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**AUDITED FINANCIAL STATEMENTS**

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**MOTHER TERESA MIDDLE SCHOOL INC.**

**August 31, 2014**

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Deloitte LLP  
2103 - 11th Avenue  
Mezzanine Level  
Bank of Montreal Building  
Regina, SK S4P 3Z8  
Canada

Tel: 306-565-5200  
Fax: 306-757-4753  
www.deloitte.ca

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
**Mother Teresa Middle School Inc.**

We have audited the accompanying financial statements of Mother Teresa Middle School Inc., which comprise the statement of financial position as at August 31, 2014, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Basis for Qualified Opinion**

In common with many not-for-profit organizations, Mother Teresa Middle School Inc. derives revenue from donations, 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 Mother Teresa Middle School Inc. and we were not able to determine whether any adjustments might be necessary to fundraising revenue, the excess of revenues over expenses, and cash flows from operations for the years ended August 31, 2014 and August 31, 2013, current assets as at August 31, 2014 and August 31, 2013, and net assets as at September 1 and August 31 for both the 2014 and 2013 years. Our audit opinion on the financial statements for the year ended August 31, 2014 was modified accordingly, because of the possible effects of this scope limitation.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Mother Teresa Middle School Inc. as at August 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Deloitte LLP*

Chartered Professional Accountants

November 18, 2014  
Regina, Saskatchewan

**Mother Teresa Middle School Inc.**

**STATEMENT OF FINANCIAL POSITION**

As at

	Operating	Bursary	August 31, 2014	August 31, 2013
	\$	\$	\$	\$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash		15,291	111,299	108,779
Accounts receivable	96,008	-	3,412	1,395
Government remittances receivable	3,412	-	3,049	11,542
Contributions receivable	3,049	-	7,250	42,500
Prepaid expenses	7,250	-	9,790	13,334
Marketable securities <i>[note 3]</i>	9,790	-	6,274	-
<b>Total Current Assets</b>	<b>125,783</b>	<b>15,291</b>	<b>141,074</b>	<b>177,550</b>
<b>Long-term Assets</b>				
Long-term investment <i>[note 4]</i>		117,230	117,230	48,908
Capital assets <i>[note 5]</i>	304,471	-	304,471	428,340
Intangible assets <i>[note 6]</i>	3,119	-	3,119	2,804
Asset under capital lease <i>[note 7]</i>	56,513	-	56,513	70,641
<b>Total Long-term Assets</b>	<b>364,103</b>	<b>117,230</b>	<b>481,333</b>	<b>550,693</b>
	<b>489,886</b>	<b>132,521</b>	<b>622,407</b>	<b>728,243</b>

See accompanying notes


Mother Teresa Middle School Inc.

STATEMENT OF FINANCIAL POSITION

As at	Operating	Bursary	August 31, 2014	August 31, 2013
	\$	\$	\$	\$
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable	160,066	-	160,066	265,878
Deferred revenue	133,986	-	133,986	118,500
Current portion of obligation under capital lease <i>[note 7]</i>	13,395	-	13,395	12,674
<b>Total Current Liabilities</b>	<b>307,447</b>	<b>-</b>	<b>307,447</b>	<b>397,052</b>
Deferred revenue - restricted	-	133,021	133,021	49,158
Obligation under capital lease <i>[note 7]</i>	57,485	-	57,485	70,881
<b>Total Long Term Liabilities</b>	<b>57,485</b>	<b>133,021</b>	<b>190,506</b>	<b>120,039</b>
<b>Total Liabilities</b>	<b>364,932</b>	<b>133,021</b>	<b>497,953</b>	<b>517,091</b>
<b>Net Assets</b>				
Net restricted assets	-	(500)	(500)	(250)
Unrestricted	124,954	-	124,954	211,402
<b>Total Net Assets</b>	<b>124,954</b>	<b>(500)</b>	<b>124,454</b>	<b>211,152</b>
	<b>489,886</b>	<b>132,521</b>	<b>622,407</b>	<b>728,243</b>

See accompanying notes

On behalf of the Board:

