



Financial Statements
December 31, 2016

Independent Auditors' Report

To the Board of Governors
EducationMatters, Calgary's Public Education Trust

We have audited the accompanying financial statements of EducationMatters, Calgary's Public Education Trust, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in fund balances 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.

Auditors' 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 auditors' 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of EducationMatters, Calgary's Public Education Trust as at December 31, 2016, 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.

Collins Barrow Calgary LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada
April 12, 2017

EducationMatters, Calgary's Public Education Trust
Statement of Financial Position
December 31, 2016

	2016	2015
Assets		
Current assets		
Cash and cash equivalents (notes 3 and 7)	\$ 1,589,768	\$ 2,281,640
Goods and Services Tax recoverable	<u>-</u>	<u>655</u>
	1,589,768	2,282,295
Investments (notes 4 and 7)	5,059,520	4,534,126
Property and equipment (note 5)	<u>29,053</u>	<u>31,632</u>
	<u>\$ 6,678,341</u>	<u>\$ 6,848,053</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 35,896	\$ 27,846
Deferred operating contributions (note 6)	<u>441,000</u>	<u>440,000</u>
	<u>476,896</u>	<u>467,846</u>
Funds		
Operating funds (including investment in capital assets)	728,963	774,197
Flow-through funds	638,999	941,345
Endowment funds (note 7)	<u>4,833,483</u>	<u>4,664,665</u>
	<u>6,201,445</u>	<u>6,380,207</u>
	<u>\$ 6,678,341</u>	<u>\$ 6,848,053</u>

Commitments (note 8)

See accompanying notes to the financial statements

On behalf of the Board,


 _____, Governor


 _____, Governor

EducationMatters, Calgary's Public Education Trust
Statement of Operations
Year Ended December 31, 2016

	2016				2015
	Operating Funds	Flow- Through Funds	Endowment Funds	Total	
Revenue					
Contributions	\$ 660,000	\$ 1,461,915	\$ 200,398	\$ 2,322,313	\$ 1,916,563
Interfund fees	92,690	(25,364)	(67,326)	-	-
Gains on investments	20,213	-	90,216	110,429	303,904
Interest and dividend revenue	<u>15,025</u>	<u>-</u>	<u>96,570</u>	<u>111,595</u>	<u>172,728</u>
	<u>787,928</u>	<u>1,436,551</u>	<u>319,858</u>	<u>2,544,337</u>	<u>2,393,195</u>
Expenditures					
Grants (notes 6 and 10)	-	1,848,808	151,630	2,000,438	806,359
Salaries and benefits (note 10)	504,448	-	-	504,448	490,862
Communications (note 10)	2,037	-	-	2,037	1,556
Fund development (note 10)	13,760	-	-	13,760	16,673
Office	37,706	-	-	37,706	39,964
Investment fees	39,902	-	-	39,902	36,881
Professional fees	26,597	89	96	26,782	25,954
Special events	3,090	-	-	3,090	30,383
Computer applications and support	46,842	-	-	46,842	43,264
Rent	38,993	-	-	38,993	38,993
Amortization (note 10)	<u>9,101</u>	<u>-</u>	<u>-</u>	<u>9,101</u>	<u>8,038</u>
	<u>722,476</u>	<u>1,848,897</u>	<u>151,726</u>	<u>2,723,099</u>	<u>1,538,927</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 65,452</u>	<u>\$ (412,346)</u>	<u>\$ 168,132</u>	<u>\$ (178,762)</u>	<u>\$ 854,268</u>

See accompanying notes to the financial statements

EducationMatters, Calgary's Public Education Trust
Statement of Changes in Fund Balances
Year Ended December 31, 2016

