<u>\$ 2,707,017</u>

See accompanying notes to financial statements.

THE CALGARY JEWISH ACADEMY

Statement of Operations

Year ended August 31, 2018, with comparative figures for 2017

	2018	2017
Revenue:		
Parent contributions	\$ 2,968,075	\$ 2,626,125
Subsidies	(615,787)	(491,248)
Parent contributions, net	2,352,288	2,134,877
Alberta Education Grants (note 12)	1,952,731	1,769,675
Calgary United Jewish Appeal allocation	407,654	361,050
The Friends of The Calgary Jewish Academy Trust (note 11)	189,250	36,750
Out of School program fees (note 12)	112,783	28,873
Donations	55,617	73,095
Fundraising (note 11)	49,136	129,941
Sundry income (note 11)	33,962	37,190
Amortization of capital contribution (note 8)	18,043	11,580
Interest	16,387	18,449
	5,187,851	4,601,480
Expenses:		
Salaries, wages and benefits	4,087,837	3,740,191
Maintenance and security	214,507	185,622
Supplies and books	171,178	154,154
Student activities	102,272	79,971
Professional fees	94,609	48,000
Light, heat, water	74,812	73,507
Office, postage and stationery	59,160	53,159
Interest and bank charges	43,681	39,555
Insurance	39,557	38,881
Out of School program	36,931	11,541
Professional development	28,827	24,168
Recruitment, advertising	27,812	37,658
Telephone	17,775	20,484
Fundraising expenses	13,208	19,954
Goods and services tax	12,732	12,547
Graduation	10,396	6,670
Bad debts (recovery)	4,000	(1,280)
Library	1,394	3,212
Licenses and taxes (recovery)	(29)	2,553
	5,040,659	4,550,547
Amortization of capital assets	125,687	98,190
Excess (deficiency) of revenues over expenses	\$ 21,505	\$ (47,257)

See accompanying notes to financial statements.

THE CALGARY JEWISH ACADEMY

Statement of Changes in Net Assets (Deficit)

Year ended August 31, 2018, with comparative figures for 2017

2018	Unrestricted Fund	Internally restricted fund	Invested in capital assets	Total
Balance, beginning of year	\$ (913,521)	\$ 188,973	\$ 1,343,675	\$ 619,127
Deficiency of revenues over expenses	129,149	–	(107,644)	21,505
Transfer to internally restricted fund	(10,450)	10,450	–	–
Transfer to unrestricted fund	14,143	(14,143)	–	–
Receipt of capital contributions	58,239	–	(58,239)	–
Purchase of capital assets	(212,882)	–	212,882	–
	\$ (935,322)	\$ 185,280	\$ 1,390,674	\$ 640,632

2017	Unrestricted Fund	Internally restricted fund	Invested in capital assets	Total
Balance, beginning of year	\$ (827,874)	\$ 193,066	\$ 1,301,192	\$ 666,384
Deficiency of revenues over expenses	39,353	–	(86,610)	(47,257)
Transfer to internally restricted fund	(10,050)	10,050	–	–
Transfer to unrestricted fund	14,143	(14,143)	–	–
Receipt of capital	99,627	–	(99,627)	–
Purchase of capital assets	(228,720)	–	228,720	–
	\$ (913,521)	\$ 188,973	\$ 1,343,675	\$ 619,127

See accompanying notes to financial statements.

THE CALGARY JEWISH ACADEMY

Statement of Cash Flows

Year ended August 31, 2018, with comparative figures for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Deficiency of revenues over expense	\$ 21,505	\$ (47,257)
Items not affecting cash:		
Amortization of capital assets	125,687	98,190
Amortization of capital contributions (note 8)	(18,043)	(11,580)
	<u>129,149</u>	<u>39,353</u>
Change in non-cash working capital:		
Accounts receivable	9,124	(8,949)
Government remittance recoverable	620	28,223
Prepaid expenses and supplies	27,306	26,008
Accounts payable and accrued liabilities	(113,238)	(459,291)
Deferred revenue	53,094	121,881
	<u>106,055</u>	<u>(252,775)</u>
Investments:		
Increase in cash reserve	(10,450)	(10,050)
Proceeds on disposal of investments	(5,356)	252,879
Purchase of capital assets	(212,882)	(228,720)
Non-cash working capital	15,233	3,204
Purchase of long-term investments	(659)	(503)
Receipt of capital contributions (note 8)	58,239	99,627
	<u>(155,875)</u>	<u>116,437</u>
Financing:		
Decrease in due from The Friends of The CJA Trust	(43,350)	(88,425)
Net (repayments) advances on credit facilities	(48,413)	193,095
	<u>(91,763)</u>	<u>104,670</u>
Decrease in cash	(141,583)	(31,668)
Cash, beginning of year	138,731	170,399
Cash (cheques issued in excess of cash), end of year	<u>\$ (2,852)</u>	<u>\$ 138,731</u>

See accompanying notes to financial statements.

