

Trinity Christian School Association

**REVIEW OF FINANCIAL MANAGEMENT AND ADMINISTRATION
ALBERTA EDUCATION- STRATEGIC SERVICES AND GOVERNANCE**

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1 Executive Summary

Pursuant to the letter sent to Trinity Christian School Association (Trinity) on July 29, 2016 from the Minister of Education directing an examination of any books or records necessary to determine how the grant money has been used by Trinity, the Department of Education conducted a review into the financial management and administration of the operation of Trinity and its supervision of the home education program. Trinity contracts with Wisdom Home Schooling Society of Alberta (Wisdom). The arrangement between Trinity and Wisdom is inconsistent with legislation.

Alberta Education has no relationship with Wisdom. Trinity is the school authority under the *Act* responsible and accountable to Alberta Education for the funding received.

It is noted at this time that Trinity appears to distinguish between “Wisdom Home Schooling” and Wisdom Home Schooling Society of Alberta. Over the last several years Alberta Education has received correspondence from Trinity that describes “Wisdom Home Schooling” as part of Trinity, while Wisdom the society is separate¹. In the findings below, unless otherwise specified, where Wisdom documents are referenced they are records of Wisdom the society.

Our review included three onsite visits to Wisdom and Trinity locations to gain a better understanding of the operations as part of this review. Staff of both Trinity and Wisdom were cooperative and provided requested information in a timely manner except where noted under **Section 3.4** of this report. Our review generally focused on the period between September 1, 2012 and August 31, 2015 although it involved prior periods in certain areas as described in this report. Our review identified that:

- Wisdom spending of \$5.2 million in 2014/2015 accounts for approximately 90 per cent of the total spending by the two entities of the department’s home education grant funded to Trinity.
- 99 per cent of total revenue of Trinity and Wisdom reported in the 2015 audited financial statements is from Alberta Education with only \$50 thousand of the \$5.4 million being from external sources.

Governance and Internal Controls review indicated that (See Section 5.1):

- Both Trinity and Wisdom have a board of directors. The boards and administration of both Trinity and Wisdom are largely represented by two families; the [redacted] family (Trinity) and the [redacted] family (Wisdom).
- The staff and administration of Trinity include [redacted] and [redacted], including [redacted] who is also a board member. Staff at Wisdom

¹ September 29, 2016 letter to Deputy Minister

include _____ and several family members including, _____ (_____ of _____), _____ (_____ of _____), _____ (_____ of _____) and _____ (_____ of _____).

- Board oversight by Trinity of the activities of senior management and the operations of the home education program has been absent or ineffective in a number of areas. For example, in the areas of approval of senior management pay and benefits as Trinity was not able to demonstrate any evidence of board oversight of senior management remuneration See **Section 5.1.1**.
- There appears to have been insufficient recognition by the Trinity board for the need to formally declare and have the Trinity board oversee related party transactions involving senior management of Trinity and Wisdom. Neither Trinity nor Wisdom were able to demonstrate any evidence of corporate board approvals of leases rates and the setting of rates with related parties Lone Spruce Farm or Living Water Arts Foundation. See **Sections 5.1.1 and 5.2**.
- Trinity and Wisdom Board meeting minutes indicate that Wisdom’s board is largely responsible for decisions related to the Home Education program including staffing levels and setting the remuneration for the director and facilitators. Trinity was not able to provide any evidence of review or approval by Trinity of remuneration and benefits. See **Section 5.1.1**
- There are numerous instances of family members approving and paying employment contracts for other family members such as _____, (_____ and _____ of _____) who signs and approves all administration contracts except for _____ and _____ and _____. Many of these contracts are to individuals related to _____ (ie. _____ - _____, _____ - _____, _____ - _____). See **Section 5.1.2**
 - In addition _____ decides the rate of pay for _____, and _____ and _____ and approves those contracts. _____ signs _____ employment contract on behalf of Wisdom. See **Section 5.1.2**.
- There are numerous other internal control deficiencies regarding related party transactions and approval described in this report. See **Section 5.1.2**

Leases (See Section 5.2):

- “Wisdom Home Schooling” has been leasing 2,616 sq. ft. of office space for \$105 thousand per year and another 6,602 sq. ft. of space for \$11 thousand per year in Derwent Alberta from Lone Spruce Farm and Living Water Arts Foundation respectively. Both of these leases are non-arm’s length, as Lone Spruce Farm is owned by

- , and Living Water Arts Foundation lists as the
, and as a .
- The Lone Spruce Farm leases are signed annually on behalf of “Wisdom Home Schooling” by and on behalf of Lone Spruce Farm by with no formal motion or approval by the board of Wisdom. Although no comparable leases in Derwent Alberta exist, we concluded that the Lone Spruce Farm lease appears to be greater than the likely rent if calculated based on an 8-10 year payback period described by as the basis for determining the lease rate. Using this method we calculated a reasonable annual lease rate of approximately \$10 thousand to \$18 thousand. Current rent charged is almost ten times the expected rent based on the method described by . (Assuming the rate was set by Wisdom using an 8-10 year payback as stated, a \$105,000 annual lease with an 8-10 year payback equates to a capital cost of between \$840 thousand and \$1.05 million.) See Section 5.2.1.
 - The lease with Living Water Arts Foundation appears to be at a reasonable rate; however there are questions as to why Wisdom needs to pay for an annual lease plus utilities and maintenance for a facility that is not used throughout the year. In addition this facility was constructed using government grants paid to Trinity (approximately \$0.5M), then reportedly sold “by” Trinity, at a loss, to Living Water only to be leased back to “Wisdom Home Schooling”. The construction and sale of this facility is described below and in Section 5.3 of this report.
 - The expenses for these leases are paid from the Wisdom Home Schooling Society of Alberta’s bank account.

Capital Transactions (See Section 5.3):

- We noted in our historical review of financial records previously submitted to Alberta Education that Trinity reported a loss of \$410 thousand in the 2006-07 audited financial statements from a disposal of a building for proceeds of \$150 thousand. During our visit on August 12, 2016 of the Living Water facility, stated that the building was the Living Water College which was sold to Living Water by Trinity which they refer to as the “Wisdom Centre.”
- “Trinity” reported the construction of the “Wisdom Centre” facility over a number of years starting in 2001 with a total capital cost of \$560 thousand. This is the same facility currently being leased described above and in Section 5.2.2. The source of the funds at the time was from Alberta Education funding under the Alberta Initiative for School Improvement (AIS) program.

- We discovered that the reporting to Alberta Education by Trinity in their audited financial statements² was inconsistent with the actual facts around this sale as at no time and in particular at the date of the sale of the building, did Trinity have title to the property and therefore it was not their building to sell to Living Water. Furthermore, Trinity reported the sale as occurring in 2006-07, yet no transfer took place until 2008 when [redacted] transferred the property to Living Water Arts Foundation. The Transfer of Land registered to create the title for the new Living Water parcel indicates that the transfer was from [redacted] (not Trinity), was for \$1.00 (not \$150,000) and the registered Affidavit of Value indicates the value of the land as \$24,000 (not the value indicated in the 2005 appraisal). See Section 5.3 for a complete description of the findings.

Administration Compensation and Payments (See Section 5.4):

- Trinity and Wisdom spent approximately 32 per cent of expenses on payments for office and administration compared to a 3.4 to 5.6 per cent range in public boards. The majority of administration salaries are to individuals related to [redacted] and individuals related to the [redacted].
 - Total compensation amounts paid to [redacted] (Trinity) and [redacted] (Wisdom) over the last three years exceed [redacted] and [redacted] million respectively. Total compensation to all members of these two families exceeds \$2.76 million over the same period.
- As described above and under Section 5.1.2, approval of contracts and rates involve numerous family members and control deficiencies in both Trinity and Wisdom, leading to exorbitant administration remuneration spending. See Section 5.4 for more detail on the findings of administration compensation and payments.
- Amounts paid by Trinity for administration staff were not supported by employment contracts with Trinity as we were told by Margaret Schienbein the contracts do not exist. See Section 5.4.

