

**AURORA SCHOOL LTD.**  
**Financial Statements**  
**Year Ended August 31, 2010**

## Index to Financial Statements

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### AURORA SCHOOL LTD.

August 31, 2010

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of  DFK



## Auditors' Report

October 15, 2010  
Edmonton, Alberta

To the Members of Aurora School Ltd.

We have audited the statement of financial position of Aurora School Ltd. as at August 31, 2010 and the Statements of Operations, Changes in Net Assets and Cash Flow for the year then ended. These financial statements are the responsibility of the School's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the School as at August 31, 2010 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Kingston Ross Pasnak LLP". The signature is written in a cursive style and is underlined.

**Kingston Ross Pasnak LLP**  
Chartered Accountants

## Statement of Operations

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### AURORA SCHOOL LTD.

Year ended August 31, 2010

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	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>		
Government grants	\$ 4,181,722	\$ 3,790,664
Transportation fees	119,494	107,605
Gross school generated funds	64,169	49,193
Resource fees	37,572	32,180
Interest	31,439	48,280
	<u>4,434,396</u>	<u>4,027,922</u>
<b>EXPENDITURES</b>		
Certificated salaries	2,382,570	2,128,314
Services, contracts and supplies	1,283,844	1,366,839
Certificated benefits	241,268	221,288
Non-certificated salaries and wages	152,418	163,018
Gross school generated funds	64,169	49,193
Non-certificated benefits	18,290	26,896
Interest and bank charges	1,348	1,514
	<u>4,143,907</u>	<u>3,957,062</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS</b>	<u>290,489</u>	<u>70,860</u>
<b>OTHER REVENUES (EXPENDITURES)</b>		
Amortization of capital allocations (Note 9)	364,206	364,206
Amortization of capital assets	(700,277)	(701,752)
	<u>(336,071)</u>	<u>(337,546)</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>\$ (45,582)</u>	<u>\$ (266,686)</u>

## Statement of Changes in Net Assets

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### AURORA SCHOOL LTD.

Year ended August 31, 2010

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	<b>Invested in Capital Assets</b>	<b>Unrestricted</b>	<b>2010 Total</b>	<b>2009 Total</b>
Balance, beginning of year	\$ 2,310,873	\$ 1,577,195	\$ 3,888,068	\$ 4,154,754
(Deficiency) excess of revenues over expenditures	(336,071)	290,489	(45,582)	(266,686)
Purchase of capital assets	5,380	(5,380)	-	-
Balance, end of year	<b>\$ 1,980,182</b>	<b>\$ 1,862,304</b>	<b>\$ 3,842,486</b>	<b>\$ 3,888,068</b>

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Statement of Financial Position

**AURORA SCHOOL LTD.**

August 31, 2010

**ASSETS**

	<b>2010</b>	<b>2009</b>
<b>CURRENT ASSETS</b>		
Cash and temporary investments (Note 4)	\$ 2,061,525	\$ 1,696,876
Accounts receivable (Note 5)	15,108	18,752
Prepaid expenses	-	3,171
	2,076,633	1,718,799
<b>CAPITAL ASSETS (Note 6)</b>	<b>4,165,422</b>	<b>4,860,319</b>
	<b>\$ 6,242,055</b>	<b>\$ 6,579,118</b>

**LIABILITIES AND  
NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 186,057	\$ 109,355
Deferred contributions (Note 8)	28,272	32,249
	214,329	141,604
<b>UNAMORTIZED CAPITAL ALLOCATIONS (Note 9)</b>	<b>2,185,240</b>	<b>2,549,446</b>
	<b>2,399,569</b>	<b>2,691,050</b>
<b>COMMITMENTS (Note 10)</b>		
<b>NET ASSETS</b>		
Unrestricted	1,862,304	1,577,195
Investment in capital assets	1,980,182	2,310,873
	3,842,486	3,888,068
	<b>\$ 6,242,055</b>	<b>\$ 6,579,118</b>

APPROVED BY THE BOARD

\_\_\_\_\_ Director

\_\_\_\_\_ Director

## Statement of Cash Flow

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### AURORA SCHOOL LTD.