THE CALGARY JEWISH ACADEMY

Notes to Financial Statements

Year ended August 31, 2018, with comparative information for 2017

1. Purpose:

The Calgary Jewish Academy (the "Academy") is an accredited private school that offers programs from Nursery to Grade 9. The Academy is incorporated by a Special Act of the Legislature of Alberta and is also a registered charity under the Income Tax Act. Accordingly, the Academy is exempt from income taxes (provided certain requirements of the Income Tax Act are met) and is able to issue donation receipts for income taxes purposes.

The Friends of The Calgary Jewish Academy Trust (the "Trust"), with the assistance of volunteers and employees of the Academy, earns income through various fundraising activities including casinos, bingos and raffle ticket sales (Note 11). Income earned by the Trust is distributed to the Academy and is included in fundraising income.

2. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNFPO"). The significant accounting policies of the Academy are as follows:

(a) Revenue recognition:

The Academy follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grant, donation and fundraising revenue is recorded as revenue when received unless it is restricted for a specified purpose. Grant, donation and fundraising revenue restricted for a specified purpose is recorded as deferred revenue until it can be matched to the related expenses.

Restricted capital contributions related to capital assets are deferred and amortized on a straight-line basis over the estimated useful life of the corresponding asset.

Parent contributions are recorded as revenue in the year to which they apply.

Interest income is recorded using the accrual method and is therefore recognized when earned.

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Notes to Financial Statements, page 2

Year ended August 31, 2018, with comparative information for 2017

2. Significant accounting policies (continued):

(b) Donated materials:

Donated materials are recorded in the financial statements at fair market value when fair market value can be reasonably estimated and when the Academy would otherwise have purchased these items.

(c) Capital assets:

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

Buildings and building improvements	2.5%
Furniture and equipment	20%
Site improvements	5%

The Academy recognizes collections of artwork in the statement of financial position at cost, which is deemed to be fair value at the date of contribution plus all costs directly attributable to acquisition of the collection items. If cost cannot be reasonable determined for contributed items or collections, the items are recorded at nominal value. As it is the nature of these items to be preserved in perpetuity, the Academy does not amortize its collections.

Capital assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be fully recoverable. An impairment loss is recognized in the period it is determined and calculated as the excess of the carrying value of the asset over its fair value.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments and bonds that are quoted in an active market are subsequently recorded at fair value. All other financial instruments are recorded at cost or amortized cost, unless management has elected to record at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the excess of revenue over expenses as dividends and other distributions.

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Notes to Financial Statements, page 3

Year ended August 31, 2018, with comparative information for 2017

2. Significant accounting policies (continued):

(d) Financial instruments (continued):

With respect to financial assets measured at cost or amortized cost, the Academy recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statement of revenue and expenses in the period in which the reversal occurs.

The Academy does not enter into any derivative financial instrument arrangements.

(e) Use of estimates:

The preparation of financial statements in conformity with ASNFPPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant of these estimates are related to the allowance for doubtful accounts, the amortization period for and potential impairment of capital assets and the accrual of liabilities. Actual results could differ significantly from the estimates.

3. Cash (cheques issued in excess of cash) and cash reserve:

Cash (cheques issued in excess of cash) includes a restricted amount of \$70,163 (2017 - \$69,466), which can only be used for specific current purposes under externally-imposed restrictions.

The cash reserve of \$183,940 (2017 - \$173,490) includes cash held to be used at the discretion of the Board of Directors for the non-current purposes of the Academy.

4. Credit facilities:

The Academy has available a commercial term loan available in the amount of \$940,000, bearing interest at 3.7% per annum (2017 – 3.7% per annum). The balance outstanding on this facility at August 31, 2018 was \$874,682 (2017 - \$923,095). This facility is payable on demand, but until the earlier of demand and the maturity date of January 31, 2022, monthly blended payments of principal and interest of \$6,813 are due (2017 – \$6,813).

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Year ended August 31, 2018, with comparative information for 2017

4. Credit facilities (continued):

The Academy has available a fluctuating overdraft facility with a limit of \$250,000, bearing interest at the bank's prime interest rate plus 0.5% per annum. The balance outstanding on this facility at August 31, 2018 was \$nil (2017 - \$nil). The facility is payable on demand, but until demand, interest only is payable monthly in arrears.

The Academy has available a demand line of credit facility for maintenance and repairs as well as capital asset upgrades with a limit of \$260,000, bearing interest at the bank's prime interest rate plus 0.5% per annum. The balance outstanding on this facility at August 31, 2018 was \$nil (2017 - \$nil). This facility is payable on demand, but until demand, interest only is payable monthly in arrears.

The facilities noted above are secured by an assignment of First Calgary Financial term deposits (note 5), and a general security agreement providing a first charge over all present and after-acquired property of the Academy.

These credit facilities have financial covenants requiring maintenance of certain financial ratios relating to debt services, debt to equity and current ratios. Two of these covenants were not met during the fiscal year. It is not known at this time what action, if any, the Academy's lender will take as a result of this breach.

