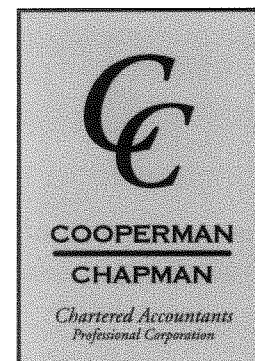


King's Christian Collegiate

Financial Statements

For the Year Ended August 31, 2010

with comparative figures for the year ended August 31, 2009



Auditors' Report

To the Board of Directors of King's Christian Collegiate

We have audited the statement of financial position of King's Christian Collegiate as at August 31, 2010 and the statements of operations and changes in fund balances and cash flow for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 common with many non-profit organizations, the organization derives revenue in the form of donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of receipts over disbursements, assets and fund balances.

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 donation and fundraising revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at August 31, 2010 and the results of its operations and the changes in its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Cooperman Chapman

St. Catharines, Ontario
December 21, 2010

Chartered Accountants Professional Corporation
Authorized to practise public accounting by
The Institute of Chartered Accountants of Ontario

King's Christian Collegiate

Statement of Financial Position

As At August 31, 2010

with comparative figures as at August 31, 2009

	Operating Fund	Capital Asset Fund	Total 2010	Total 2009
ASSETS				
Current				
Cash	\$ 1,769,036	\$ -	\$ 1,769,036	\$ 1,111,296
Term Deposit	250,000	-	250,000	-
Accounts Receivable	73,033	-	73,033	45,589
Prepaid Expenses	154,234	11,107	165,341	52,156
GST Recoverable	67,975	-	67,975	17,099
Due from Capital Asset Fund	531,135	-	531,135	323,683
	<u>2,845,413</u>	<u>11,107</u>	<u>2,856,520</u>	<u>1,549,823</u>
Property and Equipment (note 2 and 4)				
Cost	-	16,642,487	16,642,487	16,049,909
Less Accumulated Amortization	-	3,500,054	3,500,054	2,929,591
	<u>-</u>	<u>13,142,433</u>	<u>13,142,433</u>	<u>13,120,318</u>
Other				
Investments (note 5)	257,319	-	257,319	54,356
	<u>\$ 3,102,732</u>	<u>\$13,153,540</u>	<u>\$16,256,272</u>	<u>\$14,724,497</u>

Approved on behalf of the board:

The accompanying notes are an integral part of these financial statements

King's Christian Collegiate

Statement of Financial Position

As At August 31, 2010

with comparative figures as at August 31, 2009

	Operating Fund	Capital Asset Fund	Total 2010	Total 2009
LIABILITIES				
Current				
Accounts Payable and Accrued Liabilities	\$ 633,220	\$ -	\$ 633,220	\$ 178,551
Deferred Revenue (note 2)	2,012,124	-	2,012,124	1,625,487
Due to Operating Fund	-	531,135	531,135	323,683
Promissory Notes Payable, current portion (note 7)	-	130,000	130,000	183,000
Loans Payable, current portion (note 8)	-	378,000	378,000	378,000
	<u>2,645,344</u>	<u>1,039,135</u>	<u>3,684,479</u>	<u>2,688,721</u>
Long-Term				
Promissory Notes Payable, less current portion (note 7)	-	890,600	890,600	996,600
Loans Payable, less current portion (note 8)	-	5,649,500	5,649,500	6,027,500
	<u>-</u>	<u>6,540,100</u>	<u>6,540,100</u>	<u>7,024,100</u>
FUND BALANCES				
Invested in Capital Assets				
Unrestricted	-	5,574,305	5,574,305	5,211,535
	<u>457,388</u>	<u>-</u>	<u>457,388</u>	<u>(199,859)</u>
	<u>457,388</u>	<u>5,574,305</u>	<u>6,031,693</u>	<u>5,011,676</u>
	<u>\$ 3,102,732</u>	<u>\$13,153,540</u>	<u>\$16,256,272</u>	<u>\$14,724,497</u>

Approved on behalf of the board:

The accompanying notes are an integral part of these financial statements

King's Christian Collegiate

Statement of Fund Balances

For the Year Ended August 31, 2010

with comparative figures for the year ended August 31, 2009

	2010		
	Operating Fund	Capital Asset Fund	Total
Fund Balances at Beginning of Year	\$ (199,859)	\$ 5,211,535	\$ 5,011,676
Excess of Receipts over Disbursements for the Year	1,511,694	(494,640)	1,017,054
Interfund Allocations (note 9)	(857,410)	857,410	-
	<u>654,284</u>	<u>362,770</u>	<u>1,017,054</u>
Unrealized Gain on Investments (note 5)	<u>2,963</u>	<u>-</u>	<u>2,963</u>
Fund Balances at End of Year	<u>\$ 457,388</u>	<u>\$ 5,574,305</u>	<u>\$ 6,031,693</u>