 Director

 Director

**Mother Teresa Middle School Inc.**

**STATEMENT OF OPERATIONS**

Year ended August 31

	Operating	Bursary	2014	Operating	Bursary	2013
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Donations	727,690	-	727,690	863,664	-	863,664
Dividend	95	-	95	-	-	-
Fundraising	74,470	-	74,470	84,829	-	84,829
Gain on sale of marketable securities	2,114	-	2,114	-	-	-
Grants	321,317	-	321,317	290,276	-	290,276
Miscellaneous	-	-	-	513	-	513
Sponsorship	157,700	-	157,700	5,000	-	5,000
Tuition	15,160	-	15,160	13,110	-	13,110
Unrealized gain on re-valuation of marketable securities	39	-	39	-	-	-
	<b>1,298,585</b>	-	<b>1,298,585</b>	<b>1,257,392</b>	-	<b>1,257,392</b>
<b>Expenses</b>						
Academics	607,782	-	607,782	499,611	-	499,611
Amortization	172,674	-	172,674	177,706	-	177,706
Computer expenses	9,783	-	9,783	34,633	-	34,633
Fundraising	26,424	-	26,424	17,951	-	17,951
General & administrative	456,348	250	456,598	308,520	250	308,770
Interest	4,583	-	4,583	7,701	-	7,701
Marketing & special events	12,490	-	12,490	5,453	-	5,453
Summer & after school programming	67,847	-	67,847	68,010	-	68,010
Vehicle maintenance & operating expenses	27,102	-	27,102	15,357	-	15,357
	<b>1,385,033</b>	<b>250</b>	<b>1,385,283</b>	<b>1,134,942</b>	<b>250</b>	<b>1,135,192</b>
<b>(Deficiency) excess of revenue over expenditures</b>	<b>(86,448)</b>	<b>(250)</b>	<b>(86,698)</b>	<b>122,450</b>	<b>(250)</b>	<b>122,200</b>

See accompanying notes

**Mother Teresa Middle School Inc.**

**STATEMENT OF CHANGES IN NET ASSETS**

Year ended August 31

	Operating	Bursary	2014	Operating	Bursary	2013
	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	211,402	(250)	211,152	88,952	-	88,952
(Deficiency) excess of revenue over expenditures	(86,448)	(250)	(86,698)	122,450	(250)	122,200
Net assets, end of year	124,954	(500)	124,454	211,402	(250)	211,152

See accompanying notes

**Mother Teresa Middle School Inc.**

**STATEMENT OF CASH FLOWS**

Year ended August 31

	2014	2013
<b>OPERATING ACTIVITIES</b>		
(Deficiency) excess of revenue over expenditures	\$ (86,698)	\$ 122,200
Adjustments to reconcile (deficiency) excess of revenue over expenditures to cash provided by operating activities:		
Amortization	172,674	177,706
Gain on sale of marketable securities	(2,114)	-
Donation revenue - donated shares	(25,201)	-
Unrealized gain on re-valuation of marketable securities	(39)	-
	58,622	299,906
Net change in non-cash balances related to operations:		
(Increase) decrease in accounts receivable	(2,017)	63
Decrease (increase) in government remittances receivable	8,493	(6,365)
Decrease (increase) in contributions receivable	35,250	(34,000)
Decrease (increase) in prepaid expenses	3,544	(13,334)
(Decrease) increase in accounts payable	(105,812)	61,163
Increase in deferred revenue	9,250	116,298
<b>Cash provided by operating activities</b>	<b>7,330</b>	<b>423,731</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of marketable securities	27,315	-
Purchase of long-term investment	(49,749)	(49,750)
Purchase of capital assets	(30,313)	(228,756)
Purchase of intangible assets	(4,679)	-
<b>Cash used in investing activities</b>	<b>(57,426)</b>	<b>(278,506)</b>
<b>FINANCING ACTIVITIES</b>		
Decrease in bank indebtedness	-	(74,454)
Receipt of restricted contributions	65,291	50,000
Cash paid on asset under capital lease	(12,675)	(11,992)
<b>Cash used in (provided by) financing activities</b>	<b>52,616</b>	<b>(36,446)</b>
<b>Net increase in cash during the year</b>	<b>2,520</b>	<b>108,779</b>
<b>Cash, beginning of year</b>	<b>108,779</b>	<b>-</b>
<b>Cash, end of year</b>	<b>\$ 111,299</b>	<b>\$ 108,779</b>