Employment of Teachers/Facilitators (See Section 5.5):

- Section 4(2)(b) of the *Home Education Regulation* states an associate board or associate private school supervising a home education program must arrange for teachers employed by the associate board or private school to conduct at least two evaluations of the progress of the student in each school year. We reviewed Trinity and Wisdom's records and found that Trinity's treatment is inconsistent with legislation as the 13 certificated teachers referred to by Wisdom as 'facilitators' are paid by Wisdom as

² The auditors at the time were Bergevin Kwok, Heck, and Borle Chartered Accountants. Collins Barrow began auditing Trinity and Wisdom in 2012/2013.

independent contractors and are not employees of either organization. Wisdom provided contracts and invoices for the contractors confirming that facilitators are contractors providing services to Wisdom (some under business names and corporations) as both the invoice and contract is to Wisdom with no indication of Trinity involvement. These 'facilitators' are paid from Wisdom Home Schooling Society of Alberta's bank account.

- Trinity did not pay any of the home education facilitators in the periods under review and pays one certificated teacher, _____ for the regular 13 in school students however, there is no employment contract for this individual. Payments to this certificated teacher are also under a contractor relationship and are recorded under contract expense in Trinity's general ledger. This is Inconsistent with section 28(2)(b)(iii) of the *School Act*.

Flow of Alberta Education Grant Funds and Family Reimbursements (See Section 5.6):

- We observed lump sum transfers from Trinity's bank account to Wisdom's bank account following the same timing as Alberta Education grants to Trinity.
- Trinity gave Wisdom full responsibility for administering all aspects of the home education grant, including the reimbursement of the parent portion of Alberta Education grants. Trinity was not able to demonstrate any involvement or oversight of the administration of the parent portion of the grant.
- Wisdom policy is that any unused parent portion of the grant will only be carried forward if a form requesting carry over is received by the set deadline of June 30th. This policy and related forms and deadlines are clearly communicated on Wisdom's website. However, Wisdom provides inaccurate information to parents regarding this deadline by stating that this deadline is an Alberta Education requirement. In fact, this deadline is an in-house deadline and is not based on provincial legislation, regulation or policy. As a result, parents are limited in their ability to access the remaining funds they are entitled to and all unused parent portion goes to the general revenue of Wisdom. Based on our analysis, the total estimated amount of unclaimed parent portion of funding recorded in Wisdom's general revenue exceeds \$988,000 over three years.
- Wisdom's records show the parent portion of the grant was spent in several ways such as providing online and mediated learning courses which Wisdom charges back to parents thereby reducing the parent portion of the home education grant available for parent reimbursement. In our view, this is inconsistent with the *School Act* and *Home Education Regulation* as:
 - The paying for the cost of instruction (tuition) is not a proper expense.
 - Mediated Learning and other costs related to parent learning are not sufficiently related to the program of student study.

- We conclude that based on the findings of **Section 5.6**, Trinity is not fulfilling its responsibilities under Section 7(2) of the *Home Education Regulation* which states an associate board or private school must offer not less than 50% of the home education program funding received under subsection (1) to the parents who are providing home education programs to students.

Other Transaction Identified (See Section 5.7):

- Trinity reimbursed [redacted] for mileage amounting to \$303.85 on September 26, 2012 for two trips to Derwent Alberta, yet [redacted] was also receiving a vehicle allowance of \$300 at this time for the same month.
- We identified numerous transactions for items such as food, alcohol, gifts & gift cards, funeral costs, babysitting for [redacted]'s children, groceries, theatre tickets, and other staff functions. Payment is at times to various vendors providing the services, but many times the cheques are written to [redacted] or other [redacted] family members for "public relations expenses" for reimbursement of expenses.
- We discovered instances of Wisdom staff claiming a per diem for accommodation and travel while also being reimbursed for the receipted amount. Wisdom's travel policy allows for an accommodation rate of \$280/night claimable without receipt.
- We noticed employee expense reimbursements to [redacted] for travel to board meetings in 2013-14. [redacted] is not a board member of either Trinity or Wisdom. [redacted] of Living Water Arts Foundation. The description on the General Ledger and a parking receipt is LWCA. It appears Wisdom was paying [redacted] for travel related to Living Water Arts Foundation.
- Trinity is accountable for the use and expenditure of the home education funding. To the extent that Trinity has either purported to "delegate" or "contract out" to Wisdom the sole discretion to manage the funds, Trinity is, in our view not compliant with the *Home Education Regulation*, the *Education Grants Regulation*. Trinity should be held accountable for any inappropriate expenditure of home education funding.

Failures to Comply with Legislation (See Section 5.8):

- We identified several instances of Trinity failing to comply with legislation such as the *Home Education Regulation*. This is described in **Section 5.8** and includes the employment of teachers as required under section 4(2)(b) and responsibilities under section 5, and reimbursements to families under section 7(2). In addition Trinity has failed to comply with section 28(2)(b)(iii) of the *School Act* in regard to the certificated teacher of Trinity being treated as an independent contractor, and not an employee.
- In addition, based on the collective findings of this report, Trinity has failed to meet its responsibilities under section 7 of the *Education Grants Regulation* which provides that

it is a condition of the grant that the recipient must use the grant only for the purposes for which it is made.

Recommendation (See Section 6):

- We recommend the Deputy Minister cancel Trinity's accreditation and registration over failures to comply with legislation such as its failure to supervise the home education program including the employment of teachers and facilitators, its failure to properly manage its finances and spend Alberta Education funds for the purposes intended as required under section 7 of the *Education Grants Regulation*.

2 Background

Trinity Christian School Association (Trinity) is an accredited funded private school operating in Cold Lake Alberta since 1994 and currently has 13 regular students, and is the supervising school authority for 3,491 home education students registered for the 2016/17 school year. For the 2015/16 school year, Trinity received \$5.6 million (2014/15 - \$5.3 million) in Alberta Education funding for 3,302 (2014/15 - 3,248) home education students and approximately \$80 thousand (2014/15 - \$72 thousand) for 15 regular private school students 2014/15 – 13 students).

- Trinity contracts with a third party, Wisdom Home Schooling Society of Alberta (Wisdom) to administer the home education program. Wisdom is not a recognized private school in Alberta, without any accreditation or relationship with Alberta Education. Wisdom was founded in 1995 by _____, who is _____ of Wisdom and _____ of Trinity Christian.
- The review of Trinity's 2014/15 audited financial statements by Department of Education identified items in the financial statements that led to the Department requesting further documentation such as lease agreements, the contract between Trinity and Wisdom, and breakdown of remuneration paid to staff members disclosed as related parties in the notes to the financial statements.
- Education was provided the requested documentation which upon review led to serious concerns as to whether Trinity was meeting its responsibilities as the supervising associate private school and operating in accordance with legislation
- The Deputy Minister sent a letter to the board chair of Trinity on June 6, 2016 outlining three of the more serious areas of concern that required immediate attention with a response deadline of June 13, 2016. The areas of concern requiring immediate attention were: employment of teachers, leases, and a complete detailed accounting of the flow of home education funding.
- Employment of teachers is a concern that is not new. Trinity had reported no certificated salaries under their home education program for multiple years in their audited financial statements and instead reported these teachers under "contracts".
 - As a result Alberta Education had warned Trinity in consecutive years via emails sent February 24, 2014 and March 31, 2015 that the *Home Education Regulation* requires the teachers to be employed by Trinity.
- On June 13, 2016, Trinity provided its official response along with requested documents. These documents only addressed the employment of teachers, which was one of the three serious concerns outlined in the June 6, 2016, letter.

- Trinity provided contracts between facilitators and Wisdom, and invoices from the facilitators to Wisdom, but nothing indicating employment with Trinity, as Trinity was absent in all documentation.
- In addition to the documentation showing the facilitators are not being employed by Trinity as required under Section 4(2)(b) of the *Home Education Regulation*, the documentation indicated the facilitators are acting as independent consultants charging GST to Wisdom for their teaching services.
- Trinity's initial response did not address the other two serious items of concern:
 - An explanation as why leases between Wisdom and parties related to Wisdom are being paid for using education funds provided to Trinity; and
 - A complete accounting of the home education funding from Alberta Education including the expenses of Wisdom. Section 7(a)(ii) of the *Education Grants Regulation* states the grant recipient shall "account to the Minister, in the manner that the Minister determines and to the Minister's satisfaction, for how the grant money or any portion of it was or is being used."
- As a result, the acting Deputy Minister informed Trinity via conference call with the Board Chair Lynn Gullackson, and Secretary Treasurer Margaret Schienbein on July 29th they will be receiving a letter (sent the same day) from the Minister directing an examination of any books or records necessary to determine how the grant money has been used by Trinity beginning with an onsite review on August 3, 2016.
 - Subsequent to the phone call with the acting Deputy Minister, Trinity provided a letter sent to the Deputy Minister on July 17, 2016 providing an explanation of the leases and how they fit into the home education program. Leases are described in section 5.2 of this report.
 - In addition, Trinity provided a letter from Ron Smith of Alberta Education dated September 29, 1997 which they indicated as the reason they set up the structure between Trinity and Wisdom as it operates today. The context and history behind this letter is examined further in section 2.2.
- The findings contained in this report are a result of the examination and review directed by the Minister.