	2009			
	Operating Fund	Capital Asset Fund	Endowment Fund	Total
Fund Balances at Beginning of Year	\$ (331,420)	\$ 4,992,318	\$ 50,000	\$ 4,710,898
Excess of Receipts over Disbursements for the Year	928,489	(582,067)	(50,000)	296,422
Interfund Allocations (note 9)	(801,284)	801,284	-	-
	<u>127,205</u>	<u>219,217</u>	<u>(50,000)</u>	<u>296,422</u>
Unrealized Gain on Investments (note 5)	<u>4,356</u>	<u>-</u>	<u>-</u>	<u>4,356</u>
Fund Balances at End of Year	<u>\$ (199,859)</u>	<u>\$ 5,211,535</u>	<u>\$ -</u>	<u>\$ 5,011,676</u>

The accompanying notes are an integral part of these financial statements

King's Christian Collegiate

Statement of Operations

For the Year Ended August 31, 2010

with comparative figures for the year ended August 31, 2009

	Operating Fund	Capital Asset Fund	Total 2010	Total 2009
Receipts				
Capital Levy	\$ 476,653	\$ -	\$ 476,653	\$ 367,368
Donations	45,545	9,000	54,545	40,311
Food Services	243,172	-	243,172	240,004
Fundraising	-	437,270	437,270	402,168
Interest	10,446	-	10,446	11,405
Membership Fees	125,200	-	125,200	110,100
Rental Income	152,494	-	152,494	159,859
Sundry Revenue	16,978	-	16,978	20,793
Tuition and Transportation	5,266,564	-	5,266,564	4,201,465
	<u>6,337,052</u>	<u>446,270</u>	<u>6,783,322</u>	<u>5,553,473</u>
Disbursements				
Administrative Expenses				
Bank Charges and Interest	2,619	-	2,619	3,642
Board and Committee Expenses	1,870	-	1,870	1,007
Directors' and Officers' Insurance	3,350	-	3,350	4,864
Donations	-	-	-	50,000
Food Services	202,066	-	202,066	177,591
Fundraising	-	50,040	50,040	35,225
Office and Telephone	46,491	-	46,491	47,188
Professional Fees	5,944	-	5,944	4,978
Public Relations and Financial Development	-	-	-	49,505
	<u>262,340</u>	<u>50,040</u>	<u>312,380</u>	<u>374,000</u>
Building Expenses				
Amortization	-	570,460	570,460	597,681
Equipment Rental	9,580	-	9,580	26,472
Insurance	29,563	-	29,563	25,097
Interest on Long-Term Debt	-	320,410	320,410	351,329
Repairs and Maintenance	128,162	-	128,162	106,797
Utilities	138,419	-	138,419	146,322
	<u>305,724</u>	<u>890,870</u>	<u>1,196,594</u>	<u>1,253,698</u>
Education Expenses				
Advertising and Recruitment	49,252	-	49,252	56,635
Education Supplies	224,279	-	224,279	157,712
Information Technology	102,203	-	102,203	80,345
International Students	162,595	-	162,595	-
Memberships	31,281	-	31,281	30,242
Professional Development	20,916	-	20,916	29,300
Salaries and Benefits	2,947,460	-	2,947,460	2,727,632
Transportation Contract	414,496	-	414,496	325,316
Awards and Bursaries	304,812	-	304,812	222,171
	<u>4,257,294</u>	<u>-</u>	<u>4,257,294</u>	<u>3,629,353</u>
Total Disbursements	<u>4,825,358</u>	<u>940,910</u>	<u>5,766,268</u>	<u>5,257,051</u>
Excess of Receipts over Disbursements for the year	<u>\$ 1,511,694</u>	<u>\$ (494,640)</u>	<u>\$ 1,017,054</u>	<u>\$ 296,422</u>