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**Mother Teresa Middle School Inc.**

**NOTES TO THE FINANCIAL STATEMENTS**

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August 31, 2014

**1. PURPOSE OF THE CHARITABLE ORGANIZATION**

Mother Teresa Middle School Inc. ("The Charity" or "MTMS") was incorporated on April 22, 2010 as a corporation without share capital under the Canada Corporations Act. Its objective is owning and operating an enhanced, holistic Saskatchewan approved, middle school that provides education for students of motivated, marginalized families of inner city Regina. The Charity is not subject to income taxes and is registered under the Income Tax Act.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of Presentation**

The Charity prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

**b) Use of Estimates**

The preparation of financial statements in conformity with ASNPO 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. Actual results could differ from these estimates. Items material to the financial statements that require the use of estimates include the useful life and amortization of capital and intangible assets. These estimates are reviewed periodically and adjustments are made, as appropriate, in the statement of operations in the year they become known.

**NOTES TO THE FINANCIAL STATEMENTS**

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August 31, 2014

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

**c) Capital Assets**

Capital assets are recorded at cost. They are also tested for impairment when circumstances require. When capital assets are sold or retired, the related cost and accumulated amortization are removed from the respective accounts and any gain or loss is recorded in the statement of revenue and expenses. Expenditures for repairs and maintenance are expensed as incurred.

Capital assets are amortized over their estimated useful lives using the following methods and rates:

<b>Category</b>	<b>Rates</b>	<b>Method</b>
Academic equipment	5 years	straight line
Audio visual equipment	5 years	straight line
Physical education equipment	5 years	straight line
Computer hardware	3 years	straight line
Vehicles	30%	declining balance
Leasehold improvements	6 years	straight line

**d) Intangible assets**

Intangible assets are accounted for at cost. Amortization is based on their estimated useful life using the following methods and rates:

<b>Category</b>	<b>Rates</b>	<b>Method</b>
Computer software	3 years	straight line

**e) Asset under capital lease**

The asset leased that effectively transfers substantially all of the risks and rewards of ownership to the Charity as lessee is capitalized at the present value of the minimum lease payments under the lease with a corresponding liability for the related lease obligation. Charges to expenses are made for amortization of the asset and interest on the lease obligation.

The asset under capital lease is amortized over its estimated useful life of 7 years.

**NOTES TO THE FINANCIAL STATEMENTS**

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August 31, 2014

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

**f) Impairment of long-lived assets**

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows from their expected use and eventual disposition. The amount of the impairment loss is determined as the excess of carrying value of the asset over its fair value.

**g) Financial Instruments**

Financial assets and financial liabilities are initially recognized at fair value. Subsequently all financial instruments are measured at amortized cost, except for the long-term investment and marketable securities, which is recorded at fair value. Changes in fair value are recognized in deferred revenue until the related expenses are incurred.

**h) Revenue recognition**

The Charity follows the deferral method of accounting for contributions. Contributions are made up of donations, grants and sponsorship revenue. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets in the year.

The Charity benefits from contributed materials, supplies and professional services, as well as from services in the form of volunteer time. The value of these materials and services is not recorded in these financial statements.

Fundraising revenue is recognized when it is received or receivable if the amount can be reasonable estimated and collection is reasonable assured.

Tuition revenue is recognized as revenue as educational services are provided.

Interest revenue is recognized as revenue when earned.

**i) Allocation of expenses**

The Charity records its salaries expense by function: Academics, Fundraising, General & administrative, Marketing & special events, Summer & after school programming and Vehicle maintenance & operating expenses.

Mother Teresa Middle School Inc.