2.1 Financial Reporting to Alberta Education

As required per section 15(1) of the *Private Schools Regulation*, Trinity has been submitting audited financial statements and budgets annually to Alberta Education. There has never been any submission of Wisdom's financial statements in this reporting with the bulk of Trinity's expenses being reported under contracts and services. Alberta Education was of the understanding that this represented payments to Wisdom for home education and that the statements of Trinity did not contain the operations of Wisdom as no note disclosure indicated any combining or consolidation of the operations. Items such as the lease expenses of Wisdom

to related parties of Wisdom were being reported in Trinity's financial statements which led to Alberta Education understanding they were being paid by Trinity even though they were not party to these lease agreements.

During this review it was discovered through discussions with Wisdom/Trinity and their auditors Collins Barrow (who have been the auditors of Trinity and Wisdom beginning in 2012/2013) that the audited financial statements submitted to Alberta Education are done on a consolidated basis to include the operations of Wisdom and eliminate transactions between the two entities and present as one consolidated entity. The reason why a bulk of expenses are reported under contracts and services is due to all certificated teachers being treated as independent contractors and the large administrative expenses of the home education program with very little instructional expenses for the 13 regular in school students and one related certificated teacher.

2.2 1997 letter from Alberta Education to Trinity

On July 29, 2016, subsequent to the phone call with the acting Deputy Minister, Trinity provided a letter from Alberta Education dated September 29, 1997 which the chair indicated as the reason why Trinity set up the structure between Trinity and Wisdom as it operates today. Upon review of records retrieved by Education, a more complete correspondence prior to this letter was examined. See Exhibit 1. The letter provided by Trinity from Alberta Education dated September 29, 1997 was the culmination of months of discussions to address concerns that existed in 1997. The correspondence did not address the terms of an agreement between Trinity and Wisdom or employment of teachers, and does not affect Trinity's ultimate accountability over spending of government funds.

3 Scope of Review

3.1 Period of Review

We reviewed activity at Trinity and Wisdom between September 1, 2012 and August 31, 2015 which encompasses three school year reporting periods. Policies, contracts, and board meeting minutes subsequent to this period were also requested and reviewed as well as documents prior to this period for specific items such as capital transactions as noted in section 5.3. This report considers information received by us from Trinity and Wisdom to September 13, 2016.

3.2 Documents Reviewed

In preparing our report, we have reviewed and relied upon the following documents:

- Trinity and Wisdom Board meeting minutes between September 1, 2012 and August 31, 2015;
- An export of the general ledger transaction detail from Quickbooks for the period September 1, 2012 through August 31, 2015 for both Trinity and Wisdom;
- Audited trial balances of Trinity, Wisdom, and consolidated for fiscal years 2012-13, 2013-14, and 2014-15 provided by Collins Barrow;
- All bank statements of Trinity and Wisdom for the period September 1, 2012 through August 31, 2015;
- Provided paper records for the period September 1, 2012 through August 31, 2015 of both Trinity and Wisdom including returned cheques, invoices, copies of deposit slips;
- Audited consolidated financial statements including individual statements for Wisdom for fiscal years 2013, 2014, and 2015;
- All lease agreements of Trinity and Wisdom for fiscal years 2012-13 to 2015-16;
- Available staff employment contracts, facilitator contracts and invoices, and T4 slips for fiscal years 2012-13 to 2015-16
- Land title search results for Lone Spruce Farm and Living Water facilities;
- Alberta Initiative for School Improvement (AISI) application and reporting documents for the period 2001-2013.
- Historical records for Trinity.

3.3 Interviews and Discussions

We interviewed or held discussions with the following employees and board members of both Trinity and Wisdom:

- _____ of
Trinity;

- _____ of Wisdom;
- _____ and _____ of Wisdom, Board member of Trinity;
- Mrs. Lynn Gullackson, Board Chair of Trinity;
- Mrs. Margaret Schienbein, Secretary Treasurer of Trinity;
- _____, Audit Partner with Collins Barrow Edmonton.

3.4 Scope Limitations

Our work is subject to a number of scope limitations, the most prominent of which are as follows:

- Records of Lone Spruce Farms supporting the cost of the office building being leased to Wisdom were not provided as we were told the records no longer exist due to the acquisition and building improvements being prior to seven years ago. A list of upgrades was provided however Wisdom did not provide any cost estimates. Due to Wisdom not being able to provide any records of these costs we were unable to determine the cost of the building and confirm which entity incurred these costs.
- Records older than seven years ago relating to the building sold to Living Water in 2006-07 no longer exists and Trinity is unable to provide. Records requested which were unavailable are the executed sale agreement and evidence of disbursement of funds totaling \$150 thousand. As a result we are unable to determine the source of the funds and any receipt of funds by Trinity.
- Alberta Education on two occasions requested a reconciliation of the parent portion of the home education funding but Wisdom both times was unable to provide explanations and details as to the discrepancies found on review based on enrollment and Audited Financial Statement financial information. Our analysis was therefore based on the information we were able to locate in the Audited Financial Statements, from the external auditor and from Wisdom's financial records provided. The analysis is included in section 5.6 of this report.
- Wisdom was unable to provide adequate supporting documentation for a \$750 payment in US funds to United States Treasury on October 22, 2012 made on behalf of Living Water Arts Foundation. They provided page 12 of form 1023 – Application for Recognition of Exemption for tax free status for Living Water. Pages 1-11 of the form were requested but Wisdom stated pages 1-11 were unable to be located due to it being so long ago.

4 Approach

We have performed the following procedures to date with respect to gathering information on the financial operations and governance practices of Trinity and Wisdom:

- We conducted interviews of board members and management outlined in section 3.3 to understand governance and internal control practices at Trinity and Wisdom.
- We reviewed Board meeting minutes between September 1, 2012 and August 31, 2015 to identify whether there were additional transactions that may be of interest in this review to understand the background events of transactions we discuss, and to understand the approvals obtained and the extent of disclosure to the Board. We reviewed the financial statements of Trinity and Wisdom for fiscal 2013, 2014, and 2015 to gain an understanding of the sources and uses of funds and the nature of disclosures made to the Board and Alberta Education.
- We obtained an export of the general accounting ledger from Quickbooks which provides details of the transactions recorded in the financial statements (“electronic ledger”) of both Trinity and Wisdom between September 1, 2012 and August 31, 2015. We performed various electronic searches and review of transactions relevant to our current review.
- We manually reviewed bank statements and selected other supporting paper records of both Trinity and Wisdom for the period September 1, 2012 through August 31, 2015. The purpose of our review was to identify transactions with related parties and other payees of potential interest. On a sample basis, we traced the paper records to the electronic ledger to confirm the ledger’s accuracy.
- We reviewed Trial Balance auditor working papers provided by Collins Barrow including adjusting entries of Trinity, Wisdom, and both entities consolidated for the period September 1, 2012 through August 31, 2015.
- We reviewed available payroll records of entities, employment and facilitator contracts, T4 slips and contractor invoices for the period between September 1 2012 and August 31, 2016.
- We reviewed all lease agreements of Trinity and Wisdom for the period between September 1 2012 and August 31, 2016.
- We reviewed land title history of both the Lone Spruce Farm and Living Water facilities to identify ownership history of the facilities.
- We reviewed historical records regarding correspondence from Alberta Education in 1997 and AISI reporting for the periods 2001 – 2013.
- We reviewed the contract between Trinity and Wisdom.

