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**Timothy  
Cheng**  
Chartered Accountant

**PEOPLES CHRISTIAN ACADEMY (PCA) INC.**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2009**



**PEOPLES CHRISTIAN ACADEMY (PCA) INC.**

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## AUDITOR'S REPORT

### To the Board of Directors of Peoples Christian Academy (PCA) Inc.

I have audited the statement of financial position of Peoples Christian Academy (PCA) Inc. ("PCA") as at August 31, 2009 and the statements of revenue, expenses and net assets, and cash flows for the year then ended. These financial statements are the responsibility of PCA's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of PCA as at August 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Timothy Cheng', written in a cursive style.

Richmond Hill, Ontario  
October 8, 2009

**Chartered Accountant  
LICENSED PUBLIC ACCOUNTANT**



**PEOPLES CHRISTIAN ACADEMY (PCA) INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT AUGUST 31, 2009**

	<u>2009</u>
<b>ASSETS</b>	
<b>Current:</b>	
Cash and term deposits	\$ 520,427
Accounts receivable	6,422
GST receivable	10,290
Prepaid and deposits	<u>89,712</u>
	626,851
<b>Capital assets (note 2)</b>	<u>59,637</u>
	<u>\$ 686,488</u>
<b>LIABILITIES</b>	
<b>Current:</b>	
Accounts payable and accrued liabilities	\$ 209,561
Deferred revenue	<u>1,048,182</u>
	1,257,743
<b>Deferred capital contributions (note 3)</b>	23,493
<b>Deferred contribution - others (note 4)</b>	<u>5,000</u>
	<u>1,286,236</u>
<b>NET ASSETS (DEFICIENCY)</b>	
<b>Invested in capital assets</b>	59,637
<b>Unrestricted (deficit)</b>	<u>(659,385)</u>
	<u>(599,748)</u>
	<u>\$ 686,488</u>

Approved on behalf of the Board:

\_\_\_\_\_ Director  
\_\_\_\_\_ Director



PEOPLES CHRISTIAN ACADEMY (PCA) INC.

STATEMENT OF REVENUE, EXPENSES AND NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2009

	<u>2009</u>
<b>Revenue:</b>	
Tuition and testing fees	\$ 3,487,289
Short term missions	29,730
General	128,805
Field trips	46,414
Fundraising	49,633
Special events	41,035
	<u>3,782,906</u>
<b>Expenses:</b>	
Administrative services	50,319
Amortization of capital assets	4,212
Bank charges and interest	8,373
Bursaries	94,917
Book purchases	3,646
Dues, fees, and subscriptions	29,245
Field trips	76,852
Fundraising	22,051
Guest fees	2,925
Insurance	17,524
Legal, audit, and consulting	141,457
Occupancy costs	420,000
Operations and supplies	140,018
Promotion	14,864
Relocation expenses	151,641
Repairs and maintenance	1,706
Salaries and benefits	3,146,290
Scholarships and yearbook	30,488
Short term missions	47,159
Special events	15,138
Training	10,338
Travel and automotive	1,243
	<u>4,430,406</u>
<b>Excess (deficiency) of revenue over expenses</b>	(647,500)
<b>Net assets, beginning of year (note 7)</b>	<u>47,752</u>
<b>Net assets (deficit), end of year</b>	<u>\$ (599,748)</u>



**PEOPLES CHRISTIAN ACADEMY (PCA) INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>2009</u>
<b>Cash Flows from Operating Activities</b>	
Excess (deficiency) of revenue over expenses	\$ (647,500)
Adjustments for items not requiring an outlay of cash:	
Amortization of capital assets	<u>4,212</u>
	(643,288)
Decrease (increase) in accounts receivable	(6,422)
Decrease (increase) in GST receivable	(10,290)
Decrease (increase) in prepaid and deposits	(89,712)
Increase in accounts payable	209,561
Increase (decrease) in deferred revenue (note 7)	<u>(105,083)</u>
	<u>(645,234)</u>
<b>Cash Flows from Financing Activities</b>	
Increase in deferred capital contributions	23,493
Increase in deferred contribution - others	<u>5,000</u>
	<u>28,493</u>
<b>Cash Flows from Investing Activities</b>	
Additions to capital assets	<u>(63,849)</u>
<b>Net increase in cash</b>	(680,590)
<b>Cash, beginning of year (note 7)</b>	<u>1,201,017</u>
<b>Cash, end of year</b>	<u>\$ 520,427</u>
<b>Cash consists of:</b>	
Cash (bank indebtedness)	\$ (139,573)
Term deposits	<u>660,000</u>
	<u>\$ 520,427</u>