Year ended August 31, 2010

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	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from government sources	\$ 4,297,239	\$ 3,735,826
Cash received from students and other sources	105,385	306,504
Cash paid to suppliers	(1,268,140)	(1,516,722)
Cash paid to staff	(2,794,546)	(2,539,516)
Interest received	31,439	48,280
Interest paid	(1,348)	(1,514)
	<hr/> 370,029	<hr/> 32,858
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	(5,380)	(975,241)
Capital funding from Government	-	397,535
	<hr/> (5,380)	<hr/> (577,706)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>364,649</b>	<b>(544,848)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,696,876</b>	<b>2,241,724</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 2,061,525</u></b>	<b><u>\$ 1,696,876</u></b>
Cash and cash equivalents are comprised of:		
Cash	\$ 482,082	\$ 107,612
Temporary investments	1,579,443	1,589,264
	<hr/> <b>\$ 2,061,525</b>	<hr/> <b>\$ 1,696,876</b>

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**AURORA SCHOOL LTD.**

August 31, 2010

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**Note 1**

Incorporation and  
Operations

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Aurora School Ltd. ("the School") is a non-profit charter school incorporated under the Companies Act of Alberta. The School is governed by the School Act and the related Chartered Schools regulations. The School has been operated as a chartered school by Alberta Education since September 1996.

**Note 2**

Significant Accounting  
Policies

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Significant accounting policies observed in the preparation of the financial statements are summarized below. These policies are in accordance with Canadian generally accepted accounting principles.

**Financial Instruments**

Cash and temporary investments are classified as held-for-trading and are measured at fair value. Accounts receivable are classified as loans and receivables and accounts payable and accrued liabilities are classified as other financial liabilities, both of which are measured at amortized cost.

The School has chosen to continue to apply Section 3861, Financial Instruments - Disclosure and Presentation, instead of adopting Section 3862, Financial Instruments - Disclosure and Section 3863, Financial Instruments - Presentation.

**Capital Assets**

Capital assets are initially recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of the assets over their useful lives.

	<u>Rate</u>
Furniture and fixtures	5%
Improvements to building and grounds	10 years
Computer hardware	33%

Improvements to building and grounds are amortized over the remaining term of the lease plus an additional term of five years.

**Income Taxes**

The School is registered charity and is exempt from income taxes under subsection 149.1(1) of the Income Tax Act (Canada).

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**AURORA SCHOOL LTD.**

August 31, 2010

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**Note 2**  
Significant Accounting  
Policies (Continued)

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**Revenue Recognition**

The School follows the deferral method of accounting for contributions. Restricted contributions, that meet the criteria of a liability, other than those received for the purchase of capital assets are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions from government, resource fees, interest, fundraising and rental are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donation revenues are recognized when received.

**Contributed Services**

Volunteers contribute many hours to assist the school in performing its function. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

**Pensions**

The School's employment contracts have no provision for employer contributions to a pension plan. The current service and past service costs of the Alberta Teacher Retirement Fund are met by contributions by active members and the Government of Alberta.

**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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant estimates pertain to economic lives of capital assets.

**Statement of cash flow**

The School is using the direct method in its presentation of the Statement of Cash Flow.

**Changes in accounting policies**

During the 2010 fiscal year, the School has chosen to continue to apply CICA Handbook Section 4400 "Financial Statement Presentation by Not-for-Profit Organizations" presentation of net assets invested in capital assets as a component of net assets separately from the unrestricted net assets balance.

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**AURORA SCHOOL LTD.**

August 31, 2010

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**Note 2**

Significant Accounting  
Policies (Continued)

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Effective for year ends commencing after January 1, 2009 the Canadian Institute of Chartered Accountants Handbook Section 4470 establishes disclosure standards for not-for-profit organizations that classify their expenses by function and allocate their expenses to a number of functions to which the expenses relate. There was no impact to the financial statements of the School as a result of this change in policy.