5 Findings

5.1 Governance and Internal Controls

5.1.1 Governance

During the course of our review, we spoke with current board members of both Trinity and Wisdom to gather their views and explanations on the role of each Board, and whether members were provided with the information needed to discharge their responsibilities, in particular the level of oversight of Trinity's board over the operations of Wisdom and its home education program. We learned from these discussions and our review of documents that:

- Both Trinity and Wisdom have a board of directors. The boards and administration of both Trinity and Wisdom are largely represented by two families; the [redacted] family and the [redacted].
- Board Members for Trinity Christian School Association include:
 - Lynn Gullackson (Board Chair)
 - Simon Noster ([redacted])
 - Lisa Bekolay
 - Jeff Bekolay
 - Margaret Schienbein (Secretary Treasurer and [redacted])
 - Philip Schienbein ([redacted])
 - Karen Rempel
- The staff and administration of Trinity include [redacted] and [redacted]. See Exhibit 2 for job descriptions of all staff.
- Board members for Wisdom Home Schooling include:
 - Kenneth Noster (Wisdom Home Schooling Board Chair, [redacted])
 - Marlane Noster (Wisdom Home Schooling Secretary Treasurer, [redacted])
 - Jeff and Lisa Bekolay
 - Phil and Nimi Taranger
 - [redacted] – This couple does not appear in the corporate registry search as directors, but have been attending and acting as board members back to at least 2011.

- The staff and administration at Wisdom include _____ and _____ including, _____ of _____, _____ (_____ of _____), _____) and _____ (_____ of _____). See Exhibit 2 for job descriptions of all staff.
- Board oversight by Trinity of the activities of senior management and the operations of Wisdom’s home education program has been absent or ineffective in a number of areas. For example, in the areas of approval of senior management pay and benefits. Trinity was not able to demonstrate any evidence of board oversight of senior management remuneration.
 - Wisdom also was unable to demonstrate any evidence of board oversight by Wisdom’s board over _____’s salary in the period under review despite being told they are approved by the board. Wisdom did provide meeting minutes from Wisdom’s October 14, 2011 meeting where _____ salary is identified. There is no amount listed, but the minutes state that salary should be at least 15% above the highest staff salary or contract fee. Of particular interest is that _____ seconded this motion.
- There appears to have been insufficient recognition by the board for the need to formally declare and have the board oversee related party transactions involving senior management of Trinity and Wisdom. There is no policy on related party transactions and approvals. Trinity and Wisdom were unable to demonstrate any evidence of board approvals of leases and/or lease rates with related parties Lone Spruce Farm or Living Water Arts Foundation.
- During interviews with Wisdom Home Schooling, it was mentioned that Trinity is responsible for governing all operations related to Trinity Christian School, including the home school component. _____ clearly indicated that _____ “reports” to _____, but Trinity was not able to provide any evidence of oversight at Trinity board meetings or any approvals or decisions over home education operations made by _____ or Trinity’s board.
- Trinity staff gave a different impression about the governance of all operations than Wisdom staff. Trinity mentioned that Wisdom largely runs the home education program while Trinity oversees the budget and audit through review of the audited financial statements. Trinity does not provide any additional oversight of the day to day expenses of Wisdom.
- Trinity and Wisdom Board meeting minutes indicate that Wisdom’s board is largely responsible for decisions related to the home education program including staffing levels for the home school program and setting the remuneration for the director and facilitators. Trinity was not able to provide any evidence of review or approval of _____ remuneration and benefits.

- Hourly employees of Wisdom record their own hours worked on a shared spreadsheet using Google Docs which is submitted to _____ to approve payment in TelPay. _____ approved all payroll payments including _____ with no additional review, verification or oversight.
- Wisdom does not have evidence of a monthly bank reconciliation being reviewed and approved. _____ indicated _____ prepares bank reconciliation within Quickbooks but there is no evidence this is completed in a timely manner, nor reviewed or approved.
- Trinity requires dual signing authority on cheques with Lynn Gullackson (board Chair), Margaret Schienbein, and _____ having signing authority.
- There is no evidence of review or approval of expenses of Trinity by Trinity management prior to payment.
- There are no contracts for any Trinity employees and therefore no evidence of approval of salaries or approval of salary payments other than the dual signatures required.
- Trinity does not prepare monthly bank reconciliations.
- Expenses of Wisdom under the home education program do not require any prior oversight or approval by Trinity and we saw no evidence of any oversight by Trinity in the transactions we reviewed. Ms. Gullackson and Mrs. Schienbein informed us that Trinity exercises oversight of the home education spending of Wisdom by review of Wisdom's audited financial statements.

5.2 Leases

We reviewed all lease agreements and corresponding transactions recorded in Wisdom and Trinity's financial records for 2013 through 2015 and supporting documentation. We found Wisdom Home Schooling Society of Alberta has been paying lease costs for three properties in those years and Trinity has not made any lease payments in the years examined. Trinity provided a description of the uses of each property in a letter to the Deputy Minister dated June 17th, 2016 (see Exhibit 3). During our review, we found the following:

5.2.1 Wisdom head office leased from Lone Spruce Farm

- Wisdom has been leasing 2,616 sq. ft.³ of office space from a non-arm's length party, Lone Spruce Farm, owned by _____ for \$7,450 plus GST per month in 2012-2013 and 2013-2014 and for \$8,750 plus GST per month in 2014-2015 and 2015-2016. Total lease payments for these four years is \$493,800.

³ Source: Measurements provided by _____

- The land is located at _____, near the _____ on _____.
- The space is used as the administration office that administers Wisdom’s 3,491 home schooling students with approximately twenty-one staff members working from this location in 2015/16.
- The lease is signed annually on behalf of Wisdom by _____ and on behalf of Lone Spruce Farm by _____ (see Exhibit 4) with no formal motion or approval by the board of Wisdom or communication with other board members. There are no board policies of either Trinity or Wisdom on related party transactions or procurement and contract approval.
- Although we were told by _____ that Trinity provides oversight on all Wisdom expenses including leases, we found no documented evidence of any review, oversight or approval by the board of Trinity for this head office lease expense.⁵
- When asked how the rate was determined, we were told by _____ that the rate did seem high to _____, but was determined (_____ said on the advice of _____ accountant at the time) to be an amount that would recover the original capital cost of the office building in 8 – 10 years. _____ did not remember the actual cost of the building and when acquisition records and cost details were requested, we were told Lone Spruce Farm no longer has acquisition cost records, as it was purchased prior to 7 years ago. This is a scope limitation described earlier in Section 3.4. Although financial records for the construction of the building were not provided, _____ did remember the office started as a school portable costing \$12,000 with the following additional upgrades of:
 - Renovated interior and exterior
 - Added a new water system and sewer system
 - Constructed a major addition, doubling the size of the office
 - New roof
 - Upgraded power line from the transformer and added a new transformer
 - Installed a geothermal air conditioning unit
 - Upgraded heating replacing two original furnaces
 - Upgraded the communication services
 - Expanded parking lot twice (Note: We observed the office building and the parking for the building appeared to be vehicles on the grass with no paved parking lot).

⁴ 2015/16 lease agreement has location listed as _____, prior lease agreements show the address referenced in this report.

⁵ Source: Review of Trinity board meeting minutes

- Due to records not being made available and not within the scope of the review, we were unable to determine the cost of acquiring the building and confirm that the costs were incurred by Lone Spruce Farms and not another entity.
- If we assume the rate was set by Wisdom using an 8-10 year payback as stated, a \$105,000 annual lease with an 8-10 year payback equates to a capital cost of between \$840 thousand and \$1.05 million. A new modular costs approximately \$100-\$150 thousand, therefore a more reasonable rent rate based on the payback method of a new structure would be approximately \$10 thousand to \$18 thousand annually or almost one tenth of the rate being charged to Wisdom.
 - The annual lease rate of \$105,000 currently being charged is unreasonably high using the 8-10 year payback method described by
- We attempted to compare the lease rate to other comparable leases in the area, but due to the remote rural nature of the location, there were no leases to compare to other than the lease noted below with Living Water Arts Foundation for almost one tenth the rate (\$900/month).
- The lease agreement states that a portion or the entire annual fee is payable in advance of September 1st with any remaining amount paid within the school year at the discretion of the Director of Wisdom. We noted during our review that Wisdom did pre-pay the entire amount on September 1st in 2014-15 and 50 per cent in 2013-14. When asked about the reason for this stated it is for flexibility reasons since Alberta Education pays a large portion of its grant in September, Wisdom wants to ensure stable cash flow at the end of the year for any unforeseen costs or recoveries from Alberta Education.
- We toured the Wisdom office facility on August 3, 2016 and noted approximately 10 administrative staff working at the office. See Exhibit 2 for job descriptions. An analysis of administrative spending is described in Section 5.4.

