

**CONCORDIA HIGH SCHOOL**  
**Notes to Financial Statements**  
**Year ended August 31, 2008**

**1. PURPOSE OF THE ORGANIZATION**

The purpose of Concordia High School ("the High School") is to provide high school education to members of the public within a Christian context.

The High School was incorporated February 22, 2001 under the Companies Act of the Province of Alberta. It is a registered charity and as such is exempt from corporate income taxes. The High School commenced independent operations on July 1, 2003.

By mutual agreement, assets and liabilities of Concordia High School (operating as part of Concordia High School of Alberta through June 30, 2003) were transferred to the High School effective July 1, 2003.

**2. CHANGE IN ACCOUNTING POLICY**

Effective July 1, 2007, the High School adopted CICA Handbook Section 3855, "Financial Instruments -Recognition and Measurement", Section 3861, "Financial Instruments -Disclosure and Presentation" and the related CICA Handbook changes. Under the new standards, policies followed for periods prior to the effective date generally were not revised and therefore, the comparative figures are not restated.

*Section 3861* establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them

*Section 3855* prescribes when a financial asset, financial liability, derivative instrument or non-financial derivative is to be recognized on the statement of financial position and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale financial assets; or other financial liabilities. All financial instruments, including derivatives, are measured in the statement of financial position at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost using the effective interest method. Changes in fair value of held-for-trading financial assets and held-for-trading financial liabilities are recognized in the statement of operations. Changes in fair value of financial instruments classified as available for sale are recognized directly as changes in net assets until the asset is de-recognized.

Previously, the High School measured all of its investments, consisting of interest bearing deposits, at cost, net of any adjustment for other-than-temporary impairment. All other financial assets and financial liabilities were measured at cost.

Under adoption of these new standards, the High School undertook the following:

1. Designating cash and cash equivalents as held-for-trading, being measured at fair value.
2. Classifying certain accounts receivable, representing financial assets, and accrued interest receivable as loans and receivables, which are measured at amortized cost.
3. All investments have been classified as held-for-trading and measured at fair value.
4. Accounts payable and accrued liabilities, payable to Concordia University College of Alberta, the loan payable, and obligations under capital leases have been classified as other financial liabilities and are measured at amortized cost.

**CONCORDIA HIGH SCHOOL**  
**Notes to Financial Statements**  
**Year ended August 31, 2008**

**2. CHANGE IN ACCOUNTING POLICY (continued)**

5. All derivative instruments, including embedded derivatives, will be recorded on the statement of financial position at fair value and the change in fair value to the statement of operations unless exempted from derivative treatment as a normal purchase and sale arrangement. The High School has reviewed their contractual arrangements for embedded derivatives and noted no derivatives embedded in the host contracts.

Upon adoption of the new standards, the High School made no adjustment to the carrying value of investments.

As permitted, the High School has elected to exclude from the scope of Section 3855 – "Financial Instruments, Recognition and Measurement", non-financial contracts, leases and insurance contracts.

**3. ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and are prepared using the deferral method of accounting for contributions. The following policies are considered significant:

**Basis of presentation**

These financial statements have been prepared on a going concern basis which assumes that the High School will continue in operation for the foreseeable future and be able to realize its asset and discharge its liabilities in the normal course of operations.

The High School's continuation as a going concern is dependent on its ability to generate sufficient revenue from student fees, government grants and other external sources to meet its planned expenditures.

These financial statements do not reflect any adjustments that might be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments might be necessary in the carrying value of assets and liabilities, the reported revenues and expenditures and the statement of financial position classifications used.

**Investments**

Investments are recorded at fair market value.

**Inventory**

Inventory of textbooks is valued at the lower of cost and net realizable value. Cost is determined on the first in, first out basis.

**Capital assets**

Capital assets are recorded at cost. Donated capital assets are recorded at the fair market value on the date of the receipt of the gift. Property under capital leases is initially recorded at the net present value of minimum lease payments at the inception of the lease. Amortization is computed using the straight-line method at the following annual rates:

**CONCORDIA HIGH SCHOOL**  
**Notes to Financial Statements**  
**Year ended August 31, 2008**

**3. ACCOUNTING POLICIES (continued)**

<u>Asset</u>	<u>Rate</u>
Computer equipment	33.3%
Photocopier	20%

**Use of estimates**

The preparation of the 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 revenues and expenses during the reporting period. Significant estimates included in the financial statements include the allowance for doubtful accounts, the value of donated assets, provision for amortization and accrued liabilities. Actual results could differ from those estimates.