The Institute of Chartered Accountants has announced amendments to Handbook Section 1000 "Financial Statement Concepts" and the definition of an asset. The amendments disallow the recognition of assets and liabilities solely based on the principle of matching revenues and expenses. This change in accounting policy has been applied retroactively. There was no impact to the financial statements of the School as a result of this change in policy.

**Note 3**

Future Accounting  
Standards

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The Canadian Institute of Chartered Accountants (CICA) has issued new accounting standards which will affect the School's financial statements in subsequent fiscal years:

Developments in Not-for-Profit Accounting Standards

The Accounting Standards Board (AcSB) has issued a March 2010 exposure draft of accounting standards for not-for-profit organizations. The proposed changes to these standards include using the existing section 4400 as the primary source of accounting standards for not-for-profit organizations and material relating specifically to not-for-profit organizations in certain sections of the existing handbook. Not-for-profit organizations may select to either adopt International Financial Reporting Standards (IFRS) or the proposed new set of accounting standards with application required to fiscal years beginning on or after January 1, 2012 with the option to early adopt.

Notes to the Financial Statements

**AURORA SCHOOL LTD.**

August 31, 2010

**Note 4**

Cash and Temporary Investments

	<b>2010</b>		
	<b>Average Effective (Market) Yield</b>	<b>Cost</b>	<b>Fair Value</b>
Cash and cash equivalents	-	\$ 482,082	\$ 482,082
Fixed-income securities	2.25	1,579,443	1,579,443
<b>Total cash and temporary investments</b>		<b>\$ 2,061,525</b>	<b>\$ 2,061,525</b>

	<b>2009</b>		
	<b>Average Effective (Market) Yield</b>	<b>Cost</b>	<b>Fair Value</b>
Cash and cash equivalents	-	\$ 107,612	\$ 107,612
Fixed-income securities	2.25	1,589,264	1,589,264
<b>Total cash and temporary investments</b>		<b>\$ 1,696,876</b>	<b>\$ 1,696,876</b>

Temporary investments consist of Guaranteed Investment Certificates maturing between April 16, 2011 and October 16, 2011, and bear interest at rates from 2.0% to 2.5%.

**Note 5**

Accounts Receivable

	<b>2010</b>	<b>2009</b>
GST Receivable	\$ 12,991	\$ 16,469
Other	2,117	2,283
	<b>\$ 15,108</b>	<b>\$ 18,752</b>

Notes to the Financial Statements

**AURORA SCHOOL LTD.**

August 31, 2010

**Note 6**  
Capital Assets

	Furniture and Fixtures	Improvements to Building and Grounds	Computer Hardware	2010	2009
<b>HISTORICAL COST</b>					
September 1, 2009	\$ 78,129	\$ 6,201,548	\$ 14,478	\$ 6,294,155	5,999,108
Additions	-	5,380	-	5,380	295,047
August 31, 2010	\$ 78,129	\$ 6,206,928	\$ 14,478	\$ 6,299,535	6,294,155
<b>ACCUMULATED AMORTIZATION</b>					
September 1, 2009	\$ 71,820	\$ 1,350,072	\$ 11,944	\$ 1,433,836	732,084
Amortization expense	3,907	693,836	2,534	700,277	701,752
August 31, 2010	\$ 75,727	\$ 2,043,908	\$ 14,478	\$ 2,134,113	1,433,836
<b>Net Book Value at August 31, 2010</b>	<b>\$ 2,402</b>	<b>\$ 4,163,020</b>	<b>\$ -</b>	<b>\$ 4,165,422</b>	<b>4,860,319</b>

Amortization provided for in the current year totaled \$700,277; (2009 - \$701,752).

Amortization is taken on the leasehold improvements over the remaining portion of the lease agreement plus one renewal period.

**Note 7**  
Accounts Payable

	2010	2009
Trade payables - operations	\$ 186,057	\$ 109,355

**Notes to the Financial Statements**

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**AURORA SCHOOL LTD.**

August 31, 2010

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**Note 8**

Deferred Contributions

	<u>2010</u>	<u>2009</u>
Sundry donors for playground development	\$ 16,284	\$ 16,284
Donner Canadian Foundation	11,988	15,965
	<u>\$ 28,272</u>	<u>\$ 32,249</u>

The deferred contributions represent resources which are restricted by the contributors as to their use.