5.2.2 Living Water Arts Foundation Lease

- Wisdom has been leasing 6,602 sq. ft.⁶ of space at the Living Water College of the Arts facility from Living Water Arts Foundation. This is used as a space to offer home schooling workshops, facilitator in services meetings and annual conference, drama camps, dance workshops, sports camps, reading and writing workshops, science and technology events and other home schooling events at a rate of \$900/month for all three years reviewed as well as the current year of 2016 for an annual cost of \$10,800.
- Living Water Arts Foundation (Living Water) is related to Wisdom through
 as is the and is listed as a

⁶ Source: Measurements provided by

of Living Water. In addition two of Wisdom's facilitators , and are directors of Living Water.

- The land is located near the , Alberta on .
- The lease is signed annually on behalf of Wisdom by , and on behalf of Living Water by

(see Exhibit 5) with no formal motion or approval by the board of Wisdom or communication with other Wisdom board members.

- Living Water College of the Arts is currently not offering any programs⁷ and thus Wisdom has exclusive uninterrupted use of the facility. Wisdom is responsible for cleaning, insurance and all utilities.
- In the letter to the Deputy Minister dated, June 17, 2016 Trinity stated that when the facility is not in use for Home Education activities the rent may be withheld for that period. Evidence from our review of the general ledger shows Wisdom has paid \$900/month for 12 months all years examined with no withholding of rent for non-use even during summer months.
- The Living Water – Wisdom contract states 25% of the total annual rent amounting to \$2,700 is prepaid prior to September 1st each year with the remainder payable during the school year at the discretion of Wisdom, however review of the general ledger shows this lease was not prepaid in any of the years reviewed.
- We toured the facility on August 12, 2016 and observed that the facility at the time had no users other than Wisdom (no college arts program at the time) and no workshops or camps were being held on that date. We were told a baseball camp had just been completed a day or two prior to our visit.
- The building was reportedly constructed over a number of years beginning in 2001 by Trinity before being reportedly sold to Living Water for \$150 thousand in the fall of 2006 resulting in a loss being reported on the financial statements of Trinity. This is described in further detail in Section 5.3.

5.2.3 Innovative Enterprises Ltd. Lease

- Wisdom has been leasing office space in Edmonton from Innovative Enterprises Ltd.⁸ to provide a location for the delivery of Mediated Learning and Instrumental Enrichment programs, student assessments and facilitator use at a rate of \$1,700/month plus GST for all three years reviewed as well as the current year of 2016 for an annual cost of

⁷ We were told by they are working towards offering a program in 2017-18, and the last program offered was in 2013-14.

⁸ Sole shareholder is Elegance Window Fashions Inc.

. Both Innovative Enterprises and Elegance have registered corporate offices at

\$20,400 plus GST. Mediated Learning programs are for parents teaching their kids, and not the students themselves.

- Wisdom's _____ stated the agreement terminated June 30, 2016 and is not being renewed, however the three year agreement provided which was signed October 1, 2014 had an ending lease term of September 30, 2017 (see Exhibit 6). Although Wisdom did not provide a lease termination, they stated this was done verbally.

5.3 Capital Transactions

Although our detailed review focused on years 2013 to 2015, we noted in our historical review of financial records previously submitted to Alberta Education that Trinity reported a loss of \$410 thousand in the 2006-07 audited financial statements from a disposal of a building. During our visit on August 12, 2016 of the Living Water facility, _____ stated that the building was the Living Water College which was sold to Living Water by Trinity. We performed a review of this transaction and found the following:

- Trinity reportedly constructed the "Wisdom Centre" facility over a number of years starting in 2001 situated at _____. This is the same facility currently being leased described above in section 5.2.2. The source of the funds at the time was from Alberta Education funding under AISI. See Exhibit 7. Trinity incurred \$560,083 of capital construction costs on the building prior to the sale reported in their 2006-07 audited financial statements to Living Water. This amount was the amount recorded as the assets book value on Trinity's audited financial statements. The actual transfer of land registered in land titles occurred in 2008, and was to Living Water Arts Foundation by _____.
- In the fall of 2006, Trinity offered the parcel and building to Living Water at a price of \$150 thousand resulting in a \$410,083 loss reported on the financial statements of Trinity in 2006-07.
- Trinity provided excerpts from a copy of an appraisal valuation performed by Border City Appraisal Services Ltd. done in February 2005 in anticipation of the sale which was used as the basis for the selling price to Living Water⁹. See Exhibit 8. The appraised market value in this report was between \$100 thousand and \$150 thousand.
- We requested the executed sales agreement showing the transfer of funds and title as well as any board approval documents supporting the sale and were provided with a letter dated October 5, 2006 (See Exhibit 9) from Trinity to Living Water signed by Margaret Schienbein, secretary treasurer noting board approval to sell the property for \$150 thousand. As of the date of this report, Trinity has not been able to provide any executed sales agreement showing the transfer of the asset to Living Water and

⁹ Only the appraiser's cover letter and a copy of page 12 of the appraisal was provided to us.

evidence of the funds being received stating they no longer exist. This is a scope limitation described earlier in section 3.4.

- The land that the building was situated on was registered to [redacted] both at the time of appraisal and the time of the reported sale to Living Water¹⁰ and was never registered to Trinity even though they reported that they incurred the cost of construction and we were told 'sold the building to Living Water'. The quarter section of land at [redacted] owned by [redacted] was subdivided in 2008 and a 10 acre parcel was transferred and registered to Living Water Arts Foundation on June 19, 2008¹¹. The Transfer of Land registered to create the title for the new Living Water parcel indicates that the transfer was from [redacted] (not Trinity), was for \$1.00 (not \$150,000) and the registered Affidavit of Value indicates the value of the land as \$24,000 (not the value indicated in the 2005 appraisal).
- Based on the information we reviewed:
 - At no time, and in particular at the date of the sale of the building, did Trinity have title to the property and therefore it was not their building to sell to Living Water. Despite this, Trinity reported the cost and sale including proceeds received and the related loss in their 2006-07 audited financial statements¹² (see Exhibit 10). Furthermore, Trinity reported the sale as occurring in 2006-07, yet no actual transfer took place until 2008. We conclude that the 2006-07 reporting to Alberta Education was inconsistent with the actual facts around this sale.
 - In addition costs incurred by Trinity to construct the building for \$560,083 were done on land personally owned by [redacted], therefore government funds were used to construct an asset personally owned by [redacted].

5.4 Administration Compensation and Payments

We conducted a review of Trinity and Wisdom's books and records to identify and quantify details of the compensation, benefits and other amounts paid for administration expenses and reconciled them to supporting employment contracts for the years under review. Trinity and Wisdom spent approximately 32 per cent of expenses on payments for office and administration compared to 3.4 to 5.6 per cent in public boards.

¹⁰ Source: Historical land title search.

¹¹ Source: Historical land title search.

¹² The auditors at the time were Bergevin Kwok, Heck, and Borle Chartered Accountants. Collins Barrow began auditing Trinity and Wisdom in 2012/2013.

The majority of administration salaries are to individuals related to the [redacted] and individuals related to the [redacted]

Total compensation to all members of these two families exceeds \$2.76 million over three years. Job descriptions for administration and office staff were provided by both Trinity and Wisdom. See Exhibit 2. However, Wisdom did not have job descriptions for staff available when first requested, and developed them after they were requested.

We identified payments for administration services as shown in Appendix 1.