**Specially designated funds**

Specially designated funds are resources that have been placed with the High School for specific purposes that are not part of the operations of the High School.

**Revenue recognition**

Tuition fees are recognized as revenue in the period in which instruction is provided.

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. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Endowment contributions are recognized as direct increases in net assets. Unrestricted investment income is recognized as revenue when earned.

Income from the investment of restricted assets is included in deferred revenue in the Statement of Financial Position.

Deferred revenue is comprised of pre-registration fees and deposits.

**Financial instruments and Investments**

Financial instruments consist of investments, accounts receivable, accounts payable and accrued liabilities, payable to Concordia University College of Alberta, capital leases, and loan payable.

The High School has designated all investments as held-for-trading financial assets. Investments in mutual funds and equities are recorded at fair value on a trade-date basis. Mutual fund investments include domestic and foreign debt and equity-based mutual funds, which are widely held and diversified. Equities include shares of publicly-traded companies whose shares and trust units are traded on domestic and foreign exchanges. Transaction costs are recognized immediately in the statement of operations.

**CONCORDIA HIGH SCHOOL**  
**Notes to Financial Statements**  
**Year ended August 31, 2008**

**3. ACCOUNTING POLICIES (continued)**

The fair values of Government of Canada securities, provincial government and provincial government backed securities and corporate bonds represent the year end quoted market bid prices. The fair value of mutual funds represents the year end quoted unit value that is based on the net asset market values of the funds. The fair value of equities represents the year end quoted market price.

*Risk management and fair value:*

The High School periodically monitors the principal risks assumed in its investments. The risks that arise from transacting financial instruments include credit risk, liquidity risk, and price risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices. The High

School does not use derivative financial instruments to alter the effects of these risks. The High School manages these risks using risk management policies and practices, including various approved asset mix strategies and risk management limits.

Changes in interest rates and credit ratings are the main cause of changes in the fair value of government securities and corporate bonds resulting in a favourable or unfavourable variance compared to book value. Credit risk is mitigated by investing in securities with a rating of BBB or better and diversifying the securities between government, government backed and corporate issuers. Interest rate risk is mitigated by managing maturity dates and payment frequency. The High School is exposed to credit risk related to the accounts receivable arising from student fees and auxiliary activities. The fair value of the High School's other financial instruments, measured at amortized cost, do not differ significantly from their carrying values. The High School's long-term interest bearing debts are at fixed rates to mitigate the effects to cash flow that interest rate changes could have.

**Future accounting changes**

The Canadian Institute of Chartered Accountants (CICA) has issued four new standards: CICA Handbook sections 1535: *Capital Disclosures*, 3031: *Inventories*, 3862: *Financial Instruments – Disclosures*, and 3863: *Financial Instruments – Presentation*.

*Section 1535* requires the disclosure of qualitative and quantitative information that will enable users of financial statements to evaluate an entity's objectives, policies and processes for managing capital.

*Sections 3862* and *3863* enhance the ability of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. These future accounting policy changes will require only additional note disclosure and will not affect the statements of financial position, operations, changes in net assets, or cash flows.

*Section 3031* prescribes the accounting treatment for inventories and provides guidance on the determination of cost and its subsequent recognition of expense, including any write-down to net realizable value. The new requirements for the determination of cost may require the High School to include certain additional costs in the measurement of its inventories.

The High School is currently assessing the impact of these new accounting standards on its financial statements.

**CONCORDIA HIGH SCHOOL**  
**Notes to Financial Statements**  
**Year ended August 31, 2008**

**4. INVESTMENTS**

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
Lutheran Foundation Canada				
Domestic equities	\$ 30,512	\$ -	\$ -	\$ -
Foreign equities	19,958	-	-	-
Interest bearing deposits	7,239	85,152	85,152	85,152
Bonds	30,475	-	-	-
	\$ 88,184	\$ 85,152	\$ 85,152	\$ 85,152

In accordance with the general investment policy, The High School participates in a pooled investment through the Lutheran Foundation Canada. The High School has no direct control over the individual investment decisions made by the Lutheran Foundation Canada.