The accompanying notes are
an integral part of these
financial statements

King's Christian Collegiate

Statement of Cash Flow

For the Year Ended August 31, 2010

with comparative figures for the year ended August 31, 2009

	2010	2009
Cash Flow from Operating Activities		
Excess of Receipts over Disbursements for the Year	\$ 1,017,054	\$ 296,422
Items Not Affecting Cash		
Amortization - Capital Assets	<u>570,460</u>	<u>597,681</u>
	1,587,514	894,103
Changes in Non-Cash Working Capital Items		
(Increase) Decrease in:		
Term Deposit	(250,000)	-
Accounts Receivable	(27,444)	(5,434)
Prepaid Expenses	(113,186)	11,521
GST Recoverable	(50,876)	(216)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	454,671	16,510
Deferred Revenue	<u>386,637</u>	<u>329,557</u>
	<u>1,987,316</u>	<u>1,246,041</u>
Cash Flow from Investing Activities		
Purchase of Capital Assets	(592,576)	(109,191)
(Increase) Decrease in Investments	<u>(200,000)</u>	<u>-</u>
	<u>(792,576)</u>	<u>(109,191)</u>
Cash Flow from Financing Activities		
Promissory Note Advances	14,000	17,285
Promissory Note Repayments	(173,000)	(80,000)
Long-Term Debt Repayments	<u>(378,000)</u>	<u>(560,903)</u>
	<u>(537,000)</u>	<u>(623,618)</u>
Increase in Cash for the Year	657,740	513,232
Cash, Beginning of Year	<u>1,111,296</u>	<u>598,064</u>
Cash, End of Year	<u>\$ 1,769,036</u>	<u>\$ 1,111,296</u>
Other Cash Flow Information:		
Interest Paid	<u>\$ 324,410</u>	<u>\$ 355,329</u>

The accompanying notes are an integral part of these financial statements

King's Christian Collegiate

Notes to the Financial Statements

August 31, 2010

1. GENERAL

The Halton Region Christian Education Association was constituted on April 27, 1999 and incorporated as a corporation without share capital on June 28, 1999. Following a membership vote, the Association changed its name to King's Christian Collegiate by supplementary letters patent dated November 23, 1999. The corporation has been granted registered charity status by Canada Revenue Agency under registration number 86612 0629 RR0001.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

King's Christian Collegiate follows the deferral method of accounting for contributions.

Fund Accounting

Revenue and expenses related to education and administrative activities are reported in the Operating Fund.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Collegiate's capital assets and building expansion campaign.

Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received. Unpaid tuition fees for the current school year are not recorded as a receivable due to the unlikelihood of full collectibility.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. Actual results could differ from those estimates.

Investments

Available for Sale investments are recorded at fair value. Transaction costs are expensed when incurred.

Income Taxes

The organization is a registered charity within the meaning of the Income Tax Act and is exempt from income taxes.

Deferred Revenue

Tuition fees, donations, and other amounts received in advance of directly related expenditures are deferred and recognized as revenue when the related expenditures are incurred. The deferred portion is recorded as a current liability.

King's Christian Collegiate

Notes to the Financial Statements

August 31, 2010

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

Property and Equipment

Property and equipment are stated at cost. Amortization has been recorded using the diminishing balance method, at the following annual rates:

Building	4%
Furniture and Equipment	20%
Computer Equipment	30%
Musical Instruments	20%

In the year of acquisition, amortization is recorded at one-half the normal rates.

No amortization is recorded during the development or construction phase of property and equipment.

Contributed capital assets are recorded at fair market value at the date of contribution. This year's contributions of capital assets were valued at \$9,000.

3. FINANCIAL INSTRUMENTS

Kings Christian Collegiate designated its cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities, bank indebtedness, promissory notes payable and loans payable are classified as other financial liabilities, which are measured at amortized cost.

Kings Christian Collegiate has classified all of its investments as available for sale and carries them at fair value. The net unrealized gain or loss on investments, being the difference between book value and fair value, is included in the statement of fund balances. The fair value of investments is noted in note 5.

Fair Value

The carrying values of financial assets and liabilities being cash, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximate their fair values due to the relatively short-term maturity. The carrying value of the promissory notes and loans payable approximates their fair value due to the terms and conditions of the borrowing arrangements compared to current market terms and conditions for similar items.

Credit Risk

It is management's opinion that the organization is not exposed to significant credit risk on its accounts receivables.

Interest Rate Risk

The entity is not exposed to interest rate risk on its available-for-sale equity investments. The organization is exposed to interest rate risk on its promissory notes due to the fixed interest rates. The organization has minimized the interest rate risk on its variable interest rate long-term debt to an acceptable level by entering into interest rate swaps to hedge against rising interest rates.

Currency Risk

It is management's opinion that the company is not exposed to significant currency risks.

King's Christian Collegiate

Notes to the Financial Statements

August 31, 2010

4. PROPERTY AND EQUIPMENT

	2010		2009	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 962,637	\$ -	\$ 962,637	\$ 962,637
Building	14,467,054	2,696,717	11,770,337	11,762,384
Furniture and Equipment	692,341	403,818	288,523	312,954
Computer Equipment	455,364	393,010	62,354	82,343
Musical Instruments	65,091	6,509	58,582	-
	<u>\$16,642,487</u>	<u>\$ 3,500,054</u>	<u>\$13,142,433</u>	<u>\$13,120,318</u>

5. INVESTMENTS

	2010		2009	
	Book Value	Market Value	Book Value	Market Value
Cash	\$ 383	\$ 383	\$ 2,466	\$ 2,466
Fixed Income	245,000	245,006	-	-
Common Shares	10,180	9,904	21,194	19,057
Mutual Funds	2,026	2,026	32,833	32,833
	<u>\$ 257,589</u>	<u>\$ 257,319</u>	<u>\$ 56,493</u>	<u>\$ 54,356</u>

Unrealized fair-value gains and losses arising from holding investments are reported on the statement of fund balances. When the underlying securities are subsequently sold, the resulting realized gain or loss is then reported on the statement of operations.