Through our review of documentation provided and discussions with management we learned that:

- Amounts paid to Wisdom administration staff are typically based on the contracts provided (with exceptions noted in the following bullet), however all rates and other terms of the employment are at the discretion of [redacted] and [redacted]. With no board approval or oversight [redacted] signs and approves all administration contracts except for [redacted] and [redacted]. Many of these contracts are to individuals related to [redacted] (ie. [redacted] - [redacted], [redacted], [redacted]). In addition, staff of Wisdom are entitled to five weeks paid vacation.
- We noted remuneration for [redacted] and [redacted] in excess of the contract amount. [redacted] was paid [redacted]/month in 2014-15 but [redacted] contract was for [redacted]/month. [redacted] was paid [redacted]/hour in 2013-14 but [redacted] contract was for [redacted]/hour, and [redacted]/hour in 2014/15 but [redacted] contract was for [redacted]/hour.
- [redacted] told us that [redacted] decides the rate of pay for [redacted], and [redacted] and [redacted] and approves those contracts, but only [redacted] salary requires board approval of Wisdom. [redacted] signs [redacted] employment contract on behalf of Wisdom. See Exhibit 11.
 - [redacted] told us that the board of Wisdom approves [redacted] contract and Trinity's board has the ultimate oversight and approval of [redacted] pay. We did see evidence in Wisdom's board minutes of establishing [redacted] remuneration in 2011 as being at least 15% above the highest staff salary, but no evidence of annual approval other than the signed contract by [redacted]. We found no evidence in Trinity's board minutes of any discussion or formal board approval of [redacted] remuneration.
 - [redacted] timing of remuneration payments is at [redacted] discretion based on submission of invoices to Wisdom.
 - [redacted] salary increased 100 per cent in 2014-15 over [redacted] 2013-14 salary from [redacted] to [redacted] in 2015 without any board approval. Job

descriptions provided state the salary increase reflects increased responsibilities and work hours on IT and website design, as well as reflecting increasing salaries of staff supervises.

- There are some employees whose contract has hourly wage rates rather than salary with hours determined by the employee. One example of this is
See Exhibit 12. approves contract and rate.
 - We requested timesheets for and for the 2014-15 year and were provided summaries of hours and dates worked for the period, but no evidence of review or approval prior to these employees being paid (See Exhibit 13).
 - Subsequent to this, provided a description of the process stating hourly employees of Wisdom record their own hours worked on a shared spreadsheet using Google Docs which is submitted to to approve payment in TelPay. Samples of approving in TelPay were provided.
- Bonuses of \$15,961 were paid out to staff in January 2014. We were originally told by that bonuses were not a regular practice of Wisdom. In response to these specific bonuses, stated they were a Christmas bonus of 4% as they had a staff celebration in January 2014. This was the last time bonuses were paid.
 - We requested documentation showing approval of the bonuses and were only provided with pay stubs showing amounts paid and an email from authorizing that bonuses be paid to staff members. No board approval over the bonuses prior to payment was provided.
- Wisdom also pays per diems for mileage, meals, and accommodation to employees when required to travel. Wisdom provided their mileage, meals, and accommodation policy (See Exhibit 14).
 - We noted that mileage rates are reasonable at 48-55 cents per KM, however they are paying accommodation per diems of \$280/night and \$80/day for meals for administration with majority paid to and amounting to \$25 thousand and \$18 thousand respectively in 2014-15.
 - There is no evidence of review or approval of per diem amounts for by the board of Wisdom or Trinity, or evidence of review of trip purpose prior to the trip or prior to payment.
 - GOA rates are 50.5 cents per KM for mileage, \$9.20 for breakfast, \$11.60 for lunch, \$20.75 for dinner and \$7.35 for overnight per diem for incidentals. Accommodation is based on a receipted amount at selected locations or in instances of using private accommodation, a per diem of \$20.15.
- Amounts paid by Trinity for administration staff were not supported by employment contracts with Trinity as we were told by Margaret Schienbein the contracts do not

exist. Trinity was able to provide one contract for (See Exhibit 15).

- As contracts do not exist for administrative employees we are unable to see any evidence of salaries rates being approved and no evidence in Trinity's board minutes of discussion of salary rates.
- In addition to the contract between Trinity and Wisdom for the delivery of the home education program, Wisdom had a contract in 2014-15 that ensures Trinity has sufficient funds to pay salary of and salary of See Exhibit 16.
- Amount paid to in 2014-15 was with only supported by an employment contract, and amount paid to was even though contract is for

5.5 Employment of Teachers/Facilitators

Section 4(2)(b) of the *Home Education Regulation* states an associate board or associate private school supervising a home education program must arrange for teachers employed by the associate board or private school to conduct at least two evaluations of the progress of the student in each school year. We reviewed Trinity and Wisdom's records and found the following:

- 13 certificated teachers referred to by Wisdom as 'facilitators' are paid by Wisdom Home Schooling as independent contractors and are not employees of either organization. Wisdom provided contracts and invoices for the contractors (see Exhibit 17) confirming that facilitators are contractors providing services to Wisdom (some under business names and corporations) as both the invoice and contract is to Wisdom with no indication of Trinity. See the table on the following page for amount of students allocated and related facilitator income:

- Wisdom has been delegated the responsibility from Trinity for administering all aspects of the home education grant, including the reimbursement of the parent portion of Alberta Education grants by reviewing all receipts and determining eligibility and amount of reimbursement. All of these reimbursements are paid from Wisdom's bank account and run through Wisdom's general ledger.
- Trinity was not able to demonstrate any oversight by Trinity of the administration of the parent portion of the grant. It was clear that all financial policies are set by Wisdom. As part of our review reconciling the funding between Trinity and Wisdom, we also discovered that Wisdom received funding for 3,245 home education students, however Trinity has claimed 3,248 home education students for the 2014/2015 school year. In our discussion with Wisdom, they are uncertain why there is a discrepancy,
- Wisdom policy is that any unused parent portion of the grant will only be carried forward to the next school year if a form requesting carry over is received by the set deadline of June 30th otherwise it will end up in the general revenue of Wisdom and unavailable for parents the following year. Any late forms received are not accepted as this is a hard deadline. This policy and related forms and deadlines are clearly communicated on Wisdom's website. However, Wisdom provides inaccurate information to parents regarding this deadline by stating in their Funding Policy on the website that this deadline is an Alberta Education requirement and that funds cannot be carried over unless this deadline is met. Whereas in fact, this deadline is an in-house deadline and is not based on provincial legislation, regulation or policy. In addition, it does not appear that Wisdom contacts families to remind them of unused portion as onus is on the parents to contact Wisdom by completing the forms requesting carryforward. As a result of this policy, parents are limited in their ability to access the remaining funds they are entitled to and all unused parent portion goes to the general revenue of Wisdom. (See total amounts for three years reviewed in the chart at the end of the next paragraph.)
- Wisdom's records show the parent portion of the grant was spent in several ways as follows:
 - Parent resource refund -- as described above, parents submit receipts and Wisdom issues checks to reimburse parents for student supplies purchased.
 - Purchases paid by Wisdom on behalf of the parents and charged back to parents' accounts -- Some vendors have contracts with Wisdom allowing parents to make purchases and they directly bill Wisdom for the purchases parents made.
 - Online courses and work shop fees -- Wisdom charges fees to parents when home education students take online courses and participate in workshops and events provided by Wisdom. The online courses were developed using

Alberta Initiative for School Improvement (AIS) grants and Wisdom charges back to parents' accounts, thereby reducing the parent portion of funding available for reimbursements for supplies. Based on the discussion with the auditor, these fees were removed from the Audited Financial Statements as they were reported as income to Wisdom and expenses to parents. Wisdom did not actually earn income from these online courses, workshops and events and therefore no related expenses should be charged to the family accounts; however, Wisdom did not adjust the individual family account accordingly after the audit. As a result, the families were charged more than what was reported in the Audited Financial Statements to Alberta Education. This in turn also created an inaccurate amount of remaining parent portion of grant that was included in the general revenue being reported. The chart below indicates these discrepancies:

Spending on parent portion of Home Ed grant by Wisdom:			
	2014/2015	2013/2014	2012/2013
Charges/reimbursements to parents			
Actual payment to parents per AFS	\$ 2,196,175	\$ 2,182,280	\$ 2,159,134
Amount Wisdom's record claimed they paid	\$ 2,298,097	\$ 2,299,336	\$ 2,280,433
Difference	\$ (101,922)	\$ (117,056)	\$ (121,299)
<ul style="list-style-type: none"> • The total difference of \$340,277 for three years examined represents an additional amount that should have been made available and paid to the parents. 			
Amounts kept in Wisdom's general revenue	2014/2015	2013/2014	2012/2013
Per Wisdom's record	\$ 267,507	\$ 184,977	\$ 155,971
Amount calculated based on AFS and enrollment	\$ 405,762	\$ 301,861	\$ 280,855
Difference	\$ (138,255)	\$ (116,884)	\$ (124,884)
<ul style="list-style-type: none"> • The difference represents the additional amount of parent funding that is unclaimed and kept in Wisdom's general revenue. • The calculation based on Audited Financial Statements and enrollment shows the total amount of unclaimed parent portion of funding kept in Wisdom's general revenue exceeds \$988,000 over three years. 			