	Operating Funds	Flow- Through Funds	Endowment Funds	Total
Fund balances, December 31, 2014	\$ 707,463	\$ 725,289	\$ 4,093,187	\$ 5,525,939
Excess of revenue over expenditures	66,163	219,464	568,641	854,268
Interfund transfers	<u>571</u>	<u>(3,408)</u>	<u>2,837</u>	<u>-</u>
Fund balances, December 31, 2015	774,197	941,345	4,664,665	6,380,207
Excess (deficiency) of revenue over expenditures	65,452	(412,346)	168,132	(178,762)
Interfund transfers	<u>(110,686)</u>	<u>110,000</u>	<u>686</u>	<u>-</u>
Fund balances, December 31, 2016	<u>\$ 728,963</u>	<u>\$ 638,999</u>	<u>\$ 4,833,483</u>	<u>\$ 6,201,445</u>

See accompanying notes to the financial statements

EducationMatters, Calgary's Public Education Trust
Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenue over expenditures	\$ (178,762)	\$ 854,268
Add (deduct) items not affecting cash		
Amortization	9,101	8,038
Unrealized gain on investments	<u>(81,286)</u>	<u>(279,330)</u>
	<u>(250,947)</u>	<u>582,976</u>
Changes in non-cash working capital		
Goods and Services Tax recoverable	655	746
Prepaid expenses	-	4,400
Accounts payable and accrued liabilities	8,050	2,509
Deferred operating contributions	<u>1,000</u>	<u>-</u>
	<u>9,705</u>	<u>7,655</u>
Cash provided by (used in) operating activities	<u>(241,242)</u>	<u>590,631</u>
Investing activities		
Purchase of equipment	(6,522)	(7,182)
Purchase of investments	(567,641)	(359,194)
Disposal of investments	<u>123,533</u>	<u>102,430</u>
Cash used in investing activities	<u>(450,630)</u>	<u>(263,946)</u>
Cash inflow (outflow)	(691,872)	326,685
Cash and cash equivalents, beginning of year	<u>2,281,640</u>	<u>1,954,955</u>
Cash and cash equivalents, end of year	<u>\$ 1,589,768</u>	<u>\$ 2,281,640</u>
Cash and cash equivalents is comprised of:		
Cash	\$ 199,567	\$ 158,314
Treasury bills (note 3)	<u>1,390,201</u>	<u>2,123,326</u>
	<u>\$ 1,589,768</u>	<u>\$ 2,281,640</u>

See accompanying notes to the financial statements

EducationMatters, Calgary's Public Education Trust

Notes to Financial Statements

December 31, 2016

1. Nature of Trust

EducationMatters, Calgary's Public Education Trust, (the "Trust") was formed by way of a trust indenture on January 20, 2003. The Trust is a registered charity and a public trust under the *Income Tax Act* (Canada) and, accordingly, is exempt from income taxes and can issue donation receipts for income tax purposes. The Trust's mandate is to promote citizen engagement with and inspire passion for public education and to mobilize resources for programs that enhance public education.

The Board of Trustees of the Calgary Board of Education (the "CBE Board") appoints all Trust governors. At least two, but not more than 50%, of the Trust governors must be members of the CBE Board.

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue

The Trust receives contributions in the form of donations to specified funds, operating grants and event funding.

The Trust recognizes contributions when the amounts can be reasonably estimated and collection is assured.

The Trust follows the deferral method of accounting for restricted contributions related to general operations of the Trust. These contributions are recognized as revenue in the operating fund in the period in which the related expenses are incurred.

The Trust recognizes interest, dividends and fee revenue when the amounts are earned.

(b) Trust funds

The Trust holds operating, flow-through and endowment funds. The Trust follows the deferral accounting method for the operating fund and the restricted fund accounting method for the flow-through and endowment funds.

The Trust restricts endowment fund grants in any fiscal period to a maximum of 4.5% of the market value of the endowment at the end of the prior fiscal year.

EducationMatters, Calgary's Public Education Trust
Notes to Financial Statements
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Operating funds

Operating fund contributions received that relate to a subsequent period are shown as deferred operating contributions on the statement of financial position.

Flow-through funds

Flow-through funds are spent during the year in which they are received or the year following to support a wide range of programs and projects.