**5. SPECIALLY DESIGNATED FUNDS**

Specially designated funds consist of resources in the amount of \$40,692 (2007 - \$31,748) that have been placed with the High School for specific purposes that are not part of the operations of the High School.

**6. EQUIPMENT**

	2008		2007	
	Cost	Accumulated Amortization	Net Book Value	Accumulated Amortization
Computer equipment	\$ 17,422	\$ 11,614	\$ 5,808	\$ 11,615
Property under Capital Lease				
Photocopier	16,000	3,200	12,800	-
	\$ 33,422	\$ 14,814	\$ 18,608	\$ 11,615

Assets purchased under capital lease totaled \$16,000 in 2008 (2007 - \$nil). Amortization of property under capital lease of \$3,200 (2007 - \$nil) is included in amortization expense.

**CONCORDIA HIGH SCHOOL**  
**Notes to Financial Statements**  
**Year ended August 31, 2008**

**7. RELATED PARTY TRANSACTIONS**

The High School utilizes a facility owned by Concordia University College of Alberta. In addition to the provision of the facility, the University College provides accounting, human resources, computing services and maintenance services to the High School. The High School is charged a composite fee for these services. The agreement relating to the provision of services is a renewable five year agreement commencing July 1, 2004. The fee is negotiated annually and was \$98,735 in 2008 (2007 - \$94,276). In addition, interest of \$8,919 (2007 - \$nil) was charged on the balance owing to Concordia University College of Alberta.

At August 31, 2008, \$358,047 (2007 – \$209,045) is payable to the Concordia University College of Alberta.

**8. DEFERRED REVENUE**

	Balance, beginning of year (Restated, Note 13)	Receipts	Revenue recognized	Balance, end of year
Education fees	\$ 180,884	\$ 556,386	\$ 597,678	\$ 135,592
Donations	87,667	53,986	50,162	91,491
	<u>\$ 268,551</u>	<u>\$ 610,372</u>	<u>\$ 647,840</u>	<u>\$ 231,083</u>

**9. CAPITAL LEASE**

Obligation under capital lease:	2008
Year ending August 31:	
2009	\$ 3,423
2010	3,423
2011	3,423
2012	3,423
2013	2,568
Total minimum lease payments	16,261
Less amount representing interest at 2.9%	1,117
Present value of net minimum lease payments	15,144
Current portion of obligation under capital lease	(3,017)
	<u>\$ 12,127</u>

The above obligation is secured by the assets held under the capital lease. There was no interest on the above obligation for 2008.

**CONCORDIA HIGH SCHOOL**  
**Notes to Financial Statements**  
**Year ended August 31, 2008**

**10. LOAN PAYABLE**

	2008	2007
3.5% fixed rate term loan, maturing on June 30, 2009.	\$ 34,849	\$ 34,849

No repayment terms have been set by Lutheran Foundation Canada on the unsecured loan payable. Interest accrued in the current year was \$1,262 (2007 – \$1,220).

**11. PENSION PLAN**

The High School participates in the Worker Benefit Plan of the Lutheran Church - Canada, a multi-employer pension plan. All permanent employees are covered by this retirement program. Concordia contributes a fixed percentage of each participant's salary to the Plan. In the current year contributions were \$58,424 (2007 – \$56,652).

**12. GOVERNMENT FUNDING**

During the 2008 fiscal year ending August 31, \$322,742 (2007 – \$305,357) in grants were received by the High School from the Government of Alberta to assist with program and instructional costs.

**13. RESTATEMENT**

The High School has retroactively adjusted its net assets as a result of the following:

- 1) accounting for externally restricted funds for scholarships
- 2) misclassification of the amount due to Concordia University College of Alberta

As a result, the comparative financial statements of the High School have been restated as at August 31, 2007, as follows:

	2007 As previously reported	2007 Increase (decrease)	2007 As restated
<u>Statement of Financial Position</u>			
Other payables and accrued liabilities	\$ 209,045	\$ 28,786	\$ 237,831
Deferred revenue	-	268,551	268,551
Net deficiency	\$ (48,143)	\$ (297,337)	\$ (345,480)