

**Calgary Arts Academy Society
Financial Statements
August 31, 2005**

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Auditors' Report

**To the Members
Calgary Arts Academy Society**

We have audited the balance sheet of Calgary Arts Academy Society as at August 31, 2005 and the statements of net assets, revenue and expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Society'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 Society as at August 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Calgary, Alberta
November 21, 2005

**Calgary Arts Academy Society
Statement of Net Assets**

August 31, 2005

| | Net Assets | Enhancement Reserves | | | 2005 Total | |
|--|---------------|----------------------|----------------------------------|--|---------------|----------------|
| | | Instruction | Operations and Maintenance | Governance and System Administration | | Transportation |
| Balance, beginning of year | \$ - | \$ 86,043 | \$ 41,258 | \$ 2,105 | \$ - | \$ 129,406 |
| Excess of revenue over expenses | 79,881 | - | - | - | - | 79,881 |
| Transfer to (from) enhancement reserves | (79,881) | 67,001 | (21,554) | (2,105) | 36,539 | - |
| Transfer to (from) enhancement reserves (Note 8) | - | 35,935 | - | - | (35,935) | - |
| Balance, end of year | \$ - | \$ 188,979 | \$ 19,704 | \$ - | \$ 604 | \$ 209,287 |

Calgary Arts Academy Society
Statement of Revenue and Expenses

| For the year ended August 31, 2005 | (unaudited) 2005 Budget | 2005 Actual | 14 months 2004 Actual |
|---|-------------------------------|------------------|-----------------------------|
| Revenue | | | |
| Province of Alberta | | | |
| Instruction grants | \$ 1,320,779 | \$ 1,340,599 | \$ 1,107,678 |
| Other grants | - | - | 8,765 |
| Start up grants | - | 58,911 | 168,367 |
| Support grants | <u>510,345</u> | <u>595,561</u> | <u>536,366</u> |
| | <u>1,831,124</u> | <u>1,995,071</u> | <u>1,821,176</u> |
| Other | | | |
| Other revenue | - | 24,289 | 12,426 |
| Resource and transportation fees | <u>126,100</u> | <u>112,554</u> | <u>46,674</u> |
| | <u>126,100</u> | <u>136,843</u> | <u>59,100</u> |
| | <u>1,957,224</u> | <u>2,131,914</u> | <u>1,880,276</u> |
| Expenses | | | |
| Alberta Initiative for School Improvement | 25,523 | 28,577 | 11,842 |
| Board directed contingency | 88,666 | - | 312 |
| Classroom resources | 80,000 | 115,183 | 56,586 |
| Contracted services | 81,000 | 78,475 | 65,741 |
| Facility operations | 144,593 | 162,034 | 107,920 |
| Facility rental | 244,252 | 284,822 | 257,887 |
| Facility start-up | - | 65,441 | 168,368 |
| Instructional resources and enrichment | 75,300 | 43,089 | 20,407 |
| Library | 20,000 | 15,397 | 19,994 |
| Professional development | 10,000 | 8,951 | 11,323 |
| Salaries and benefits | | | |
| Certificated | 769,640 | 775,536 | 618,820 |
| Uncertified | 238,050 | 260,051 | 217,844 |
| School office expenses and supplies | 35,000 | 34,574 | 26,226 |
| System Administration and Board costs | 4,000 | 6,283 | 7,395 |
| Technology | 25,000 | 71,902 | 29,418 |
| Transportation | <u>116,200</u> | <u>101,718</u> | <u>130,787</u> |
| | <u>1,957,224</u> | <u>2,052,033</u> | <u>1,750,870</u> |
| Excess of revenue over expenses for the year | \$ - | \$ 79,881 | \$ 129,406 |

The accompanying notes are an integral part of these financial statements.