Endowment funds

Endowment funds are created by donors to provide long-term support for discretionary spending, general fields of interest or designated specific programs or projects.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term investments with a maturity date of three months or less.

(d) Investments

Investments include pooled investment funds that consist of mutual funds and are measured at fair value.

(e) Property and equipment

The Trust capitalizes administrative assets, consisting of computer equipment and office equipment, at cost and amortizes them over their estimated useful lives of five years on a straight-line basis.

Property and equipment is evaluated for impairment when events or circumstances indicate its carrying value may not be recoverable. Any impairment is measured by comparing the carrying value of the assets to the fair value, based on the present value of future cash flows expected to be generated from the assets.

(f) Measurement uncertainty

The valuation of property and equipment is based on management's best estimates of the future recoverability of these assets and the determination of costs subject to classification as property and equipment. The amounts recorded for amortization of the property and equipment are based on management's best estimates of the remaining useful lives and period of future benefit of the related assets.

The valuation of accrued liabilities is based on management's best estimates of expenses incurred during the year that will be payable in future periods.

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Notes to Financial Statements

December 31, 2016

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(g) Financial instruments

The Trust initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions that are measured at the exchange amount.

The Trust subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in pooled investment funds that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenditures.

Financial assets measured at amortized cost include cash and cash equivalents. The Trust's financial assets measured at fair value include the pooled investment funds.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at cost or amortized cost are tested for impairment, at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in excess of revenue over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in excess of revenue over expenditures.

The Trust recognizes its transaction costs in excess of revenue over expenditures in the period incurred for its equity investments and for all other financial assets and liabilities that are subsequently measured at fair value. Financial instruments that are subsequently measured at cost or amortized cost are adjusted by the transaction costs and financing fees that are directly attributable to their origination, issuance or assumption.

(h) Expenditures

Administrative expenses are charged to endowment funds in accordance with donor agreements. Interest income earned on flow-through funds is allocated to the operating fund in lieu of an administration fee. Expenses incurred for a specific fund are charged to that fund.

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(i) Donated services

Donated services are not recognized in the financial statements as there is no objective basis available to measure the value of such services.

3. Cash and cash equivalents

Cash and cash equivalents include short-term investments of \$1,390,201 (2015 - \$2,123,326) consisting entirely of investments in Canadian treasury bills with maturity dates of 90 days or less. Short-term investments yield an average interest rate of 0.44% (2015 - 0.63%).

4. Investments

	2016	2015
Pooled Funds - Endowment Fund	\$ 4,683,178	\$ 4,534,126
Pooled Funds - Operating Fund	<u>376,342</u>	<u>-</u>
	<u>\$ 5,059,520</u>	<u>\$ 4,534,126</u>

Investments are comprised of \$5,059,520 (2015 - \$4,534,126) in pooled investment funds measured at fair value. The Trust's policy is to liquidate gifted shares on the same day as they are received. There were no gifted shares held at December 31, 2016 or 2015.

In February 2016, the Board of Governors approved the transfer of \$350,000 or approximately half of the surplus from the operating fund into a pooled investment fund in order to generate a higher return than holding this balance in short-term investments. The investment fund has no restrictions on the use of these funds and the investment fund can be liquidated by the Trust and used for general operating expenditures at any time. This investment fund is monitored by management on an ongoing basis and quarterly by the Finance and Audit Committee and the Board of Governors to assess its performance.

5. Property and equipment

			Net Book Value	
	Cost	Accumulated Amortization	2016	2015
Computer equipment	\$ 144,873	\$ 117,940	\$ 26,933	\$ 30,562
Office equipment	<u>25,850</u>	<u>23,730</u>	<u>2,120</u>	<u>1,070</u>
	<u>\$ 170,723</u>	<u>\$ 141,670</u>	<u>\$ 29,053</u>	<u>\$ 31,632</u>

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6. Related party transactions

The Trust is economically dependent on contributions from the Calgary Board of Education ("CBE") and is committed to provide services to CBE in fund development, grants and student awards. During the year, the Trust received \$660,000 (2015 - \$660,000) from the CBE. \$440,000 of the contributions received was deferred to 2017 in accordance with spending of the funds over a twelve-month period and is included in deferred operating contributions on the statement of financial position. The Trust rented office space and purchased services of \$38,993 (2015 - \$38,993) and \$7,678 (2015 - \$6,442), respectively, from the CBE. These transactions were recorded at the amounts established and agreed to by the parties.

