



Financial Statements

December 31, 2012 and 2011

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 statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits 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 in our audits 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, the Trust 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 the Trust and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and funds.

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 EducationMatters, Calgary's Public Education Trust as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations, changes in fund balances and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow Calgary LLP

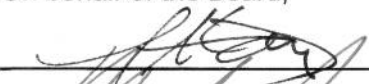
CHARTERED ACCOUNTANTS

Calgary, Canada
March 21, 2013

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

	December 31, 2012	December 31, 2011	January 1, 2011
Assets			
Current assets			
Cash and cash equivalents (notes 3 and 6)	\$ 1,895,793	\$ 1,711,156	\$ 1,836,289
Accounts receivable	-	1,588	88
Goods and services tax recoverable	1,632	1,660	3,551
Prepaid expenses	<u>5,000</u>	<u>-</u>	<u>700</u>
	1,902,425	1,714,404	1,840,628
Investments (notes 4 and 6)	2,103,142	1,704,367	1,497,343
Property and equipment (note 5)	<u>6,308</u>	<u>5,959</u>	<u>10,401</u>
	<u>\$ 4,011,875</u>	<u>\$ 3,424,730</u>	<u>\$ 3,348,372</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 86,539	\$ 38,480	\$ 14,745
Deferred operating contributions (note 7)	<u>125,000</u>	<u>125,000</u>	<u>500,000</u>
	<u>211,539</u>	<u>163,480</u>	<u>514,745</u>
Funds			
Operating funds (including investment in capital assets)	532,149	448,226	589,717
Flow-through funds	934,683	698,310	573,886
Endowment funds (note 6)	<u>2,333,504</u>	<u>2,114,714</u>	<u>1,670,024</u>
	<u>3,800,336</u>	<u>3,261,250</u>	<u>2,833,627</u>
	<u>\$ 4,011,875</u>	<u>\$ 3,424,730</u>	<u>\$ 3,348,372</u>
Subsequent event (note 7)			
Commitments (note 8)			

On behalf of the Board,

 _____, Governor
 _____, Governor

EducationMatters, Calgary's Public Education Trust
Statement of Operations
Years Ended December 31, 2012 and 2011

	2012				2011
	Operating Funds	Flow- Through Funds	Endowment Funds	Total	
Revenue					
Contributions (note 7)	\$ 876,975	\$ 1,779,060	\$ 122,520	\$ 2,778,555	\$ 2,037,019
Gains (losses) on investments	(553)	-	148,016	147,463	20,340
Interest, dividends and fee revenue	<u>47,520</u>	<u>-</u>	<u>65,582</u>	<u>113,102</u>	<u>107,843</u>
	<u>923,942</u>	<u>1,779,060</u>	<u>336,118</u>	<u>3,039,120</u>	<u>2,165,202</u>
Expenditures					
Grants (notes 7 and 10)	-	1,606,286	92,129	1,698,415	811,616
Salaries and benefits (note 10)	526,596	-	-	526,596	602,047
Communications	12,045	-	-	12,045	78,979
Fund expenses	-	-	30,716	30,716	24,339
Fund development (note 10)	16,771	-	-	16,771	11,359
Office	45,541	-	-	45,541	50,325
Professional fees	52,424	-	-	52,424	66,762
Special events (note 10)	33,658	-	-	33,658	28,546
Computer applications & support	32,156	-	-	32,156	33,011
Rent	48,496	-	-	48,496	26,153
Amortization (note 10)	<u>3,216</u>	<u>-</u>	<u>-</u>	<u>3,216</u>	<u>4,442</u>
	<u>770,903</u>	<u>1,606,286</u>	<u>122,845</u>	<u>2,500,034</u>	<u>1,737,579</u>
Excess of revenue over expenditures	<u>\$ 153,039</u>	<u>\$ 172,774</u>	<u>\$ 213,273</u>	<u>\$ 539,086</u>	<u>\$ 427,623</u>

EducationMatters, Calgary's Public Education Trust
Statement of Changes in Fund Balances
Years Ended December 31, 2012 and 2011