6. BANK INDEBTEDNESS

A revolving demand credit line is made available by the CIBC for general business purposes. Total credit facility available is \$500,000, to be fully liquidated semi-annually, by April 30 and December 31 each year. Interest is calculated at prime.

7. PROMISSORY NOTES PAYABLE

	2010	2009
Various promissory notes payable to individuals	\$ 1,020,600	\$ 1,179,600
Less: current portion	<u>130,000</u>	<u>183,000</u>
	<u>\$ 890,600</u>	<u>\$ 996,600</u>

Principal repayments due over the next three years are as follows:

2011	\$ 130,000
2012	530,600
2013	360,000

King's Christian Collegiate

Notes to the Financial Statements

August 31, 2010

8. LOANS PAYABLE

	2010	2009
CIBC, demand loan for purpose of refinancing Phase II construction debt, monthly principal payments of \$24,000 plus interest calculated at a rate of prime plus 0.50%. The organization has the option to utilize an interest rate swap to effectively fix the interest rate on any amount outstanding for up to five years. An interest rate swap on \$2,000,000 of the liability, with an effective fixed rate of 4.3%, matures May 15, 2012. An interest rate swap on \$2,640,000 of the liability, with an effective fixed rate of 4.86%, matures May 15, 2014.	\$ 4,640,000	\$ 4,928,000
CIBC, demand loan for purpose of refinancing Phase I construction debt, monthly installments of \$7,500 plus interest calculated at a rate of prime plus 0.50%	<u>1,387,500</u>	<u>1,477,500</u>
	6,027,500	6,405,500
Less: current portion	<u>378,000</u>	<u>378,000</u>
	<u>\$ 5,649,500</u>	<u>\$ 6,027,500</u>

The above loans are secured by a first priority security interest in all present and future personal property of the organization including a charge in the amount of \$10,500,000 over real property at 528 Burhamthorpe Road West, Oakville, Ontario. The agreement covering the long term debt contains a number of covenants. The covenants require the organization to maintain a ratio of total liabilities to total income not exceeding 3.0 to 1.0 and there must be 35% equity in any capital projects based upon the net depreciated book values of existing assets.

The current and principal payments due in the next five years are based on the current terms without demand by CIBC.

Principal repayments due over the next four years are as follows:

2011	\$ 378,000
2012	378,000
2013	378,000
2014	378,000

9. INTERFUND ALLOCATIONS

Transfers were made from the Operating Fund to the Capital Fund in order to fund the cash outlays for mortgage and promissory note principal and interest payments.

	2010	2009
Loan principal and interest repayments	\$ 630,083	\$ 667,259
Promissory note principal and interest repayments	241,327	151,310
Promissory note proceeds	<u>(14,000)</u>	<u>(17,285)</u>
	<u>\$ 857,410</u>	<u>\$ 801,284</u>

King's Christian Collegiate

Notes to the Financial Statements

August 31, 2010

10. LETTERS OF CREDIT

An irrevocable letter of credit has been arranged with CIBC for \$100,000. It names the Town of Oakville as beneficiary should King's Christian Collegiate not perform its obligations as provided for in the Phase I site plan agreement. The date of maturity is June 27, 2011.

An irrevocable letter of credit has been arranged with CIBC for \$50,000. It names the Regional Municipality of Halton as beneficiary should King's Christian Collegiate not perform its obligations with respect to the sewage holding tank. The date of maturity is August 2, 2011.

An irrevocable letter of credit has been arranged with CIBC for \$65,135. It names the Town of Oakville as beneficiary should King's Christian Collegiate not perform its obligations as provided for in the Phase II site plan agreement. The date of maturity is October 13, 2010.

11. COMMITMENTS

The entity is committed under a building contract with Maple Reinders Constructors Ltd. for the construction of a Music Conservatory. The total estimated costs of the building addition are \$1,085,358.00. The total costs incurred in the year were \$425,049.94. The estimated date of completion is November 2010.

12. RELATED PARTY TRANSACTIONS

King's Christian Collegiate Foundation (Foundation) was established to raise, accumulate and invest funds for King's Christian Collegiate. The Foundation is operated independently of King's Christian Collegiate. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act.

13. CAPITAL DISCLOSURES

Kings Christian Collegiate considers its capital to be the balance maintained in its fund balances. The primary objective of the organization is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Capital is invested under the direction of the Board of Directors of the organization with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements. The organization is not subject to any externally imposed requirements of its capital.