

**DESTINY CHRISTIAN SCHOOL SOCIETY**  
**Financial Statements**  
**Year Ended August 31, 2011**



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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Destiny Christian School Society

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Destiny Christian School Society, which comprise the statement of financial position as at August 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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## INDEPENDENT AUDITOR'S REPORT *(continued)*

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### *Basis for Qualified Opinion*

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

### *Qualified Opinion*

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the society as at August 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Red Deer, Alberta

November 28, 2011

*BDO Canada LLP*

Chartered Accountants


**DESTINY CHRISTIAN SCHOOL SOCIETY**


**Statement of Financial Position**

**August 31, 2011**

	2011	2010
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 66,255	\$ 58,739
Accounts receivable - society fees	2,655	5,690
Accounts receivable - other	3,390	6,917
Prepaid supplies	18,518	23,195
	90,818	94,541
<b>EQUIPMENT (Note 3)</b>	<b>37,786</b>	<b>49,621</b>
	<b>\$ 128,604</b>	<b>\$ 144,162</b>
 <b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable	\$ 19,705	\$ 35,987
Deferred revenue (Note 4)	17,531	16,723
	37,236	52,710
 <b>NET ASSETS</b>		
Unrestricted net assets	53,582	41,831
Investment in equipment	37,786	49,621
	91,368	91,452
	<b>\$ 128,604</b>	<b>\$ 144,162</b>

**ON BEHALF OF THE BOARD**

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

DESTINY CHRISTIAN SCHOOL SOCIETY

Statement of Operations

Year Ended August 31, 2011

	2011	2010
<b>REVENUE</b>		
Donations	\$ 37,371	\$ 28,909
Fees and registrations	101,639	97,677
Fundraising	16,391	15,798
Government grants	665,912	650,809
Other revenue	4	2,163
Rental income	2,310	2,000
Special activities	1,570	1,729
	<u>825,197</u>	<u>799,085</u>
<b>EXPENSES</b>		
Student services (Schedule 1)	573,791	549,307
Administrations (Schedule 2)	121,956	112,223
Operations and maintenance (Schedule 3)	126,579	104,598
	<u>822,326</u>	<u>766,128</u>
<b>EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<b>2,871</b>	<b>32,957</b>
<b>OTHER EXPENSES</b>		
Loss on disposal of assets	2,955	3,323
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ (84)</b>	<b>\$ 29,634</b>

**DESTINY CHRISTIAN SCHOOL SOCIETY**

**Statement of Changes in Net Assets**

**Year Ended August 31, 2011**

	Unrestricted Net Assets	Investment in Equipment	2011	2010
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 41,831	\$ 49,621	\$ 91,452	\$ 61,818
Deficiency of revenue over expenses	(84)	-	(84)	29,634
	41,747	49,621	91,368	91,452
Transfer of amortization of equipment	8,880	(8,880)	-	-
Transfer of loss on disposal of assets	2,955	(2,955)	-	-
<b>NET ASSETS - END OF YEAR</b>	\$ 53,582	\$ 37,786	\$ 91,368	\$ 91,452

DESTINY CHRISTIAN SCHOOL SOCIETY

Statement of Cash Flows

Year Ended August 31, 2011

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Cash receipts from fees, grants and donations	\$ 828,861	\$ 787,078
Cash paid to suppliers and employees	(819,056)	(773,254)
Interest paid	(2,289)	(2,548)
	<u>7,516</u>	<u>11,276</u>
Cash flow from operating activities		
	<u>7,516</u>	<u>11,276</u>
<b>INVESTING ACTIVITY</b>		
Purchase of equipment	-	(26,718)
	<u>-</u>	<u>(26,718)</u>
<b>FINANCING ACTIVITY</b>		
Repayment of long term debt	-	(3,101)
	<u>-</u>	<u>(3,101)</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>7,516</b>	<b>(18,543)</b>
Cash - beginning of year	<u>58,739</u>	<u>77,282</u>
<b>CASH - END OF YEAR</b>	<b>\$ 66,255</b>	<b>\$ 58,739</b>

# DESTINY CHRISTIAN SCHOOL SOCIETY

## Notes to Financial Statements

Year Ended August 31, 2011

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### 1. AUTHORITY AND PURPOSE

The purpose of the Destiny Christian School Society is to provide a Christ centered education from playschool through Grade 8 in Red Deer, Alberta.

The Destiny Christian School Society delivers education programs under the authority of the School Act, Chapter S-3, Revised Statutes of Alberta 2000, current as of October 1, 2005.

The School receives allocations for instruction purposes under the Private Schools Regulation (Alberta Regulation 39/89).

The Society is incorporated under the Alberta Society's Act and is a registered charity under Canadian income tax law and therefore is exempt from income tax.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Prepaid expenses

Certain expenditures incurred and paid before the close of the school year are for specific school supplies, which will be consumed subsequent to the year-end, and are accordingly recorded as prepaid expenses.

#### Equipment

Equipment is recorded at cost less accumulated amortization. Equipment is amortized over their estimated useful lives on a straight-line basis at the following rates:

Vehicles	10%	straight-line method
Computers	20%	straight-line method

Only assets with costs in excess of \$5,000 are capitalized. No amortization is taken in the year of acquisition.