	Operating Funds	Flow- Through Funds	Endowment Funds	Total
Fund balances, January 1, 2011	\$ 589,717	\$ 573,886	\$ 1,670,024	\$ 2,833,627
Excess (deficiency) of revenue over expenditures	(39,958)	80,891	386,690	427,623
Interfund transfers	<u>(101,533)</u>	<u>43,533</u>	<u>58,000</u>	<u>-</u>
Fund balances, December 31, 2011	448,226	698,310	2,114,714	3,261,250
Excess of revenue over expenditures	153,039	172,774	213,273	539,086
Interfund transfers	<u>(69,116)</u>	<u>63,599</u>	<u>5,517</u>	<u>-</u>
Fund balances, December 31, 2012	<u>\$ 532,149</u>	<u>\$ 934,683</u>	<u>\$ 2,333,504</u>	<u>\$ 3,800,336</u>

EducationMatters, Calgary's Public Education Trust
Statement of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating activities		
Excess of revenue over expenditures	\$ 539,086	\$ 427,623
Add (deduct) items not affecting cash		
Amortization	3,216	4,442
Unrealized gain on investments	<u>(119,571)</u>	<u>(20,340)</u>
	<u>422,731</u>	<u>411,725</u>
Changes in non-cash working capital		
Accounts receivable and goods and services tax recoverable	1,616	391
Prepaid expenses	(5,000)	700
Accounts payable and accrued liabilities	48,059	23,735
Deferred operating contribution	<u>-</u>	<u>(375,000)</u>
	<u>44,675</u>	<u>(350,174)</u>
	<u>467,406</u>	<u>61,551</u>
Investing activities		
Purchase of equipment	(3,565)	-
Purchase of investments	(398,775)	(207,024)
Proceeds on sale of investments	<u>119,571</u>	<u>20,340</u>
	<u>(282,769)</u>	<u>(186,684)</u>
Cash inflow (outflow)	184,637	(125,133)
Cash and cash equivalents, beginning of year	<u>1,711,156</u>	<u>1,836,289</u>
Cash and cash equivalents, end of year	<u>\$ 1,895,793</u>	<u>\$ 1,711,156</u>
Cash and cash equivalents is comprised of:		
Cash	\$ 161,727	\$ 240,700
Term deposits (note 3)	<u>1,734,066</u>	<u>1,470,456</u>
	<u>\$ 1,895,793</u>	<u>\$ 1,711,156</u>

EducationMatters, Calgary's Public Education Trust

Notes to Financial Statements

December 31, 2012 and 2011

1. Nature of Trust

EducationMatters, Calgary's Public Education Trust, (the "Trust") was formed by way of 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 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.

Operating funds

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

EducationMatters, Calgary's Public Education Trust
Notes to Financial Statements
December 31, 2012 and 2011

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 temporary 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 at least annually for impairment or when circumstances indicate impairment may have occurred. 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.

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.

EducationMatters, Calgary's Public Education Trust
Notes to Financial Statements
December 31, 2012 and 2011

(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 net income.

Financial assets measured at amortized cost include cash and cash equivalents, and accounts receivable. 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 net income. 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 net income.

The Trust recognizes its transaction costs in net income in the period incurred for its equity investments and all other financial assets and liabilities 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.

(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.

EducationMatters, Calgary's Public Education Trust
Notes to Financial Statements
December 31, 2012 and 2011

3. Cash and cash equivalents

Cash and cash equivalents include short-term investments of \$1,734,066 (December 31, 2011 - \$1,470,456; January 1, 2011 - \$1,787,114) 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 0.98% (2011 - 0.92%).

4. Investments

Investments include pooled investment funds that have a market-based unit value. Investments comprise \$2,103,142 (December 31, 2011 - \$1,704,367; January 1, 2011 - \$1,497,343) 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 shares held at December 31, 2012 and 2011.

5. Property and equipment

	Cost	Accumulated Amortization	Net Book Value	
			December 31, 2012	December 31, 2011
Computer equipment	\$ 14,300	\$ 11,201	\$ 3,099	\$ 5,959
Office equipment	<u>3,566</u>	<u>357</u>	<u>3,209</u>	<u>-</u>
	<u>\$ 17,866</u>	<u>\$ 11,558</u>	<u>\$ 6,308</u>	<u>\$ 5,959</u>

	Cost	Accumulated Amortization	Net Book Value	
			December 31, 2011	January 1, 2011
Computer equipment	\$ 14,300	\$ 8,341	\$ 5,959	\$ 8,818
Office equipment	<u>20,250</u>	<u>20,250</u>	<u>-</u>	<u>1,583</u>
	<u>\$ 34,550</u>	<u>\$ 28,591</u>	<u>\$ 5,959</u>	<u>\$ 10,401</u>