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2014

3. MARKETABLE SECURITIES

	August 31 2014		August 31 2013	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Equities	6,236	6,274	-	-

4. LONG-TERM INVESTMENT

	August 31 2014		August 31 2013	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Equity investment	105,265	117,230	51,986	48,908

5. CAPITAL ASSETS

	August 31 2014		August 31 2013	
	Cost \$	Accumulated amortization \$	Net book Value \$	Net book Value \$
Academic equipment	90,833	58,370	32,463	48,158
Audio visual equipment	33,945	14,808	19,137	18,951
Physical education equipment	14,716	8,145	6,571	8,405
Computer hardware	85,161	67,747	17,414	26,487
Vehicles	80,052	40,826	39,226	56,036
Leasehold improvements	442,126	252,466	189,660	270,303
	746,833	442,362	304,471	428,340

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**Mother Teresa Middle School Inc.**

**NOTES TO THE FINANCIAL STATEMENTS**

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August 31, 2014

**6. INTANGIBLE ASSETS**

	August 31 2014		August 31 2013	
	Cost	Accumulated amortization	Net book Value	Net book Value
	\$	\$	\$	\$
Intangible assets	18,825	15,706	3,119	2,804

**7. ASSET UNDER CAPITAL LEASE**

	August 31 2014		August 31 2013	
	Cost	Accumulated amortization	Net book Value	Net book Value
	\$	\$	\$	\$
Bus	98,897	42,384	56,513	70,641

The following is a schedule of future minimum annual lease payments under the capital lease expiring June 21, 2019 together with the balance of the obligation under capital lease. The effective interest rate on the obligation under capital lease is 5.547%, and the obligation is secured by the asset under capital lease.

2015	16,990
2016	16,990
2017	16,990
2018	16,990
2019	12,843
Total minimum lease payments	80,803
Less interest included in lease payments	9,923
Obligations under capital lease	70,880
Less current portion	13,395
	\$ 57,485

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**Mother Teresa Middle School Inc.**

**NOTES TO THE FINANCIAL STATEMENTS**

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August 31, 2014

**8. BANK INDEBTEDNESS**

The Charity has a line of credit with an authorized limit of \$1,500,000. Collateral for the line of credit is a general security agreement covering all assets of the Charity. The line of credit bears interest at prime plus 1.00%. As at August 31, 2014, the Bank's prime interest rate is 3.00%. As of August 31, 2014 there is no bank indebtedness balance on the facility.

**9. DEFERRED REVENUE - RESTRICTED**

The Charity's restricted donation is outlined below:

	August 31, 2014	August 31, 2013
	\$	\$
Donation from MacPherson Leslie Tyerman LLP	100,000	50,000
Donation from others	15,291	-
Investment income	5,766	2,236
Unrealized gain (loss) on long-term investment	11,964	(3,078)
	<u>133,021</u>	<u>49,158</u>

MacPherson Leslie Tyerman LLP ("MLT") has committed the sum of \$250,000 (payable in five yearly installments of \$50,000 beginning in calendar year 2012) to be used to establish bursaries to enable students who graduate from MTMS to attend or continue to attend high school and pursue post-secondary education. Additional donations specified for deposit to the bursary may be received when accompanied by specific direction.

The capital of the restricted donation is to be held in trust for the application of the income earned to be used to fund such bursaries. No portion of the capital can be used without the consent of MLT. Investment income and losses are recognized under Bursary.

**NOTES TO THE FINANCIAL STATEMENTS**

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August 31, 2014

**10. FINANCIAL RISK MANAGEMENT POLICY**

The Charity is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at the reporting date.

a) Credit risk

The Charity determines, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value.

b) Interest rate risk

The Charity is exposed to interest rate risk arising from fluctuations in interest rates and the degree of volatility in these rates. The Charity does not use derivative instruments to reduce the exposure to risk.

c) Market risk

Market risk arises as a result of trading in an equity security. The value of equity security changes with stock market conditions, which are affected by general economic and market conditions. The value of security will vary with developments within the specific companies or governments which issue the securities. Fluctuations in the market expose the Charity to a risk of loss.

It is management's opinion that the Charity is not exposed to significant currency risk arising from financial instruments.

d) Liquidity risk

The charity's objective is to have sufficient liquidity to meet its liabilities when due. The Charity monitors its cash balances and cash flows generated from operations to meet its requirements.

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**Mother Teresa Middle School Inc.**

**NOTES TO THE FINANCIAL STATEMENTS**

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August 31, 2014

**11. ALLOCATION OF COSTS BY FUNCTION**

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	Cost of personnel	
	August 31 2014	August 31 2013
	\$	\$
Academics	528,799	379,346
General & administration	268,885	146,304
Summer & after school programming	45,318	47,058
Total	843,002	572,708

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