- Other charges to parents which are reimbursed out of home education student funds include:
 - Student assessment fees for educational assessments on students. These assessments are performed in-house using Wisdom staff who were trained using funds provided by Alberta Education through Alberta Initiative for School Improvement (AIS) funding.

- Mediated Learning programs which are courses provided for home education parents. These courses were also developed in-house using Alberta Initiative for School Improvement (AISI) funding and are delivered by Wisdom staff trained using AISI funding.
- In our view, these charges are inconsistent with the *School Act* and *Home Education Regulation* as:
 - The paying for the cost of instruction (tuition) is not a proper expense.
 - Mediated Learning and other costs related to parent learning are not sufficiently related to the program of student study.
- We conclude that based on the findings above, Trinity is not fulfilling its responsibilities under Section 7(2) of the *Home Education Regulation* which states an associate board or private school must offer not less than 50% of the home education program funding received under subsection (1) to the parents who are providing home education programs to students.

5.7 Other Transactions Identified

During our review of Wisdom’s books and records we identified various administrative expense transactions of note:

- Trinity reimbursed _____ for mileage amounting to \$303.85 on September 26, 2012 for two trips to Derwent Alberta, yet _____ was also receiving a vehicle allowance of \$300 at this time for the same month.
- We identified numerous transactions for items such as food, alcohol, gifts & gift cards, funeral costs, babysitting for _____ children, groceries, theatre tickets, and other staff functions. Payment is at times to various vendors providing the services, but many times the cheques are written to _____ or other family members for items such as “public relations expenses” or reimbursement of expenses signed by _____. See Exhibit 18¹³.
- _____ used _____ Wisdom Visa for a variety of purchases. We sampled two months of _____ Visa expenses for supporting documentation and identified that in December 2014 _____ purchased 16 gift cards for \$1,200, alcohol at a _____ Hotel Liquor/Pizza for \$334.37 and three additional gift cards for \$225 (see Exhibit 19).
- _____ claimed accommodation per diem of \$280/ night for Edmonton meeting dated September 24, 2014 through _____ Travel Expense Report dated December 8, 2014; however the accommodation for that date was already paid by Wisdom’s Visa in the amount of \$267.68, The hotel was booked on hotels.com with _____ as a guest with September 23 check in and September 24 _____

¹³ Exhibit shows only a few examples and does not represent all instances identified.

check-out. It appears that [redacted] was reimbursed twice (per diem and receipt) for the same trip.

- Wisdom held a staff meeting at the Varscona Hotel on Whyte on October 16 to October 18, 2014 and paid accommodation expense, banquet food and rentals. Both [redacted] and [redacted] claimed per-diem meals for October 18, 2014 when banquet food for \$1,103.50 was charged on the hotel bill. [redacted] room was booked at \$225/night; however, [redacted] claimed accommodation per-diem at \$280/night.
- \$750 payment to United States Treasury on behalf of Living Water Arts Foundation retaining tax free status. When asked for supporting documentation, Wisdom provided an invoice from [redacted] (Exhibit 20). We then requested a source invoice from United States Treasury and were provided with page 12 of a 12 page United States Treasury form 1023 for Living Water Arts Foundation. We requested pages 1 to 11 which would provide us with detailed information about this transaction and were told that they are unable to locate the other pages due to it being so long ago. This is a scope limitation identified in section 3.4 of this report. We asked for an explanation as to why Wisdom is paying for Living Water to retain tax free status and were told by [redacted] that:
 - “Living Water Arts Foundation was established to provide programs for adults and youth. Though Living Water College has hosted students from the USA and Great Britain, the majority have come from Alberta. This includes a significant number of home schooled students. Three years ago, WISDOM and Living Water College collaborated to provide a film-making program as a WISDOM family camp (which we discussed on the phone); and the following year, in Living Water's film program for young adults, all except one student were from WISDOM Home Schooling. The Board of Directors of WISDOM is very aware of the benefits of these programs to home schoolers and began a commitment a decade ago to, where helpful, provide administrative support to Living Water Arts Foundation/Living Water College; usually casual clerical assistance. The capacity to fund-raise in the USA increases the potential for programs for Alberta home schoolers, and WISDOM assisted the application for USA non-profit status.”
- Employee expense reimbursements to [redacted] for travel to board meetings in 2013-14. (See Exhibit 21). [redacted] is not a board member of either Trinity or Wisdom. [redacted] of Living Water Arts Foundation. The description on the general ledger and a parking receipt is LWCA¹⁴. It appears Wisdom was paying [redacted] for travel related to Living Water Arts Foundation.
- We identified multiple transactions paid by Visa for staff attending conferences, banquets, and food and alcohol dining out. For example, in April 2015 Wisdom spent \$8,073.18 for banquet and accommodation costs at the Red Deer Lodge for staff and parents to attend a Parent Advisory Council conference and attend the AHEA

¹⁴ Living Water Arts Foundation operates Living Water College of the Arts (LWCA).

conference at a different hotel the next day. In addition Wisdom spent \$2,000.62 for a staff banquet at the Varscona hotel in Edmonton in October 2014.

5.8 Failures to Comply with Legislation

Based on our review and the findings described above, failures by Trinity to comply with legislation are listed below:

5.8.1 Home Education Regulation

- Section 4(2)(b): An associate board or associate private school supervising a home education program must arrange for teachers employed by the associate board or private school to conduct at least two evaluations of the progress of the student in each school year.
 - Finding: It is clear from our review that facilitators conducting the evaluation are independent contractors providing services to Wisdom and are not employees of Trinity as required by the regulation.
- Section 3(8): A teacher employed by the associate private school must, at the request of a parent, advise and provide assistance to the parent in the preparation of the written description of a home education program.
 - Finding: Facilitators providing assistance are not employed by Trinity. They are contracted out by Wisdom. We were told by _____ that Wisdom selects facilitators and allocates students to facilitators to provide assistance to parents. Although _____ stated Trinity has final say on which facilitators are contracted by Wisdom, Trinity was unable to demonstrate any evidence of this oversight as all contracts are with Wisdom and approved by _____.
- Section 5(b): An associate private school supervising home education programs must assign teachers to home education who are supportive of home education parents and students and who are informed about the special characteristics of tutorial learning.
 - Finding: We were told by _____ and _____ that facilitators are assigned to students by Wisdom based on demand of the students, geographic area and ability of the facilitator as assessed by Wisdom. Although _____ stated Trinity has final say on which facilitators are contracted by Wisdom, Trinity was unable to demonstrate any evidence of this oversight as all contracts are with Wisdom and approved by _____.
- Section 5(d): An associate private school supervising home education programs must advise parents providing home education programs of the services and

resources of the associate private school that are available for use by the parents and students.

- Finding: All resources are provided by Wisdom as all aspects of administering the home education program have been delegated to Wisdom by Trinity. Wisdom provides all resources offered by the program and communicates with parents via their website and reimbursement process the resources and services available to them.
- Section 5(e): An associate board or private school supervising the home education program must provide for and maintain student records and advise parents providing home education that they may view those records.
 - Finding: All student records of the home education program are kept at Wisdom's office, and maintained by Wisdom, not Trinity.
- Section 7(2): An associate board or private school must offer not less than 50% of the home education program funding received under subsection (1) to the parents who are providing home education programs to students.
 - Finding: All reimbursements to families are done by Wisdom out of Wisdom's bank account. In addition Wisdom is responsible for all decisions in regard to eligibility of reimbursements and receipt review, as well as keeping any unclaimed parent portion and recording in general revenue of Wisdom any unclaimed parent portion where no carry forward request has been received. Trinity was not able to demonstrate any oversight by Trinity of the administration of the parent portion of the grant notwithstanding ample opportunity to do so.