6. Endowment Funds

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

	December 31, 2012	December 31, 2011	January 1, 2011
Cash and cash equivalents	\$ 219,328	\$ 410,347	\$ 172,681
Investments	<u>2,103,142</u>	<u>1,704,367</u>	<u>1,497,343</u>
	<u>\$ 2,322,470</u>	<u>\$ 2,114,714</u>	<u>\$ 1,670,024</u>

EducationMatters, Calgary's Public Education Trust

Notes to Financial Statements

December 31, 2012 and 2011

7. Transactions with the Calgary Board of Education

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 CBE contributed \$750,000 (2011 - \$375,000) to the Trust. The annual contribution was paid in two instalments. The Trust received \$375,000 in February 2012, with the next payment of \$375,000 received in October 2012. \$125,000 of the contributions received was deferred to 2013, in accordance with spending of the funds over a six-month period and this amount is included in deferred operating contributions on the statement of financial position. Subsequent to the year-end, the Trust received an additional \$375,000 contribution relating to the 2013 fiscal year. The Trust rented office space and purchased services costing \$48,496 (2011 - \$26,153) and \$6,424 (2011 - \$7,241), 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 2012, this amount was \$1,413,167 (2011 - \$659,058), of which \$69,612 (2011 - \$23,750) is included in accounts payable and accrued liabilities.

8. Commitments

The Trust's office lease with the CBE was renewed in October 2012 for an additional one-year term to August 31, 2013 and requires monthly rental payments of \$3,675.

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 instrument that potentially subjects the Trust to significant concentration of credit risk consists primarily of cash and cash equivalents. The Trust mitigates its exposure to credit loss by placing its cash and cash equivalents with major financial institutions.

(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.

EducationMatters, Calgary's Public Education Trust
Notes to Financial Statements
December 31, 2012 and 2011

10. Additional information on fund development

(a) Expenses incurred to raise funds

	2012	2011
Fundraising event	\$ 33,658	\$ 30,895
Fund development expenses	16,771	11,359
Fund development salaries and benefits	<u>138,399</u>	<u>100,883</u>
	<u>\$ 188,828</u>	<u>\$ 143,137</u>

(b) Funds raised during 2012 were \$1,970,696 (2011 - \$1,211,863).

(c) Summary of disbursements

	2012	2011
Grants	\$ 1,450,288	\$ 672,498
Scholarships	<u>248,127</u>	<u>139,118</u>
	<u>\$ 1,698,415</u>	<u>\$ 811,616</u>

There was one disbursement greater than 10% of the funds raised in 2012, to support the CBE Healthy Learning system-wide initiative and to further support each CBE school's personalized action plan and healthy learning goals which include healthy eating, active living and developing positive social environments (\$255,522 granted in 2012, \$153,249 granted in 2011).

In aggregate \$363,000 was granted for the Library to Learning Commons project in 2012. This project is transforming traditional libraries in schools by supporting students in their learning, writing, research, numeracy and use of technology.

EducationMatters, Calgary's Public Education Trust
Notes to Financial Statements
December 31, 2012 and 2011

(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:

	2012	2011
Grant disbursements	\$ 1,698,415	\$ 811,616
Communication expenses (1)	50,430	202,141
Fund development expenses, excluding events	155,170	112,242
Events	33,658	30,895
Program expenses	559,145	576,243
Amortization expense	<u>3,216</u>	<u>4,442</u>
	<u>\$ 2,500,034</u>	<u>\$ 1,737,579</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.

(1) In 2012, the Trust was able to stop outsourcing communications work and use the services of CBE Communications.

11. First-time adoption

The financial statements for the year ended December 31, 2012 are the first financial statements for which the entity has applied Canadian generally accepted accounting standards for not-for-profit organizations ("ASNPO") in Part III of the Canadian Institute of Chartered Accountants ("CICA") CICA Accounting Handbook. The financial statements were prepared in accordance with Section 1501, "*First-time adoption by not-for-profit organizations*" which requires full retrospective application of all ASNPO accounting policies as of the date of transition, which is the beginning of the earliest period for which the Trust presents full comparative information under ASNPO. Previously, the Trust prepared its financial statements in accordance with Canadian generally accepted accounting standards in Part V of the CICA Handbook ("previous GAAP"). The Trust did not elect to use any exemptions available for first-time adopters of ASNPO nor was the Trust prohibited from retrospective application of any standards. There are no significant differences in the accounting policies applied by the Trust under ASNPO and those applied under previous GAAP. As a result, the impact of the change in the accounting standard framework from previous GAAP to ASNPO is limited and there have been no adjustments to fund balances as of the date of transition.