Calgary Arts Academy Society
Statement of Cash Flows

| For the year ended August 31, 2005 | 2005 | 14 months 2004 |
|---|-----------------------|--------------------------|
| Cash flows from operating activities | | |
| Excess of revenue over expenses for the year | \$ 79,881 | \$ 129,406 |
| Net change in non-cash working capital balances | | |
| Accounts receivable | (3,034) | (70,363) |
| Prepaid expenses | (9,985) | (21,173) |
| Accounts payable and accrued liabilities | 39,628 | 30,283 |
| Deferred revenue | <u>32,794</u> | <u>61,524</u> |
| Increase in cash | 139,284 | 129,677 |
| Cash, beginning of year | <u>129,677</u> | <u>-</u> |
| Cash, end of year | \$ 268,961 | \$ 129,677 |
| Represented by: | | |
| Cash | \$ 115,471 | \$ 58,902 |
| Short term investment | <u>153,490</u> | <u>70,775</u> |
| | \$ 268,961 | \$ 129,677 |

The accompanying notes are an integral part of these financial statements.

August 31, 2005

1. Authority and Purpose of the Society

The Society delivers educational programs, operating as the Calgary Arts Academy and Research Center under the authority of the School Act, Chapter S-3, Statutes of Alberta, January 2002. The Society was incorporated on May 1, 2001 under the Societies Act of Alberta. Through a charter established with the Minister of Learning the Society operates a charter school from a single location. The school provides education from Early Childhood Services to Grade 9. The Charter is up for renewal on August 31, 2008.

The Society receives block allocation for instruction and support under Regulation 72/95. The regulation limits funding and expenses for administration. It permits the Society, within specified limits, to reallocate funding between the instruction and support blocks.

The Society is incorporated under the Societies Act of Alberta as a not-for-profit organization and as such is exempt from income taxes.

2. Significant Accounting Policies

The financial statements of the Society have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Revenue Recognition

Revenue is recognized as follows:

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.

(b) School Generated Funds

Funds generated from school based activities are included as assets, liabilities, revenues and expenses of the school authority because the accountability and control/ownership of these funds rests with school authority officials or their appointee. Revenue from school generated funds is recognized as the related expenses are incurred.

(c) 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.

August 31, 2005

2. Significant Accounting Policies - Continued

(d) Pensions

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. Under the terms of the Teachers Pension Plan Act, the Calgary Arts Academy Society does not make pension contributions for certificated staff.

(e) Contributed Services

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

(f) Financial Instruments

The Society's financial instruments consist of various assets and liabilities. Except for the fact that a large concentration of cash is deposited with a single financial institution, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted. The Society has invested surplus funds in accordance with section 60 of the School Act and Section 5 of the Trustees Act.

3. Short-term Investment

The Society has a twelve month, non-redeemable term deposit with First Calgary Savings and Credit Union, earning interest at 3% per annum, and maturing September 24, 2005.

4. Deferred Revenue

| | 2005 | 2004 |
|--|------------------|------------------|
| Province of Alberta | | |
| Alberta Learning funding | \$ - | \$ 12,098 |
| Alberta Infrastructure funding | - | 3,058 |
| Calgary Board of Education Lease Commitments | 8,229 | - |
| AISI Project | <u>9,044</u> | <u>-</u> |
| | 17,273 | 15,156 |
| Parent fees received in advance | <u>77,044</u> | 46,368 |
| | <u>\$ 94,317</u> | <u>\$ 61,524</u> |

August 31, 2005

5. Commitment

The Society leases one school and six portables from the Calgary Board of Education. The lease expires July 31, 2008. The Society's minimum annual lease payments for the next three years are as follows:

| | | |
|------|----|---------|
| 2006 | \$ | 307,736 |
| 2007 | \$ | 307,736 |
| 2008 | \$ | 281,668 |

6. Economic Dependence on Related Third Party

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

7. Budget Amounts

The 2005 Budget for the Society was approved by the Board and has been reported in the financial statements for information purposes only. These budget amounts have not been audited.

8. Transportation

During the year, a one time transportation grant of \$47, 000 was received. Of this amount \$35,935 was related to the prior years transportation deficit, and this amount was repaid by the transportation reserve to the instruction enhancement reserve during the 2004-2005 school year.

9. Comparative Amounts

The comparative figures for 2004 reflect financial activities for the 14 month period from July 1, 2003 through August 31, 2004. The 2004 Provincial grants were allocated over the 14 month period to allow for the preparation of school opening.