5.8.1 School Act

- Section 28(2)(b)(iii): A private school is entitled to be accredited as an accredited private school if the Minister is satisfied that individuals whose qualification are approved by the Minister are employed to teach at the school.
 - Finding: This section requires the certificated teacher teaching the regular in school students to be employed by Trinity. _____, certificated teacher of Trinity is paid as a contractor based on invoice providing _____ hourly rate and hours worked (Exhibit 22) and coded to contractor expense in Trinity's general ledger. Trinity was unable to provide an employment contract for _____. Trinity was unable to provide any evidence that _____ is an employee of Trinity rather than an independent contractor.

5.8.2 Education Grants Regulation

- Section 7(a)(i): A [private school] shall use the grant only for the purpose for which it is made.

- Finding: Trinity was not able to demonstrate appropriate approval and oversight for the use of home education funds. As described above in the findings of this report, there are numerous examples of financial irregularities in regard to how these funds were used rather than the intended purpose of the grants.

5.9 Canada Revenue Agency Issues

During our review we noted transactions raising concern whether Trinity and Wisdom are in compliance with applicable tax legislation as enforced by Canada Revenue Agency (CRA). The following were noted:

5.9.1 GST

- We identified payments to [redacted] and [redacted] based on invoice (see Exhibit 23) where GST was charged and paid to these individuals. No GST# was identified on the invoice to [redacted]. A GST# was identified on the invoice from [redacted] but there is question as to whether it is appropriate for [redacted] to charge GST to Wisdom when Trinity is filing on a combined basis (described below). Whether [redacted] is GST registered and both individuals are remitting the GST collected to CRA in accordance with rules and legislation is outside the scope of this review.
- Records of Trinity and Wisdom over three years reviewed show that Trinity filed GST for both entities on a combined basis and then flowed the GST rebate back to Wisdom. Based on the auditor's understanding, Trinity or Wisdom prepared GST returns on their own. In discussion with the auditor, they were not aware that Trinity or Wisdom has received permission from CRA to file on a combined basis instead of on an individual basis. If they are operating as a combined entity then GST should not be charged on the Alberta Education grant; however the financial statements show that GST has been reported as if it is collected by Wisdom from Trinity on the grant received from Alberta Education.
- Trinity and Wisdom report to AB Education on a consolidated basis yet when Trinity flows AB Education's funding payments to Wisdom, a portion of the payment was recorded as GST paid by Trinity and received by Wisdom which resulted in inaccurate reporting to AB Education as Trinity reported less funding spent on their home education program and Wisdom reported less grant received from Trinity. For example, the 2014/2015 Audited Financial Statements of Trinity shows \$5.18 million spent on home education program in Schedule 1 which is also the amount as shown on Wisdom's financial statements. From Alberta Education's review of the financial information, we have determined that this \$5.18 million does not include [redacted] that was paid to [redacted] for home education

purposes and another \$80,000 GST charged by Wisdom to Trinity thereby reducing the amount reported as spent on the home education program. Alberta Education has contacted CRA and received confirmation that two separate entities that are independent and have a contractual relationship should not have filed the GST return on a combined basis.

- See below for analytical review of GST accounts:

Trinity & Wisdom			
GST reasonability test			
Per combined Audited Financial Statements (AFS)			
School year	2014/2015	2013/2014	2012/2013
Total expenses	5,702,227	5,392,450	5,297,631
Less non GST items:			
Student supplies and materials (Funding paid to parents)	2,196,175	2,182,280	2,159,134
Salaries and benefits	1,387,335	1,152,411	1,405,707
GST paid on purchases included in Office and Admin expenses	34,400	34,724	32,008
Bank service charges	4,953	2,881	1,596
Amortization	165	12,689	13,174
Insurance	26,199	26,241	26,052
	3,649,227	3,411,227	3,637,671
Total expenses on GST taxable supplies/services	2,053,000	1,981,223	1,659,960
GST rate 5%:	5%	5%	5%
GST paid on purchases based on the above calculation	102,650	99,061	82,998
GST rebate rate	68%	68%	68%
Estimated total rebate should be	69,802	67,362	56,439
Actual GST receivable/rebate claimed	124,641	99,860	99,881
Estimated over claimed GST rebate amount	54,839	32,498	43,442
Total over claimed rebate over 3 years	130,780		

- The review of Wisdom's General Ledger shows that the GST Input Tax Credit (ITC) was claimed on parents' portion of funding. In some instances, Wisdom purchased materials on parents' behalf and claimed ITC on purchases and then charged back to parents' accounts in the full amount including GST. In other cases, when parents made claims to obtain a resource refund from Wisdom, Wisdom reimburses full amount of parents' claims to the parents but claimed ITC on these parent purchases. Our conversation with CRA indicates that Wisdom should not be claiming ITC on parents' purchases.
- The above is an analytic calculation of what total GST is estimated at vs. what was claimed as per Wisdom's Audited Financial Statements. The analytic calculation uses Wisdom's Audited Financial Statements total expenses net of expenditures in which no GST should be charged, including the amount paid to parents. The total estimated over claimed rebates exceed \$130,000 over 3 years.

- Our reasonability analysis is only an estimate based on our findings. Whether Trinity's treatment of GST is in accordance with CRA rules is outside the scope of this review as CRA has the expertise to make such a determination.

5.9.2 Employment Reporting

- Our review identified at least one instance of an individual being paid a vehicle allowance, however we found no taxable benefit was being reported on the relevant T4 slips filed with CRA. In addition our review identified at least one instance where T4 slips reported less income than what is reported in Trinity's general ledger.

5.9.3 Trinity issuing donation receipts for 12% of tuition paid for regular students

- We were told by Margaret Schienbein that Trinity does issue charitable donation receipts for 12 per cent of tuition paid by parents for the regular in school students as the portion of religious education being offered. CRA states that tuition fees are not considered charitable donations and charitable donation receipts may not be issued for such tuition fees but allows for two exceptions to this rule.
 - Schools which teach exclusively religion and thereby operates solely for the advancement of religion. As an accredited private school, Trinity does not teach exclusively religion as they offer Alberta Education secular curriculum and therefore this exception does not apply.
 - Institutions which operate in a dual capacity offering both secular and religious education with this type of school requiring a calculation to determine the religious portion for purposes of issuing a charitable donation receipt. Trinity would fall under this type of school.
- Whether the 12 per cent allocation is appropriate and in accordance with CRA rules is outside the scope of this review as CRA has the expertise to make such a determination.

6 Recommendation

Recommendation: Based on the findings described in this report, the Deputy Minister cancel Trinity's accreditation and registration commencing immediately due to concerns over its ability to supervise the home education program, the management of finances, and failures to comply with the *Home Education Regulation* and *Education Grants Regulation*.

Appendix 1

Name	Relationship	2012-2013 Salary, Contract Fees, Mileage and per diems Total *	2013-2014 Salary, Contract Fees, Mileage and per diems Total **	2014-2015 Salary, Contract Fees, Mileage and per diems Total	3 Years Total
Wisdom Home Schooling					
	family -				
	family -				
	family -				
	family -				
	family -				
	family -				
	family -				
	family -				
	employee				
	employee				
	contractor				
	employee				
	employee				
	employee				
	contractor				
	employee/contractor				
	employee				
	contractor				
	contractor				
	contractor				
	employee				
	employee				
	contractor				
	employee				
	contractor				
	employee				
	contractor				
	employee/contractor				
	employee				
	employee				
	employee				
	employee/contractor				
	employee				
Wisdom Home Schooling Total		1,198,760.26	1,114,802.19	1,329,594.24	3,583,156.69
Trinity Christian					
	family -				
	family -				
	family -				
	family -				
	family -				
	family -				
	family -				
Trinity Christian Total		399,178.83	359,789.22	360,360.00	1,059,328.05
Total		1,477,939.09	1,474,591.41	1,689,954.24	4,642,484.74
* 2012-2013 includes bonus of _____ paid to _____					
** 2013-2014 includes bonus of \$ 15,961 paid to 8 employees					
*** _____ was also paid facilitator fees in the amount of _____ in 2013-2014 and _____ in 2014-2015.					
**** _____ was also paid facilitators fees in the amount of _____ in 2014-2015.					
*****Mileage and per diem is largely represented by amounts paid to _____ and _____ amounting to \$89,894.02 and \$47,653.64 respectively in three years.					