#### Vacation pay

Vacation pay is recorded when earned.

#### Revenue recognition

The society uses the deferral method of accounting for contributions. Restricted contributions are recognized in the year 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. Contributions of materials and supplies are recognizable when the fair market value is determinable.

Instruction and support allocations are recognized in the year to which they relate. Fees for services related to courses and programs are recognized as revenue when such courses and programs are delivered.

#### Contributed services

Volunteers assist the school in carrying out certain activities. Because of the difficulty in determining the fair value of such services and of the fact that such assistance is generally not otherwise purchased, contributed services are not recognized in the financial statements.

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**DESTINY CHRISTIAN SCHOOL SOCIETY**

**Notes to Financial Statements**

**Year Ended August 31, 2011**

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

School generated funds

Funds generated from school based activities are included as assets, liabilities, revenues and expenses of the school because the accountability and control/ownership of these funds rests with school officials or their appointee(s).

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Capital

The Society considers its capital to be its net assets, restricted and unrestricted. Its net assets consist of operating expenditures, as well as investments in capital assets (Note 3). The Society's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide services to its members. Annual budgets are developed and monitored to ensure the Society's capital is maintained at an appropriate level.

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# DESTINY CHRISTIAN SCHOOL SOCIETY

## Notes to Financial Statements

Year Ended August 31, 2011

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Financial instruments policy

All transactions related to financial instruments are recorded on a trade date basis.

The Society classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Society's accounting policy for each category is as follows:

#### Held-for-trading

This category is comprised of cash and cash equivalents. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of revenue and expenditures. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

#### Loans and receivables

This category is comprised of accounts receivable. These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

#### Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises of accounts payable and accrued liabilities, school generated funds and callable debt. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

#### Financial Instruments - Disclosures and Presentation

In December 2006, the CICA issued new accounting standards entitled "Financial Instruments - Disclosures" (Section 3862) and "Financial Instruments - Presentation" (Section 3863). The Society continues to apply the disclosure requirements of Section 3861 entitled "Financial Instruments - Disclosure and Presentation" as permitted for not-for-profit organizations.

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### 3. EQUIPMENT

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Computers	\$ 36,194	\$ 10,609	\$ 25,585	\$ 35,287
Vehicles	21,327	9,126	12,201	14,334
	<u>\$ 57,521</u>	<u>\$ 19,735</u>	<u>\$ 37,786</u>	<u>\$ 49,621</u>

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# DESTINY CHRISTIAN SCHOOL SOCIETY

## Notes to Financial Statements

Year Ended August 31, 2011

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### 4. DEFERRED REVENUE

Deferred revenue consists of registration and society fees that have been collected for the 2011-2012 school year in the amount of \$12,105 (2010 - \$12,466), donations for future repairs and maintenance to the building in the amount of \$3,804 (2010 - \$3,804) and unspent AISI funding of \$1,622 (2010 - 453).

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### 5. RELATED PARTY TRANSACTIONS

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

	<u>2011</u>	<u>2010</u>
Word of Life Church (Common Board Members)		
Administration fees	\$ 21,600	\$ 21,600
Facility Rent	36,000	36,000
Office expense	365	1,262
Repairs and maintenance expense	3,805	1,890
Telephone expense	2,400	2,400
Transportation expense	4,468	11,347
Utilities expense	2,200	-
	<u>\$ 70,838</u>	<u>\$ 74,499</u>

Due to the structure of the school society, tuition fees and a significant portion of the donations and fundraising revenue are from society members including those that volunteer to serve on the Board of Directors and/or are employees of the school society.

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

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### 6. FINANCIAL INSTRUMENTS

The Society utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

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### 7. ECONOMIC DEPENDENCE

The Society receives significant grant revenue from Alberta Learning. Without these grants it would be doubtful that the Society could continue operating its present program.

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### 8. COMPARATIVE FIGURES

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

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DESTINY CHRISTIAN SCHOOL SOCIETY

STUDENT SERVICES

(Schedule 1)

Year Ended August 31, 2011

	2011	2010
Classroom supplies	\$ 49,937	\$ 45,253
Fundraising	5,674	6,127
Special activities	2,030	2,300
Transportation	51,613	47,970
Wages and benefits	464,537	447,657
	<u>\$ 573,791</u>	<u>\$ 549,307</u>

ADMINISTRATION

(Schedule 2)

Year Ended August 31, 2011

	2011	2010
Advertising	\$ -	\$ 421
Bad debts	3,706	557
Insurance	13,708	6,001
Interest and bank charges	2,289	2,529
Interest on long term debt	-	20
Office	16,250	18,975
Professional fees	15,208	12,700
Telephone	2,011	2,089
Wages and benefits	64,554	66,212
Workshops and conferences	4,230	2,719
	<u>\$ 121,956</u>	<u>\$ 112,223</u>

OPERATIONS AND MAINTENANCE

(Schedule 3)

Year Ended August 31, 2011

	2011	2010
Amortization of equipment	\$ 8,880	\$ 4,275
Rental	36,000	36,000
Repairs and maintenance	44,895	26,593
Utilities	22,873	23,042
Wages and benefits - janitor	13,931	14,688
	<u>\$ 126,579</u>	<u>\$ 104,598</u>