Grants awarded to CBE schools by the Trust are distributed to recipients by way of the CBE. In 2016, this amount was \$1,516,879 (2015 - \$360,320).

7. Endowment funds

Endowment funds are invested to provide long-term support, and are comprised of the following:

	2016	2015
Cash	\$ 150,305	\$ 130,539
Investments	<u>4,683,178</u>	<u>4,534,126</u>
	<u>\$ 4,833,483</u>	<u>\$ 4,664,665</u>

8. Commitments

The Trust's office lease with the CBE was renewed in August 2016 for an additional one-year term to August 31, 2017 and requires monthly rental payments of \$3,249.

9. Financial instruments

The Trust is exposed to the following significant financial risks:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The financial instruments that potentially subject the Trust to significant concentration of credit risk consist primarily of cash and cash equivalents and investments. The Trust mitigates its exposure to credit loss by placing its cash and cash equivalents and investments with major financial institutions.

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(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust's investments in pooled investment funds expose the company to price risks as equity investments are subject to price changes in the open market.

10. Additional information on fund development

(a) Expenses incurred to raise funds

	2016	2015
Fundraising event	\$ -	\$ 30,383
Fund development expenses	13,760	16,673
Fund development salaries and benefits	<u>136,121</u>	<u>133,835</u>
	<u>\$ 149,881</u>	<u>\$ 180,891</u>

(b) Funds raised during 2016 were \$1,662,313 (2015 - \$1,236,891).

(c) Summary of disbursements

	2016	2015
Grants	\$ 1,565,529	\$ 402,357
Scholarships	<u>434,909</u>	<u>404,002</u>
	<u>\$ 2,000,438</u>	<u>\$ 806,359</u>

In 2016 there were three disbursements of contributions greater than 10% of the gross contributions received in 2016. The following projects were supported:

- (1) Calgary Board of Education Exploratory or Dual Credit programs engage in learning experiences that can: earn students credits in high school and post-secondary education institutions simultaneously; allow students to discover and explore career pathways, which can help them plan for successful transitions to post-secondary and/or the workforce; provide workplace certification/accreditation or; offer preferred placement at post-secondary institutions (\$405,311 in 2016).
- (2) Library to Learning Commons projects transform school libraries in Calgary Board of Education Schools into modern, welcoming Learning Commons (\$198,132 in 2016).

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(3) Maker Education is a way of introducing engineering to young learners. Such concrete experiences provide a meaningful context for understanding abstract science and math concepts traditionally taught by schools while expanding the world of knowledge now accessible to students for the first time. Also included in the funding was a small portion for teacher professional development regarding Maker Education in classrooms (\$170,200 in 2016).

In 2015 there were no disbursements greater than 10% of the funds raised.

(d) Allocation of total expenditures and disbursements

Total expenditures and disbursements after allocation of salaries and benefits to the cost centres consist of the following:

	2016	2015
Grant disbursements	\$ 2,000,438	\$ 806,359
Communication expenses	2,037	1,556
Fund development expenses, excluding events	149,881	150,508
Events	-	30,383
Program expenses	561,642	542,083
Amortization expense	<u>9,101</u>	<u>8,038</u>
	<u>\$ 2,723,099</u>	<u>\$ 1,538,927</u>

Salary and benefit costs are incurred to operate the Trust and its programs in a cost-effective manner while maximizing all opportunities to further the Trust's mission. The Trust allocates salary and benefits based on the actual time spent in each cost centre by each staff person.