**PEOPLES CHRISTIAN ACADEMY (PCA) INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2009**

Peoples Christian Academy (PCA) Inc. ("PCA") was incorporated on November 21, 2007 as a corporation without share capital in the Province of Ontario. Effective from September 1, 2008, PCA takes over the operation of the Peoples Christian Academy, a Christian education school ("the School"), from the Peoples Ministries Inc. ("PMI"). PCA offers education at both the elementary and high school level with special emphasis in the teachings of the Christian faith. PCA is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met.

To ensure a smooth transition of the School's operations, PMI will transfer certain surplus and assets to PCA as well as to provide certain facilities and services to PCA on a transitional basis until PCA moves to its new premise in Markham, Ontario (see note 6). The transfer of the various assets from PMI to PCA is currently under discussion between the two parties and is expected to be completed by December 31, 2009.

As part of the overall negotiation, the parties agreed, in a Memorandum of Understanding dated October 6, 2009, that PMI intends to transfer the operating surplus of the School to PCA, subject to certain conditions being met. In particular, if PCA has obtained the required zoning and bylaw approvals from the Town of Markham, PMI will transfer the sum of \$618,700 to PCA, such amount being the total operating surplus of \$1,177,100 less deductions for certain expenses and holdbacks.

**1. Significant accounting policies**

(a) Basis of presentation

These financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in fund balances. Actual results could differ from those estimates.



PEOPLES CHRISTIAN ACADEMY (PCA) INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

1. Significant accounting policies (cont'd)

(b) Revenue recognition

The Corporation follows the deferral method of accounting for contributions.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on a declining balance basis, at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue when received or receivable.

Endowment contributions are recognized as direct increases in net assets.

Tuition fees and other operating revenue are recognized as revenue when earned.

(c) Deferred designated contributions

Deferred designated contributions represent restricted contributions received that are related to subsequent periods.

(d) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments, which extend the estimated life of an asset, are capitalized.

Capital assets are amortized over their useful lives using the following rates annually and at half of these rates in the year of addition. When a capital asset no longer contributed to the Corporation's ability to provide services, its carrying amount is written down to its residual value.

Leasehold improvements	over term of lease
Computers	2 years straight line

(e) Employee future benefits

The Corporation provides retirement benefits for all of its full-time employees. The costs of pension benefits is recognized based on the contributions required to be made during the period.



PEOPLES CHRISTIAN ACADEMY (PCA) INC.

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

2. Capital assets

	<u>2009</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 47,001	\$ -	\$ 47,001
Computer equipment	16,848	4,212	12,636
	<u>\$ 63,849</u>	<u>\$ 4,212</u>	<u>\$ 59,637</u>

3. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of revenue and expense. None of the capital contributions has been spent as at the year-end.

	<u>2009</u>
Contributions received and ending balance	<u>\$ 23,493</u>

4. Deferred contribution - others

Deferred contribution - others represent unspent amount of donations received to provide support for teachers when need arises.

5. Employee future benefits

Employer contributions for employee future benefits were \$194,960.

6. Commitments

(a) New premise lease

PCA has signed a lease agreement to lease a new school premise in Markham, Ontario. The lease is conditional on the Corporation's ability to obtain the approval from the Town of Markham to re-zone the premise for private school and day care use.