5. Investments:

Investments reflected as current assets are recorded at fair market value and comprise term deposits with maturity dates of one year or less. The effective rate of interest on these investments is 0.90% to 1.75% (2017 – 0.65% to 1.75%) per annum.

Long-term investments are stated at fair market value and include:

	2018	2017
First Calgary Financial common shares	\$ 14,535	\$ 13,876

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Year ended August 31, 2018, with comparative information for 2017

6. Capital assets:

2018	Cost	Accumulated depreciation	Net book value
Land	\$ 276,490	\$ –	\$ 276,490
Building and building improvements	2,201,393	1,258,560	942,833
Furniture and equipment	940,280	746,723	193,557
Site improvements	356,965	87,328	269,637
Artwork	10,100	–	10,100
	<u>\$ 3,785,228</u>	<u>\$ 2,092,611</u>	<u>\$ 1,692,617</u>

2017	Cost	Accumulated depreciation	Net book value
Land	\$ 276,490	\$ –	\$ 276,490
Building and building improvements	2,031,521	1,219,940	811,581
Furniture and equipment	913,630	677,505	236,125
Site improvements	350,706	69,480	281,226
	<u>\$ 3,572,347</u>	<u>\$ 1,966,925</u>	<u>\$ 1,605,422</u>

7. Deferred revenue:

Deferred revenue consists of contributions that the Academy has received but not yet utilized for the purpose provided. It consists of the following:

	2018	2017
Prepaid tuition	\$ 523,132	\$ 518,182
Miscellaneous funds	156,579	108,435
Israel trip fundraising	21,690	21,690
	<u>\$ 701,401</u>	<u>\$ 648,307</u>

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Year ended August 31, 2018, with comparative information for 2017

8. Unamortized capital contributions:

	2018	2017
Balance, beginning of year	\$ 261,747	\$ 173,700
Contributions received	58,239	99,627
Amortization to revenue	(18,043)	(11,580)
Balance, end of year	\$ 301,943	\$ 261,747

9. Commitments:

The Academy has leased office equipment and is required to make quarterly payments of \$2,244 until September 2019.

10. Financial instruments:

(a) Credit risk

The Academy is exposed to credit risk relating to its receivables to the extent that its counterparties may experience financial difficulty and would be unable to meet their obligations. However, the Academy has a large number of diverse counterparties, which minimizes the concentration of credit risk. The Academy assesses, on a continuous basis, its receivables and provides for any amounts that are not collectible in the allowance for doubtful accounts. Cash is deposited with Canadian commercial banks.

(b) Liquidity risk

Liquidity risk is the risk that the Academy encounters difficulty in meeting its obligations associated with its financial liabilities. Liquidity risk arises from accounts payable and accrued liabilities. The Academy maintains sufficient cash, investments, and sources of liquidity to discharge and manage its financial liabilities. This risk is unchanged from 2017.

(c) Interest rate risk

The Academy is exposed to interest rate risk given that its short-term investments have maturity dates within a 12-month period. Accordingly, if interest rates decline, the Academy may not be able to reinvest the maturing investment at a rate similar to that of the balance maturing. The Academy is further exposed to interest rate risk given that some of its credit facilities bear interest at variable rates (note 4).

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Year ended August 31, 2018, with comparative information for 2017

11. Related party transactions:

The Academy uses the gambling license of the Trust in order to run events such as casinos, bingo, and raffles. The Trust provides annual donations in order to support the operations of the Academy. The Board of Directors of the Academy typically shares at least one Board member with that of the Trust, but does not control the Trust or vice versa.

The amounts due from the Trust are unsecured, non-interest bearing and have no fixed terms of repayment. The Academy has an economic interest in the Trust as the Trust holds resources for the benefit of the Academy. At August 31, 2018, the amounts due from The Friends of The Calgary Jewish Academy Trust consisted of revenues from casino and bingo events. These amounts do not bear interest.

During the year, \$202,500 (2017 - \$50,000) was donated to the Academy from the Trust, of which \$124,250 (2017 - \$36,750) was used to support operations, and \$1,000 (2017 - \$10,000) was directed for a specific purpose. Of the directed amounts, \$1,000 (2017 - \$1,000) was recognized as sundry income and \$nil (2017 - \$9,000) was recognized as fundraising income in the Statement of Operations with \$12,250 (2017 - \$3,250) deferred until the related expenses are incurred. Additionally, the Academy made a \$20,000 (2017 - \$nil) payment to the Trust in order to release funding. During the year, the Trust held the gambling license for bingo events that earned \$40,815 (2017 - \$45,992) and casino events that earned \$70,000 (2017 - \$68,461).

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

12. Economic dependence:

The Academy's primary source of grant revenue is from Alberta Education. During the year ended August 31, 2018, the Academy received funding of \$2,065,514 (2017 - \$1,798,548) from Alberta Education. The Academy's ability to continue viable operations is dependent on this funding.

13. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's presentation.