The School has spent \$3,977 (2009 - \$6,803) of the Donner Canadian Foundation contributions during the year. The remaining funds are to be spent on the biological science program.

In prior years, the School also has also received donations for playground development. The Sherbrook Community League is in the process of renovating its playground which the school utilizes during the school year. The Board has committed the full playground reserve funding to Sherbrook Community League pending their request in the following year.

**Note 9**

Unamortized Capital Allocations

	<u>2010</u>	<u>2009</u>
Balance - beginning of year	\$ 2,549,446	\$ 2,913,652
Less amounts recognized	(364,206)	(364,206)
	<u>\$ 2,185,240</u>	<u>\$ 2,549,446</u>

The deferred capital contribution represents amounts funded by Alberta Government for leasehold improvements made to the School.

These amounts are recognized as revenue on the same basis as the leasehold improvements being amortized (see Note 6).

## Notes to the Financial Statements

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### AURORA SCHOOL LTD.

August 31, 2010

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#### **Note 10** Commitments

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Aurora School Ltd. is committed under the terms of a lease agreement expiring in August 2011 to the following minimum annual base rental payments:

2011     \$   420,000

#### **Note 11** Financial Instruments

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##### *Fair Value*

The School's carrying value of cash and temporary investments, accounts receivable, and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments. Management considers that no events have occurred subsequent to the financial statements that would indicate that fair value differs substantially from carrying values.

##### *Interest Rate Risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the School manages exposure through its normal operating activities. The School is exposed to interest rate risk with respect to the amount of interest earned annually from cash funds on deposit with financial institutions.

##### *Other risks*

The School is not exposed to significant liquidity or currency risks.

#### **Note 12** Capital Disclosures

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Capital is comprised of the School's net assets. As at August 31, 2010, the School's net assets were \$3,842,486 and it had no outstanding debt. The School's objectives when managing capital are to continue as a going concern and to protect its ability to meet its on going liabilities.

The School is not subject to any external capital requirements.

#### **Note 13** Economic Dependence

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The School's primary source of income is from the Alberta Government. The School's ability to continue viable operations is dependent on this funding.

**Notes to the Financial Statements**

**AURORA SCHOOL LTD.**

August 31, 2010

**Note 14**  
Related Party  
Transactions

Effective for the 2005/2006 fiscal year, school jurisdictions are controlled by the Government of Alberta according to criteria set out in PSAB 1300. All entities consolidated or accounted for on a modified equity basis in the accounts of the Government of Alberta are now related parties of school jurisdictions. These include government departments, health authorities, post-secondary institutions and other school jurisdictions in Alberta.

	<b>2010</b>	<b>2009</b>
<b>Revenues</b>		
Government of Alberta - Education	\$ 4,181,722	\$ 3,790,664
Current Year Capital Allocations Government of Alberta - Education	364,206	364,206
<b>Expenses</b>		
Other Alberta School Jurisdictions	\$ 419,969	\$ 419,969
<b>Accounts Receivable</b>		
Government of Alberta - Education	\$ -	\$ 520

**Note 15**  
Remuneration and  
Monetary Incentives

The School has paid or accrued expenses for the year ended August 31, 2010 to or on behalf of the following positions and persons in groups as follows:

	<b>FTE</b>	<b>Salaries</b>	<b>Benefits</b>	<b>Total</b>
Superintendent	0.6	\$ 80,298	\$ 7,227	\$ 87,525
Secretary/Treasurer	0.2	16,019	-	16,019
Certificated Salaries	28.0	2,302,272	234,041	2,536,313
Uncertificated Salaries and Wages	3.0	152,418	18,290	170,708
		<b>\$ 2,551,007</b>	<b>\$ 259,558</b>	<b>\$ 2,810,565</b>

The Secretary/Treasurer is not a salaried employee, therefore the remuneration is included in "Contracted services" on the Statement of Revenues and Expenses.

**Note 16**  
Comparative Figures

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