If by July 31, 2009, the approval has not been obtained, the Corporation has the right to extend the conditional period up to and until April 30, 2010 subject to payment of the following sums:

to October 31, 2009	\$52,500, payable \$17,500 per month
to January 31, 2010	\$153,750, payable \$51,250 per month
to April 30, 2010	\$153,750, payable \$51,250 per month



**PEOPLES CHRISTIAN ACADEMY (PCA) INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2009**

**6. Commitments (cont'd)**

As at August 31, 2009, the necessary approval from the Town of Markham has not yet been obtained and the conditional period has been extended to October 31, 2009.

The new premise will require substantial renovation work and management has established a plan of action in order to secure the necessary financing for the project.

The lease will be for a term of 10 years, commencing after the conditions are fulfilled. The minimum lease payment will be \$405,000 per year for the first five years, and \$450,000 per year for the second five years.

Any time during the term of the lease, the Corporation has an option to purchase the premise. If the option is exercised within the first two years of the term the purchase price will be \$6 million. Thereafter the purchase price will be adjusted annually by the Consumer Price Index (CPI) as published by Statistics Canada for Ontario, except that during the 3rd to the 5th year the adjusting will be limited to the range between 3%-7%.

**(b) Premise License and Transitional Services Agreements**

Under these agreements, Peoples Ministry Inc. ("PMI") has agreed to let PCA operate the school at its premise and to provide the school with the necessary services until July 31, 2010. The fee is \$430,000 per year payable over 10 months. Additionally, PCA will reimburse PMI for the costs of certain third party charges.

**(c) Fundraising Agreement**

PCA has engaged the services of a fundraising consultancy to help raise fund for the school. The services will be provided from April 27, 2009 to Jan 15, 2010 at fees equal to 6% of the commitments obtained to a maximum fee of \$300,000. The minimum fee is \$90,000 of which \$50,000 has been paid as of August 31, 2009.

**7. Comparative figures**

Peoples Christian Academy ("the School") was operated as a unit of PMI before it was transferred to PCA on September 1, 2008. The School's 2008 accounts were included in the consolidated financial statements of PMI for the year ended August 31, 2008 which were audited by another public accounting firm.



**PEOPLES CHRISTIAN ACADEMY (PCA) INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2009**

**7. Comparative figures (cont'd)**

- (a) As supplementary information, the 2008 comparative revenue and expenses of the School are summarized as follows:

**Revenue:**

Tuition and testing fees	\$ 4,493,049
Short term missions	120,215
General	188,234
Field trips	114,933
Fundraising	54,448
Special events	35,872
Amortization of deferred capital contributions	<u>15,507</u>
	<u>5,022,258</u>

**Expenses:**

Salaries and benefits (includes severance)	4,919,040
Operations and supplies	149,688
Field trips	103,783
Bursaries	105,612
Short term missions	119,550
Amortization of capital assets	51,319
Book purchases	15,743
Fundraising	11,104
Training	11,574
Special events	51,874
Outside services	9,259
Maintenance and rearrangements	6,201
Promotion	9,566
Scholarships and yearbook	24,330
Guest fees	1,683
Travel and automotive	14
Bad debts	2,150
Relocation	<u>84,605</u>
	5,677,095
Expenses charged by other divisions of PMI	<u>624,774</u>
	<u>6,301,869</u>
Excess (deficiency) of revenue over expenses	<u>\$ (1,279,611)</u>



PEOPLES CHRISTIAN ACADEMY (PCA) INC.

NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2009

7. Comparative figures (cont'd)

- (b) Before September 1, 2008, PCA's activities were largely limited to some fundraising activities and the collection of prepaid tuition and other fees for the 2008-2009 school year. The Statement of Financial Position for PCA as of August 31, 2008 is summarized as follows:

	<u>August 31, 2008</u>
Assets	
Cash and term deposits	<u>\$ 1,201,017</u>
Liabilities	
Prepaid tuition and other fees	\$ 1,153,265
Net Assets	
Net change for the period	<u>47,752</u>
	<u>\$ 1,201,017</u>